

Location Enhancement Program

City of Austin, Texas

November 2022

Prepared for:



Prepared by:



Ricker|Cunningham

Denver, CO 80125

303.458.5800 ph

www.rickercunningham.com



Table of Contents

Acknowledgements

Section 1: Overview	1-1	Section 4: Existing Program and Policy Review	4-1
Introduction		Austin Economic Development Department	
Context		Principal Program and Policy Review	
Segregation – Displacement – Gentrification		Summary	
COVID 19 Crisis and a Programmatic Response		Section 5: Industry Trends and Market Assessment	5-1
Long-Term Affordable Real Estate		Introduction	
Affordability Crisis Before COVID 19 Pandemic		Industry Trends	
Urgency of Affordable Commercial Space Post-COVID		Austin Market Forecast	
LEP Program Intent		Market Assessment	
Section 2: Project Approach	2-1	Summary of Implications for LEP Program	
Introduction		Strategic Areas	
Overview (Section 1)		Section 6: Industry Perspectives	6-1
Program and Policy Considerations (Section 3)		Introduction	
Existing Program and Policy Review (Section 4)		Economic Development Department Outreach Initiatives	
Industry Trends and Market Assessment (Section 5)		Location Enhancement Program Outreach	
Stakeholder Perspectives (Section 6)		Section 7: Location Enhancement Program and Guidelines	7-1
Location Enhancement Program and Guidelines (Section 7)		Authorizing Legislation	
Recommendations (Section 8)		Community Benefits and Equity Targets	
Section 3: Program and Policy Considerations	3-1	Context for City Program Development	
Introduction		Programmatic Gaps	
Austin’s Economic Development Framework		Program Purpose	
State of Texas Authorized Programs		Location Enhancement Program Portfolio Structure	
Statewide Applications of State Authorized Programs		Project Types	
Summary		Affordability Guidelines	
		Program Guidelines	
		Minimum Guidelines	

Further Established Policy Directives
LEP Resources Available and Maximum City Contribution
Project Eligibility and City Participation
Development Project Examples
Request, Review, and Award Processes
Glossary of Terms

Section 8: Recommendations	8-1
Introduction	
Portfolio of Resources	
Gap Financing vs. Performance Awards	
Revised Economic Development Framework	
Policy and Regulatory Reform to Grow Cultural Infrastructure	
Community vs. Economic Development Initiatives	
City Roles and Responsibilities	
Funding and Administrative Partnerships	
Surplus Properties Protocols	

Appendices

Appendix i: Glossary of Terms
Appendix ii: City of Austin Historical Market Conditions
Appendix iii: State of Texas Incentive Programs
Appendix iv: Citywide Assessment | Strategic Area Profiles
Appendix v: Private Sector Input
Appendix vi: Miscellaneous Information

Note: Bolded terms are defined in **Appendix i** of this report.

Section 1: Overview

Introduction

The Austin City Council (the “City Council” and “Council”), with passage of [Ordinance No. 20180830-058](#)¹ charged the Economic Development Department (the “EDD” and “Department”) of the city with developing and executing a Location Enhancement Program (LEP), or real estate gap financing initiative to support target audiences including organizations and entities in the music, cultural arts (creative businesses), and food service industries, many of which are operated by underserved groups including small, minority-owned, and **legacy businesses**. It also repealed [Ordinance No. 20090312-005](#), which amended the city’s economic development policy related to economic development incentives for private large scale **mixed-use projects** with a retail component. [Resolution No. 20180830-056](#)², which proceeded the legislation authorizing management of the LEP, provided for administration of the Chapter 380 Incentive Policy and Economic Development Guiding Principles, or umbrella resource for existing economic development incentives and assistance programs.

Collectively, these City Council directives were essential for design of a program that addresses the intrinsic challenges underlying the delivery and maintenance of real estate accessible to underserved and at-risk groups, while also advancing elements of the Chapter 380

As per [Ordinance No. 20180830-058](#), the LEP should address the following:

1. 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 small, local, **heritage businesses, nonprofits, cooperatives**, and those in the **creative sector**.
2. 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.
3. 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 population.
4. Opportunities for developing partnerships with existing developments to alleviate improvement barriers to advance the quality, affordability, and uses of existing locations within the city of Austin and to preserve the business and **cultural community**.
5. 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.
6. Opportunities for alleviating and offsetting burdens of the city regulatory environment as it relates to business growth and development.

¹ Authorizing the city manager to develop the Locational Enhancement Program for economic development under Chapter 380 of the Texas Local Government Code.

² Allowing for adoption of the city’s Economic Development Guiding Principles, and Chapter 380 Policy.

Incentive Policy, and complementing its Business Expansion Program, the city’s two principal resources established to provide for creation of various economic development initiatives that stimulate business and commercial activity in the city.

Given the inimitable set of skills required to accomplish stated Council goals, city officials sought the assistance of independent specialists familiar with local circumstances and possessing an extensive track record of assisting communities with similar objectives. Ricker | Cunningham (RC), Market Economists and Community Strategists, was engaged during the fall of 2019, and together with city staff (the “Project Team”), conducted a series of investigations to ensure the LEP reflects market realities, is grounded in best practices, and representative of community values. Informed by more than 30 years of international, national, and regional experience, including numerous assignments throughout Central Texas, the Project Team engaged area financiers, business and property owners, organizational leaders, and other professionals actively investing in real estate development, redevelopment, and preservation related transactions in the city.

The LEP is intended to be the principal resource used to advance City Council’s pursuit of greater equity in development and access to commercial, institutional, event, and other types of physical space where the target groups can operate and perform. As explained in [Imagine Austin](#), the city’s principal comprehensive planning document, Council desires each level of the community be “livable, safe, and affordable; promote physical activity, community

Complete Communities (defined)

A community is “complete” when it provides access by foot, bike, transit and car to jobs, shopping, learning, open space, recreation, and other amenities and services ... in all parts of Austin -- north, south, east, west, or central -- nearby amenities will help residents in their pursuit of a desired quality-of-life ... and simultaneously preserve the community’s identity, culture, and sense of place. As explained in [Imagine Austin](#).” These communities will be for Austinites of all ages. They will provide environments that support children at every stage of their development, young adults beginning their professional lives, families, and seniors aging gracefully in the neighborhoods where they raised their families.”

Source: [Imagine Austin](#).

engagement, and inclusion; ensure amenities and services are easily accessible to all; and contribute to Austin’s unique spirit.” To this end, they have sought to establish an initiative that promotes the evolution of “complete communities (see text box) or places where every Austinite has choices at every stage of life that allow them to experience and contribute in meaningful ways.”

Context

Need for the LEP became apparent in the middle of the last decade and intensified during the spread of the **coronavirus (“COVID-19”)** when the number of business closures increased, and level of business debt from rent, taxes, and utilities threatened the economic viability of restaurants, small retailers, and other entities in the cultural and tourism sectors. While numerous efforts were employed

to fill voids in the city’s offerings left by the absence of a program that addressed the financial challenges of delivering, maintaining, and accessing **attainable space** by certain **underserved** and **at-risk groups**, including several initiatives administered by the city’s Economic Development Department, such as updating the city’s Chapter 380 Policy, technical assistance investigations, and recently, creation of emergency programs in response to threats posed by the spread of COVID-19, none have provided a sustained solution comprehensive enough to address challenges faced by the target groups associated with accessing and maintaining space that is affordable despite fluctuations in market conditions. An overview of these efforts is presented below.

Music and Creative Ecosystem Omnibus Initiative

In response to an increasing number of challenges associated with securing and maintaining space for artists and musicians, City Council passed [Resolution No. 20160303-019](#)³ instructing development of a “plan of action to address affordability and industry development in the creative sectors.” In support of this directive, city staff developed a set of 73 recommendations, all of which were documented in the [Music and Creative Ecosystem Stabilization Recommendations](#) report, released in June 2016.

³ Directing the city manager to explore options for implementation of the goals and objectives of the Music and Creative Ecosystem Omnibus Resolution, including options for consideration of protections for existing studio spaces in the zoning and development process to maintain existing spaces.

Priority recommendations therein include:

- Provide relief from cumbersome **regulatory reviews** and protracted **permitting processes**, by implementing **procedural permitting** and **licensing** changes.
- Provide innovative incentives and dedicate resources that leverage investment in land and buildings including **property and sales tax abatements, Chapter 380 agreements, development fee waivers, tax increment financing (TIF), and low interest loans.**
- Explore development and preservation strategies for creative spaces through city-sponsored small area planning efforts (i.e., neighborhood, cultural district, and corridor plans, and **Souly Austin**⁴).
- Use policy and regulating tools allowed under state statute that support integrating these spaces with other uses, such as creation of zoning designations that allow for the preservation of existing arts and music venues, and incorporation of new space.
- Evaluate the need for, and feasibility of, establishing a loan program for creative businesses and individuals, including those potentially displaced by new development.
- Modify the scope of the Music Venue Assistance Loan Program to include more than **sound mitigation improvements.**

⁴ Souly Austin is a place-based economic development program focused on creating and retaining strong, vibrant, culturally rich, and diverse neighborhood business districts throughout Austin. Under the initiative, business owners receive a flexible set of tools to assist in the formation of merchants’ associations and organized commercial districts.

Urban Land Institute Red River Cultural District Report

In 2016, the Urban Land Institute (ULI), a professional nonprofit, nonpartisan research and education organization of professionals in the real estate industry, convened a panel of experts to evaluate opportunities to improve the Red River Cultural District (the “District”), while preserving its identity as a live music hub. Following an extensive number of stakeholder interviews and industry-specific investigations, the panel participants developed a report documenting best practices and encouraging short-, medium, and long-term proposals.

Proposals reported therein include:

- Expand on the number of public funding sources available for creation of **cultural districts** such as 380 agreements, TIF, **public investment districts (PIDs)**, **tax increment reinvestment zones (TIRZ)**, tax abatements, and portion of **hotel occupancy tax** revenue normally allocated to the arts.
- Learn more about the **Texas Commission on the Arts (TCA) Plan - Arts Respond Cultural District Project** and work to qualify under that funding category.
- Pursue inclusion of music venues in existing historic and other preservation efforts as part of the **Citywide Music Venue Preservation Program**.⁵ Resources to assist the feasibility of this

⁵ Live music venue preservation should include the “Agent of Change” principle, requiring residences or businesses that locate near established venues to provide soundproofing elements in new construction and remodeling projects.

concept include use of a **501c3 ownership model**, **city land trust**, **conservation trust**, **venue strike funds**, and others.

- Build upon the **ombudsman services** of the Economic Development Department that help venues and operators navigate the city’s permitting process.
- Lobby the legislature for real estate tax relief.

Thriving in Place Report

In 2018, the Cultural Arts Division of the city released a study of policies that support arts and cultural districts, by seeking to retain **affordable space**. That report, titled Thriving in Place, focused on impacts and examples of cultural districts that evolved from the initiatives of nonprofits and the **public sector**, as well as those that developed through the self-organization of creative space operators and professionals. Thriving in Place focused on three essential components of any effort to support a “robust cultural district that preserves and develops cultural venues,” including:

1. **Defining Your Place and Boundary:** Determine clear district boundaries using a bottom-up, top-down, or mix of both approaches.
2. **Determine Your Anchor and Attraction:** Incorporate an amenity or attraction that draws patronage and investment to the area.
3. **Harvest Density and Capture Value Created:** Leverage the added

investment and value generated by anchors and attractors within the district through means monetary and regulatory including: TIF districts, **Transfer of Development Rights (TDR)**, Banks, **Impact Fees**, and **Land Banking**. Use the resources generated to fund infrastructure, affordable creative space, and **attainable housing** for artists and musicians.



The District Wheel, Heartland; Matthew Kwatinetz / QBL Partners

Austin Cultural Trust

In the latter part of the last decade, City Council passed [Resolution No. 20180215-082](#), creating the Austin Cultural Trust (the “Trust”), a community arts stabilization trust charged with preserving historic and iconic buildings and establishing an inventory of affordable spaces for businesses and organizations in the creative and cultural sectors, as well as ensuring cultural assets exist in all parts of the city.

While funded through passage of a general obligation bond in 2018, efforts to advance the Trust did not pick up speed until 2020 when input was solicited by city staff, music and arts commission

members, a working group, and other **advocacy consortiums**. That same year, Council appointed the **Austin Economic Development Corporation (AEDC)** to serve as its program manager.

Initiatives of the Trust include:

- Preservation of existing operating spaces and pursuit of long-term agreements (leases) to acquire and | or secure cultural arts and music venues currently occupied and at-risk of displacement due to economic constraints.
- Acquisition or construction of facilities that support equitable access to affordable space for diverse cultural arts and music venues.

Art Space Assistance Program

In response to the 2016 [Omnibus Resolution No. 20160303-019](#), the EDD identified affordable space for artists as a priority area of concern. Specifically, it recognized that preserving and increasing the supply of available space for creative activity would require efforts by both the public and **private sectors**, working collaboratively, to “assess existing space needs, anticipate future user demand, and find ways to efficiently bring forward that supply of space.” The Art Space Assistance Program (ASAP), established in 2018, provided grants to support nonprofits facing **permanent displacement**, those previously displaced, and those facing lease renewals at substantially higher rates. Nonprofits serving at-risk and disadvantaged groups such as those in ALAANA (African-, Latino,

Asian-, Arab-, and Native American) communities and women-owned organizations, as well as those offering co-location opportunities, were encouraged to apply.

Funding for the program came from a one-time set-aside by the City Council from the city's **general fund**. Resources were to be used for tenant improvements (necessary for code compliance) and rent stipends. The program was launched with \$200,000 in FY18 and made available through the Music Venue Assistance Program. Awards for tenant improvements were capped at \$50,000 and required a 50% match, while those for rent stipends were capped at \$35,000.

Creative Space Assistance Program

Established in 2019, the Creative Space Assistance Program (CSAP), evolved in response to passage of the Music and Creative Ecosystem Omnibus resolution. Whereas work associated with that effort revealed the importance of preserving and increasing the supply of available and affordable space for operators within the creative sector, the CSAP program was established to "provide direct support to qualifying organizations facing temporary or permanent displacement, or to those previously displaced."

CSAP built on the success of the 2018 Arts Space Assistance Pilot Program (ASAP), which exclusively benefited nonprofits in the arts. Specifically, it was designed to expand its reach to include the provision of grants to qualifying for-profit live music venues (see text

box), **performance spaces**, and art galleries, in addition to arts-focused nonprofits. Additional target groups included those historically underrepresented such as those within African Americans, Latino, Asian American, Arab American, and Native American (ALAANA) communities, individuals with disabilities, and those that identify as **LGBTQIA**.

Funding for the program was limited to \$750,000 in FY19. Grant awards were capped at \$50,000, and resources had to be used to defray rent hikes, property acquisition costs, and other space-related needs.

Both the ASAP and CSAP required a contractual commitment to ensure "current employment levels would be maintained," and employees would receive both practice development and career development services and training.

Relationship to LEP

Key themes among these and other related programs included relief through procedural permitting and licensing changes, and provision of innovative incentives to advance development and preservation of creative spaces. Goals of these programs that intersect with those of the LEP include:

- Use of resources beyond and including those administered under the umbrella of the Chapter 380 Incentive Policy such as property and sales tax abatements, Chapter 380 agreements,

development fee waivers, TIF districts, TDRs, relief from impact fees, low interest loans, land banking, and others.

- Operational, policy, and regulatory reform that streamlines approval processes and provides greater certainty regardless of potential monetary obstacles.
- Expanded offerings for the targeted audiences including those that address the unique challenges experienced by these groups.
- Pursuit of long-term lease agreements at modified and fixed rates to diminish the potential for displacement.

Although the initiatives described above have numerous similarities, what they lack is the ability to provide resources outside the limits of the Chapter 380 “**Performance-Based Incentive**” Policy. For example, the CSAP purportedly provides “**gap financing**,” even though its agreements are described as performance-based, or contingent on the recipient’s performance after operational. The LEP, as described herein, is intended to not only fill voids left by existing program offerings but make resources available that will bridge the “feasibility gap” between a project concept that is not economically viable with one that is economically viable.

Segregation – Displacement - Gentrification

Austin, like many major cities in the southern United States have a long history of segregation. Dating back to the 1920s, Austin’s poorest and most ethnically diverse groups have continued to be either displaced or relocated around the city in direct response to the ebbs and flows of market conditions and consumer preferences.

During the early part of the last century, the country saw an influx of poorer minorities moving into the urban core of many large cities, and subsequent exodus of upper-middle class whites to the suburbs, a practice referred to as “white flight.” With the growth of the nation’s highway system, and evolution of region-serving commercial centers (malls), most of a community’s wealth was concentrated on its urban edge, leaving its city centers vulnerable to deterioration and crime.

Discriminatory practices such as **redlining**, exacerbated conditions, limiting the ability of residents in these locations to borrow money, and subsequently depreciating property values. In the mid-70s, city planners sought to enhance Austin’s image as a liberal bastion in the middle of a highly conservative state, and in so doing, set out to clean up downtown and its **first ring neighborhoods**. Those activities effectively resulted in the relocation of “undesirable industries and their minority workforces” to the eastside (**Eastern Crescent**) and away from downtown and the university.

Lower property values, combined with **aggressive rezoning practices**, institutional closures, and capital improvement projects (including construction of I-35) paved the way for savvy developers to capitalize on opportunities for investment, and place Austin in the unenviable position of being ranked one of the country’s most economically segregated cities.

Today, threats from displacement by **gentrifying activities** in at-risk neighborhoods are largely being driven by rapid growth, facility

expansions among several large employers, new residential developments, and Austin's emergence as both a national and international stage for purveyors of music and the arts. These events have unintentionally manifested in a real estate market of high land and building prices, low vacancy rates, elevated rental rates, abbreviated lease terms, and aggressive escalation clauses, all of which, when combined with a comparatively high property tax structure, made it increasingly more difficult for entrepreneurial, **micro**, and **small businesses** to maintain a central city or core Austin-address.

While businesses in Austin's creative sectors continue to be a valued community asset, and despite nearly a decade of efforts to protect and preserve them, the cost of real estate (both lease rates and purchase prices) continues to erode their potential for stability and an ongoing presence in multiple locations throughout the city. These same forces are adversely impacting small commercial retailers and restaurateurs, whose absence would not only diminish municipal resources, but weaken the city's cultural and creative infrastructure.

The city's most vulnerable locations, while once considered suboptimal, are now highly sought after by the investment interests of significant employers and credit tenants, able to absorb the ever-increasing cost structure, while perpetuating the demise of those community attributes that drew them there in the first place. For too long, communities have viewed all commercial establishments through the same lens, as if they operate on a level playing field with equal opportunities for success and failure. In reality there are

significant disparities among retail and entertainment entities, largely associated with their size, resources, location, margins, and related factors that effectively make some more vulnerable to a costly and inconsistent operating environment. Small, "main street," legacy, and locally owned businesses including retail stores, restaurants and entertainment venues are widely recognized as essential elements of successful community spaces. They are also credited with making a place unique, authentic, and in Austin's case, "weird." Without them, one place or community is perceived as being the same as another, uniform and homogenous. In effect, while being a privately held for profit operation, they are equal parts amenity and commodity. The foundational concept upon which Imagine Austin was based, assumes the city will maintain a portfolio of "complete communities, immune from internal and external forces, and benefiting from programmatic resources designed to preserve and protect these valued assets." The LEP will be an essential resource to ensure this intention is accomplished.

Retention of individuals, businesses, and groups, not just within the municipal boundaries, but equitably distributed throughout the city, is an endeavor that cannot and will not be solved by either the public or private sector alone. Given the complexity of market, economic, and social conditions (only made worse by the spread of COVID-19) that have and will continue to drive up both property values and project expenses, so too must be the solutions for delivering and maintaining spaces that host the community's cultural, ethnic, and legacy infrastructure. To this end, city leaders commissioned this report and the recommendations presented herein, to identify

resources, tactics, and strategies that both mitigate the adverse impact of economic challenges on valued and at-risk businesses and groups and support the creation of sustainable spaces where these entities can operate without fear of displacement.

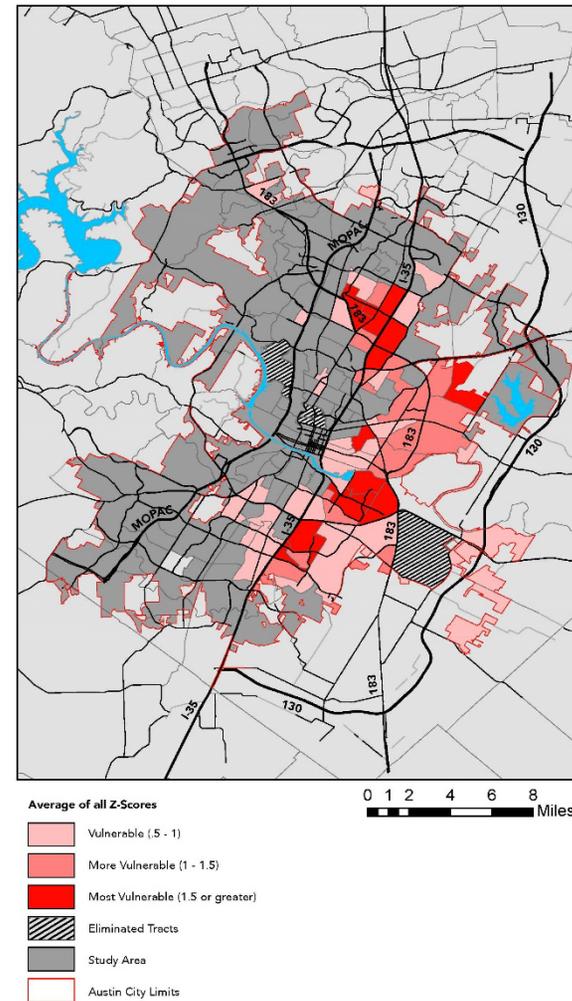
Displacement in Gentrifying Neighborhoods

A recent report, Uprooted: Residential Displacement in Austin’s Gentrifying Neighborhoods and What Can Be Done About It, prepared by researchers from the University of Texas Austin, identifies the city’s gentrifying neighborhoods, and makes recommendations regarding strategies for addressing the displacement of its residents.

Therein, authors Heather Way, Elizabeth Mueller, and Jake Wegmann share the results of a year-long study commissioned by the city of Austin. In addition to a narrative description of how gentrification has “swept through Austin neighborhoods, displacing low-income African-American and Hispanic renters,” the report provides an interactive mapping tool where users can access detailed information that demonstrates gentrification activity, along with those groups most impacted by rising housing costs.

As reflected in the illustration presented here, as of 2016, Austin’s neighborhoods most at-risk of gentrification continue to be concentrated east of downtown. According to Jake Wegman, a professor in the School of Architecture and one of the lead researchers on the project, “The maps we produced show striking

Exhibit: 1-1
City of Austin Most Vulnerable Census Tracts (2016)



Source: Uprooted: Residential Displacement in Austin’s Gentrifying Neighborhoods and What Can Be Done About It, report.

levels of change, including an alarming loss of low-income persons of color from several areas in Austin’s eastern crescent.” Specifically, the report identifies (sixteen) 16 neighborhoods that are actively gentrifying or in the late stages of gentrification, and another twenty-three) 23 neighborhoods that are susceptible to gentrification. All of the identified neighborhoods are located in an arc from parts of North Austin through East Austin and the eastern edge of South Austin.

This study also included an in-depth examination of anti-displacement policies used in gentrifying neighborhoods across the United States. With an understanding of how other communities have sought to subvert this byproduct of growth, the authors offered a framework for developing effective policies to affect change. To ensure success, “city actions need to focus on solutions tailored to neighborhood conditions,” said Elizabeth Mueller, a professor in the UT School of Architecture and report author.

According to the report, Austin’s gentrifying neighborhoods will become enclaves primarily for white and wealthier residents, without intervention by the city. As explained by Heather Way, a professor in the UT School of Law and co-author of the report, “To address these disturbing changes, the city of Austin needs to think big and act boldly.”

The report and its gentrification and displacement maps were presented to City Council in September 2018 and is available through the following link: <https://sites.utexas.edu/gentrificationproject/>.

Racial Equity Anti-Displacement Tool

Two efforts to address the city’s displacement and gentrification challenge include creation of a \$300 million anti-displacement fund, and passage of Proposition A approving the city’s property tax rate and dedicating 8.75 cents of the operations and maintenance portion for Project Connect (see detailed description below), a high-capacity transit system. The Nothing About Us Without Us report and map series, along with Racial Equity Anti-Displacement Tool (the “Tool”), serve as the guiding framework for investing dollars dedicated to this initiative. Together, they lay out the vision and purpose of the Tool, describe how it was developed, demonstrate where it applies, and provide examples of how it can be implemented, largely based on lessons learned from cities that experienced transit-induced displacement.

As explained in these resources, continuous monitoring and improvement will better ensure the Tool remains relevant as efforts are advanced and market conditions change. Key components of the Tool include the ability to identify areas at-risk of displacement because of investment in future Project Connect stations, along with meaningful public sector intervention in one or more of the following:

- Affordable housing
- BIPOC-owned businesses
- BIPOC resident displacement
- High-quality jobs

- Cultural anchors
- Landbank
- Community power and capacity
- Strengthen tenant and homeowner rights

Project Connect

Project Connect is a comprehensive transit plan including new rail service, new and expanded bus service with an anticipated all-electric bus fleet, new park and ride facilities, and more, that will better connect people to their jobs, schools, and families. Since improvements that come with new transportation infrastructure can result in elevated property values, particularly among parcels within a quarter mile of station areas, displacement and an elevated cost of living are often biproducts of these types of capital improvement projects. To avoid this potential outcome, voters specified that \$300 m of the \$7 billion project be spent on efforts including enacting policies and regulations, earmarking resources to maintain stability among established businesses, and preventing displacement in areas near transit lines.

Sources of revenue for the project include 8.75 cents of the operations and maintenance portion of the city’s tax rate, **Capital Metro revenue**, and federal funds. Oversight and management will be provided by the **Austin Transit Partnership**; an independent government organization established for the sole purpose of

advancing Project Connect.

Specific anti-displacement initiatives are being led by the Housing and Planning Department of the city, with an eye towards mitigating centuries of segregation throughout the city. Strategies to promote **transit-supportive development**, while avoiding displacement are being guided by the **Austin Strategic Housing Blueprint** and **Federal Transit Administration (FTA)**.

In addition to vulnerable residents, the city intends to monitor its potentially at risk commercial and cultural enterprises. Among these groups, organizations, and entities, are several within the nonprofit music, cultural arts (herein referred to as “creative businesses”), and food service industries, most of which are small, legacy, and minority-owned, and several with highly skilled labor forces. Largely because of their small or micro profile, as well as years in business, many are in established neighborhoods, commercial corridors, and centers of industrial activity including those being transformed by new and significant investment interests.

To ensure efforts appropriately target those neighborhoods most at risk, researchers at the University of Texas identified the location of vulnerable populations⁶, residential submarkets where appreciation exceeded areawide averages, and areas experiencing significant demographic shifts. Based on these findings, (fifteen) 15 new

⁶ Vulnerable populations were those where residents were least able to absorb housing costs including communities of color, low-income households, heads of

households without a bachelor's degree or higher, families with children in poverty, and certain segments of the renter population.

neighborhood circulators, on-demand pick-up, and drop-off to locations within zones are being proposed.

Another significant element of Project Connect involves reconstruction of the I-35 through the heart of Austin and Central Texas to address safety, mobility, and east-west connectivity needs. The Texas Department of Transportation (TxDOT) is leading this element of the project, with improvements planned along I-35 between SH 45 North and SH 45 Southeast in Travis County.

Historically, the highway's current location and design on top of East Avenue, have separated East and West Austin, and perpetuated racial and economic divisions. It has effectively served as a racial barrier along East Avenue, reinforced by the 1928 land use plan that laid the groundwork for decades of segregation in the city. Although past Councils have long since removed segregationist language from their legal code and land use plans, this physical barrier has remained. Redesign and construction of the new I-35 Capital Express will play an important role in rectifying historical inequities throughout this portion of Central Texas.

COVID-19 Crisis and a Programmatic Response

Work on the Location Enhancement Project began in January of 2020, when the consultant's contract was finalized. In March of 2020 the COVID-19 pandemic erupted, delaying delivery of major elements of the program, forcing stakeholder meetings to be converted to virtual meetings, and eliminating opportunities for on-

the-ground coordination and site review.

At the same time, the pandemic created seismic shifts and disruptions in real estate markets across the nation, state, and city. Locally, an already limited inventory of single-family homes became greatly exacerbated, while multifamily demand steadied, ultimately resulting in modest reductions in rent. National and local moratoria on evictions coupled with large federal stimulus programs served to stabilize markets yet altered near- and mid-term real estate trends.

Although work on the LEP slowed to focus on the city's COVID response, valuable experience was garnered through administration of programs tailored to respond to adverse circumstances resulting from the pandemic. City Council and Department staff used federal and local dollars to advance initiatives targeted at securing housing for its residents and operating infrastructure for small businesses, cultural organizations, childcare providers, and the city workforce. Program examples include those described as follows.

Austin Economic Injury Bridge Loan Program

The Economic Injury Bridge Loan Program was launched in the early months of the pandemic to provide short-term working capital for businesses waiting on federal or other longer-term recovery funds. As its name suggests, it was intended to "bridge the gap" between the time impacts were felt and recovery resources received. Ultimately, 70 businesses took advantage of the \$2.3 million loan program, and many had their loan balances rolled into Small

Business Relief Grants (see below).

Small Business Relief Grant

The Austin City Council approved, [Resolution No. 20200507-023](#) on May 7, 2020, which provided \$10 million for the Austin Small Business Relief Grant. The council approved an additional \$6.5 million on June 4, 2020, with passage of [Resolution No. 20200604-040](#). Applicants could request up to \$40,000 for uses including rent, payroll, and other economic needs. Eligible businesses were required to have no more than 25 employees and generate no more than \$5 million in total annual sales. Ultimately, grants were awarded to 943 local businesses including restaurants, operators in creative sectors, personal service providers, and small retailers. 37% of all applicants ultimately received some level of funding, most of which was used to cover rent expenses.

Nonprofit Relief Grant

The Austin City Council approved, [Resolution No. 20210610-092](#) on June 10, 2020, designating \$2 million for Arts and Culture Nonprofit Relief Grants. \$20,000 was awarded in the form of one-time unrestricted grants to local arts and culture nonprofit organizations facing hardships due to economic impacts resulting from the COVID-19 pandemic.

Austin Creative Space Disaster Relief Program

The Austin City Council approved, [Resolution No. 20200423-040](#) on April 23, 2020, making available \$1 million for for-profit live music

venues, performance spaces, art galleries, arts-focused nonprofits, and individual artists facing temporary or permanent displacement. Applicants could apply for up to \$50,000 to cover unpaid commercial rent, defray rent hikes, supplement property acquisition costs, or other space-related needs, including facility improvements or displacement-related expenditures. Of 65 completed and eligible applications, 32 awards were made to twelve (12) live music venues, eleven (11) arts-related nonprofits, seven (7) theaters, one (1) museum or gallery, and one (1) independent artist. 80% of applicants requested funding for rent support, while another 20% requested funding for other space needs.

SAVE Austin's Vital Economic Sectors

On October 1, 2020, the Austin City Council approved, [Ordinance No. 20201001-052](#), authorizing development of three grant programs (see below), collectively referred to as Save Austin's Vital Economic Sectors (SAVES), to provide immediate relief for live music venues, art venues, restaurants and bars, and childcare facilities, all sectors particularly hard-hit by the pandemic.

Austin Live Music Venue Preservation Fund

This \$5 million program was established by the Austin City Council on December 3, 2020, with passage of [Resolution No. 20200103-013](#), for local live music venues impacted by the global COVID-19 pandemic. 67 venues received \$20,000 each, during the first phase of the program. Following completion of a technical assistance evaluation and completion of the Equity

Strategic Plan, applicants became eligible for an additional \$40,000 per month in grant support, up to \$140,000 total. Of the 110 applications completed, 74 awards were made.

Austin Legacy Business Relief Grant

This \$5 million program was also established by the Austin City Council on December 3, 2020, via [Resolution No. 20200103-013](#), for legacy businesses in specific sectors impacted by the global COVID-19 pandemic. Eligible businesses had to be a brick-and-mortar enterprise that had been operational for at least 20 years within the Austin city limits. Industry sectors targeted for this program included: restaurants, bars, art galleries | museums, other art venues, live music venues, and performance venues | theaters. Following completion of a technical assistance evaluation and action plan, recipients were eligible for \$40,000 per month in grant support, up to \$140,000 total. 109 of 194 applicants received funding, primarily concentrated in the restaurant sector.

Austin Childcare Provider Relief Grant

Childcare Provider Grants provided immediate and equitably focused one-time financial assistance to eligible center-based and home-based childcare providers. Applicants were able to apply for grants of up to \$60,000 per site to cover payroll, rent, operational costs, and other eligible expenses incurred due to the COVID-19 pandemic. Resources for the program were both federal and local, with \$5.05 million awarded to 127

childcare sites between 2020 and 2021.

City Council funded additional economic relief related programs through its American Rescue Plan (ARP) allocation of federal stimulus funds, including the following.

Austin Arts and Culture Nonprofit Relief Grant

The Austin City Council approved, [Resolution No. 20210610-092](#) on June 10, 2021, that designated \$1 million for the Austin Nonprofit Relief Grant Program, an allocation exclusively for use by arts and cultural nonprofits. An additional \$920,000 was subsequently allocated, providing for one-time unrestricted \$20,000 grants to these same organizations, specifically facing hardships due to the economic impacts of the COVID-19 pandemic. A third allotment of federal relief funds increased the program’s resources by \$5.4 million. 217 applications were received for this program, and 196 grants were awarded.

Austin Music Disaster Relief Program

\$2.3 million was allocated for musicians requiring need-based grants of between \$1,000 and \$2,000. An additional \$1.7 million of ARP funds were added to the Live Music Venue Preservation Fund Program. Of the 1,572 applications received, 1,498 awards were made.

Community Navigator Program

The Austin City Council approved, [Resolution No. 20210506-002](#) on

June 5, 2021, providing an additional \$500,000 for the Austin Community Navigator Program. This program provided ten (10) \$50,000 awards to local businesses, nonprofit organizations, and professionals within creative industries impacted by the COVID-19 pandemic. Additionally, application and technical assistance was provided for those soliciting resources from local, state, and federal relief programs. As of late September 2022, 170 businesses and organizations had been served.

Early Childhood Education and Childcare

\$11 million was allocated for entities that enhance childcare and early childhood outcomes in Austin, especially those located in one of the city’s historically underserved communities. Of the 181 applications received, 127 awards were made.

Workforce Development

\$15 million was allocated to support initiatives that assist Austinites economically impacted during the COVID-19 pandemic, train Austinites for careers in the healthcare industry, and provide Austin residents engaged in a creative sector with job training and placement in organizations that complement media production, content generation, and facilities management services. This is an ongoing program for the city.

Workforce Development – Austin Civilian Conservation Corps

Austin City Council allocated \$1.9 million to the Austin Civilian Conservation Corps (ACCC), a workforce development project

established by resolution in May 2020. The program was created to help Austinites economically affected by the COVID-19 pandemic earn income through work that beautifies the community and achieves other stated goals. Participants receive training, certifications, and experience to help establish careers in conservation and sustainability-related job fields. This is an ongoing program for the city.

Austin Community-Owned Food Retail Initiative

Austin City Council allocated \$500,000 toward the creation of community-owned grocery retail establishments in underserved areas of east Austin. As of January 2022, the Community-Owned Food Retail Initiative program was still under development. With passage of [Resolution No. 20200917-062](#), on September 17, 2020, City Council also instructed staff to “explore and identify additional ways the city could provide support to businesses, including revising the Chapter 380 Incentive Policy to expand its reach. While several pandemic-related Chapter 380 proposals were advanced by Department staff and approved by City Council, to-date, none have been funded through Austin’s ARP allocation.

Recovery Lease Incentive Program

The Recovery Lease Incentive (RLI) Program offered commercial tax reimbursements to property owners who renegotiated leases with small business tenants to address arrears and ensure long-term affordability and resilience post-COVID. Reimbursements were to be awarded following contract execution and submission of

documentation verifying reduced rent for at least one year, or lease debt forgiveness.

Restaurant Relief Program

The Restaurant Relief Program offered commercial loans of up to \$100,000 with a five-year term to restaurants adversely impacted by COVID. Resources were intended to augment other relief funds, and loans were forgivable upon delivery of community benefits above base loan requirements. Examples include adoption of best practices for COVID safety, provision of paid sick leave to employees, and paid leave or expanded family and medical leave for employees who tested positive for COVID-19. Forgiveness was contingent upon adoption of “high road” workplace practices that promoted economic recovery for food sector workers shown to be deeply impacted by closures during the pandemic, including paying living wages, signing labor peace agreements, and purchasing local produce and food products.

While these last few programs were never implemented, they reflected the goal of City Council to use its Chapter 380 program and economic incentive authority to address issues specifically associated with maintaining affordable space for at risk operators within targeted sectors, and in so doing, retain small businesses in established areas of the city. Although space-related challenges were particularly evident to city leaders during the height of the pandemic

they continue to be a principal policy priority given pervasive market forces that pose an ongoing threat to businesses and organizations within these groups.

The city convened an Economic Recovery Strike Team led by Veronica Briseno, Director of the Economic Development Department, and supported by a panel of experts from the private sector, to provide guidance on immediate and long-term recovery needs. As part of their work, the Strike Team facilitated more than 125 stakeholder engagements with Austin residents, local business owners, and city staff, and assembled industry-based panels with participation from 97 representatives of businesses, creative sector organizations, and civil societies.⁷

Feedback was used to guide development of a Recovery Framework for the city, released in March 2021, that proposed a variety of strategies to support recovery for Austin’s heavily impacted business sectors. The need for more affordable housing and commercial space able to accommodate independent businesses was highlighted by several panels, as were specific needs among cultural and creative entities and organizations.

Relationship to LEP

The single most common theme among these programs and

⁷ Focus groups included representatives from the following sectors: cross-sector, personal service, manufacturing, experience, creative, food services, and restaurant.

initiatives and the LEP are the emphasis placed on providing relief from facility expenses. Isolating this expense above all others in the midst of inevitably declining revenues, reveals an understanding that the targets of these programs likely operate with very thin margins, making them extremely vulnerable to external forces. It also suggests recognition that facility costs are an obvious expenditure the city can assist with, in terms of alleviating an overly adverse circumstance that threatens their presence in established neighborhoods, a central goal of city leaders.

Long-Term Affordable Real Estate: Why is this needed now?

Emerging Trends in Real Estate® is a publication now in its 41st edition, and one of the most highly regarded and widely read forecast reports by professionals in the real estate industry. Emerging Trends in Real Estate® 2021, undertaken jointly by PwC and the Urban Land Institute (ULI)⁸, provided an outlook on real estate investment and development trends, real estate finance, and capital markets on product sectors, in first tier metropolitan areas, and throughout the United States and Canada. Opinions presented in the report reflect the views of individuals who were either interviewed or had completed surveys. Interviewees and survey

participants, which totaled 750 and 1,500, respectively, represented a wide range of industry disciplines, including investment, fund management, development, property management, banking, brokerage, and advisory services.

As explained therein, during the winter of 2019, Austin was ranked No. 1 among the nation's top 80 markets for overall real estate prospects rising from sixth place in 2018. At that time, it reportedly had the highest five-year projected population growth rate among the 80 markets surveyed.

While posing an opportunity for investors and builders, activity in the market was recognized for placing "undue pressure on traffic and housing affordability." As reflected in **Table 1-1**, in 2020, the median house price in Austin was \$296,329, compared to \$276,150 for the U.S., and the city's affordability index⁹ was 145.8, compared to the U.S. index of 153.0.

Between 2014 and 2019, the median home price in Austin increased, at an annual average rate of more than 145% over the previous cycle peak.¹⁰ Comparatively, median home prices in the United States (U.S.) increased at an annual rate of approximately 105% over the same cycle. Since 2019, prices in Austin have increased by 161% and

⁸ The Urban Land Institute is a nonprofit research and education organization with regional offices in Washington, D.C., Hong Kong, and London. Its stated mission is to "shape the future of the built environment for transformative impact in communities worldwide".

⁹ The affordability index is the percentage of households with a median income that can afford to buy a median priced home.

¹⁰ A peak is the highest point between the end of an economic expansion and the start of a contraction in a business cycle. The peak of the cycle refers to the last month before several key economic indicators, such as employment and new housing starts, begin to fall. The peak is the pinnacle of the business cycle, and its opposite is the trough, which represents the lowest point in a business cycle.

Table: 1-1

City of Austin Community Statistics (2014 – 2021)

	2014		2019		2020		2021	
	Austin	U.S.	Austin	U.S.	Austin	U.S.	Austin	U.S.
5-Year Annual Population Change			2.3%	0.7%	2.2%	0.7%	2.1%	0.7%
Age Distribution (years)								
0 - 24			36.0%	31.0%	35.0%	31.0%	35.0%	31.0%
25 - 44			31.0%	26.0%	31.0%	27.0%	31.0%	28.0%
45 - 64			23.0%	26.0%	23.0%	25.0%	22.0%	25.0%
65+			11.0%	16.0%	11.0%	16.0%	12.0%	17.0%
Millennials *								
% of Total Population	25.3%	20.8%						
5-Year Growth	11.1%	3.6%						
Per Capita Disposable Income Ratio **	0.9%	1.0%						
5-Year Disposable Income Growth	8.0%	9.5%						
Real Per Capita Income			\$46,713	\$46,293	\$53,521	\$51,365	\$55,589	\$51,440
5-Year Annual Real Per Capita Income Change			0.7%	1.2%	1.4%	1.7%	1.3%	0.4%
3-Year Projected Household Growth	9.0%	3.7%						
5-Year Annual Households Change			2.6%	1.0%	1.6%	1.1%	2.3%	0.8%
Median Home Price	\$234,160	\$205,140	\$295,162	\$262,723	\$296,329	\$276,150	\$335,000	\$300,000
1-Year Median Home Price Change	4.2%	3.7%	0.6	3.0	0.4	2.3	3.7%	7.1%
% of Previous Cycle Peak	127.3%	92.4%	156	118	161	124	182	135
Housing Affordability Index ***	156.7	169.5	142.4	151.7	145.8	153		
Housing Opportunity Index ****							59.3	59.6
Walk Score	46.7	5587.0%	40	54	40	54	40	54
Rent Cost of Ownership *****	0.7	0.8	0.6	0.8	0.6	0.8	0.7	0.9
Rent as % of Household Income	17.4%	19.4%	19.4%	29.1%	18.4%	33.4%	16.5%	29.5%

* 2014 (20 - 34 years), 2015 (20 - 35), 2016 (16 - 35), 2017 (16 - 35), 2018 (15 - 34)

** Market per capita disposable income | national per capita disposable income.

*** Affordability is the percentage of households with a median income that can afford to buy a median-priced home.

**** National Association of Home Builders (NAHB) Wells Fargo Housing Opportunity Index share of homes sold that would have been affordable to households earning the median income.

***** Market apartment rent divided by the median mortgage payment, including estimated taxes, in

Source: Urban Land Institute and Ricker | Cunningham.

182% over the previous peak, respectively, and in the U.S. 124% and 135%. Additional market conditions during the last half of the previous decade are presented in **Appendix ii** of this document.

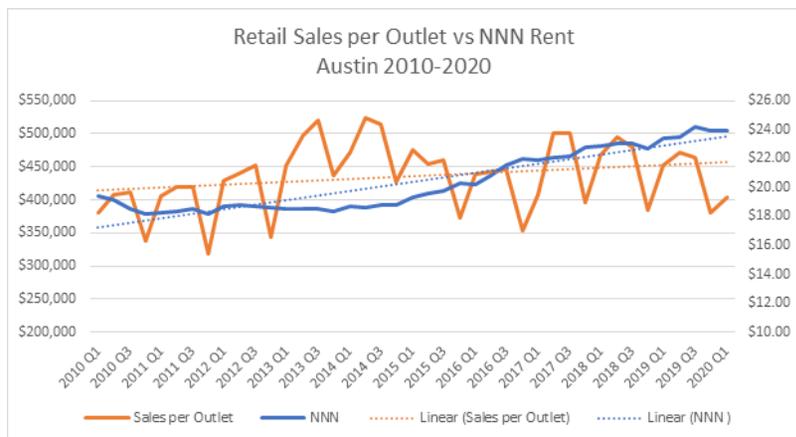
While an attractive environment to operate a large business, Austin continues to be a challenge for small commercial and entertainment enterprises.

Affordability Crisis before COVID-19 Pandemic

The arrival of the pandemic in 2020 served to accentuate forces already at play in Austin’s commercial real estate markets. As reflected in the exhibits that follow, while commercial rents (NNN) steadily increased between 2010 and 2020 by 24%, aggregate sales by outlet were more erratic, increasing by only 6% and falling below average rental rates between 2016 and 2020, the net effect being a deeper imbalance between real estate prices and commercial operating revenues.

Exhibit: 1-1

Retail Sales per Outlet vs. NNN Rent (2020)



Source: City of Austin, CoStar, and Texas Comptroller of Public Accounts.

Trends among commercial rents is even more pronounced when the city’s major retail submarkets are considered. **Exhibit 1-2** compares

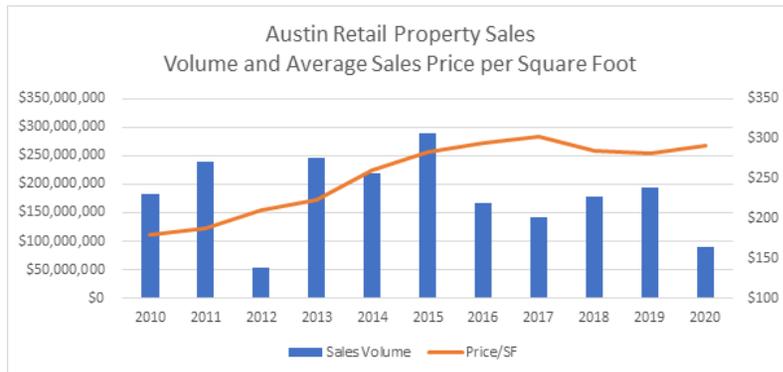
growth of retail rents in key submarkets over the same period, 2010 to 2020. For example, average (NNN) rents in the Central Austin submarket which includes the major commercial corridors of Burnet and West Anderson Roads, along with the Triangle area, increased by 35% during the last decade. In the South Austin submarket, which includes South Congress, South Lamar, and South 1st Streets, average rents increased by 24% (even though actual rents in certain segments of the submarket ranged between \$50 and \$70 above base, on par with the most expensive downtown rental rates). In the East Austin submarket, retail rents increased by a dramatic 61% during the past decade, the highest of all metro area submarkets.

As illustrated in **Exhibit 1-2**, sale prices of commercial property have similarly increased. During the same time-period average sale prices across all commercial retail products increased by 62%, citywide. In some of the city’s submarkets, the growth in sale prices was even more pronounced. For example, in the East Austin submarket, commercial retail property prices increased by 71% on average.

Notably, among the city’s longest serving brick and mortar businesses, most purchased their property years ago, before the most recent round of price hikes. Conversely, those that did not, were either forced to relocate to another location in the city, or close up for good, further highlighting the urgent need for a commercial stabilization program for small retailers, venues, and legacy businesses in the city’s first tier and established neighborhoods.

Exhibit: 1-2

Retail Property Sales Volume and Average Price per Square Foot (2021)



Source: City of Austin, and CoStar.

Another ULI publication, issued during the third quarter of 2020, reported on the indelible impact the COVID-19 pandemic was likely to have on community planning and equity issues. These inequities, most if not all of which were already plaguing the Austin market before the pandemic, have only served to widen the divide between the “haves” and “have nots,” or big and small businesses and cultural entities. The slogan “Keep Austin Weird,” was not born of the fact that the city is home to several major employers such as Apple, Dell, and SpaceX. Rather, it grew out of the fact that it had built an economy from small and homegrown businesses, many within arts related sectors, and several with national and international appeal.

¹¹According to the Small Business Administration (SBA), a micro business has fewer than nine (9) employees.

In addition to providing Austin with its authentic brand, its small businesses also employ a significant portion of its labor force. According to the Austin Chamber of Commerce, the Austin MSA is home to significantly more micro¹¹ and small businesses than large businesses. In fact, in 2018, businesses with fewer than 19 employees represented 84% of all city establishments. The second largest group, with 13% of its businesses, was those with 20 to 99 employees. Businesses with more than 500 employees represented fewer than 0.3 % of all business establishments.

“The global pandemic has highlighted and exacerbated the profound social and spatial inequalities that exist both globally and within countries. Lockdown has underlined the importance of having a good-quality, affordable home, and access to green space, and has led to increased concerns over the affordable housing crisis and rising homelessness. It has also reinforced the links between poverty and health inequalities. Failure to create good jobs, good homes, and good places to live represents a failure of capitalism and the market systems we have created. Failure to consider the impacts on those who might lose out from real estate development also presents risks to the sector itself, such as vandalism and longer-term social unrest.”

Source: Urban Land Institute

This investigation revealed two things – the importance of resources and a policy framework that supports small and micro businesses,

and recognition that for Austin to “remain weird” it must invest in an “infrastructure” that ensures the ongoing presence of these businesses, and the industries they represent, equitably distributed throughout the city.

Urgency of Affordable Commercial Space for Post-COVID Recovery

According to the Brookings Institute, COVID-19 eliminated half of all jobs for performing artists and musicians, and one-third of jobs in the creative economy including arts, music, theater, design, entertainment, and media. Between April and July of 2020, approximately 2.7 million jobs and \$150 billion in revenue was lost, and the average income of artists and creatives in these and related industries fell to about \$14,000. The economic ripple effect of these losses continues to be felt in the real estate, food service, logistics, and government sectors.

Additional adverse impacts to businesses and organizations within Austin’s creative sector and made worse by the pandemic include the following:

- The number of business closures accelerated during the spread of COVID-19 leaving long-term problems with insurmountable near-term impacts.
- Analysts anticipate it will take several years before the city realizes “full recovery” within its restaurant, small retail, culture, and tourism sectors, or at a minimum, hosts an inventory of

these business enterprises similar in size to 2018 and 2019 levels.

- Previous business debt from rent, taxes, and utilities increased during COVID-19, further threatened tenants’ economic viability and access to market rate financing.
- The prevalence of short-term leases allowed landlords the flexibility to change terms, conditions, and rental prices in response to prevailing market conditions.
- As of June 2020, 47% of businesses who participated in the Economic Development Department’s COVID-19 Impact Survey reported they had 10 months of resources, while 14% were unsure of how long they could endure the economic downturn.
- Live music, restaurants I bars, and hospitality services were considered the most adversely impacted by the pandemic.
- During the spring of 2020, hotel occupancies on average fell to approximately 20%.

Although the city developed and implemented numerous relief programs at the onset of the pandemic, through the early months of recovery, they ultimately only helped a fraction of the hardest hit small businesses and creative space operators. Also, while many benefitted to some degree from federal programs like the Paycheck Protection Program, Economic Injury Disaster Loan, Restaurant Revitalization Fund, and Shuttered Venues Operator Grant, too many owners and operators of Austin’s small businesses and venues were forced to take on considerable debt loads to survive months of forced closures and | or reduced visitor counts (occupancy rates). Based on closure orders in 2020 alone, restaurants were only able to

operate 61% of their normal hours, while bars (including most of Austin’s live music venues) were only able to operate for 24% of their normal hours.

Exhibit: 1-3 shows the reduction in total operating hours among small businesses in Travis County in 2020. In total, there was a 48% decline in small business revenue between January and November of 2020, much of this decline considered attributable to limitations placed on businesses in restaurant, hospitality, and entertainment-related sectors.

While sales activity and other economic indicators began showing signs of improving in 2021, periodic COVID surges, combined with significant logistical and supply chain hurdles, continued to stress

Exhibit: 1-3
Occupancy Rates among Bars and Restaurants in Texas (2020)

Occupancy	Days Allowed Open at Occupancy Limit	
	Bars	Restaurants
Full Occupancy	78	78
75% Occupancy	0	116
50% Occupancy	0	108
25% Occupancy	35	21
0% Occupancy	253	43
Effective Days Open	86.75	224.25
% Effective Days Open	24%	61%

Source: City of Austin.

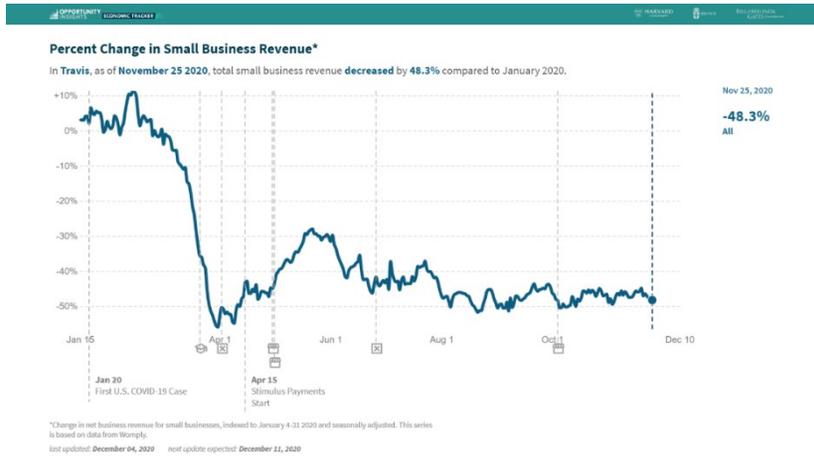
many small and local businesses. Attendance levels at arts and culture events have remained comparatively low due to COVID concerns, and cancellations of in-person SXSW events high, for the second year in a row, collectively further delaying recovery in these sectors.

The disproportionate impact these circumstances have had on the at-risk segments of the economy that are the target of the LEP have not been lost on the Mayor of Austin. In September 2020, and in direct response to concerns in this regard, he along with other city leaders, amended existing city ordinances directing work associated with the LEP and other programs established to address similar challenges, to include pursuit of “fee and permit waivers and reductions, administrative changes (to lower or eliminate operational costs), and commercial tenant stabilization through assistance with evictions, lease workouts, and mediations, along with other support or education ...”

As of the date of this report, not only has the COVID-19 pandemic not yet ended, but its effects have the potential to last two to three more years, pending the potential for new disease variants and incidents of spreading. This said, the urgency for this program is even more pronounced than it was when it commenced in 2019. City leaders understand the reach arts and creative industries have on the local economy. According to the U.S. Bureau of Economic Analysis (BEA), operators in these groups represent 4.5% of all

Exhibit: 1-4

Percent Change in Small Business Revenue (Dec 2020)



Source: Opportunity Insights, and Womply.

businesses nationally and generate roughly \$900 billion annually. Among communities with a significant cultural base, like Austin, businesses in these groups often contribute closer to 15% of their city's income. As such, providing not only disaster relief but ongoing support is an effective tool to kickstart local recovery but long-term fiscally sound decision.

LEP Program Intent

The essence of what the LEP endeavors to address is captured in the following quotation from the publication Zooming in on the 'S' in ESG, A Road Map for Social Value in Real Estate, March 2021. It states, "Social value, what is good for society, is rapidly increasing in

importance, not only for businesses generally but also more specifically in the investment industry and real estate. As providers and stewards of the built environment, the real estate industry clearly has a role to play. This is even more pressing since the COVID-19 pandemic disrupted our societies and lives, where opportunities to reimagine and re-connect real estate development and investment to local needs and priorities have come to the fore of minds globally."

Never before has real estate been understood to play such a pivotal role in a community's economy and quality of life. Real estate and the built environment are finally being placed at the forefront of municipal efforts to address social value, cultural and racial inequities, and economic recovery. As difficult as the last 15+ months have been, one advantageous outcome has been the undeniable realization that businesses and industries targeted by the LEP are in fact "essential" to the Austin economy. Further, given the magnitude of the pandemic's impact on entities in these sectors, combined with those market challenges that existed prior to the spread of COVID-19, it will be critical that the LEP be implemented as quickly and comprehensively as possible, that it be inclusive, and that its resources are able to overcome a range of challenges.

The LEP program and guidelines presented herein are designed to provide a structure to facilitate real estate development, redevelopment, and preservation related transactions that deliver community benefits called for in planning documents adopted by the city of Austin and described in City Council [Ordinance No. 20180830-](#)

058.

1. Commercial affordability for tenants of commercial space within the targeted groups and business sectors.
2. Assistance with financial challenges faced by owners of commercial spaces through access to capital | financing for community benefits.
3. Participation in the development process of new projects that “complete” the community infrastructure.
4. Opportunities for developing partnerships with existing developments to alleviate improvement barriers to affordability.
5. Investment in underinvested areas.
6. Relief from the city’s sometimes protracted regulatory review processes in support of (small) business growth and development.

Section 2: Project Approach

Introduction

Development of recommendations associated with the Location Enhancement Program, and its administration involved a robust and multifaceted process that including primary and secondary research, private sector input, technical analyses, and existing policy review. What follows are findings from this work, all of which informed development of the LEP. They cover a breadth of topics sensitive to the nuances of development, redevelopment, and preservation related transactions, and tailored to reflect stated goals and intentions. To ensure the program’s relevance for Austin, all assumptions used in the context of the technical analyses described herein reflect actual conditions in various submarkets of the city. Further, recommendations were tested for a range of business types, of various sizes, and facing a host of circumstances due to market forces beyond their control. Finally, all suggested resources, tactics, and strategies were verified to be statutorily compliant and market-tested, if not locally, in other Texas communities.

Overview (Section 1)

As explained in the previous section, while the city has always recognized the social, equitable, and economic contribution of those valued and at-risk groups that are targets of the LEP, attempts to mitigate circumstances that disproportionately and adversely impact them became a priority community initiative with development and adoption of two critical documents -- [Imagine Austin](#) and the 2023 [Strategic Action Plan](#). In furtherance of this and similar intentions,

Council has sought to establish a framework of policies and programs predicated on the understanding that redevelopment and reuse projects, while fiscally responsible and market supportable, are often financially disadvantaged, particularly those in infill and established locations. To this end, the purpose of this assignment was to develop a program, and correspondingly identify resources and tactics, that effectively “level the economic playing field” for valued and vulnerable business sectors and ensure a sustained infrastructure of cultural, ethnic, and legacy assets.

Program and Policy Considerations (Section 3)

An investigation of programs, policies, and tactics, statutorily authorized and in use throughout the state, was conducted. Those programmatic offerings are described by the State Office of Economic Development as incentives to “companies who are creating jobs and driving innovation in Texas.” They are organized based on the frequency with which they are accessed and employed, and for the purpose of this investigation, described as a resource for either or both economic development and community development objectives, depending on their principal intent and purpose. Efforts to make a distinction between **economic development** and **community development programs** were deemed important in this context since an investigation of best practices suggested several municipalities, other than Austin, not only identify certain resources for specific purposes, but use criteria appropriate for desired outcomes.

Among the programs authorized by existing legislation, those with resources that could significantly impact efforts to advance some or most of the goals for the LEP related to growing the city’s inventory of attainable facilities and spaces include:

- **Opportunity Zone**
- Tax Increment Reinvestment Zone (TIRZ)
- Chapter 380
- Property Tax Abatement
- **Product Development and Small Business Incubator Fund**
- **Events Trust Fund**
- **Interlocal Agreements**
- **Federal Rehabilitation Tax Credit**
- **Texas Historic Preservation Tax Credit**
- **Surplus and Other Public Property Disposition Strategies**
- **Venue Project Tax**

Of these principal programs, Austin is only using a few, and only in limited ways. This was confirmed during discussions with representatives of the development and lending communities that emphasized, any form of meaningful assistance would require the resources of more than one of these or other programs, together with several tactics, each one uniquely tailored to address real estate challenges at one or more points along the continuum of project development and financing.

“Any form of meaningful assistance (from the city) will require the use of more than one resource not currently used, together with several tactics, each one uniquely tailored to address real estate challenges at one or more points along the continuum of project development and financing.”

Source: Developer and lender representatives engaged during design of the LEP.

Existing Program and Policy Review (Section 4)

In addition to review of state authorized programs, representatives of the project team also reviewed guiding policy documents and programmatic offerings, currently available and historically employed by the city to realize desired intentions. This resource audit was conducted for several purposes including, to:

- understand expressed intentions, target audiences, and different applications
- identify redundancies (if any) in program offerings
- expose voids for either pre- or post-development assistance
- ensure the LEP can effectively mitigate challenges and realize desired outcomes

The findings and corresponding assessments were intended to provide guidance to city leaders regarding:

- the current economic development framework and its potential to support community intentions, including those associated with the LEP; and
- existing guiding and policy documents and their potential to effectively leverage limited resources in furtherance of stated objectives

To understand Austin’s use of available resources compared to other communities in the region, the Austin Chamber of Commerce conducted a survey of incentive programs and practices among communities located within and in the vicinity of the larger Austin Metropolitan Area. Among the participating government entities, Austin ranked 9th out of 12 in terms of the diversity and number of its incentive program offerings (one being the highest).

Industry Trends Market Assessment (Section 5)

Identifying and analyzing prevailing market conditions, real estate industry trends, and investment forecasts among land use categories in the residential, commercial, entertainment, and employment sectors was foundational to this investigation. With this understanding, community leaders will be better able to prioritize and allocate capital investments and public initiatives, while also informing and supporting private sector proposals. In this context, information about market indices such as project costs, price points, product absorption rates, and overall development feasibility, citywide and strategic area specific, were also used to test the viability of certain program recommendations.

According to the Urban Land Institute, a nonprofit research and education organization, Austin ranked No. 1 among the nation’s top 80 markets for real estate development and investment in 2021. During the last eight (8) years, it has ranked between one (1) and seven (7). It is also part of the Major Group – Magnets and 18-Hour Cities Subgroup. Also, while it is a popular in-migration destination, largely due to lifestyle, cultural, and employment opportunities, it is not necessarily inexpensive, yet more affordable than other established markets that also draw newcomers. The dynamic economies of markets similar to Austin continue to make them popular with developers and investors, however, the underpinnings of their magnetism will continue to be at risk without concerted efforts by local authorities to preserve and protect valued assets, particularly those whose benefits are realized at a secondary or tertiary level.

Stakeholder Perspectives (Section 6)

To ensure an accurate understanding of similar initiatives (past and present), along with their applicability and effectiveness, as well as voids left by programmatic limitations, representatives of RC, together with staff from the city’s Redevelopment Division, identified individuals and representatives from relevant industry sectors that could provide a private sector perspective. Specifically, individuals were engaged in online discussions between April and August to express their concerns, provide insight and observations, and consider potential recommendations. Input from city staff in select departments, and other advisors outside city hall, was also solicited

regarding lending practices, market challenges, and social and economic policies. In total, thirty-seven (37) individuals participated in at least one of these platforms, and several provided empirical information that supplemented the report authors' investigations.

What their input revealed was a growing sentiment that the city lacks "gap financing" (predevelopment) and that these types of resources were "taken away by Council with revisions to the 380 Incentive Policy." (Source: Participants in the Real Estate Focus Group.) Among those individuals and entities that reportedly have attempted to acquire 380 resources to offset extraordinary costs or those associated with required community benefits, they universally described the application process as time and money intensive, rife with uncertainty, and lacking in its ability to leverage traditional project financing. Aspects of the program that pose the greatest obstacles are those associated with public engagement, given the weight these opinions carry in terms of securing ongoing support; performance criteria, primarily those associated with permanent job creation, minimum wages, and benefit packages; and timeframe within which resources are made available (post development). Additionally, and perhaps most vocally, participants expressed a belief that "in the city's pursuit of big businesses and corporations, they have failed to provide necessary accommodations for those small and legacy businesses upon whose backs the city evolved."

"In the city's pursuit of big businesses and corporations, they have failed to provide necessary accommodations for those small and legacy businesses upon whose backs the city evolved."

Source: Participant in the outreach component of the LEP development process.

Location Enhancement Program and Guidelines (Section 7)

Whereas the principal intent of this investigation was to design a program that provides remedies for market inequities that naturally occur in rapidly growing markets like Austin, and which adversely and disproportionately impact what are often its most vulnerable and valued groups, and the city's limited use of available resources, the LEP will likely be the primary resource to advance this Council-directed pursuit.

Recommendations regarding elements of the LEP presented herein were based on analyses of existing and available statutory authorized resources, market reconnaissance, an investigation of industry trends, best practices and lessons learned, input from representatives of the city's development "delivery system"¹, and ground-truthing exercises designed to ensure identified matrices

¹ Individuals and entities that influence the delivery of investment projects to the market (i.e., city staff, lenders, developers, builders, and others.)

accurately reflect the ability of the private sector to deliver desired outcomes. Rather than using established goals, criteria, and guidelines, critical components of the LEP have been customized to reflect underlying Council objectives which place a greater emphasis on the ability of these projects to advance community benefits other than job creation within specific industries that employ individuals residing in certain neighborhoods.

Recommendations (Section 8)

In addition to program content and design, and while beyond the scope of this assignment, the report authors have provided certain observations regarding the city's existing economic development "framework," its protocols and practices, along with recommendations for creating a supportive policy and regulatory framework for the LEP. Also presented are potential strategies to realign existing resources to ensure the LEP and other assistance programs are administered efficiently and equitably, and that limited public resources are expended as judiciously as possible.

Section 3: Program and Policy Considerations

Introduction

An incentive is something that motivates a person or entity to do something. In the context of economic development, however, the definition of incentive becomes a bit narrower. Incentives to influence economic (development) outcomes are financial motivations for people (or companies) to take certain actions.

Source: <https://www.masterclass.com/articles/understanding-incentives-in-economics>

As such, incentives, by their nature, are largely material rewards (compensation) for accomplishing a task, the inherent assumption being that the project would happen regardless of the reward, but that the incentive might influence its location, timing, and | or reach. To this end, it makes sense that the city of Austin provides performance-based incentives, paid out overtime, and contingent on specified outcomes.

The LEP, on the other hand, is intended to be a program that provides remedies for market inequities that naturally occur in rapidly growing markets (like Austin), and which adversely and disproportionately impact what are often its most vulnerable and valued groups. Therefore, its purpose is predicated on the understanding that small businesses and arts-related entities, while market supportable and fiscally beneficial, are often financially disadvantaged. To this end, the LEP needs to provide resources across a continuum that begins at the concept and financing stages

and frequently continues through its operation. Consequently, the program offerings should include a range of tools and tactics including upfront gap-filling resources that effectively “level the

Economic Development

In the context of the public sector, economic development is the process by which the economic well-being and quality-of-life of a nation, region, local community, or individual are improved according to targeted goals and objectives, usually job- and business-related.

Source: <https://prepp.in/news/e-492-economic-development-indian-economy-notes>.

economic playing field” and neutralize extraordinary expenses that would otherwise render a project infeasible. Examples include low and no interest loans and grants with the potential to smooth out extreme shifts in market conditions, technical assistance for effective capacity-building, and policies and programs that support and reward the delivery of community benefits.

In addition to securing and stabilizing at-risk business entities operating within creative sectors, City Council also expects the LEP to establish a foundation for ensuring an accessible and sustainable infrastructure of cultural, ethnic, and legacy assets.

Recommendations to advance this objective include a range of approaches including the provision of more traditional gap-filling monetary assistance and regulatory reform. Whereas development of community-serving facilities that support entities in creative sectors, while potentially advantageous as a traffic generator within

a commercial development, increases both upfront development and operational costs. As such, they require monetary inducements that ensure inclusion while offsetting risk and project costs.

Resources that can serve as a bridge for the purpose of meeting upfront financial obligations until longer-term monetary assistance can be secured, or revenues and expenses stabilized. For this reason, they cannot be performance-based, and as such, will need to include more than Chapter 380 revenue.

As stated in the city’s **Economic Development Guiding Principles document**, “(Council) seeks transformative public-private partnerships to strengthen the local economy, sustain economic activity, and build resilience against national economic downturns. Proactive programs, strategic partnerships, and public investments in projects that create community value, and build resistance against the natural ebb and flow of market dynamics, and economic downturns.” This statement makes no reference to the exclusive use of performance-based incentives. Rather, mention of awards that are conditional based on certain performance thresholds only appears in association with the use of Chapter 380 dollars. For this reason, resources administered through the LEP could be managed under the umbrella of the Guiding Principles (particularly if repositioned to act as a program-independent incentive policy), yet outside the constraints of the Chapter 380 Incentive Policy.

To-date, the city has pursued Council objectives primarily through administration of two principal programs -- the Chapter 380 and **Business Expansion** – the latter a program whose resources are

largely Chapter 380, and as such, performance-based and intended to encourage projects that create and grow jobs, with supplemental support from various divisional programs targeted to either meet the needs of select groups or respond to locational disadvantages.

Absent from these offerings is a program to sustain economic activity and build resilience among small, minority-owned, and legacy businesses that create community value within at-risk segments of the local economy. Therefore, recommendations regarding the LEP have been designed to fill that void, while delivering community benefits, and advancing public priorities.

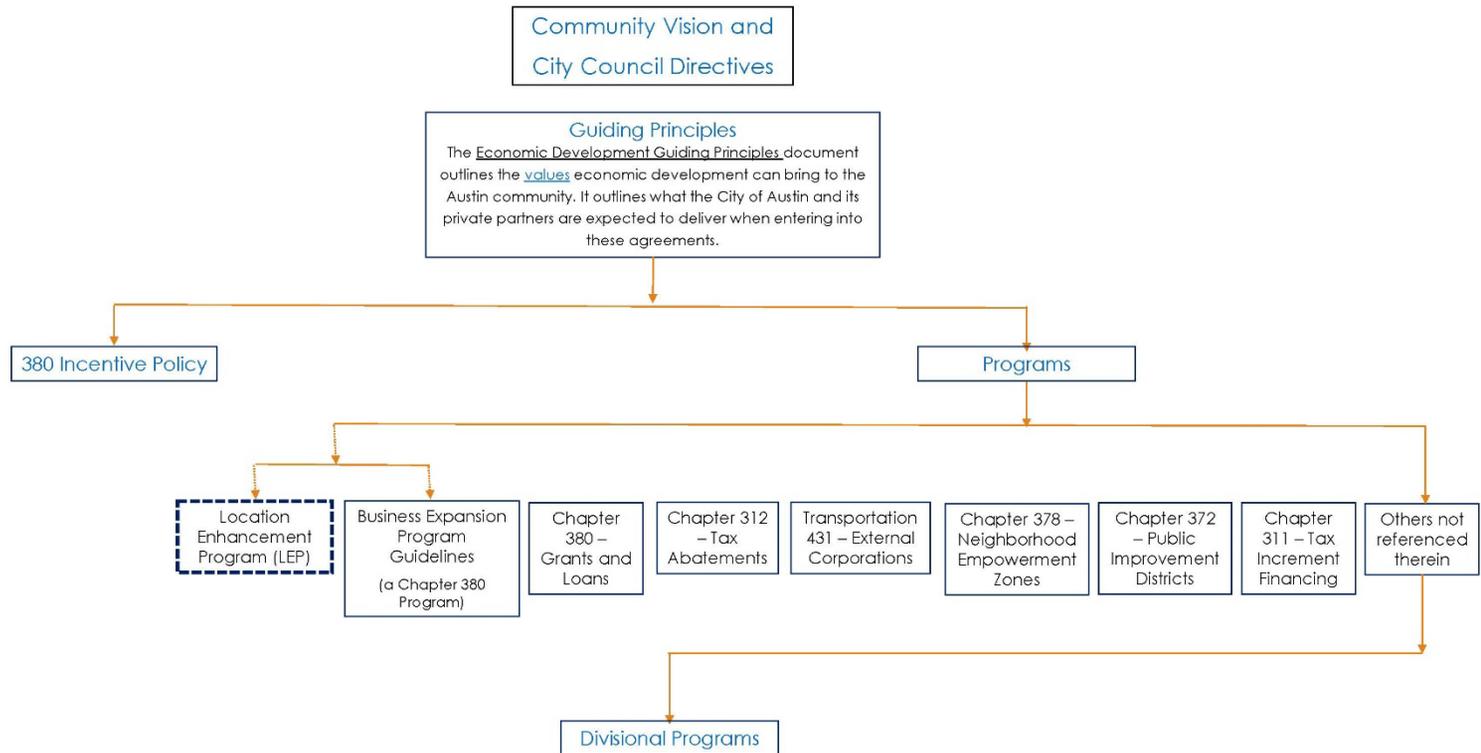
Austin’s Economic Development Framework

A diagram illustrating the city’s existing economic development framework and programmatic offerings is presented in **Exhibit: 3-1** on the following page. As indicated, Austin has created a network of programs, policies, and resources, and dispersed by multiple departments, in furtherance of priority objectives, all of which are authorized under various state statutes. Regardless of their availability, however, a review of actual awards suggests limited use of resources other than Chapter 380 and those awarded through the Business Expansion Program. As explained above, the LEP will need to rely more heavily on the city’s other offerings, particularly given the nature of projects and businesses it is intended to support and sustain.

To ensure the LEP takes advantage of all available resources, and that it complements rather than replicates existing city offerings, a

Exhibit: 3-1

City of Austin Economic Development Framework (Jan 2021)



Definitions (taken verbatim from adopted policy documents):

Guiding Principles – the lens through which all economic development policies and programs should be viewed in order to achieve the goals identified by the community and Council direction; tools used to govern the overall approach to economic development that can be achieved through a wide variety of mechanisms, programs, entities, initiatives, and other activities within this legal framework; end-goals for our community.

Policies – (created under the overarching guiding principles) implement programs that achieve those community goals (referenced above); the “how” or “tools” used to create programs that can produce community outcomes; create the requirements, process, evaluation, and performance measures needed to ensure the programs under them create economic development value.

Programs - resource used to promote state or local economic development.

Values – framework for economic development provided by the Texas Constitution including: city funds must be spent for city purposes; cities must achieve a benefit equivalent to expenditures; city be able track achievement of purpose; prohibits use of public funds for private purpose; may use for private purpose if authorized under Chapter 380 of the Texas Local Government Code.

programmatic audit of state, regional and local offerings was conducted. Results from this investigation are summarized in the following pages.

State of Texas Authorized Programs

As presented in **Table: 3-1** on the following page, several programs are authorized for use by municipalities, most of which are described by the Texas Office of Economic Development as incentives to “companies who are creating jobs and driving innovation in Texas.” While many make some reference to job generation as a principal

Texas Economic Development Act – featured in the Title 3 Section 313 of the Tax Code, the Texas Economic Development Act addresses both special property and general tax provisions related to activities associated with attracting “large employers, creating jobs and strengthening economies.” Its purpose, as explained therein, is to, “Encourage large-scale capital investments in the state; create new, high-paying jobs in the state; attract to the state large-scale businesses that are exploring opportunities to locate in other states and countries; enable state and local government officials and economic development professionals to compete with other states by authorizing comparable economic development incentives; strengthen and improve the overall performance of the economy; expand and enlarge the ad valorem tax base of the state; and enhance the state’s economic development efforts by providing local officials with an effective economic development tool.”

intention, authorizing legislation appears in both the State of Texas Tax and Local Government Codes.; and in so doing, the state has acknowledged how integrally connected economic development and

community development efforts are. This association is further reinforced in the **Texas Economic Development Act** (see text box above), where the purpose of public assistance includes more than just the creation of jobs, it involves “enabling state and local governments to strengthen and improve the overall performance of their economies” and the “use of available tools in a manner most effective to accomplish specific ends.”

Efforts of the LEP which could potentially result in the retention or expansion of jobs will first and foremost be targeted at the city’s most vulnerable commercial enterprises for the purpose of mitigating and eliminating inequities in prevailing market conditions and delivering community benefits. With this understanding, **Table: 3-1** includes statutorily authorized programs available to municipalities in furtherance of both economic development and community development objectives. A definition of each program is provided in **Appendix iii** of this report.

Regional Applications of State Authorized Programs

To understand Austin’s use of available resources compared to other communities in their region, the Austin Chamber of Commerce conducted a limited survey of incentive programs and practices among communities located in Travis, Bastrop, Hays, and Williamson Counties, including the larger Austin Metropolitan Area. As reflected in **Table: 3-2** below, while Austin was among those communities in the lower tier in terms of the diversity and number of incentive

Table: 3-1
State of Texas Incentive Programs (2021)

Incentive Programs (presented in alphabetical order)	State of Texas	City of Austin
Ad Valorem Property Tax Exemption	x	
Bond Issuance	x	x
Product Development and Small Business Incubator Fund	x	
Capital Access Program	x	
Chapter 380 381 Agreements (Grants and Loans)	x	x
Districts and Zones		
Public Improvement District	x	x
Municipal Management District	x	
Municipal Development Districts	x	
Neighborhood Empowerment Zones	x	x
Economic Development & Diversification In-State Tuition	x	
Economic Development Sales Tax	x	x
Events Trust Fund	x	
Franchise Tax Deduction for Business Relocation	x	
Governor's University Research Initiative	x	
Interlocal Agreements	x	
Moving Image Industry Incentive Program	x	
Opportunity Zones	x	x
Property Tax Abatement	x	x
Renewable Energy Incentives	x	x
Research & Development Tax Credit	x	
Self-Sufficiency Fund	x	
Skills Development Fund	x	x
Spaceport Trust Fund	x	
State Sales and Use Tax Exemptions	x	
Surplus and Other Public Property Strategies		
Tax Increment Financing	x	x
Texas Capital Fund Infrastructure Program	x	
Texas Enterprise Fund	x	x
Texas Enterprise Zone Program	x	x
Texas Historic Preservation Tax Credit Program	x	x
Venue Project Tax		
Hotel Occupancy Tax	x	x
Motor Vehicle Rental Tax (short-term)	x	
Admissions Tax	x	
Event Parking Tax	x	

Source: State of Texas Office of Economic Development and Ricker | Cunningham.

programs offered, its portfolio, in this context, could be deemed fairly representative of assistance sources used regionally.

Statewide Applications of State Authorized Programs

Although the availability of state sanctioned programs in Austin is fairly consistent with those of other communities, not only in their region but statewide, where the city differs is in its interpretation of

Community Development Act – featured in Title 12 Chapter 373 of the Texas Local Government Code, the Community Development Act addresses activities and undertakings by municipalities to promote their viability. Its purpose, as explained therein, is to, “Eliminate slums and areas affected by blight; prevent blighting influences and the deterioration of property, neighborhood, and community facilities important to the welfare of the community; eliminate conditions detrimental to the public health, safety, and welfare; expand and improve the quantity and quality of community services essential for the development of viable urban communities; encourage the rational use of land and other natural resources; improve the arrangement of residential, commercial, industrial, recreational, and other necessary activity centers; restore and preserve properties of special value for historic, architectural, or aesthetic reasons; reduce the isolation of income groups in communities and geographical areas, promote increased diversity and vitality of neighborhoods through spatially deconcentrating housing opportunities for persons of low and moderate income, and revitalization of deteriorating or deteriorated neighborhoods to attract persons of higher income; and, alleviate physical and economic distress through the stimulation of private investment and community revitalization in slum or blighted areas.”

authorities afforded by the various legislative references. This is particularly the case in the context of the Chapter 380 Program.

**Table: 3-2
Comparison of Municipal Incentive Program Offerings (2019)**

Communities	Tax Abatement and or 380 381 Grants	Enterprise Zone	Expedited Development Process	Fee Waivers or Reductions	Financing Programs *	Freeport Exemption (city, county, school)	Industrial Foundation	Reinvestment Zone	Training Programs *	Electric Utility Incentives (rebates, credits, etc.)
Austin (Travis, Williamson Counties)	Y	Y	Y	N	Y		Y	N	Y	Y
Bastrop (Bastrop County)	Y	Y	Y	Y	N		Y	Y	N	N
Buda (Hays County)	Y	N	Y	Y	Y		Y	N	Y	N
Cedar Park (Williamson, Travic Counties)	Y	N	Y	Y	Y		N	N	Y	N
Elgin (Bastrop County)	Y	Y	Y	Y	Y		Y	Y	Y	N
Georgetown (Williamson County)	Y	Y	Y	Y	Y		N	Y	Y	Y
Hutto (Williamson County)	Y	N	Y	Y	N		N	Y	N	N
Jarrell (Williamson County)	Y	N	Y	Y	N		N	N	N	N
Pflugervill (Travis County)	Y	N	Y	Y	Y		Y	Y	Y	Y
Round Rock (Travis, Williamson Counties)	Y	N	Y	Y	N		Y	N	N	N
San Marcos (Hays County)	Y	Y	Y	Y	N		Y	N	N	Y
Taylor (Williamson County)	Y	Y	Y	Y	Y		Y	Y	Y	N

* Other than state programs.

** While Austin ISD has not adopted freeport status, other ISDs within the city's limits have the exemption.

Source: Austin Chamber of Commerce and Ricker | Cunningham.

Building on previous efforts conducted by representatives of the Economic Development Department, the city’s consultants analyzed how comparable communities in the state promoted and applied use of Chapter 380 resources for economic development and real estate

investment purposes. As acknowledged in a 2017 report to Council, municipalities throughout Texas have capitalized on the “fairly broad and flexible language” afforded by the Chapter 380 legislation. Some have used it to administer a **Neighborhood Empowerment Zone (NEZ) Program** providing a range of low interest loans, grants, and tax abatements to encourage investment in economically distressed areas of communities, while others have combined these resources with tax increment financing (TIF) to subsidize major mixed-use and commercial real estate projects. Houston and San Antonio in particular have used Chapter 380 resources to assist nonprofit partners with workforce development, while Fort Worth has used it to restore historically significant properties and retrofit them for housing.

Priority applications identified in city incentive policies include, “attracting, retaining, and expanding businesses, “but also “supporting cultural identities,” and “maintaining established neighborhoods.” Some encourage the use of Chapter 380 and similar tools to promote “prosperity, inclusivity, and commercial affordability.” Few cities differentiate use of specific resources for select land uses (e.g., Austin has largely restricted applications for density bonuses to housing projects), and most encourage funding approaches that co-mingle the use of a variety of tools and tactics to accomplish specified outcomes.

In state publications, Chapter 380 is described as an instrument that “authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects”

through the use of “loans and grants of city funds, and services at little or no cost” to promote state and local economic objectives and “stimulate business and commercial activity.”

Marketing materials used by the city of Houston identify Chapter 380 dollars for “the number of nuisances that plague dense urban areas, including traffic congestion, CO2 emissions, and extraordinary infrastructure costs.” To “grow residential capacity and encourage sustainable pockets of dense developments” and overcome “fixed cost barriers of entrepreneurs” the city encourages the use of “Chapter 380 and other gap filling and incentive resources.”

Other community objectives for which Chapter 380 funds are earmarked include affordable housing, historic preservation, mixed-use activity centers, minority-owned business development, and balanced and fiscally responsible growth. Eligibility criteria among the communities surveyed largely leaned toward proof of a “verifiable economic gap,” investment in underserved locations or near a light rail station, development consistent with “livable centers guidelines,” and environmental remediation. Only two of the communities mentioned using performance-based criteria, but in those instances, a portion of their 380 resources were earmarked for upfront gap or bridge financing.

There did not appear to be a single best practice or rule of thumb regarding the use of municipal tools to encourage or facilitate desired development or redevelopment. However, there was a good deal of consistency regarding the use of a variety of tools and tactics.

To this end, it was widely understood that no one program could address the range and complexity of challenges inherent in fostering an environment of equity, balance, affordability, and growth.

Summary

As explained here, both economic development and community development are intrinsically related, yet distinctly different. Rooted at the center of most economic development initiatives is a desire to improve a community’s economic well-being and subsequently grow businesses and create jobs. Community development, on the other hand, is primarily motivated by a desire to make a place stronger and more resilient, while growing an infrastructure of assets that reflect local values and enhance quality of life.

Historically, Austin’s economic and community development activities have been informed by a singular community objective which, to-date, has largely been job generation, and dependent on a limited number of monetary resources. Since the intent of the LEP is to complement existing resources and fill voids left by existing offerings, and given the range of intentions (primarily community benefits) it is charged with addressing, the city will need to engage a broad range of tools and strategies, some of which are already available to the city, others that while available are not being used as broadly as they could be, and still others that are being used by other Texas communities, but not the city of Austin.

Potential complements to the city’s principal resources include:

- Opportunity Zones
- Tax Increment Reinvestment Zones (TIRZ)
- Property Tax Abatements
- Product Development and Small Business Incubator Funds
- Events Trust Funds
- Interlocal Agreements
- Texas Historic Preservation Tax Credits
- Surplus and Other Public Property Disposition Strategies
- Venue Project Tax

Section 4: Existing Program and Policy Review

Introduction

In addition to review of state authorized resources, representatives of the project team also reviewed existing city guiding policy documents and programmatic offerings, available and reportedly employed to realize desired intentions. This investigation was conducted to:

- understand expressed intentions, target audiences, and applications
- identify redundancies (if any) of program offerings
- expose voids either pre- or post-development
- ensure the LEP can effectively mitigate challenges and realize desired outcomes

The findings and corresponding assessments were intended to provide guidance to city leaders regarding:

- how the current economic development framework could be realigned to support community intentions, including those associated with the LEP; and
- how existing guiding and policy documents could access additional resources and more effectively leverage limited resources in furtherance of stated objectives.

Incentive Policy, and complementing its Business Expansion Program, the city's two principal resources established to provide for

The narrative below provides an overview of the city's Economic Development Department, its lead agency involved in administering assistance to business and property development interests, followed by a description of its principal, and supporting incentive policy and program offerings, together with a comparison of how certain resources are used locally, regionally, and in comparative Texas communities. Knowledge gained through this, and previous work associated with review of state economic and community development resources informed the foundational elements of the LEP.

Austin Economic Development Department

The City of Austin's Economic Development Department plays an essential role in advancing significant elements of the community's vision. As noted on its website, "It has established itself as a world leader in technology, innovation, energy, workforce development, music, and creativity, that has led to significant business expansion and overall growth." To this end, the Department's principal efforts are to "support and recruit business to Austin through all of its divisions." The mission that guides its work is to "promote a competitive, sustainable and equitable economy for all." It's mission largely informed creation of the LEP, that being, "a program that promotes a competitive, sustainable and equitable economy for all, and primarily those individuals and businesses that are at a competitive economic disadvantage due to both their structure and

inherent vulnerabilities.”

Divisions which comprise the Department include:

- **Cultural Arts:** Administrator of programs that support artists and arts organizations who contribute creativity to the community’s way of life and city’s identity
- **Global Business Expansion:** Administrator of programs that increase jobs and investment in Austin and that support business expansion and attraction
- **Heritage Tourism:** Administrator of programs aimed at attracting tourists by preserving historic buildings, sites, and districts
- **Music & Entertainment:** Administrator of programs that support Austin’s venues, commercial music businesses, and musicians
- **Redevelopment:** Administrator of programs that facilitate innovative partnerships and projects to reinvigorate Austin neighborhoods and commercial districts
- **Small Business:** Administrator of programs that provide help to small business owners and people who want to start a small business

Principal Program and Policy Review

Following preparation of its comprehensive plan and prioritization of key strategic initiatives, the city’s Economic Development Department initiated an overhaul of their approach to economic development (primarily business promotion and attraction activities) which ultimately culminated in preparation of overarching policy and

The Redevelopment Division, as described on the Department’s website, “provides significant social and economic value to the City of Austin through a variety of redevelopment and place-based initiatives that focus on catalytic investment to further the community goals as set out in [Imagine Austin](#) and the 2023 Strategic Direction document.”

guiding documents, the Economic Development Chapter 380 Incentive Policy, Economic Development Guiding Principles, and Economic Development Business and Expansion Program, all of which reference Chapter 380 as the principal source of program funding. The LEP, and subject of this report, is being described as an additional Chapter 380 program that will be administered under the umbrella of the first two policy documents. Supporting programs implemented using Chapter 380 authority include the **Creative Space Assistance** and long-established **Business Loan Programs**.

A description of Austin’s principal programmatic resources is presented in the narrative that follows, along with commentary regarding their ability or inability to advance certain LEP objectives. This overview is followed by a description of other supporting programs, specifically geared towards assisting targets of the LEP overcome operating challenges.

Economic Development Chapter 380 Policy

Resolution No.: 030612-15

Program Overview

As explained in the City of Austin Chapter 380 Performance-Based Contracts Policy report published in March 2015, the early decision to employ the Chapter 380 “performance-based contracts program” was based on a desire to “bringing about targeted business expansions and recruitments that return benefits to the Austin community.” After some years of use, the city sought to “focus on creating opportunities for those hard-to-employ individuals, families that are in poverty, and those companies that are looking to advance upward from the middle class.” Further refinement of the program resulted in the following intention statements.

City’s “broad view” of economic development – resilience navigating the impact of economic cycles; sustainability or ability to survive changes in economic shifts; equity and opportunity assurances that prosperity is equitably distributed, and small local existing businesses have an opportunity to thrive

City’s role in advancing economic development objectives – fundamentals or major determinants of prosperity such as infrastructure, and quality of life; regulatory environment including land use, tax regime, other considerations to support desired outcomes; programs and incentives available to address market imperfections and or shape the future.

Source: Economic Development Policy Update, December 2017

Primary Community Benefits or Equity Targets

The following value statements represent intended outcomes from use of Chapter 380 resources.

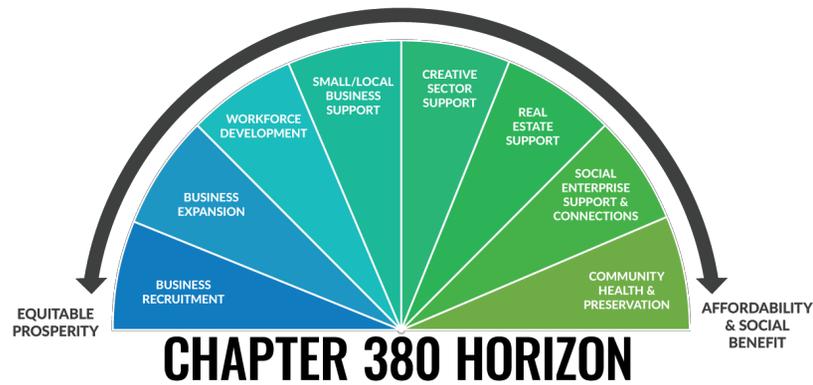
Community Benefits

1. Connect city to investors and remove barriers
2. Promote equitable employment opportunities
3. Unify the community through collaboration
4. Train, recruit, and retain local workforce and talent
5. Support Austin’s culture, creative sector, and community identity
6. Incentivize, support, provide staff to train small businesses
7. Build affordable, livable, and accessible development
8. Impact business growth
9. Control affordability
10. Promote economic diversity

Source: City of Austin Chapter 380 Performance-Based Contracts Policy report.

Matrices

As explained in the City of Austin Economic Development Guiding Principles document, incentive requests for economic development purposes must provide a cost-benefit analysis before an award is approved by City Council. The purpose of this type of analysis is to assist staff with determining the fiscal impact of the project. Whereas a test of fiscal affect alone may not be an appropriate measure for all projects, particularly those that are smaller in scale



or comparatively simple, other measures may be identified. In any case, the goal of the cost-benefit tool is to understand the city’s net position in a project, as either revenue-positive or revenue-neutral, and inform the level and type of investment deemed appropriate.

Other measures include proof of need and return on investment forecasts. Applicants must provide a statement supported by credible evidence that “but for” the incentive, the proposed investment is infeasible, unable to achieve desirable outcomes, or potentially located in a market outside of Austin. They must also quantify the city’s return on investment (ROI) based on possible community benefits resulting from the project; primary, secondary, and tertiary monetary impacts; and advancement of priority program goals. The objective of this type of evidentiary analyses, being public sector investment in the project is justified.

Measures of cost-benefit associated with any program administered

under the umbrella of the Chapter 380 Policy include:

- Revenue-positive or revenue-neutral projects, unless indirect benefits can be quantified
- Program-specific criteria (beyond those stated in the Chapter 380 Policy)
- New jobs created
- Jobs retained
- Job types
- Revenue impacts
- Community benefits achieved
- Capital investment
- Other measurements

Minimum Requirements for Chapter 380 Policy

- Applicants must provide ‘but for’ statement with credible evidence that the incentive either fills a gap that creates desirable outcomes, or the project addresses a competitive position around a relocation or expansion project that is considering viable alternative sites outside of Austin.
- Applicants must sign and comply with a city-provided form specifying the entity is compliant with all federal, state, and local laws and authorities.
- Applicants shall provide written policies to support anti-harassment and anti-discrimination practices for business operations and work environments in the city.
- Incentive agreements will be created in accordance with the

program’s evaluation tool | matrix | score card to meet approved criteria. Matrices will assess direct and indirect costs and integrate a formal cost-benefit analysis.

- Project-based incentives for mixed-use projects and incentive proposals that include the use and development of publicly owned property will promote community values.
- Projects that involve redevelopment of public, or formerly public land, will employ contractors and subcontractors at wages established by Council.
- Projects located near transit developments and transportation hubs will be considered favorably.
- All construction work, even if not on public or formerly public land, will comply with the city’s established prevailing wage program used on city public works projects.
- All construction workers will be provided with Workers Compensation Insurance and OSHA training.
- Incentive agreements will adhere to Minority and Women-Owned Business Enterprise Program requirements.
- Project (applicant) will ensure all employees are paid no less than the city’s living wage as it may be adjusted annually, including full-time employees and contract employees, and if applicable, projects involving construction of capital expenditures, will engage construction workers at a rate at least equal to the city’s living wage.
- Company shall provide health insurance benefits for all new full-time employees and extend benefits to domestic partners of employees and their dependents.
- Ongoing analysis will be performed by the city to determine

expected annual average wages for the lowest paid 10 percent of local workers from companies negotiating firm-based economic development proposals with the city.



Opportunities and Limitations for LEP

1. As stated in the Council adopted Chapter 380 Policy, the city of Austin “provides a framework and guidelines to secure an equitable, prosperous, and affordable Austin.” Further, they desire certain community benefits including:
 - a. Connecting the city to investors and remove barriers
 - b. Promoting equitable employment opportunities
 - c. Unifying the community through collaboration
 - d. Training, recruiting, and retaining local workforce and talent
 - e. Supporting Austin’s culture, creative sector, and community identity
 - f. Incentivizing, supporting, providing staff to train small businesses
 - g. Building affordable, livable, and accessible development

- h. Impacting business growth
- i. Controlling affordability
- j. Promoting economic diversity

Among these, those that align most closely with goals for the LEP include:

- a. Connecting the city to investors and remove barriers
- b. Supporting Austin’s culture, creative sector, and community identity
- c. Building affordable, livable, and accessible development
- d. Impacting business growth
- e. Controlling affordability
- f. Promoting economic diversity

Relationship to LEP: Despite this overlap, indices used to determine awards are exclusively related to job growth, business development, and industry attraction and retention. Further, there are no modifications for companies of different types or sizes.

2. Although cost-benefit measures identified in the Chapter 380 Policy purportedly include indirect impacts and delivery of community benefits which could leave the city in a net-neutral position, there is no evidence this has occurred based on review of successful applicants. Additionally, related statements limit these examples to those whose impacts can be quantified beyond those program-specific criteria stated in the Policy such as: new jobs created, jobs retained, revenue generated,

community benefits achieved, levels of capital investment, and other measures.

Relationship to LEP: Whereas the LEP is intended to be the principal resource for filling economic gaps associated with market conditions, industry inequities, and the delivery of desired community benefits (specifically, affordable commercial and cultural spaces), appropriate eligibility measures would not include those almost exclusively related to job creation and growth. Instead, they should include measures such as small business retention figures, commercial stability indices, net-new revenue growth, cross-over spending by cultural attendees, and others that are less easily quantified.

3. The city of Austin’s interpretation of Chapter 380 of the Local Government Code asserts that each community delineate “economic development value” (or economic development activities) in furtherance of stated objectives, and that absent such a definition, it “must administer the program in the context of the Texas Constitution which requires city funds be spent for municipal purposes, gain an equivalent benefit, not be gifted, and only be used for a public expense.”

Relationship to LEP: Statutory references within Chapter 380 are not only devoid of references to “economic development values” but actually encourage local governments to use “appropriate discretion tailored to local conditions.” Austin’s interpretation, and subsequent decision to place overly restrictive limitations on

applicants is not only unnecessary but limits the potential for desired investment. For example, since the target audiences for the LEP include small, legacy, and at-risk (of displacement) commercial enterprises, along with art and cultural organizations, the requirement that any recipient “must use those resources for municipal purposes,” “generate an equivalent benefit,” and “not be gifted (i.e., grant)” is not only contrary to existing practices but fails to reflect the unique economic challenges experienced by these entities.

4. All programs administered under the Chapter 380 Policy are reportedly performance-based, devoid of assurances regarding ongoing funding (regardless of whether stated priority objectives are delivered), and subject to performance measures which can change every five years based on the priorities of the city’s executive leadership and community input at the time.

Relationship to LEP: Investment risk is a measure of certainty and presence of potential obstacles. As explained herein, there is ample evidence that targets of the LEP contend with a variety of obstacles, or challenges, particularly associated with facility stability and expenses. One of the most significant things the city could do through the LEP is minimize uncertainties for the target groups. One way to do this would be by using funding mechanisms with a guaranteed revenue stream (i.e., tax increment financing (TIF)). With this assurance, businesses and operators could use those resources to secure primary financing, use them as security for supplemental funding, or leverage them

to buy down costly financing terms.

Finally, making awards dependent on the opinions of at-large citizens with little or no understanding of a business or organization, could not only eliminate potentially valuable projects, but subject applicants to bias or partiality.

5. As explained in the City of Austin Chapter 380 Performance-Based Contracts Policy report published in March 2015, the decision to only enter into a “performance-based contracts” was based on a desire to “bring about (or incent) targeted business expansions and recruitments that return benefits to the Austin community.”

Relationship to LEP: Incentives used to promote business growth and expansion are, by their very nature, an “enticement to achieve a certain outcome.” As reported in city program documents, this is job growth and practice development. Having such a narrowly defined statement of purpose appear in a policy document intended to be representative of all city programs, potential projects, and neighborhoods, fails to recognize nuances between business types, for profit and nonprofit organizations, geographies within a community, or cost-benefits.

As stated repeatedly throughout this document, the LEP is being designed to be a real estate gap financing program that addresses challenges inherent in the delivery of real estate that is accessible and maintainable by certain underserved and at-risk

groups. As such, true “gap financing” vehicles are needed, not those contingent on performance, which can only be measured once a project is operational. Specifically, resources are needed prior to construction for new space development, and for existing businesses either once operational and being priced out of their current location, or desiring to relocate to a certain neighborhood, yet unable to move in because of the prohibitive cost of entry. Rather than incentives, which suggests project viability, small commercial, legacy, and entertainment-related businesses require assistance at multiple stages along the continuum of development through operations, to ensure ongoing access to affordable space and the ability to sustain themselves through a range of business cycles.

- 6. Eligibility criteria for recipients of Chapter 380 resources include verifiable evidence that the incentive either fills a gap that creates desirable outcomes, enhances a locality’s competitive position, or is a mixed-use, redevelopment, or transit supportive development constructed on publicly owned land. If the applicant is a business, it must provide certain established wages or benefits, and if a developer, employs contractors at established wages or benefits, and adhere to all minority goals of the city.

Relationship to LEP: While worthy and socially necessary objectives, these eligibility criteria offer no flexibility or relevance to businesses and organizations within the targeted groups. In effect, through the city’s desire to alleviate certain social

inequities, they either further burden already financially challenged groups or make them ineligible as recipients of the program.

Evidence of this assertion is illustrated in **Table: 4-1** on the following page which features a list of Chapter 380 recipients between 2003 and 2017. As presented therein, the company with the fewest employees to receive a Chapter 380 award was ATDF, that constructed a clean room and laboratory, and anticipated adding 85 jobs increasing their labor force to 310. The company with the largest number of employees to receive an award was Merck’s IT Hub, that intended to grow its labor force at the time to 6,735.

The largest award was made to Domain, a mixed-use project, that received approximately \$37.5 million dollars in incentives for an investment of approximately \$130.0 million, or 30% of total investment. Most awards, however, ranged between 1.0% and 6.0% of total investment committed.

Business Expansion Incentive Program Ordinance No. 20180830-057

Program Overview

The Business Expansion Program’s stated objective is to provide “incentives to employers that are designed to promote business growth and expansion among entities that provide above industry

standard compensation for middle-skill workers, (employ) meaningful employment practices that target disadvantaged groups, locate where they are accessible to small and local businesses, and provide community benefits.” Chapter 380 resources are the source of revenue for this program, and the eligibility criteria and evaluation matrices are employment and job specific.

Primary Community Benefits or Equity Targets

High priority consideration is given for (to) jobs (companies), as per Council objectives, that:

- provide above industry standard compensation for middle skill workers;
- employ heightened efforts to maximize meaningful labor force participation for targeted hiring populations and those facing socio-economic hardships that act as barriers for accessing local employment opportunities;
- connect the city’s values for accessibility to employment and quality working environments to small and local businesses with expansion opportunities;
- yield benefits to the community beyond local tax base contributions;
- can offset the city regulatory environment, as it relates to business growth and development.

As explained earlier, any program administered under the umbrella of the Chapter 380 Policy, “must be read in the context of the Texas

Constitution which provides a general framework for economic development.”

Employer Category Targets

There are three categories of employer audiences identified as potential recipients of the program as explained in the following excerpts.

Existing Local Expansions

“The Existing Local Expansions category of the Business Expansion Program portfolio seeks to connect employment and quality working environments to small and local business with expansion opportunities, addresses rising costs and access to capital | financing for businesses, facilitates filling market gaps in the provision of certain goods and services in targeted areas, provides relief from the city’s regulatory environment as it relates to business growth and development, and in turn provides benefits to the community beyond local tax base contribution.” Potential users of this program will span a wide range, from small | local firms, to “mom-and-pop” shops, to growing start-ups, to large corporations looking to grow locally.

General eligibility requirements of this group include companies that create apprenticeships or internships and provides one or more full-time jobs from the local population, pay “city’s living wage,” and encourages and supports the use of alternative transportation modes.

Targeted Hiring

“The Targeted Hiring category of the Business Expansion Program portfolio seeks to provide pathways for business expansions that focus on delivering compensation for middle-skill job creation, maximize meaningful labor force participation for populations that face unusual individual challenges to employment that act as barriers for accessing local employment opportunities, and in turn provide benefits to the community beyond local tax base contribution. Potential users of this program will span a wide range, from small | local firms, to “mom-and-pop” shops, to growing start-ups, to large corporations looking to grow locally.

General eligibility requirements of this group include companies that create apprenticeships or internships and provides one or more full-time jobs from the local population, pay “city’s living wage,” and encourages and supports the use of alternative transportation modes.

External Relocations

“The External Relocations category of the Business Expansion Program portfolio seeks to provide strategic interventions and investments that attract outside employers relocating and expanding within the local market to grow and hire in Austin by providing needed capital | financing and support, potentially offsetting costs associated with the city regulatory environment as it relates to business growth. This program could help provide new employment opportunities for local residents, solidify neighborhood employment

centers and activity corridors, and yield numerous community benefits beyond traditional increases to the tax base for the city. The potential users of this program could include established businesses with operations currently outside the city, newcomers with proven track records and growth trajectories in target industries, and those that offer alignment with Austin’s strategic direction.”

General eligibility requirements of this group include companies that do not currently have a significant presence within the city limits, or if present delivers a new division, will create at least 75 new full-time jobs paid at or above the city’s living wage, operate within industry that demonstrates business growth and stability.

Community Benefits

Community benefits considered valuable include:

- Talent development
- Hiring recruitment and retention efforts
- Diversity, inclusion and equity practices and policies
- Neighborhood connection by creating jobs near workers and offering training to the same
- Local partnerships with area groups, non-profits, and small businesses
- Sustainable business practices including zero waste and resource recovery initiatives
- Civic engagement providing easy access to voting for employees

Matrices

Measures of cost-benefit include:

- Construction and development costs
- Net new job additions
- Hiring timeline
- Wages
- Facility costs that impact water and electricity infrastructure
- Other project-related financial information

Minimum Requirements for Business Expansion Program

- Applicants must provide ‘but for’ statement with credible evidence that the incentive either fills a gap that creates desirable outcomes, or the project addresses a competitive position around a relocation or expansion project that is considering viable alternative sites outside of Austin.
- Applicants must sign and comply with a city-provided form specifying the entity is compliant with all federal, state, and local laws and authorities.
- Incentive recipients will comply with all City Code requirements including environmental requirements and shall not petition for potential vested rights.
- Incentive agreements will adhere to Minority and Women-Owned Business Enterprise Program requirements.
- All construction workers are provided Workers Compensation Insurance and OSHA training.
- All construction work will comply with the city’s established prevailing wage program.

- The project (applicant) will ensure all employees are paid no less than the city’s living wage as it may be adjusted annually, including full-time employees and contract employees, and if applicable, projects involving construction of capital expenditures, will engage construction workers at a rate at least equal to the city’s living wage.
- Applicants shall provide written policies to support anti-harassment and anti-discrimination practices for business operations and work environments in the city.
- Project (applicant) will pay Austin-based employees the city’s living wage, as well as provide wages above the industry median wage.
- Economic incentives will only be granted to higher-wage firms for providing community benefits other than high wage jobs; for those firms providing other community benefits other than high wage jobs, community benefits could include bringing Austinites up from below 200% of the federal poverty line into jobs that lift them above that standard (a goal of the Workforce Master Plan).
- Company shall provide health insurance benefits for all new full-time employees and extend benefits to domestic partners of employees and their dependents.

Opportunities and Limitations for LEP

1. The Business Expansion Program’s stated objective is to provide “incentives to employers that are designed to promote business growth and expansion among entities with compensation above industry standards for middle-skill workers, meaningful

employment practices that target disadvantaged groups, accessible to small and local businesses, and that provide community benefits.”

Relationship to LEP: A salient difference between goals of the Business Expansion Program and LEP is the desire to provide incentives to businesses that seek to grow and expand. The goal of the LEP is to make at-risk businesses and organizations simply retain a foothold in their current location. Stability is essential for most businesses, but particularly so for small and micro businesses, to maintain operations and retain employees. Eligibility requirements that include providing higher than average wages along with expanded health care benefits suggests the business applicant has margins (or room) in their operating figures that allow for these additional expenditures. Since the target audiences for the LEP are primarily businesses that, but for extraordinary facility costs, could be successful ongoing entities. While it is not uncommon for rental rates and land costs to increase in a high growth market, the inevitable byproduct is a loss of those small commercial, legacy, entertainment, and cultural institutions upon which that growth would not have been otherwise possible, or at a minimum, in the locations (submarkets) where growth and expansion wants to occur. Without a foothold that can provide certainty (e.g., property ownership, long-term lease terms, stable tax rates, public infrastructure), the most vulnerable groups will continue to be at risk of being priced-out of their current location, or unable to locate where they are most accessible to their patrons.

While many are private for-profit entities, they do not have the same operating advantages inherent in most large companies (e.g., shared marketing expenses, private distribution and logistical systems, and cost efficiencies associated with volume discounting).

2. As explained in descriptions of the Business Expansion Incentive Program, Chapter 380 resources are the principal resource used to assist recipients. Authorizing legislation for the Chapter 380 program is found in the Local Government Code, and as presented, imposes few limitations on municipalities, beyond requiring that awards be used to further stated public purposes. The city of Austin imposes additional requirements, largely informed by a reference to the Texas Constitution that states “the use of any economic development program must be limited to those projects that fulfill a public purpose and result in a benefit equal to or exceeding the incentive.”

Relationship to LEP: As explained earlier, Chapter 380 resources are “performance-driven,” rather than gap filling, in nature. As such, they are only awarded after certain operating thresholds have been achieved, making them more of reward for investment, rather than resource to secure its financial feasibility. Whereas the LEP is intended to provide tools, tactics, and resources that neutralize local circumstances (market and site) that serve as barriers to investment and reinvestment, rather than secure projects that will grow jobs, the LEP should use different eligibility criteria and ultimately, performance

matrices.

3. A requirement of the program is provision of proof in the form of a “but-for statement with credible evidence that the incentive either fills a gap that creates desirable outcomes, or the project addresses a competitive position around a relocation or expansion project that is considering viable alternative sites outside of Austin.” Businesses and organizations seeking support through the LEP, rather than incentives, need resources to help them stay or locate in neighborhood-serving locations that are or have become too costly, as well as smooth out market and operating cycles that fuel uncertainty and risk, particularly those at the mercy of a landlord whose sole objective is revenue-generation, rather than stabilizing or delivering community benefits.
4. There are reportedly three employer category targets for the Business Expansion Incentive Program including Existing Local Expansions, Targeted Hiring, and External Relocations. The first group shares many of the intentions of those entities targeted by the LEP including “minimizing the impact of rising costs, providing access to capital | financing for businesses, and filling market gaps through the provision of certain goods and services in targeted areas.” Additionally, it acknowledges other potential audiences similar to those who would likely benefit from the LEP such as “small | local firms, ‘mom-and-pop’ shops, growing start-ups, and large corporations looking to grow locally.” The other

two targets do not align with those of the LEP.

Relationship to LEP: In the case of the first target, while stating an intention (and desire) to address challenges faced by similar groups, the eligibility criteria used to identify potential recipients are again, not only exclusively job related, but too costly for businesses operating with shallow profit margins to afford.

5. Matrices used to identify potential program recipients, as well as monitor their effectiveness, are almost entirely related to job creation, facility development, and operational advantages.

Relationship to LEP: Criteria associated with the delivery of community benefits similar to those of the LEP, such as providing a stable location for specific types of tenants and increasing the availability of diverse affordable commercial spaces, would need to be more clearly defined and indirect benefits not only identified, but quantified for scoring purposes, to make applicants eligible.

Economic Development Guiding Principles

Resolution No.: 20180830-056

Program Overview

The Guiding Principles document provides the fundamental overview of the city’s proposed economic development policy objectives. It is intended to provide a legal framework for economic development

efforts and context for a purposeful approach to address the needs of the community, respond to direction from city leadership, identify challenges facing the business community, manage market conditions, and engage in proactive intervention. The Guiding Principles were developed to govern the city’s use of mechanisms, programs, entities, initiatives, and other activities.

“Austin is a beacon of sustainability, social equity, and economic opportunity; where diversity and creativity are celebrated; where community needs and values are recognized; where leadership comes from its citizen, and where the necessities of life are affordable and accessible to all.” [Image Austin](#) and [Austin Strategic Direction 2023](#)

Source: Creative Space Assistance Program Guidelines, FY 19.

Enabling Legislation

Resources available to the city’s private sector partners are authorized by one or more of the following enabling statutes.

- Local Government Code Title 12. Planning and Development, Subtitle A. Municipal Planning and Development, Chapter 380
- Tax Code Title 3. Local Taxation Subtitle B. Special Property Tax Provisions Chapter 312. Property Redevelopment and Tax Abatement Act
- Transportation Code Title 6. Roadways Subtitle I. Transportation Corporations Chapter 431. Texas Transportation Corporation Act
- Local Government Code Title 12. Planning and Development

Subtitle A. Municipal Planning and Development Chapter 378. Neighborhood Empowerment Zone

- Local Government Code Title 12. Planning and Development Subtitle A. Municipal Planning and Development Chapter 372. Improvement Districts in Municipalities and Counties
- Tax Code Title 3. Local Taxation Subtitle B. Special Property Tax Provisions Chapter 311. Tax Increment Financing Act.

Note: Economic values, community benefits, and equity targets listed in this document are duplicative to those presented in the Chapter 380 Policy document.

Opportunities and Limitations for LEP

1. The Guiding Principles report is referred to as an “overarching document” whose purpose is to “govern the city’s approach to economic development.” To this end, it cites specific legislative statutes which enable the use of certain resources and strategies, several of which have been identified as potential resources for the LEP.

Relationship to LEP: While both the Chapter 380 Policy and Business Expansion Program, the two senior resources offered under the umbrella of the Guiding Principles, place a significant emphasis on projects that grow jobs and wages for residents of Austin, the LEP, is intended to be a real estate gap financing program to assist small and legacy businesses and operators in fulfilling City Council’s goal for “complete communities” in

neighborhoods throughout the city.

As such, eligibility criteria used to screen applicants for the LEP will reflect benefits achieved as a result of these awards. Fortunately, the Guiding Principles document makes no reference to job creation or growth. Further, while the stated list of economic values, community benefits, and equity targets, are similar to those presented in these other documents, importance is placed on Council objectives that recognize the importance of other factors that improve conditions for the local workforce, such as maintaining access to affordable space and financial stability and ensuring goods and services for traditionally underserved communities. This is where the LEP can supplement existing program offerings by addressing as yet, unaddressed intentions.

Supplemental Assistance Programs

Presented on the following pages are descriptions of supporting programs, specifically oriented towards assisting targets of the LEP overcome operating and locational challenges.

Creative Space Assistance Program

Resolution No.: 20160303-019

Program Overview

Established in 2019, the Creative Space Assistance Program (CSAP), evolved in response to passage of the Music and Creative Ecosystem Omnibus resolution. Whereas work associated with that effort

revealed the importance of preserving and increasing the supply of available and affordable space for the creative community, the CSAP program was established to “provide direct support to qualifying creative organizations facing temporary or permanent displacement, or to those previously displaced.”

Primary Community Benefits or Equity Targets

CSAP built on the success of the 2018 Arts Space Assistance Pilot Program (ASAP), which exclusively benefited arts nonprofits. Specifically, it was designed to expand its reach to include the provision of grants to qualifying for-profit live music venues (see text box), performance spaces, and art galleries, in addition to arts-focused nonprofits. Additional target groups included those historically underrepresented such as African Americans, Latino, Asian American, Arab American, and Native American (ALAANA) communities, as well as individuals with disabilities, and those that identify as LDBTQIA.

CSAP Eligibility Requirements

An applicant must meet the following minimum eligibility criteria:

- **Nonprofit Applicants:** The applicant must be designated as a 501(c)(3) per the Internal Revenue Code or State of Texas arts nonprofit organization in good standing.
- **For-Profit Applicants:** The applicant must meet EDD’s definition

of either a “Live Music Venue”, “Performance Venue | Theater”¹, or “Museum | Art Gallery”²:

- **Live Music Venue:** An establishment where live music programming is the principal function of the business and | or the business is a live music destination, and where the venue clearly establishes the ability of an artist to receive payment for work by percentage of sales, guarantee or other mutually beneficial formal agreement for every performance.

A live music venue is a destination for live music consumers, and | or its music programming is the primary driver of its business as indicated by the presence of at least five (5) of the following:

- a. Defined performance and audience space;
- b. Mixing desk, PA system, and lighting rig;
- c. Back line;
- d. At least two of the following: (i) sound engineer, (ii) booker, (iii) promoter, (iv) stage manager, or (v) security personnel;
- e. Charges cover charge to some music performance through ticketing or front door entrance fee;
- f. Markets specific acts through show listings in printed and electronic publications;

¹ Performance Venue | Theater: An establishment whose principal function and mission is to present live performances, plays, live music, film screenings, or other performances of artistic work produced by an artist, or arts and culture organization, accessible by public audiences.

² Museum | Art Gallery: Facility whose principal function and mission is to exhibit,

- g. Hours of operation coincide with performance times; or
- h. Programs live music at least five nights a week.

Minimum Requirements for CSAP

Grant recipients must comply with the following contract commitments.

- **Technical Assistance:** Agree to participate in technical assistance or other capacity building support provided by the City of Austin (for example, workshops related to business development, financial planning, etc.).
- **Job Retention:** Agree to commit to maintain current employment levels.
- **Professional Development:** Agree to participate in or host one professional development opportunity for the community (speaker, workshop, webinar, panel, etc.), in partnership with EDD; or
- **Career Development:** Agree to engage in career development opportunities with the Austin Independent School District, other school districts operating in Austin, or other entities that provide information about career options for students K-12.

present, and | or sell artistic work in a variety of media produced by an artist, artist collective, or arts and culture organization, accessible by public audiences. (For the purposes of this program’s eligibility, this will not include city-run | owned, state-run | owned, or federally-run | owned facilities.)

Applicants must provide proof of the following:

- They have renewed a lease at substantially higher rates (“substantially higher rate” is defined as at least 25% higher than current lease amount), or they face a pending lease renewal at substantially higher rates.
- Evidence of site control, which includes one of the following:
 - An existing, fully executed lease, or lease offer at a significantly higher rate than the previous or current rate, or they can provide career options for students K-12.
- Demonstrable evidence of an urgent need for assistance due to having been adversely impacted by the real estate market after June 1, 2016. Examples include:
 - a. They have been displaced and relocated, forced to close, or
 - b. They face the imminent threat of displacement and relocation, or
 - c. They have a fully executed lease or lease | purchase offer for a facility in need of city code-related improvements; or, fully executed lease or lease | purchase offer for a facility in need of revenue-generating improvements.
- The leased property or property to be acquired is located in the city of Austin’s incorporated limits or extraterritorial jurisdiction.
- Appropriate zoning is assigned to the leased property or property to be acquired.

Request Categories

Funding for the program was limited to \$750,000 in FY19, and grant awards were capped at \$50,000, and resources had to be used to defray rent hikes, property acquisition costs, and other space-related needs. Organizations with at least a 3-year lease term may apply for financial assistance; applicants with less than a 3-year lease may also apply but must submit a 3-year business plan and narrative illustrating how CSAP will benefit.

Financial assistance may be used to defray rent hikes, property acquisition costs, or other compelling space-related needs identified by applicants. Only one financial assistance grant may be awarded per project | organization per grant period, which will extend one year from contract execution. Only organizations that have been displaced and relocated (or facing threat of such) after June 1, 2016, are eligible for financial assistance.

Grants will be made on a competitive basis and determined by established criteria. Priority will be given to organizations confronting immediate and critical needs, and bonus points will be given to those who did not receive 2018 ASAP funding. After applications are initially reviewed by City Staff to meet Program eligibility, a five-member Grant Review Committee comprised of representatives from the arts, music, finance, and | or real estate communities will evaluate and score the applications and make final recommendations to EDD.

Rent Stipend: If an applicant is requesting funds in the form of rent stipend, the applicant must have signed a new lease or renewed their lease after June 1, 2016, at a significantly higher rate. Applicants may apply for up to twelve (12) months of a rent stipend to pay the difference between the prior rent and the current rent. The applicant must provide a three-year financial plan indicating how the stipend will enable them to pay this higher rent into the future. The financial plan should demonstrate a plan for achieving or increasing operating feasibility or stability over the three-year period.

Gap-Financing for Property Acquisition: If an applicant is requesting funds in the form of down payment assistance or gap financing, the applicant must demonstrate a high degree of project readiness, including detailed deal structure (including proof of financing that will make up the remaining amount of funds needed for the purchase), acquisition process | timeline, detailed cost estimates for the acquisition or renovation (if applicable), and property | facility specifications. A one-page summary of the organization's business plan is also required.

Other Space-Related Needs: If an applicant is requesting funds to make physical and | or acoustical improvements to the facility being leased or purchased, they need to demonstrate a high degree of project readiness, including secured funding source(s), a detailed site development | construction budget, an identified project team | contractors, timeline, and a proposed operating | maintenance budget for the facility. The applicant must demonstrate how the

proposed project will comply with the city code and how the proposed project improves the financial and programmatic performance of the organization. Grant funding awarded will be reimbursed upon proof of a secured permit to remedy city code violations or to execute facility improvements. A one-page summary of the organization's business plan is required for space-related needs.

A grant of up to \$5,000 may be awarded for the creation of a predevelopment plan by a licensed architect or engineer. To request funds to implement the plan, the applicant may submit another grant application in a subsequent and eligible funding cycle.

If an applicant is requesting financial relief to offset or defray displacement-related expenditures (production-specific facility rental, equipment rental | acquisition, transportation or moving costs, etc.), they need to be able to produce receipts | proof of payment for these specific expenditures. The receipts | proof of payments cannot be dated prior to June 1, 2016.

Application Information

For all requests, applicants must provide the following:

Narrative Description (Nonprofit Applicants): Narrative information that describes organizational history | context, including how the organizational mission and programs benefit the community, who participates in artistic production | performance, and who is served

(audiences and | or public participants).

Narrative Description (For-Profit Applicants): Narrative information explaining community and economic benefits such as increased payroll for musicians and music industry workers, increased load cards, new revenue streams, energy efficiency, job retention, job expansion, safety | City Code compliance, sound complaint reduction, preservation of locally owned music venues and theaters, increasing performance opportunities for local musicians and artists, and fostering genre diversity.

If the applicant intends to offer co-location opportunities (access to the space by individual creatives or creative-based organizations), they must demonstrate the extent to which this co-location serves or advances organizational mission or cultural use, increases access to long-term affordable space for other creatives, and | or improves programmatic efficiencies | collaboration.

- **Financials (Nonprofits):** Financial responsibility by submitting the organization’s IRS Form 990 for the most recent three years (if unavailable, balance sheet and income statement), budget for the current year, and year-to-date income statement and balance sheet.

- **Financials (For-Profit):** Most recent three years of the for-profit’s tax returns (if unavailable, balance sheet and income statement) and current profit & loss report demonstrating cultural use business model.

A commitment to equity through mission focus, event schedule, board or staff representation, outreach marketing, and | or working with and | or presenting to members of historically underrepresented communities in the city of Austin.³

Matrices

Applications will be evaluated by a Grant Review Committee and scored as follows:

Compelling Project Need: The applicant demonstrates the extent to which the funding will address a compelling organizational need

Urgency: The applicant demonstrates the level of urgency of need:

- **Most Urgent:** The applicant has already been displaced or needs to immediately relocate, renew a lease, or renovate to avoid displacement that is expected to take place within 6 months of application submission
- **Urgent:** The applicant has not been displaced yet, but needs to

³ The Cultural Arts Division currently applies the following definition of “cultural equity”: Cultural equity embodies the values, policies, and practices that ensure that all people—including but not limited to those who have been historically underrepresented based on race | ethnicity, age, disability, sexual orientation,

gender, gender identity, socioeconomic status, geography, citizenship status, or religion—are represented in the development of arts policy; the support of artists; the nurturing of accessible, thriving venues for expression; and the fair distribution of programmatic, financial, and informational resources.

relocate soon, renew a lease, or renovate to avoid displacement that is expected to take place within 7-13 months of application submission

- **Important but Less Urgent:** The applicant has not been displaced yet, but needs to relocate soon, renew a lease, or renovate to avoid displacement that is expected to take place within 14-20 months of application submission

Co-Location: The applicant demonstrates the extent of co-location opportunities for other creatives or creative-based organizations that this funding would support and how any co-locating | sub-leasing opportunities it intends to offer will help it meet or advance its own mission or improve programmatic collaboration. The applicant should include number and types of creatives or creative-based organizations served and in what capacity, and the qualitative and quantitative measurement for this co-location or shared space to increase capacity, efficiency, or effectiveness of both: (1) the “host” organization and (2) “hosted” creatives or “hosted” creative-based organizations, as the case may be

Organizational Stability | Project Readiness: The applicant demonstrates that it is facing significant financial constraints but has evidence of planning to identify and mitigate financial risk or has pursued or secured other sources of public support, philanthropic, investment, and | or earned revenue, and the extent to which CSAP funding would contribute to increased financial stability for the organization over the grant period. If requesting funds for relocation or renovation, the organization demonstrates a high degree of

financial and project readiness, and ability to complete such relocation or renovation in a timely and fiscally responsible manner

Grant Fund Policies

- Any grant funding awarded will be disbursed through a performance-based agreement between the city and grant recipient.
- The city reserves the right to grant requests in part or in whole.
- Grant funds may not duplicate contracted work for which the city funding is already being received.
- Grant commitments must be met, and the grant must be closed and expended, by the agreed terms prior to approval of a subsequent or similar grant for additional funds.
- Grant funds will be disbursed on a reimbursement basis. Grantees must provide receipts | paid invoices to request grant fund disbursements.

Equity: The applicant demonstrates that it is committed to equity and to serving historically underrepresented communities in the City of Austin

- **Event History and | or Artistic Programming | Advancement:** The applicant demonstrates the quality of its event history and | or artistic programming | services, and advancement of the organization over time
- **New Recipient:** The applicant has not received any previous CSAP funding.

The city of Austin and Grant Review Committee reserves the right to conduct finalist interviews or request additional information before funding recommendations are made. Failure to provide the additional information within the requested timeframe may result in a denial of the application.

Family Business Loan

Program Overview

The Family Business Loan Program is a public-private partnership between the City of Austin, HUD, and participating private lenders to offer low-interest loans to qualified small businesses that are expanding and creating jobs.

It is a targeted economic development initiative launched in May 24, 2012 by the City of Austin Economic Development Department. The Family Business Loan Program's mission is to enable existing local businesses to expand and create jobs, revitalize communities, increase the tax base of the City of Austin, and enhance the overall quality of life for Austin residents. To accomplish that mission, the Family Business Loan Program has partnered with private lending institutions to leverage a private-public partnership that allows for greater flexibility on the type of eligible business-expansion projects.

The Family Business Loan Program offers advantages over traditional commercial financing in the form of:

- **Interest Rates:** Interest rates on FBLP loans are significantly below regular market interest rates for a variety of business expansion projects.
- **Repayment Terms:** Flexible repayment terms to meet project-specific needs and financing to fund a wide range of eligible activities
- **Low Equity Requirement:** FBLP only requires a 10% equity injection from the borrower, eliminating a common barrier to conventional financing

Primary Community Benefits or Equity Targets

Eligible Projects

- Acquisition of commercial and industrial land and buildings
- Renovation and new construction of commercial and industrial buildings
- Acquisition and installation of machinery and equipment
- Refinancing of existing debt to an independent institutional lender (as part of a new project creating new job opportunities)
- Working capital financing (only considered in conjunction with the total project and will not be financed independently)

Note: Loan funds cannot be used to reimburse costs incurred prior to completion of the HUD Environmental Review with the exception of project planning costs.

Minimum Requirements for Family Business Loan Program

Small businesses must meet the following criteria to be considered

for the program:

1. Be a private for-profit business, legally organized and a going concern for at least 2 years
2. Meet the size standards of the Small Business Administration (SBA)
3. Able to demonstrate sufficient profitability to meet repayment requirements
4. Willing to locate project in the Austin area as represented by Council 10-1 plan
5. Commit to create no less than one job (FTE) for every \$35,000 borrowed Additional Housing and Urban Development (HUD) and Small Business Administration (SBA) guidelines for eligibility and underwriting criteria may apply, all projects must meet HUD National Objective | Public Benefit Standards.

Other Programs

Heritage Preservation Grants

The Heritage Preservation Grant Program focused on preserving Austin's historic and heritage tourism experiences through capital, planning, educational, or marketing projects.

It is dedicated to preserving Austin's irreplaceable historic and heritage tourism experiences that represent the inclusive stories of the past through capital, planning, educational or marketing preservation projects that engage new audiences while attracting

tourists. It supports an inclusive cultural and heritage tourism approach that tells the multilayered history that created the city of Austin, and its goal is to connect people and preservation while supporting racially and culturally diverse places where tourists and residents can experience the stories and places that focus on Austin's historic and heritage sites.

Funding for the program is made available from Austin's convention and hotel industries through its Hotel Occupancy Tax (HOT). Use of HOT proceeds must directly enhance and promote tourism and the convention and hotel industry. Preservation projects or activities must be at, or in the immediate vicinity of, convention center facilities, or located in areas that are likely to be frequented by tourists. Capital, planning and educational projects must be historically designated.

Eligible Projects

Capital Projects (Maximum award: \$250,000): Contractual preservation reimbursement agreements to restore, rehabilitate and stabilize tourism-serving historic designated sites or contributing buildings within historic districts that are consistent with the Interior's Standards for the Treatment of Historic Properties and local design standards. The project site must have a historic designation or be eligible for historic designation (designation must be obtained within the term of the contract). Two outside consultant bids are required.

Planning Projects (Maximum Award: \$30,000): Funding to secure property-specific professional planning expertise in areas such as preservation, architecture, or engineering plans; or historic research and historic nominations for tourism-serving sites or potential historic districts. Projects must already be historically designated or eligible for historic designation (designation must be obtained within the term of the contract).

Commercial historic properties deemed eligible for historic designation in the East Austin Historic Survey will be prioritized.

Educational Projects: Projects that actively create experiences for tourists and residents to interact with historic places, events, or activities that authentically represent the stories and people of the past and enhance the understanding or perspective on heritage, culture, and history. The project site must be historically designated or eligible for historic designation (designation must be obtained within the term of the contract).

Educational projects include:

- **Marketing Projects (Maximum Award: \$30,000):** Projects that actively connect and market heritage, particularly of underrepresented histories or under-interpreted histories, places, or events, that encourage residents and tourists to connect and engage with historic sites and heritage stories. No historic designation is required initially, but the project must occur at a historic site, be history-informed, and encourage

heritage tourism and be designed by the end of the contract term.

Marketing Project types include:

- Digital Marketing Projects (focused on exploring heritage and historic record)
- Heritage & Multicultural Tourism Marketing: Destination Video & Photography
- Heritage & Multicultural Tourism Marketing: Social Media | Marketing
- Language Translation of Marketing Materials (print or digital assets)
- Marketing Content, Asset Development, and Distribution: Brochures, Maps, Guides, Rack Cards, Itineraries
- Website Enhancements (must be associated with site history; operational costs are ineligible)

Note: Owner-occupied properties are ineligible to apply.

Cultural Arts Grant Funding: The Economic Development Department's Cultural Arts Funding Program supports cultural arts programs for the Austin community by contracting with arts organizations for specific services.

The Cultural Arts Division has administered various funding programs since 1981 through HOT proceeds authorized by state law. Since April 2020, the Economic Development Department has

administered 12 emergency grant programs totaling more than \$60.5 million in support of Austin families, non-profits, creatives, and businesses impacted by the COVID-19 pandemic.

Cultural funding programs were developed in consultation with Austin's creative community over the past 3 years. Funding prioritizes equity through a combination of seed funding, broad sector support, and targeted investment.

Supported through HOT collections, the planned launch of new cultural funding programs has been developed with current reductions in available funds in mind and will be reassessed as HOT collections change.

Thrive: Cultural Growth: The Thrive: Cultural Growth Program provides focused investment to sustain and grow arts organizations that are deeply rooted in and reflective of Austin's diverse cultures.

Organizations must have a five-year operating history in the Austin Metropolitan Statistical Area (MSA). Funding is available for general operating support, project support, and institutional improvements.

Elevate: Supporting the Journey: The Elevate: Supporting the Journey Program provides funding for the creative and administrative expenses of cultural producers that amplify equity and prioritize inclusive programming.

It encourages applicants to continue and expand operationalized

equity and is open to cultural organizations of various sizes and types, individual artists, and small arts businesses.

Nexus: Creative Collaboration: The Nexus: Creative Collaboration Program nurtures new and emerging applicants by funding creative public projects developed through community activation and | or collaboration.

It is open to small organizations, individual artists, and small arts businesses, and eligible applicants must have an operating budget under \$150,000.

Live Music Fund: The Live Music Fund was established by City of Austin [Ordinance No. 20190919-149](#) on September 19, 2019. In response, the pilot Live Music Fund Event Program is under development based on direction from the Music Commission to prioritize the core equity principles of *Preservation, Innovation, and Elevation & Collaboration* (PIE).

[Pilot Program Guidelines](#)

In February 2022, the Music Commission approved [Music Commission Recommendation 20220207-3b](#) to refine pilot program guidelines for the Live Music Fund Event Program. In April and May 2022, updates were presented to the Music Commission in response to this recommendation and subsequent Commission feedback.

It encourages, promotes, improves, and showcases Austin's diverse

live music industry through supporting live and online music events, recording studio production, video production, merchandise distribution (e.g., vinyl, compact discs, cassettes, posters) and music broadcasting (e.g., television, radio, podcasts) that can be marketed to local audiences, visiting and potential tourists, and conventions delegates.

Austin’s professional musicians, bands, and independent promoters who produce and promote live and online music events, recording studio production, video production, merchandise distribution, and music broadcasting are prioritized.

Commission recommendations provided that a Preservation, Innovation and Elevation & Collaboration (PIE) fund be established from the Live Music Fund to create greater equitable economic growth in the music sector. Based on this direction, the core equity principles of PIE are incorporated in the Live Music Fund Event Program, the pilot program supported through the Live Music Fund.

Eligibility Definitions

Professional Musician Definition (must meet at least one of the following requirements):

- At least 2 years of documentation showing applicant has regularly performed as a professional musician, solo or as part of a band, in live performances to public audiences; OR
- 6 released recordings (singles); OR
- 6 promotionally released music videos.

Independent Promoter Definition (must meet all of the following requirements):

- No more than 3 staff
- At least 2 years of documentation showing the applicant has curated and promoted live shows featuring musicians and bands
- Contractually tied to one venue

Eligibility Requirements

Professional Musician: Professional musicians must live in the Austin–Round Rock MSA, including Travis, Williamson, Hays, Bastrop, and Caldwell Counties, and perform solo, lead a band, or have an equal stake in a band; and must be at least 18 years old to apply.

Musicians may perform in multiple bands receiving awards; however, the band leader or lead applicant may only qualify for one application

Activities proposed in the application must take place in a city of Austin Council District and | or the Extraterritorial Jurisdiction (ETJ) and include at least 51% performers who fit the COA definition for "professional musician" and live in the MSA.

Compensation to participating professional musicians and creative workers must be paid at the city of Austin fair pay or living wage standard rates of \$200 per hour per artist for professional musicians, and \$15 per hour for event | show creative

workers.

Independent Promoter: Independent live music promoters must live in the MSA, which includes Travis, Williamson, Hays, Bastrop, and Caldwell Counties), and regularly curate shows for audiences; and must be at least 18 years old to apply.

Activities proposed in the application must take place in a city of Austin Council District and | or the Extraterritorial Jurisdiction (ETJ) and include at least 51% of performers who fit the COA definition for "professional Musician" and live in the MSA.

Compensate to participating professional musicians and creative workers must be paid at the city of Austin fair pay or living wage standard rates of \$200 per hour per artist for professional musicians, and \$18 per hour for event | show creative workers.

Ineligible Applicants

- Applicants who do not fit the eligibility definitions and requirements for professional musicians and independent promoters.
- Applicants that have a “delinquent status” with the city of Austin Economic Development Department.
- Government agencies or public authorities.
- City of Austin employees.

Award Amounts

- Eligible minimum award of \$5,000 and a maximum award of up to \$10,000.
- The first disbursement of funds will be 50% of the total award upon execution of the contract.
- Awards are paid over a 12-month contract period and may be drawn down monthly for reimbursing eligible expenses. The final 10% of the total award paid upon receipt of the final report to the city of Austin.
- Any award funds not utilized by awardees will go back into the Live Music Fund Event Program for future applicants

Summary

As presented above, the city of Austin offers a range of programs intended to assist under-represented populations, the majority of which are one-time grants to address impacts from negative economic conditions (i.e., disruptions due to COVID-19, market forces resulting in temporary or permanent displacement, operating challenges). For the most part, application and eligibility requirements, while desirable, exclude a significant number of smaller businesses that lack the resources necessary to comply with program guidelines, particularly those linked to the size of the award.

With the possible exception of low-interest financing for family-owned businesses, resources offered, or at least promoted, are

performance-based and as such, have limited application as a gap financing resource for development or redevelopment projects. To encourage the provision of permanently affordable commercial space, as described in the City Council resolution authorizing creation of the LEP, resources will be needed for developers and operators to balance inequities such as higher land costs, below-market rents, and property tax increases. Dollar limits associated with existing programs are not sufficient to address challenges inherent in the Austin real estate market.

In addition to limitations posed by the type and level of assistance available through the 380 Program, the application, evaluation, and approval processes associated with each one, are time-consuming and cost prohibitive, particularly given the lack of certainty associated with awards.

The city has gone to great lengths to identify and understand the needs of many audiences and business groups, and correspondingly state their intentions to provide necessary assistance. However, it has also overly narrowed the focused of its program offerings, established eligibility criteria that do not necessarily reflect possible or desired outcomes, and created protocols that increase the applicant's risk relative to potential reward or offering. Even applicants seeking a \$5,000 commitment through the Creative Assistance Program, must commit time and resources to technical assistance, job retention, professional development, and career development which collectively could exceed the amount of the award itself. Similarly, maximum award amounts are tied to the size

of the business, making smaller businesses with a potentially greater need ineligible.

In conclusion, guidelines for both the Chapter 380 and Business Expansion Programs, along with the city's Guiding Principles, cite eligibility criteria that while potentially appropriate for larger businesses including those that are growing or relocating to the Austin market, are overly restrictive and misaligned with targets for the LEP. In the absence of eligibility criteria that reflect both economic and community development objectives, an LEP project's value, and subsequent contribution to the community, would be understated and potentially overlooked. Further, application processes among most of the city's larger program offerings are time-intensive and rife with uncertainty, and performance standards sometimes necessitate investments by recipients that potentially exceed the award amount itself.

Whereas the city places a high value on governing with transparency, it has established protocols associated with incentive awards that necessitate public opinion and support, and correspondingly community education and engagement. While appropriate in the pursuit of project entitlements, duplication of these efforts in the context of an incentive request is not only expensive but carries with it a high level of risk whereas participants in these processes may or may not have an adequate understanding of business operations, real estate finance, property development and other aspects of the project that make an award essential.

In addition to fewer programmatic limitations among existing city programs, objectives to be advanced by the LEP, including the provision of resources for real estate gap financing, will necessitate the use of additional tools and tactics beyond those currently available or promoted. Remedies will require a range of resources able to address specific challenges at multiple stages along the development and financing continuum, and solutions and strategies will need to be relevant not just for new development, but redevelopment and historic restoration projects.

Section 4: Existing Program and Policy Review

Introduction

In addition to review of state authorized resources, representatives of the project team also reviewed existing city guiding policy documents and programmatic offerings, available and reportedly employed to realize desired intentions. This investigation was conducted to:

- understand expressed intentions, target audiences, and applications
- identify redundancies (if any) of program offerings
- expose voids either pre- or post-development
- ensure the LEP can effectively mitigate challenges and realize desired outcomes

The findings and corresponding assessments were intended to provide guidance to city leaders regarding:

- how the current economic development framework could be realigned to support community intentions, including those associated with the LEP; and
- how existing guiding and policy documents could access additional resources and more effectively leverage limited resources in furtherance of stated objectives.

The narrative below provides an overview of the city's Economic Development Department, its lead agency involved in administering assistance to business and property development interests, followed by a description of its principal, and supporting incentive policy and program offerings, together with a comparison of how certain resources are used locally, regionally, and in comparative Texas communities. Knowledge gained through this, and previous work associated with review of state economic and community development resources informed the foundational elements of the LEP.

Austin Economic Development Department

The City of Austin's Economic Development Department plays an essential role in advancing significant elements of the community's vision. As noted on its website, "It has established itself as a world leader in technology, innovation, energy, workforce development, music, and creativity, that has led to significant business expansion and overall growth." To this end, the Department's principal efforts are to "support and recruit business to Austin through all of its divisions." The mission that guides its work is to "promote a competitive, sustainable and equitable economy for all." It's mission largely informed creation of the LEP, that being, "a program that promotes a competitive, sustainable and equitable economy for all, and primarily those individuals and businesses that are at a

competitive economic disadvantage due to both their structure and inherent vulnerabilities.”

Divisions which comprise the Department include:

- **Cultural Arts:** Administrator of programs that support artists and arts organizations who contribute creativity to the community’s way of life and city’s identity
- **Global Business Expansion:** Administrator of programs that increase jobs and investment in Austin and that support business expansion and attraction
- **Heritage Tourism:** Administrator of programs aimed at attracting tourists by preserving historic buildings, sites, and districts
- **Music & Entertainment:** Administrator of programs that support Austin’s venues, commercial music businesses, and musicians
- **Redevelopment:** Administrator of programs that facilitate innovative partnerships and projects to reinvigorate Austin neighborhoods and commercial districts
- **Small Business:** Administrator of programs that provide help to small business owners and people who want to start a small business

Principal Program and Policy Review

Following preparation of its comprehensive plan and prioritization of key strategic initiatives, the city’s Economic Development Department initiated an overhaul of their approach to economic development (primarily business promotion and attraction activities)

The Redevelopment Division, as described on the Department’s website, “provides significant social and economic value to the City of Austin through a variety of redevelopment and place-based initiatives that focus on catalytic investment to further the community goals as set out in [Imagine Austin](#) and the 2023 Strategic Direction document.”

which ultimately culminated in preparation of overarching policy and guiding documents, the Economic Development Chapter 380 Incentive Policy, Economic Development Guiding Principles, and Economic Development Business and Expansion Program, all of which reference Chapter 380 as the principal source of program funding. The LEP, and subject of this report, is being described as an additional Chapter 380 program that will be administered under the umbrella of the first two policy documents. Supporting programs implemented using Chapter 380 authority include the **Creative Space Assistance** and long-established **Business Loan Programs**.

A description of Austin’s principal programmatic resources is presented in the narrative that follows, along with commentary regarding their ability or inability to advance certain LEP objectives. This overview is followed by a description of other supporting programs, specifically geared towards assisting targets of the LEP overcome operating challenges.

Economic Development Chapter 380 Policy

Resolution No.: 030612-15

Program Overview

As explained in the City of Austin Chapter 380 Performance-Based Contracts Policy report published in March 2015, the early decision to employ the Chapter 380 “performance-based contracts program” was based on a desire to “bringing about targeted business expansions and recruitments that return benefits to the Austin community.” After some years of use, the city sought to “focus on creating opportunities for those hard-to-employ individuals, families that are in poverty, and those companies that are looking to advance upward from the middle class.” Further refinement of the program resulted in the following intention statements.

City’s “broad view” of economic development – resilience navigating the impact of economic cycles; sustainability or ability to survive changes in economic shifts; equity and opportunity assurances that prosperity is equitably distributed, and small local existing businesses have an opportunity to thrive

City’s role in advancing economic development objectives – fundamentals or major determinants of prosperity such as infrastructure, and quality of life; regulatory environment including land use, tax regime, other considerations to support desired outcomes; programs and incentives available to address market imperfections and or shape the future.

Source: Economic Development Policy Update, December 2017

Primary Community Benefits or Equity Targets

The following value statements represent intended outcomes from use of Chapter 380 resources.

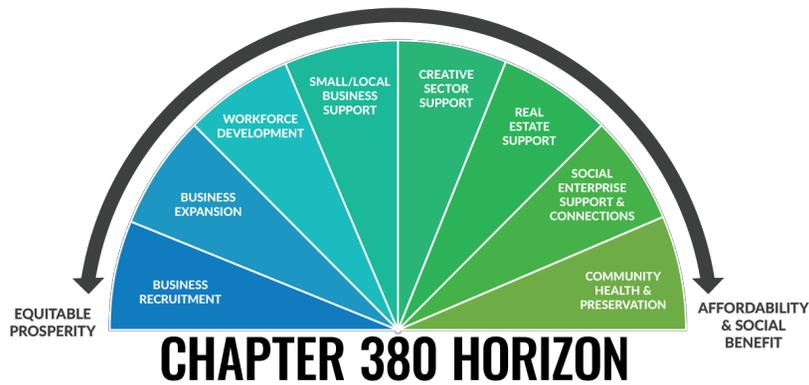
Community Benefits

1. Connect city to investors and remove barriers
2. Promote equitable employment opportunities
3. Unify the community through collaboration
4. Train, recruit, and retain local workforce and talent
5. Support Austin’s culture, creative sector, and community identity
6. Incentivize, support, provide staff to train small businesses
7. Build affordable, livable, and accessible development
8. Impact business growth
9. Control affordability
10. Promote economic diversity

Source: City of Austin Chapter 380 Performance-Based Contracts Policy report.

Matrices

As explained in the City of Austin Economic Development Guiding Principles document, incentive requests for economic development purposes must provide a cost-benefit analysis before an award is approved by City Council. The purpose of this type of analysis is to assist staff with determining the fiscal impact of the project. Whereas a test of fiscal affect alone may not be an appropriate measure for all projects, particularly those that are smaller in scale



or comparatively simple, other measures may be identified. In any case, the goal of the cost-benefit tool is to understand the city’s net position in a project, as either revenue-positive or revenue-neutral, and inform the level and type of investment deemed appropriate.

Other measures include proof of need and return on investment forecasts. Applicants must provide a statement supported by credible evidence that “but for” the incentive, the proposed investment is infeasible, unable to achieve desirable outcomes, or potentially located in a market outside of Austin. They must also quantify the city’s return on investment (ROI) based on possible community benefits resulting from the project; primary, secondary, and tertiary monetary impacts; and advancement of priority program goals. The objective of this type of evidentiary analyses, being public sector investment in the project is justified.

Measures of cost-benefit associated with any program administered

under the umbrella of the Chapter 380 Policy include:

- Revenue-positive or revenue-neutral projects, unless indirect benefits can be quantified
- Program-specific criteria (beyond those stated in the Chapter 380 Policy)
- New jobs created
- Jobs retained
- Job types
- Revenue impacts
- Community benefits achieved
- Capital investment
- Other measurements

Minimum Requirements for Chapter 380 Policy

- Applicants must provide ‘but for’ statement with credible evidence that the incentive either fills a gap that creates desirable outcomes, or the project addresses a competitive position around a relocation or expansion project that is considering viable alternative sites outside of Austin.
- Applicants must sign and comply with a city-provided form specifying the entity is compliant with all federal, state, and local laws and authorities.
- Applicants shall provide written policies to support anti-harassment and anti-discrimination practices for business operations and work environments in the city.
- Incentive agreements will be created in accordance with the

program’s evaluation tool | matrix | score card to meet approved criteria. Matrices will assess direct and indirect costs and integrate a formal cost-benefit analysis.

- Project-based incentives for mixed-use projects and incentive proposals that include the use and development of publicly owned property will promote community values.
- Projects that involve redevelopment of public, or formerly public land, will employ contractors and subcontractors at wages established by Council.
- Projects located near transit developments and transportation hubs will be considered favorably.
- All construction work, even if not on public or formerly public land, will comply with the city’s established prevailing wage program used on city public works projects.
- All construction workers will be provided with Workers Compensation Insurance and OSHA training.
- Incentive agreements will adhere to Minority and Women-Owned Business Enterprise Program requirements.
- Project (applicant) will ensure all employees are paid no less than the city’s living wage as it may be adjusted annually, including full-time employees and contract employees, and if applicable, projects involving construction of capital expenditures, will engage construction workers at a rate at least equal to the city’s living wage.
- Company shall provide health insurance benefits for all new full-time employees and extend benefits to domestic partners of employees and their dependents.
- Ongoing analysis will be performed by the city to determine

expected annual average wages for the lowest paid 10 percent of local workers from companies negotiating firm-based economic development proposals with the city.



Opportunities and Limitations for LEP

1. As stated in the Council adopted Chapter 380 Policy, the city of Austin “provides a framework and guidelines to secure an equitable, prosperous, and affordable Austin.” Further, they desire certain community benefits including:
 - a. Connecting the city to investors and remove barriers
 - b. Promoting equitable employment opportunities
 - c. Unifying the community through collaboration
 - d. Training, recruiting, and retaining local workforce and talent
 - e. Supporting Austin’s culture, creative sector, and community identity
 - f. Incentivizing, supporting, providing staff to train small

businesses

- g. Building affordable, livable, and accessible development
- h. Impacting business growth
- i. Controlling affordability
- j. Promoting economic diversity

Among these, those that align most closely with goals for the LEP include:

- a. Connecting the city to investors and remove barriers
- b. Supporting Austin’s culture, creative sector, and community identity
- c. Building affordable, livable, and accessible development
- d. Impacting business growth
- e. Controlling affordability
- f. Promoting economic diversity

Relationship to LEP: Despite this overlap, indices used to determine awards are exclusively related to job growth, business development, and industry attraction and retention. Further, there are no modifications for companies of different types or sizes.

- 2. Although cost-benefit measures identified in the Chapter 380 Policy purportedly include indirect impacts and delivery of community benefits which could leave the city in a net-neutral position, there is no evidence this has occurred based on review of successful applicants. Additionally, related statements limit these examples to those whose impacts can be quantified

beyond those program-specific criteria stated in the Policy such as: new jobs created, jobs retained, revenue generated, community benefits achieved, levels of capital investment, and other measures.

Relationship to LEP: Whereas the LEP is intended to be the principal resource for filling economic gaps associated with market conditions, industry inequities, and the delivery of desired community benefits (specifically, affordable commercial and cultural spaces), appropriate eligibility measures would not include those almost exclusively related to job creation and growth. Instead, they should include measures such as small business retention figures, commercial stability indices, net-new revenue growth, cross-over spending by cultural attendees, and others that are less easily quantified.

- 3. The city of Austin’s interpretation of Chapter 380 of the Local Government Code asserts that each community delineate “economic development value” (or economic development activities) in furtherance of stated objectives, and that absent such a definition, it “must administer the program in the context of the Texas Constitution which requires city funds be spent for municipal purposes, gain an equivalent benefit, not be gifted, and only be used for a public expense.”

Relationship to LEP: Statutory references within Chapter 380 are not only devoid of references to “economic development values” but actually encourage local governments to use “appropriate

discretion tailored to local conditions.” Austin’s interpretation, and subsequent decision to place overly restrictive limitations on applicants is not only unnecessary but limits the potential for desired investment. For example, since the target audiences for the LEP include small, legacy, and at-risk (of displacement) commercial enterprises, along with art and cultural organizations, the requirement that any recipient “must use those resources for municipal purposes,” “generate an equivalent benefit,” and “not be gifted (i.e., grant)” is not only contrary to existing practices but fails to reflect the unique economic challenges experienced by these entities.

4. All programs administered under the Chapter 380 Policy are reportedly performance-based, devoid of assurances regarding ongoing funding (regardless of whether stated priority objectives are delivered), and subject to performance measures which can change every five years based on the priorities of the city’s executive leadership and community input at the time.

Relationship to LEP: Investment risk is a measure of certainty and presence of potential obstacles. As explained herein, there is ample evidence that targets of the LEP contend with a variety of obstacles, or challenges, particularly associated with facility stability and expenses. One of the most significant things the city could do through the LEP is minimize uncertainties for the target groups. One way to do this would be by using funding mechanisms with a guaranteed revenue stream (i.e., tax increment financing (TIF)). With this assurance, businesses and

operators could use those resources to secure primary financing, use them as security for supplemental funding, or leverage them to buy down costly financing terms.

Finally, making awards dependent on the opinions of at-large citizens with little or no understanding of a business or organization, could not only eliminate potentially valuable projects, but subject applicants to bias or partiality.

5. As explained in the City of Austin Chapter 380 Performance-Based Contracts Policy report published in March 2015, the decision to only enter into a “performance-based contracts” was based on a desire to “bring about (or incent) targeted business expansions and recruitments that return benefits to the Austin community.”

Relationship to LEP: Incentives used to promote business growth and expansion are, by their very nature, an “enticement to achieve a certain outcome.” As reported in city program documents, this is job growth and practice development. Having such a narrowly defined statement of purpose appear in a policy document intended to be representative of all city programs, potential projects, and neighborhoods, fails to recognize nuances between business types, for profit and nonprofit organizations, geographies within a community, or cost-benefits.

As stated repeatedly throughout this document, the LEP is being designed to be a real estate gap financing program that

addresses challenges inherent in the delivery of real estate that is accessible and maintainable by certain underserved and at-risk groups. As such, true “gap financing” vehicles are needed, not those contingent on performance, which can only be measured once a project is operational. Specifically, resources are needed prior to construction for new space development, and for existing businesses either once operational and being priced out of their current location, or desiring to relocate to a certain

6. Eligibility criteria for recipients of Chapter 380 resources include verifiable evidence that the incentive either fills a gap that creates desirable outcomes, enhances a locality’s competitive position, or is a mixed-use, redevelopment, or transit supportive development constructed on publicly owned land. If the applicant is if a business, it must provide certain established wages or benefits, and if a developer, employ contractors at established wages or benefits, and adhere to all minority program goals of the city.

Relationship to LEP: While worthy and socially necessary objectives, these eligibility criteria offer no flexibility or relevance to businesses and organizations within the targeted groups. In effect, through the city’s desire to alleviate certain social inequities, they either further burden already financially challenged groups or make them ineligible as recipients of the program.

Evidence of this assertion is illustrated in **Table: 4-1** on the

neighborhood, yet unable to move in because of the prohibitive cost of entry. Rather than incentives, which suggests project viability, small commercial, legacy, and entertainment-related businesses require assistance at multiple stages along the continuum of development through operations, to ensure ongoing access to affordable space and the ability to sustain themselves through a range of business cycles.

following page which features a list of Chapter 380 recipients between 2003 and 2017. As presented therein, the company with the fewest employees to receive a Chapter 380 award was ATDF, that constructed a clean room and laboratory, and anticipated adding 85 jobs increasing their labor force to 310. The company with the largest number of employees to receive an award was Merck’s IT Hub, that intended to grow its labor force at the time to 6,735.

The largest award was made to Domain, a mixed-use project, that received approximately \$37.5 million dollars in incentives for an investment of approximately \$130.0 million, or 30% of total investment. Most awards, however, ranged between 1.0% and 6.0% of total investment committed.

Table: 4-1

Chapter 380 Awards Made Between 2003 and 2017 (as of Aug 2021)

Firm	Project Description	Year of Award	Net New Jobs	Total Jobs	Total Investment Committed	Total Estimated Incentive
US Farathane	Manufacturing Facility	12.15.2011	228	228	\$26,900,000	\$212,695
eBay	Data Services Expansion	4.12.2011	1,000	1,000	\$4,944,651	\$1,206,250
SunPower	Operations Center	12.9.2010	450	450	\$10,000,000	\$901,710
Websense	Headquarters	2.20.2014	470	474	\$9,935,000	\$438,000
Dropbox	Sales Operations Office	2.20.2014	170	200	\$5,500,000	\$244,500
Facebook	Sales Operations Office	3.11.2010	200	200	\$3,150,000	\$200,000
National Instruments	Research Development	3.7.2013	1,000	3,440	\$80,000,000	\$1,667,575
LegalZoom	Regional Headquarters	2.18.2010	600	600	\$1,750,000	\$200,000
Friday Night Lights	Television Production	3.22.2007	--	--	--	\$157,255
Hewlett-Packard	Data Center	3.22.2006	140	140	\$300,000,000	\$3,186,191
Home Depot	Data Center	6.24.2004	400	400	\$404,000,000	\$7,187,535
Athenahealth	IT Services Center	1.30.2014	607	643	\$7,750,500	\$679,500
Visa	Global IT Center	12.6.2012	794	794	\$27,312,918	\$1,560,000
ATDF	Clean Room Laboratory	9.2.2004	85	310	\$100,000,000	\$6,331,250
HelioVolt	Manufacturing Plant	10.18.2007	168	168	\$80,400,000	\$607,017
Merck	IT Hub	4.13.2017	600	600	\$28,722,000	\$856,000
Apple	Operating Center	3.22.2012	3,635	6,735	\$282,500,000	\$8,600,000
Advisory Board Company	Software Center	6.23.2011	239	330	\$8,100,000	\$372,590
Hanger Orthopedic Group	Headquarters	1.28.2010	250	269	\$6,744,335	\$500,000
Domain	Mixed-Use Project	5.15.2003	1,100	1,100	\$130,000,000	\$37,545,000
Samsung	30mm Fabrication Plant	8.18.2005	700	700	\$4,000,000,000	\$62,875,194
HID Global	Manufacturing Distribution Center	9.27.2012	276	276	\$36,000,000	\$920,576

Source: City of Austin.

Business Expansion Incentive Program

Ordinance No. 20180830-057

Program Overview

The Business Expansion Program’s stated objective is to provide “incentives to employers that are designed to promote business growth and expansion among entities that provide above industry standard compensation for middle-skill workers, (employ) meaningful employment practices that target disadvantaged groups, locate where they are accessible to small and local businesses, and provide community benefits.” Chapter 380 resources are the source of revenue for this program, and the eligibility criteria and evaluation matrices are employment and job specific.

Primary Community Benefits or Equity Targets

High priority consideration is given for (to) jobs (companies), as per Council objectives, that:

- provide above industry standard compensation for middle skill workers;
- employ heightened efforts to maximize meaningful labor force participation for targeted hiring populations and those facing socio-economic hardships that act as barriers for accessing local employment opportunities;
- connect the city’s values for accessibility to employment and quality working environments to small and local businesses with expansion opportunities;

- yield benefits to the community beyond local tax base contributions;
- can offset the city regulatory environment, as it relates to business growth and development.

As explained earlier, any program administered under the umbrella of the Chapter 380 Policy, “must be read in the context of the Texas Constitution which provides a general framework for economic development.”

Employer Category Targets

There are three categories of employer audiences identified as potential recipients of the program as explained in the following excerpts.

Existing Local Expansions

“The Existing Local Expansions category of the Business Expansion Program portfolio seeks to connect employment and quality working environments to small and local business with expansion opportunities, addresses rising costs and access to capital | financing for businesses, facilitates filling market gaps in the provision of certain goods and services in targeted areas, provides relief from the city’s regulatory environment as it relates to business growth and development, and in turn provides benefits to the community beyond local tax base contribution.” Potential users of this program will span a wide range, from small | local firms, to “mom-and-pop” shops, to growing start-ups, to large corporations looking to grow

locally.

General eligibility requirements of this group include companies that create apprenticeships or internships and provides one or more full-time jobs from the local population, pay “city’s living wage,” and encourages and supports the use of alternative transportation modes.

Targeted Hiring

“The Targeted Hiring category of the Business Expansion Program portfolio seeks to provide pathways for business expansions that focus on delivering compensation for middle-skill job creation, maximize meaningful labor force participation for populations that face unusual individual challenges to employment that act as barriers for accessing local employment opportunities, and in turn provide benefits to the community beyond local tax base contribution.

Potential users of this program will span a wide range, from small | local firms, to “mom-and-pop” shops, to growing start-ups, to large corporations looking to grow locally.

General eligibility requirements of this group include companies that create apprenticeships or internships and provides one or more full-time jobs from the local population, pay “city’s living wage,” and encourages and supports the use of alternative transportation modes.

External Relocations

“The External Relocations category of the Business Expansion Program portfolio seeks to provide strategic interventions and investments that attract outside employers relocating and expanding within the local market to grow and hire in Austin by providing needed capital | financing and support, potentially offsetting costs associated with the city regulatory environment as it relates to business growth. This program could help provide new employment opportunities for local residents, solidify neighborhood employment centers and activity corridors, and yield numerous community benefits beyond traditional increases to the tax base for the city. The potential users of this program could include established businesses with operations currently outside the city, newcomers with proven track records and growth trajectories in target industries, and those that offer alignment with Austin’s strategic direction.”

General eligibility requirements of this group include companies that do not currently have a significant presence within the city limits, or if present delivers a new division, will create at least 75 new full-time jobs paid at or above the city’s living wage, operate within industry that demonstrates business growth and stability.

Community Benefits

Community benefits considered valuable include:

- Talent development
- Hiring recruitment and retention efforts
- Diversity, inclusion and equity practices and policies

- Neighborhood connection by creating jobs near workers and offering training to the same
- Local partnerships with area groups, non-profits, and small businesses
- Sustainable business practices including zero waste and resource recovery initiatives
- Civic engagement providing easy access to voting for employees

Matrices

Measures of cost-benefit include:

- Construction and development costs
- Net new job additions
- Hiring timeline
- Wages
- Facility costs that impact water and electricity infrastructure
- Other project-related financial information

Minimum Requirements for Business Expansion Program

- Applicants must provide ‘but for’ statement with credible evidence that the incentive either fills a gap that creates desirable outcomes, or the project addresses a competitive position around a relocation or expansion project that is considering viable alternative sites outside of Austin.
- Applicants must sign and comply with a city-provided form specifying the entity is compliant with all federal, state, and local laws and authorities.
- Incentive recipients will comply with all City Code requirements

including environmental requirements and shall not petition for potential vested rights.

- Incentive agreements will adhere to Minority and Women-Owned Business Enterprise Program requirements.
- All construction workers are provided Workers Compensation Insurance and OSHA training.
- All construction work will comply with the city’s established prevailing wage program.
- The project (applicant) will ensure all employees are paid no less than the city’s living wage as it may be adjusted annually, including full-time employees and contract employees, and if applicable, projects involving construction of capital expenditures, will engage construction workers at a rate at least equal to the city’s living wage.
- Applicants shall provide written policies to support anti-harassment and anti-discrimination practices for business operations and work environments in the city.
- Project (applicant) will pay Austin-based employees the city’s living wage, as well as provide wages above the industry median wage.
- Economic incentives will only be granted to higher-wage firms for providing community benefits other than high wage jobs; for those firms providing other community benefits other than high wage jobs, community benefits could include bringing Austinites up from below 200% of the federal poverty line into jobs that lift them above that standard (a goal of the Workforce Master Plan).
- Company shall provide health insurance benefits for all new full-time employees and extend benefits to domestic partners of

employees and their dependents.

Opportunities and Limitations for LEP

1. The Business Expansion Program’s stated objective is to provide “incentives to employers that are designed to promote business growth and expansion among entities with compensation above industry standards for middle-skill workers, meaningful employment practices that target disadvantaged groups, accessible to small and local businesses, and that provide community benefits.”

Relationship to LEP: A salient difference between goals of the Business Expansion Program and LEP is the desire to provide incentives to businesses that seek to grow and expand. The goal of the LEP is to make at-risk businesses and organizations simply retain a foothold in their current location. Stability is essential for most businesses, but particularly so for small and micro businesses, to maintain operations and retain employees. Eligibility requirements that include providing higher than average wages along with expanded health care benefits suggests the business applicant has margins (or room) in their operating figures that allow for these additional expenditures. Since the target audiences for the LEP are primarily businesses that, but for extraordinary facility costs, could be successful ongoing entities. While it is not uncommon for rental rates and land costs to increase in a high growth market, the inevitable byproduct is a loss of those small commercial, legacy,

entertainment, and cultural institutions upon which that growth would not have been otherwise possible, or at a minimum, in the locations (submarkets) where growth and expansion wants to occur. Without a foothold that can provide certainty (e.g., property ownership, long-term lease terms, stable tax rates, public infrastructure), the most vulnerable groups will continue to be at risk of being priced-out of their current location, or unable to locate where they are most accessible to their patrons. While many are private for-profit entities, they do not have the same operating advantages inherent in most large companies (e.g., shared marketing expenses, private distribution and logistical systems, and cost efficiencies associated with volume discounting).

2. As explained in descriptions of the Business Expansion Incentive Program, Chapter 380 resources are the principal resource used to assist recipients. Authorizing legislation for the Chapter 380 program is found in the Local Government Code, and as presented, imposes few limitations on municipalities, beyond requiring that awards be used to further stated public purposes. The city of Austin imposes additional requirements, largely informed by a reference to the Texas Constitution that states “the use of any economic development program must be limited to those projects that fulfill a public purpose and result in a benefit equal to or exceeding the incentive.”

Relationship to LEP: As explained earlier, Chapter 380 resources are “performance-driven,” rather than gap filling, in nature. As

such, they are only awarded after certain operating thresholds have been achieved, making them more of reward for investment, rather than resource to secure its financial feasibility. Whereas the LEP is intended to provide tools, tactics, and resources that neutralize local circumstances (market and site) that serve as barriers to investment and reinvestment, rather than secure projects that will grow jobs, the LEP should use different eligibility criteria and ultimately, performance matrices.

3. A requirement of the program is provision of proof in the form of a “but-for statement with credible evidence that the incentive either fills a gap that creates desirable outcomes, or the project addresses a competitive position around a relocation or expansion project that is considering viable alternative sites outside of Austin.” Businesses and organizations seeking support through the LEP, rather than incentives, need resources to help them stay or locate in neighborhood-serving locations that are or have become too costly, as well as smooth out market and operating cycles that fuel uncertainty and risk, particularly those at the mercy of a landlord whose sole objective is revenue-generation, rather than stabilizing or delivering community benefits.
4. There are reportedly three employer category targets for the Business Expansion Incentive Program including Existing Local Expansions, Targeted Hiring, and External Relocations. The first

group shares many of the intentions of those entities targeted by the LEP including “minimizing the impact of rising costs, providing access to capital | financing for businesses, and filling market gaps through the provision of certain goods and services in targeted areas.” Additionally, it acknowledges other potential audiences similar to those who would likely benefit from the LEP such as “small | local firms, ‘mom-and-pop’ shops, growing start-ups, and large corporations looking to grow locally.” The other two targets do not align with those of the LEP.

Relationship to LEP: In the case of the first target, while stating an intention (and desire) to address challenges faced by similar groups, the eligibility criteria used to identify potential recipients are again, not only exclusively job related, but too costly for businesses operating with shallow profit margins to afford.

5. Matrices used to identify potential program recipients, as well as monitor their effectiveness, are almost entirely related to job creation, facility development, and operational advantages.

Relationship to LEP: Criteria associated with the delivery of community benefits similar to those of the LEP, such as providing a stable location for specific types of tenants and increasing the availability of diverse affordable commercial spaces, would need to be more clearly defined and indirect benefits not only identified, but quantified for scoring purposes, to make applicants eligible.

Economic Development Guiding Principles

Resolution No.: 20180830-056

Program Overview

The Guiding Principles document provides the fundamental overview of the city’s proposed economic development policy objectives. It is intended to provide a legal framework for economic development efforts and context for a purposeful approach to address the needs of the community, respond to direction from city leadership, identify challenges facing the business community, manage market conditions, and engage in proactive intervention. The Guiding Principles were developed to govern the city’s use of mechanisms, programs, entities, initiatives, and other activities.

“Austin is a beacon of sustainability, social equity, and economic opportunity; where diversity and creativity are celebrated; where community needs and values are recognized; where leadership comes from its citizen, and where the necessities of life are affordable and accessible to all.” [Image Austin](#) and [Austin Strategic Direction 2023](#)

Source: Creative Space Assistance Program Guidelines, FY 19.

Enabling Legislation

Resources available to the city’s private sector partners are authorized by one or more of the following enabling statutes.

- Local Government Code Title 12. Planning and Development,

- Subtitle A. Municipal Planning and Development, Chapter 380
- Tax Code Title 3. Local Taxation Subtitle B. Special Property Tax Provisions Chapter 312. Property Redevelopment and Tax Abatement Act
- Transportation Code Title 6. Roadways Subtitle I. Transportation Corporations Chapter 431. Texas Transportation Corporation Act
- Local Government Code Title 12. Planning and Development Subtitle A. Municipal Planning and Development Chapter 378. Neighborhood Empowerment Zone
- Local Government Code Title 12. Planning and Development Subtitle A. Municipal Planning and Development Chapter 372. Improvement Districts in Municipalities and Counties
- Tax Code Title 3. Local Taxation Subtitle B. Special Property Tax Provisions Chapter 311. Tax Increment Financing Act.

Note: Economic values, community benefits, and equity targets listed in this document are duplicative to those presented in the Chapter 380 Policy document.

Opportunities and Limitations for LEP

1. The Guiding Principles report is referred to as an “overarching document” whose purpose is to “govern the city’s approach to economic development.” To this end, it cites specific legislative statutes which enable the use of certain resources and strategies, several of which have been identified as potential resources for the LEP.

Relationship to LEP: While both the Chapter 380 Policy and Business Expansion Program, the two senior resources offered under the umbrella of the Guiding Principles, place a significant emphasis on projects that grow jobs and wages for residents of Austin, the LEP, is intended to be a real estate gap financing program to assist small and legacy businesses and operators in fulfilling City Council’s goal for “complete communities” in neighborhoods throughout the city.

As such, eligibility criteria used to screen applicants for the LEP will reflect benefits achieved as a result of these awards. Fortunately, the Guiding Principles document makes no reference to job creation or growth. Further, while the stated list of economic values, community benefits, and equity targets, are similar to those presented in these other documents, importance is placed on Council objectives that recognize the importance of other factors that improve conditions for the local workforce, such as maintaining access to affordable space and financial stability and ensuring goods and services for traditionally underserved communities. This is where the LEP can supplement existing program offerings by addressing as yet, unaddressed intentions.

Supplemental Assistance Programs

Presented on the following pages are descriptions of supporting programs, specifically oriented towards assisting targets of the LEP overcome operating and locational challenges.

Creative Space Assistance Program

Resolution No.: 20160303-019

Program Overview

Established in 2019, the Creative Space Assistance Program (CSAP), evolved in response to passage of the Music and Creative Ecosystem Omnibus resolution. Whereas work associated with that effort revealed the importance of preserving and increasing the supply of available and affordable space for the creative community, the CSAP program was established to “provide direct support to qualifying creative organizations facing temporary or permanent displacement, or to those previously displaced.”

Primary Community Benefits or Equity Targets

CSAP built on the success of the 2018 Arts Space Assistance Pilot Program (ASAP), which exclusively benefited arts nonprofits. Specifically, it was designed to expand its reach to include the provision of grants to qualifying for-profit live music venues (see text box), performance spaces, and art galleries, in addition to arts-focused nonprofits. Additional target groups included those historically underrepresented such as African Americans, Latino, Asian American, Arab American, and Native American (ALAANA) communities, as well as individuals with disabilities, and those that identify as LDBTQIA.

CSAP Eligibility Requirements

An applicant must meet the following minimum eligibility criteria:

- **Nonprofit Applicants:** The applicant must be designated as a 501(c)(3) per the Internal Revenue Code or State of Texas arts nonprofit organization in good standing.
- **For-Profit Applicants:** The applicant must meet EDD’s definition of either a “Live Music Venue”, “Performance Venue | Theater”¹, or “Museum | Art Gallery”²:
- **Live Music Venue:** An establishment where live music programming is the principal function of the business and | or the business is a live music destination, and where the venue clearly establishes the ability of an artist to receive payment for work by percentage of sales, guarantee or other mutually beneficial formal agreement for every performance.

A live music venue is a destination for live music consumers, and | or its music programming is the primary driver of its business as indicated by the presence of at least five (5) of the following:

- a. Defined performance and audience space;
- b. Mixing desk, PA system, and lighting rig;
- c. Back line;
- d. At least two of the following: (i) sound engineer, (ii) booker, (iii) promoter, (iv) stage manager, or (v) security personnel;

¹ Performance Venue | Theater: An establishment whose principal function and mission is to present live performances, plays, live music, film screenings, or other performances of artistic work produced by an artist, or arts and culture organization, accessible by public audiences.

² Museum | Art Gallery: Facility whose principal function and mission is to exhibit,

- e. Charges cover charge to some music performance through ticketing or front door entrance fee;
- f. Markets specific acts through show listings in printed and electronic publications;
- g. Hours of operation coincide with performance times; or
- h. Programs live music at least five nights a week.

Minimum Requirements for CSAP

Grant recipients must comply with the following contract commitments.

- **Technical Assistance:** Agree to participate in technical assistance or other capacity building support provided by the City of Austin (for example, workshops related to business development, financial planning, etc.).
- **Job Retention:** Agree to commit to maintain current employment levels.
- **Professional Development:** Agree to participate in or host one professional development opportunity for the community (speaker, workshop, webinar, panel, etc.), in partnership with EDD; or
- **Career Development:** Agree to engage in career development

present, and | or sell artistic work in a variety of media produced by an artist, artist collective, or arts and culture organization, accessible by public audiences. (For the purposes of this program’s eligibility, this will not include city-run | owned, state-run | owned, or federally-run | owned facilities.)

opportunities with the Austin Independent School District, other school districts operating in Austin, or other entities that provide information about career options for students K-12.

Applicants must provide proof of the following:

- They have renewed a lease at substantially higher rates (“substantially higher rate” is defined as at least 25% higher than current lease amount), or they face a pending lease renewal at substantially higher rates.
- Evidence of site control, which includes one of the following:
 - An existing, fully executed lease, or lease offer at a significantly higher rate than the previous or current rate, or they can provide career options for students K-12.
- Demonstrable evidence of an urgent need for assistance due to having been adversely impacted by the real estate market after June 1, 2016. Examples include:
 - a. They have been displaced and relocated, forced to close, or
 - b. They face the imminent threat of displacement and relocation, or
 - c. They have a fully executed lease or lease | purchase offer for a facility in need of city code-related improvements; or, fully executed lease or lease | purchase offer for a facility in need of revenue-generating improvements.
- The leased property or property to be acquired is located in the city of Austin’s incorporated limits or extraterritorial jurisdiction.

- Appropriate zoning is assigned to the leased property or property to be acquired.

Request Categories

Funding for the program was limited to \$750,000 in FY19, and grant awards were capped at \$50,000, and resources had to be used to defray rent hikes, property acquisition costs, and other space-related needs. Organizations with at least a 3-year lease term may apply for financial assistance; applicants with less than a 3-year lease may also apply but must submit a 3-year business plan and narrative illustrating how CSAP will benefit.

Financial assistance may be used to defray rent hikes, property acquisition costs, or other compelling space-related needs identified by applicants. Only one financial assistance grant may be awarded per project | organization per grant period, which will extend one year from contract execution. Only organizations that have been displaced and relocated (or facing threat of such) after June 1, 2016, are eligible for financial assistance.

Grants will be made on a competitive basis and determined by established criteria. Priority will be given to organizations confronting immediate and critical needs, and bonus points will be given to those who did not receive 2018 ASAP funding. After applications are initially reviewed by City Staff to meet Program eligibility, a five-member Grant Review Committee comprised of representatives from the arts, music, finance, and | or real estate communities will evaluate and score the applications and make final

recommendations to EDD.

Rent Stipend: If an applicant is requesting funds in the form of rent stipend, the applicant must have signed a new lease or renewed their lease after June 1, 2016, at a significantly higher rate.

Applicants may apply for up to twelve (12) months of a rent stipend to pay the difference between the prior rent and the current rent.

The applicant must provide a three-year financial plan indicating how the stipend will enable them to pay this higher rent into the future.

The financial plan should demonstrate a plan for achieving or increasing operating feasibility or stability over the three-year period.

Gap-Financing for Property Acquisition: If an applicant is requesting funds in the form of down payment assistance or gap financing, the applicant must demonstrate a high degree of project readiness, including detailed deal structure (including proof of financing that will make up the remaining amount of funds needed for the purchase), acquisition process | timeline, detailed cost estimates for the acquisition or renovation (if applicable), and property | facility specifications. A one-page summary of the organization's business plan is also required.

Other Space-Related Needs: If an applicant is requesting funds to make physical and | or acoustical improvements to the facility being leased or purchased, they need to demonstrate a high degree of project readiness, including secured funding source(s), a detailed site development | construction budget, an identified project team |

contractors, timeline, and a proposed operating | maintenance budget for the facility. The applicant must demonstrate how the proposed project will comply with the city code and how the proposed project improves the financial and programmatic performance of the organization. Grant funding awarded will be reimbursed upon proof of a secured permit to remedy city code violations or to execute facility improvements. A one-page summary of the organization's business plan is required for space-related needs.

A grant of up to \$5,000 may be awarded for the creation of a predevelopment plan by a licensed architect or engineer. To request funds to implement the plan, the applicant may submit another grant application in a subsequent and eligible funding cycle.

If an applicant is requesting financial relief to offset or defray displacement-related expenditures (production-specific facility rental, equipment rental | acquisition, transportation or moving costs, etc.), they need to be able to produce receipts | proof of payment for these specific expenditures. The receipts | proof of payments cannot be dated prior to June 1, 2016.

Application Information

For all requests, applicants must provide the following:

Narrative Description (Nonprofit Applicants): Narrative information that describes organizational history | context, including how the

organizational mission and programs benefit the community, who participates in artistic production | performance, and who is served (audiences and | or public participants).

Narrative Description (For-Profit Applicants): Narrative information explaining community and economic benefits such as increased payroll for musicians and music industry workers, increased load cards, new revenue streams, energy efficiency, job retention, job expansion, safety | City Code compliance, sound complaint reduction, preservation of locally owned music venues and theaters, increasing performance opportunities for local musicians and artists, and fostering genre diversity.

If the applicant intends to offer co-location opportunities (access to the space by individual creatives or creative-based organizations), they must demonstrate the extent to which this co-location serves or advances organizational mission or cultural use, increases access to long-term affordable space for other creatives, and | or improves programmatic efficiencies | collaboration.

- **Financials (Nonprofits):** Financial responsibility by submitting the organization’s IRS Form 990 for the most recent three years (if unavailable, balance sheet and income statement), budget for the current year, and year-to-date income statement and

balance sheet.

- **Financials (For-Profit):** Most recent three years of the for-profit’s tax returns (if unavailable, balance sheet and income statement) and current profit & loss report demonstrating cultural use business model.

A commitment to equity through mission focus, event schedule, board or staff representation, outreach marketing, and | or working with and | or presenting to members of historically underrepresented communities in the city of Austin.³

Matrices

Applications will be evaluated by a Grant Review Committee and scored as follows:

Compelling Project Need: The applicant demonstrates the extent to which the funding will address a compelling organizational need

Urgency: The applicant demonstrates the level of urgency of need:

- **Most Urgent:** The applicant has already been displaced or needs to immediately relocate, renew a lease, or renovate to avoid displacement that is expected to take place within 6 months of

gender, gender identity, socioeconomic status, geography, citizenship status, or religion—are represented in the development of arts policy; the support of artists; the nurturing of accessible, thriving venues for expression; and the fair distribution of programmatic, financial, and informational resources.

³ The Cultural Arts Division currently applies the following definition of “cultural equity”: Cultural equity embodies the values, policies, and practices that ensure that all people—including but not limited to those who have been historically underrepresented based on race | ethnicity, age, disability, sexual orientation,

application submission

- **Urgent:** The applicant has not been displaced yet, but needs to relocate soon, renew a lease, or renovate to avoid displacement that is expected to take place within 7-13 months of application submission
- **Important but Less Urgent:** The applicant has not been displaced yet, but needs to relocate soon, renew a lease, or renovate to avoid displacement that is expected to take place within 14-20 months of application submission

Co-Location: The applicant demonstrates the extent of co-location opportunities for other creatives or creative-based organizations that this funding would support and how any co-locating | sub-leasing opportunities it intends to offer will help it meet or advance its own mission or improve programmatic collaboration. The applicant should include number and types of creatives or creative-based organizations served and in what capacity, and the qualitative and quantitative measurement for this co-location or shared space to increase capacity, efficiency, or effectiveness of both: (1) the “host” organization and (2) “hosted” creatives or “hosted” creative-based organizations, as the case may be

Organizational Stability | Project Readiness: The applicant demonstrates that it is facing significant financial constraints but has evidence of planning to identify and mitigate financial risk or has pursued or secured other sources of public support, philanthropic, investment, and | or earned revenue, and the extent to which CSAP funding would contribute to increased financial stability for the

organization over the grant period. If requesting funds for relocation or renovation, the organization demonstrates a high degree of financial and project readiness, and ability to complete such

Grant Fund Policies

- Any grant funding awarded will be disbursed through a performance-based agreement between the city and grant recipient.
- The city reserves the right to grant requests in part or in whole.
- Grant funds may not duplicate contracted work for which the city funding is already being received.
- Grant commitments must be met, and the grant must be closed and expended, by the agreed terms prior to approval of a subsequent or similar grant for additional funds.
- Grant funds will be disbursed on a reimbursement basis. Grantees must provide receipts | paid invoices to request grant fund disbursements.

relocation or renovation in a timely and fiscally responsible manner

Equity: The applicant demonstrates that it is committed to equity and to serving historically underrepresented communities in the City of Austin

- **Event History and | or Artistic Programming | Advancement:** The applicant demonstrates the quality of its event history and | or artistic programming | services, and advancement of the organization over time

- **New Recipient:** The applicant has not received any previous CSAP funding.

The city of Austin and Grant Review Committee reserves the right to conduct finalist interviews or request additional information before funding recommendations are made. Failure to provide the additional information within the requested timeframe may result in a denial of the application.

Family Business Loan

Program Overview

The Family Business Loan Program is a public-private partnership between the City of Austin, HUD, and participating private lenders to offer low-interest loans to qualified small businesses that are expanding and creating jobs.

It is a targeted economic development initiative launched in May 24, 2012 by the City of Austin Economic Development Department. The Family Business Loan Program's mission is to enable existing local businesses to expand and create jobs, revitalize communities, increase the tax base of the City of Austin, and enhance the overall quality of life for Austin residents. To accomplish that mission, the Family Business Loan Program has partnered with private lending institutions to leverage a private-public partnership that allows for

greater flexibility on the type of eligible business-expansion projects.

The Family Business Loan Program offers advantages over traditional commercial financing in the form of:

- **Interest Rates:** Interest rates on FBLP loans are significantly below regular market interest rates for a variety of business expansion projects.
- **Repayment Terms:** Flexible repayment terms to meet project-specific needs and financing to fund a wide range of eligible activities
- **Low Equity Requirement:** FBLP only requires a 10% equity injection from the borrower, eliminating a common barrier to conventional financing

Primary Community Benefits or Equity Targets

Eligible Projects

- Acquisition of commercial and industrial land and buildings
- Renovation and new construction of commercial and industrial buildings
- Acquisition and installation of machinery and equipment
- Refinancing of existing debt to an independent institutional lender (as part of a new project creating new job opportunities)
- Working capital financing (only considered in conjunction with the total project and will not be financed independently)

Note: Loan funds cannot be used to reimburse costs incurred prior

to completion of the HUD Environmental Review with the exception of project planning costs.

Minimum Requirements for Family Business Loan Program

Small businesses must meet the following criteria to be considered for the program:

1. Be a private for-profit business, legally organized and a going concern for at least 2 years
2. Meet the size standards of the Small Business Administration (SBA)
3. Able to demonstrate sufficient profitability to meet repayment requirements
4. Willing to locate project in the Austin area as represented by Council 10-1 plan
5. Commit to create no less than one job (FTE) for every \$35,000 borrowed Additional Housing and Urban Development (HUD) and Small Business Administration (SBA) guidelines for eligibility and underwriting criteria may apply, all projects must meet HUD National Objective | Public Benefit Standards.

Other Programs

Heritage Preservation Grants

The Heritage Preservation Grant Program focused on preserving Austin's historic and heritage tourism experiences through capital,

planning, educational, or marketing projects.

It is dedicated to preserving Austin's irreplaceable historic and heritage tourism experiences that represent the inclusive stories of the past through capital, planning, educational or marketing preservation projects that engage new audiences while attracting tourists. It supports an inclusive cultural and heritage tourism approach that tells the multilayered history that created the city of Austin, and its goal is to connect people and preservation while supporting racially and culturally diverse places where tourists and residents can experience the stories and places that focus on Austin's historic and heritage sites.

Funding for the program is made available from Austin's convention and hotel industries through its Hotel Occupancy Tax (HOT). Use of HOT proceeds must directly enhance and promote tourism and the convention and hotel industry. Preservation projects or activities must be at, or in the immediate vicinity of, convention center facilities, or located in areas that are likely to be frequented by tourists. Capital, planning and educational projects must be historically designated.

Eligible Projects

Capital Projects (Maximum award: \$250,000): Contractual preservation reimbursement agreements to restore, rehabilitate and stabilize tourism-serving historic designated sites or contributing buildings within historic districts that are consistent with the

Interior's Standards for the Treatment of Historic Properties and local design standards. The project site must have a historic designation or be eligible for historic designation (designation must be obtained within the term of the contract). Two outside consultant bids are required.

Planning Projects (Maximum Award: \$30,000): Funding to secure property-specific professional planning expertise in areas such as preservation, architecture, or engineering plans; or historic research and historic nominations for tourism-serving sites or potential historic districts. Projects must already be historically designated or eligible for historic designation (designation must be obtained within the term of the contract).

Commercial historic properties deemed eligible for historic designation in the East Austin Historic Survey will be prioritized.

Educational Projects: Projects that actively create experiences for tourists and residents to interact with historic places, events, or activities that authentically represent the stories and people of the past and enhance the understanding or perspective on heritage, culture, and history. The project site must be historically designated or eligible for historic designation (designation must be obtained within the term of the contract).

Educational projects include:

- **Marketing Projects (Maximum Award: \$30,000):** Projects that

actively connect and market heritage, particularly of underrepresented histories or under-interpreted histories, places, or events, that encourage residents and tourists to connect and engage with historic sites and heritage stories. No historic designation is required initially, but the project must occur at a historic site, be history-informed, and encourage heritage tourism and be designed by the end of the contract term.

Marketing Project types include:

- Digital Marketing Projects (focused on exploring heritage and historic record)
- Heritage & Multicultural Tourism Marketing: Destination Video & Photography
- Heritage & Multicultural Tourism Marketing: Social Media | Marketing
- Language Translation of Marketing Materials (print or digital assets)
- Marketing Content, Asset Development, and Distribution: Brochures, Maps, Guides, Rack Cards, Itineraries
- Website Enhancements (must be associated with site history; operational costs are ineligible)

Note: Owner-occupied properties are ineligible to apply.

Cultural Arts Grant Funding: The Economic Development Department's Cultural Arts Funding Program supports cultural arts

programs for the Austin community by contracting with arts organizations for specific services.

The Cultural Arts Division has administered various funding programs since 1981 through HOT proceeds authorized by state law. Since April 2020, the Economic Development Department has administered 12 emergency grant programs totaling more than \$60.5 million in support of Austin families, non-profits, creatives, and businesses impacted by the COVID-19 pandemic.

Cultural funding programs were developed in consultation with Austin’s creative community over the past 3 years. Funding prioritizes equity through a combination of seed funding, broad sector support, and targeted investment.

Supported through HOT collections, the planned launch of new cultural funding programs has been developed with current reductions in available funds in mind and will be reassessed as HOT collections change.

Thrive: Cultural Growth: The Thrive: Cultural Growth Program provides focused investment to sustain and grow arts organizations that are deeply rooted in and reflective of Austin’s diverse cultures.

Organizations must have a five-year operating history in the Austin Metropolitan Statistical Area (MSA). Funding is available for general operating support, project support, and institutional improvements.

Elevate: Supporting the Journey: The Elevate: Supporting the Journey Program provides funding for the creative and administrative expenses of cultural producers that amplify equity and prioritize inclusive programming.

It encourages applicants to continue and expand operationalized equity and is open to cultural organizations of various sizes and types, individual artists, and small arts businesses.

Nexus: Creative Collaboration: The Nexus: Creative Collaboration Program nurtures new and emerging applicants by funding creative public projects developed through community activation and | or collaboration.

It is open to small organizations, individual artists, and small arts businesses, and eligible applicants must have an operating budget under \$150,000.

Live Music Fund: The Live Music Fund was established by City of Austin [Ordinance No. 20190919-149](#) on September 19, 2019. In response, the pilot Live Music Fund Event Program is under development based on direction from the Music Commission to prioritize the core equity principles of *Preservation, Innovation, and Elevation & Collaboration* (PIE).

[Pilot Program Guidelines](#)

In February 2022, the Music Commission approved [Music Commission Recommendation 20220207-3b](#) to refine pilot

program guidelines for the Live Music Fund Event Program. In April and May 2022, updates were presented to the Music Commission in response to this recommendation and subsequent Commission feedback.

It encourages, promotes, improves, and showcases Austin’s diverse live music industry through supporting live and online music events, recording studio production, video production, merchandise distribution (e.g., vinyl, compact discs, cassettes, posters) and music broadcasting (e.g., television, radio, podcasts) that can be marketed to local audiences, visiting and potential tourists, and conventions delegates.

Austin’s professional musicians, bands, and independent promoters who produce and promote live and online music events, recording studio production, video production, merchandise distribution, and music broadcasting are prioritized.

Commission recommendations provided that a Preservation, Innovation and Elevation & Collaboration (PIE) fund be established from the Live Music Fund to create greater equitable economic growth in the music sector. Based on this direction, the core equity principles of PIE are incorporated in the Live Music Fund Event Program, the pilot program supported through the Live Music Fund.

Eligibility Definitions

Professional Musician Definition (must meet at least one of the

following requirements):

- At least 2 years of documentation showing applicant has regularly performed as a professional musician, solo or as part of a band, in live performances to public audiences; OR
- 6 released recordings (singles); OR
- 6 promotionally released music videos.

Independent Promoter Definition (must meet all of the following requirements):

- No more than 3 staff
- At least 2 years of documentation showing the applicant has curated and promoted live shows featuring musicians and bands
- Contractually tied to one venue

Eligibility Requirements

Professional Musician: Professional musicians must live in the Austin–Round Rock MSA, including Travis, Williamson, Hays, Bastrop, and Caldwell Counties, and perform solo, lead a band, or have an equal stake in a band; and must be at least 18 years old to apply.

Musicians may perform in multiple bands receiving awards; however, the band leader or lead applicant may only qualify for one application.

Activities proposed in the application must take place in a city of Austin Council District and | or the Extraterritorial Jurisdiction (ETJ) and include at least 51% performers who fit the COA definition for "professional musician" and live in the MSA.

Compensation to participating professional musicians and creative workers must be paid at the city of Austin fair pay or living wage standard rates of \$200 per hour per artist for professional musicians, and \$15 per hour for event | show creative workers.

Independent Promoter: Independent live music promoters must live in the MSA, which includes Travis, Williamson, Hays, Bastrop, and Caldwell Counties), and regularly curate shows for audiences; and must be at least 18 years old to apply.

Activities proposed in the application must take place in a city of Austin Council District and | or the Extraterritorial Jurisdiction (ETJ) and include at least 51% of performers who fit the COA definition for "professional Musician" and live in the MSA.

Compensate to participating professional musicians and creative workers must be paid at the city of Austin fair pay or living wage standard rates of \$200 per hour per artist for professional musicians, and \$18 per hour for event | show creative workers.

Ineligible Applicants

- Applicants who do not fit the eligibility definitions and requirements for professional musicians and independent promoters.
- Applicants that have a “delinquent status” with the city of Austin Economic Development Department.
- Government agencies or public authorities.
- City of Austin employees.

Award Amounts

- Eligible minimum award of \$5,000 and a maximum award of up to \$10,000.
- The first disbursement of funds will be 50% of the total award upon execution of the contract.
- Awards are paid over a 12-month contract period and may be drawn down monthly for reimbursing eligible expenses. The final 10% of the total award paid upon receipt of the final report to the city of Austin.
- Any award funds not utilized by awardees will go back into the Live Music Fund Event Program for future applicants

Summary

As presented above, the city of Austin offers a range of programs intended to assist under-represented populations, the majority of which are one-time grants to address impacts from negative

economic conditions (i.e., disruptions due to COVID-19, market forces resulting in temporary or permanent displacement, operating challenges). For the most part, application and eligibility requirements, while desirable, exclude a significant number of smaller businesses that lack the resources necessary to comply with program guidelines, particularly those linked to the size of the award.

With the possible exception of low-interest financing for family-owned businesses, resources offered, or at least promoted, are performance-based and as such, have limited application as a gap financing resource for development or redevelopment projects. To encourage the provision of permanently affordable commercial space, as described in the City Council resolution authorizing creation of the LEP, resources will be needed for developers and operators to balance inequities such as higher land costs, below-market rents, and property tax increases. Dollar limits associated with existing programs are not sufficient to address challenges inherent in the Austin real estate market.

In addition to limitations posed by the type and level of assistance available through the 380 Program, the application, evaluation, and approval processes associated with each one, are time-consuming and cost prohibitive, particularly given the lack of certainty associated with awards.

The city has gone to great lengths to identify and understand the needs of many audiences and business groups, and correspondingly

state their intentions to provide necessary assistance. However, it has also overly narrowed the focused of its program offerings, established eligibility criteria that do not necessarily reflect possible or desired outcomes, and created protocols that increase the applicant's risk relative to potential reward or offering. Even applicants seeking a \$5,000 commitment through the Creative Assistance Program, must commit time and resources to technical assistance, job retention, professional development, and career development which collectively could exceed the amount of the award itself. Similarly, maximum award amounts are tied to the size of the business, making smaller businesses with a potentially greater need ineligible.

In conclusion, guidelines for both the Chapter 380 and Business Expansion Programs, along with the city's Guiding Principles, cite eligibility criteria that while potentially appropriate for larger businesses including those that are growing or relocating to the Austin market, are overly restrictive and misaligned with targets for the LEP. In the absence of eligibility criteria that reflect both economic and community development objectives, an LEP project's value, and subsequent contribution to the community, would be understated and potentially overlooked. Further, application processes among most of the city's larger program offerings are time-intensive and rife with uncertainty, and performance standards sometimes necessitate investments by recipients that potentially exceed the award amount itself.

Whereas the city places a high value on governing with transparency,

it has established protocols associated with incentive awards that necessitate public opinion and support, and correspondingly community education and engagement. While appropriate in the pursuit of project entitlements, duplication of these efforts in the context of an incentive request is not only expensive but carries with it a high level of risk whereas participants in these processes may or may not have an adequate understanding of business operations, real estate finance, property development and other aspects of the project that make an award essential.

In addition to fewer programmatic limitations among existing city programs, objectives to be advanced by the LEP, including the provision of resources for real estate gap financing, will necessitate the use of additional tools and tactics beyond those currently available or promoted. Remedies will require a range of resources able to address specific challenges at multiple stages along the development and financing continuum, and solutions and strategies will need to be relevant not just for new development, but redevelopment and historic restoration projects.

Section 5: Industry Trends and Market

Assessment

Introduction

Understanding current and anticipated trends in real estate development and the conditions that drive them are essential for any strategic planning initiative. With this information, community leaders are better able to prioritize capital investments and public efforts, while also informing and supporting private sector proposals. The following narrative provides an overview of industry trends expected to influence the type and timing of different product types and development concepts over the near- and long-term. That discussion is followed by an overview of local conditions and investment opportunities in those strategic investment areas identified by the city as potential targets for the LEP.

Industry Trends

The Urban Land Institute (ULI) is widely recognized as the leader in forecasting and monitoring real estate investment and development trends, in the United States and worldwide. It continually surveys industry representatives in finance, development, management, and consulting, and shares their findings in a variety of publications, the most noteworthy being its annual forecast.

The first most obvious question that anyone reading this report should ask is how the presence and spread of COVID-19 in the United States, and around the world, could impact the findings and

recommendations presented herein. To this end, provided on the following pages is an overview of anticipated trends and predictions regarding how sectors of the real estate industry are likely to respond. This information reflects the opinions of professionals from 80 major U.S. and Canadian markets, published during the 3rd quarter of 2020. What these individuals surmised, all of which are in positions to influence investment and reinvestment decisions nationwide, is while “real estate will never look the same post-COVID-19” as per Forbes magazine, the pandemic has not impacted the industry equitably.

COVID-19 has had a negative impact on some sectors, but a favorable impact on others. Sectors most adversely impacted are primarily those where people assemble or congregate such as offices, retail stores, apartment buildings, hotels, sporting and cultural venues, and entertainment facilities. These were identified in the early days of the pandemic as potential “super spreaders.” Conversely, sectors that have done well include logistics facilities, data centers, warehouses, and grocery stores. In addition, while the virus has undoubtedly manifested certain industry disrupters, it did not single-handedly trigger the industry trends discussed below. Rather, it accelerated many that were already underway, stopped others, and revealed potential vulnerabilities in our home and work environments that will inevitably lead to changes in both our built environment and infrastructure. To demonstrate this point, in a recent survey of real estate professionals, respondents ranked more than 12 industry disrupters, and placed cybersecurity at the top with

a score of 3.63¹, followed by construction technology with a score of 3.59, and placed drone technology at the bottom with a score of 2.73. Working from home did not even make the list. In this same survey, 34.2% of respondents reported being “confident” making long-term strategic real estate decisions in today’s environment, and an additional 10.1% reported being “very confident” doing the same. 23.2% reported being “indifferent and still uncertain.”

Following are trends that were accelerated by COVID-19:

- Work from home
- Move to Sun Belt states
- Suburban migration
- Public open space
- Retail sector transformation
- Importance of redundant supply chains
- Proptech shift to WFH and building safety
- Municipal |state fiscal issues
- Safety |health concerns in buildings
- Affordable housing crisis
- Concerns about racial equity
- Federal deficit
- Bikes and scooters

Trends that were stopped or slowed by COVID-19 (for now):

- Appeal of CBDs |density

- In-person conferences and meetings
- Experiential retail
- Leisure travel |tourism
- Business travel
- Mass transit use
- Apartment amenity wars
- Tourist-oriented retail
- Live entertainment
- University towns
- Student housing
- Global supply chains

Top 10 Trends

ULI’s [Emerging Trends in Real Estate](#) report provides a synthesis of investor and developer expectations for different real estate product types and different markets. Information gleaned from this year’s report, which forecasts activity in 2021, was reviewed in conjunction with literature from other industry sources including the American Planning Association (APA), Congress for New Urbanism, Bloomberg City Lab, Institute for the Future, and others.

ULI’s [Emerging Trends in Real Estate](#) report provides a synthesis of investor and developer expectations for different real estate product types and different markets. Information gleaned from this year’s report, which forecasts activity in 2021, was reviewed in conjunction with literature from other industry sources including the American

¹ Based on a 1 to 5 scale, 1 being no importance and 5 being great importance.

Planning Association (APA), Congress for New Urbanism, Bloomberg City Lab, Institute for the Future, and others. The real estate industry, like the energy, finance, and technology industries, is often characterized as a series of cycles, driven by a series of “moving parts” such as -- availability of capital, availability of inventory, demographic characteristics, social preferences, local policies, fiscal health, and political will. Further, many in the industry would argue that at a macro level, real estate investment decisions have historically relied too heavily on internal drivers, which has largely led to a commodity-driven response to supply and demand. While this approach has worked for many in the industry, particularly those exclusively oriented towards bottom-line returns, it has not always resulted in the most efficient or preferred pattern of community development.

In the years following the Great Recession, and prior to the outbreak of COVID-19, however, an increasing number of developers appeared to be taking a more “outward” view of things with greater attention to the unique needs and desires of individuals at various stages of their life, impact of technology on consumer spending patterns, and ideal work environment as measured by product output and productivity. It is because of that more measured and thoughtful approach that several experts believe the industry will recover faster than it may have once a vaccine is made widely available and businesses are safe to resume previous levels of activity.

The top 10 industry trends that will influence the real estate industry in 2021 include those listed below and described in the pages that follow.

1. Are We Home Yet?
2. The Great American Move
3. Reinventing Cities Post-COVID
4. Accelerating the Retail Transformation
5. From Just-in-Time to Just-in-Case
6. Location, Location, Safety
7. The Economy Stumbles (and the Real Estate Sector Hangs On)
8. The Great Fiscal Challenge
9. Affordable Housing Crisis Likely to Explode without Intervention
10. From Moment to Movement: Racial and Social Equity

1. Are We Home Yet?

The spread of COVID-19 during the first quarter of 2020 served to accelerate the work from home (WFH) trend that began more than two decades ago. Prior to COVID-19, approximately 7% of U.S. workers had the option to work regularly from home, and those were primarily “knowledge workers” such as executives, IT managers, financial analysts, and accountants, all with access to an adequate telecommunications infrastructure. During this same period, about 7% of private-industry workers spent at least a portion of their time working from home, while only 4% of state and local workers did. Employers have historically been reluctant to have their employees work from home primarily out of concern for their ability

to be productive and accountable, but also skepticism that they could adequately collaborate and excel. According to multiple sources, the realities of WFH during the COVID-19 stay-at-home restrictions revealed something quite different, and uncertainty has been replaced by optimism.

Tech companies including Twitter and Square have already decided to provide a stay-at-home option, at least some of the time, to their employees, but so too have companies like Delta Airlines, JPMorgan, and Zillow. Time saved by not commuting, alone, has been translated into an additional 227 hours or 28 days for work or leisure. In addition, with fewer employees at work at any one time, there is less reason for companies to maintain the same office “footprint.” According to the Urban Land Institute (ULI), 52% of survey respondents “strongly agreed” and 42.3% “agreed” that more companies will choose to allow employees to work remotely at least part of the time. Some employers have even said they may offer WFH as either an employee benefit, or in exchange for a salary reduction.

2. The Great American Move

Social distancing requirements established in mid-March during the early months of COVID-19’s spread across the United States, accelerated a movement among certain age cohorts to new geographies, from denser cities to the suburbs, from apartments to homes, and for some, back home again. This migration by both

individuals (and companies) is referred to as “The Great American Move.”

While growth in the urban core of many American cities had already started to decline as a significant number of individuals were being priced out, and others were entering stages of life that necessitated a different housing and community infrastructure, this trend was accelerated by COVID-19.

In recent years, larger “boom towns” including Charlotte, Denver, Dallas, Nashville, Portland, and Seattle, attracting far more than their share of smart young workers. However, so too did smaller markets like Boise, Greenville, Omaha, and Des Moines.

With the population in family formation years (aged 30 to 49 years) expected to grow by 8.4 million, and one in four couples in their mid-20s to mid-30s part of a college educated dual income household, some are skipping the traditional entry-level stage of home-buying and opting to purchase a first home more akin to a move-up home, even if they are still carrying student debt.

It is this family segment that is expected to represent nearly an 80% share of household growth captured by suburban locations in primary and secondary markets. What these individuals bring with them is a desire for more urban-like conveniences.

With a heightened emphasis on health and wellness in homebuilding and community design, particularly following the spread of COVID-

19, homes with smart-home technology including touchless controls on sinks, motion sensor lights, and voice commands, are in high demand, placing new homes at a distinct advantage over resale homes in this space. Other community attributes considered essential include seamless transitions between indoor and outdoor spaces, oversized windows, fresh air, open space, and reliable access to technology.

Not essential, but preferable are communities with opportunities for multi-generational living, either single homes with separate living areas, kitchens, and private entrances, or a variety of product types available within the same development. Multi-generational housing can be the ideal solution for aging parents and adult children.

3. Reinventing Cities Post-COVID-19

Cities on the forefront of planning for future pandemic events have already started to explore creative solutions for adapting their streets and public spaces to serve multiple purposes. Building on decades of recognition that park and green spaces are a key component of quality of life, they are now understood to be an essential component of health and wellness, as is attainable housing and quality schools.

Led by Baby Boomers initially, but perpetuated by Generation X and Millennials, urban neighborhoods surrounding the commercial core and close-in suburbs have evolved into attractive places to live, work, and raise families. Factors that supported interest in these locations,

aside from more attainable price points, include the shift to experiences over possessions, improved public transportation, the desire for a smaller environmental footprint, and falling crime rates, among others.

4. Accelerating the Retail Transformation

Most consumer expenditures of retail products and services take place in brick and mortar stores. Despite current setbacks that fueled an increase in online spending, this trend is expected to be temporary once it is safe to shop in person again. Nonetheless, the shakeout of millions of small businesses since the onset of restrictions imposed because of COVID-19 has been seismic compared to past industry interrupters.

Small businesses and national brands alike have been shuttered by closures that continued for multiple weeks and several holidays. As the number of temporary and permanent closures continued to grow in nearly every market, regardless of size, commercial centers saw their occupancies and revenues shrink.

While increasing vacancy rates and market obsolescence are not uncommon occurrences, the speed with which it is currently happening, along with the sheer number of closures, are what set this episode apart from others. The physical retail sector is going to continue to get smaller as stores continue to right-size, a trend being led by the closure and reconfiguration of mall space. Department stores are expected to experience some of the greatest change as

their sales have declined by more than 40% over the past two decades, while sales among large discounters (i.e., warehouse clubs and superstores) have more than tripled.

The pandemic has obviously been especially hard on restaurants, entertainment venues, and experience retailers, and the pendulum is not expected to swing all the way back to pre-pandemic levels for some time. High unemployment, loss of income, and a lack of federal support are expected to serve as a sort of governor on most sectors of the retail industry.

5. From Just-in-Time to Just-in-Case

With an increased emphasis on risk management and supply chain resilience, supply chain strategies are shifting from “just-in-time” to “just-in-case.” In a survey of real estate professionals taken during the 1st half of 2020, 47.5% “agreed” and 34.4% “strongly agreed” that COVID-19 will hasten the need for increased focus on supply chain resilience.

The COVID-19 pandemic exposed the role of supply chains as a competitive advantage. Risk management that once thought inventory was bad, is being replaced by the necessity for preparedness which includes holding higher levels of inventory, diversifying sales channels, and having production options, collectively supporting “just-in-case” strategies.

Regionalizing production could provide an added benefit, reducing risk and equalizing the competitive edge retailers with autonomous distribution channels have over independents.

6. Location, Location, Safety

Property technology, or PropTech, will lead efforts to transform public spaces into safe environments for users and customers. Safety in buildings, as it relates to health, is likely to become a must-have and critical differentiator in the wake of COVID-19. Making substantive health safety changes may be the first challenge experienced by businesses as they seek to reopen. With improvements such as redesigned spaces, cleaner surfaces, more effective air filtration, lower density, and other techniques, companies will be required to upfront capital costs and increase ongoing expenditures.

Convincing companies, workers, customers, and guests that office buildings, retail stores, restaurants, and other public-use facilities are safe will be another challenge, and perhaps the most difficult. Some companies have hired medical doctors with infectious disease experience to spearhead office remobilization and management plans.

OpenTable, a San Francisco–based online restaurant-reservation service company, reported that approximately 80% of U.S. restaurants were open as of the end of September 2020, but among those, the number of seated diners was down 41% from a year ago

for the entire month. Although store foot traffic counts are increasing, many consumers are still using e-commerce, delivery, and takeout options, and are likely to continue to do so until a vaccine is made widely available.

The survey of real estate professionals referenced earlier and administered during the first half of 2020, found 53.9% “agreed” and 28.4% “strongly agreed” that health and well-being will become more important factors across all sectors of real estate for the foreseeable future. Further, while Proptech can be the vehicle to provide more information on building health, we may need to create other technologies such as mobile apps that open doors, ultraviolet air filtration systems, advanced HVAC systems, and touchless elevators. The estimated cost of these improvements by the developer of an office building currently under construction is 1% to 2% of the total development budget.

7. The Economy Stumbles (and the Real Estate Sector Hangs On)

It is expected to be 2022 before the U.S. GDP returns to its 2019 cyclical peak. Total U.S. public debt has exceeded annual GDP for the first time since World War II, leaving the economy vulnerable to higher inflation and slower growth. These threats are only further exacerbated by the carnage COVID-19 has caused, including the biggest quarterly drop in GDP in U.S. history (32.9% on an annualized basis) during the second quarter of 2020 preceded by a 24% decline in consumer spending,

In terms of debt and equity underwriting standards for the United States, 73.8% of survey respondents thought the former would be more restrictive in 2021, and 67.1% thought the latter would be.

A trend which emerged in the recent past, prior to COVID-19 and on track post-COVID-19, is the replacement of once traditional sources of capital for real estate development with alternative sources. Specifically, while commercial banks used to be a primary financier of development, in 2021 and for the foreseeable future, nonbank financial institutions are expected to lead the sector, followed by government-sponsored enterprises (public-private partnerships), with commercial banks moving to a 6th out of 7 spots. “Major money banks are not in the lending business,” noted a real estate private-equity pro, but other lenders, including regional banks are stepping into the void and taking advantage of very low interest rates.

8. The Great Fiscal Challenge

As of the end of 2nd quarter 2020, state and local government tax revenues in many communities, particularly those overly reliant on COVID-19 vulnerable industries (travel and tourism), were down at the same time expenses-related to necessary health and safety protocols were up.

The real estate industry has always had a significant vested interest in the fiscal health of cities and states. All properties suffer if services decline, and infrastructure is not maintained or constructed. Disruptions caused by COVID-19 could be exacerbated if public

safety, sanitation, or transportation services are curtailed. The real estate industry can play an important role in helping to mitigate any adverse fiscal impacts that emerge as a byproduct of the pandemic. With a vested interest in creatively working with local governments to help grow economic activity and repair fiscal health, cities should be reaching out, engaging representatives, and pledging their commitment to sustained support.

9. Affordable Housing Crisis Likely to Explode without Intervention

Years of underfunding and a lack of attention have created a housing availability and affordability crisis throughout the United States. Though particularly acute in the nation's major gateways, housing is a problem in most American markets. In late 2019, Harvard University's Joint Center for Housing Studies reported, "Both the number and share of cost-burdened renters are again on the rise, especially among middle-income households."

The problem for low- and moderate-income renters is their incomes have not grown at the same rate as rental rates. Further, a significant amount of the new supply of rental units has targeted high-income and discretionary renters, or "renter by choice" households. The federal minimum wage has remained unchanged at \$7.25 per hour since 2009. In addition, only 40% of eligible households receive some form of assistance. Among the longer-term solutions being explored are a reduction in overly restrictive local regulations and

red tape, implementation of tactics such as inclusionary zoning, and a universal increase in the minimum wage.

10. From Moment to Movement: Racial and Social Equity

"The real estate industry has contributed to both de jure and de facto segregation over the past century, participating in redlining and discrimination on a broad basis." This is a sentiment broadly expressed by the survey respondents. Recent calls for the industry to address its past wrongdoings by targeting investment in minority neighborhoods and providing more housing and employment opportunities in currently majority-white locales are growing louder. However, it is unlikely that they will or can do it without assistance from both private and public sector partners.

There are relatively few real estate companies owned by persons of color or with the perspective required to build a meaningful bridge between what is needed rather than perceived to be needed. Efforts to increase the level of investment in and by developers, investors, and investment managers of color has been identified as an early priority.

For decades, racism and bias have resulted in inequitable racial outcomes in factors ranging from income, wealth, health, education, and life expectancy. These circumstances have received little attention in either national or state legislatures and have been made worse by police brutality and other government and private actions. The broader awareness that emerged during 2020 has elicited a

sense of responsibility among many non-Black individuals, corporations, and communities, but success in this arena will depend on a sustained effort to keep these challenges at the forefront of our social conscience.

Most of the survey respondents believe their industry can address racism in the United States. Over 70% “agreed” or “strongly agreed” the real estate industry can address and help end systemic racism.

Trends Affecting Austin Market

While all of the above industry trends had impacts on the Austin market in 2020 and so far in 2021, there are some which Austin felt in an outsized manner.

Perhaps no other city in the Sunbelt has experienced the growth-related affordable housing crisis as Austin. Rapid economic growth has always carried with it challenges for revitalizing neighborhoods facing property value increases and increasing housing densities. These challenges affect both residential and commercial property owners and businesses. The LEP Program is directly designed to address these issues.

Austin is clearly benefiting from the Great American Move. Since the COVID-19 crisis began, cities that offered a combination of economic diversity and relative housing attainability, along with less exposure to industries most affected by COVID-19 such as leisure and hospitality, outperformed many of the nation’s largest and most

time-tested markets. Over the long term, lingering fears regarding the pandemic’s potential impact, or future pandemic events, may cause some temporary relocations to stay put, permanently. Those regions of the country with the best job growth and most attainable and diverse housing stock will prevail as priority destinations.

Suburban and smaller cities without a diverse inventory of housing products and cultural assets will be at a strategic economic development disadvantage going forward, as a growing number of employers are going where the talent pool is and many of the individuals in this group seek “complete communities” with equity in housing, municipal services and social infrastructure. As Austin continues to grow rapidly, its challenge will be to retain its competitive advantage, particularly with respect to affordability.

While a range of strategies are being considered, most that involve raising taxes and | or reducing services, infrastructure or employment could have unintended consequences that are at odds with economic development objectives. As such, communities like Austin who have sought to think beyond the pandemic and toward a future where they are strategically positioned to capture development that was already in the pipeline prior to COVID-19, as well as new development seeking to meet the needs of an evolving resident base and workforce, might be better served to advance certain strategic initiatives and leverage the resources of different partner entities.

The real estate industry has always had a significant vested interest in the fiscal health of cities and states. All properties suffer if services decline, and infrastructure is not maintained or constructed. Disruptions caused by COVID-19 could be exacerbated if public safety, sanitation, or transportation services are curtailed. The real estate industry can play an important role in helping to mitigate any adverse fiscal impacts that emerge as a byproduct of the pandemic. With a vested interest in creatively working with local governments to help grow economic activity and repair fiscal health, cities like Austin should be reaching out, engaging representatives, and pledging their commitment to sustained support. Again, the LEP Program is an initiative to do just that.

Austin Market Forecast

The discussion that follows highlights how the Austin Metropolitan Area is perceived to be positioned for development and investment in the coming year, and how it compares to 79 of the other top real estate markets in the country. Market rankings were determined based on input from a range of industry representatives including industry advisors, homebuilders, mixed-use developers, pension fund agents, and representatives of financial institutions.

Among the overriding messages conveyed by the respondents to the survey that served as the basis for this discussion was the emerging role secondary and tertiary markets would play in the nation's response and recovery from the COVID-19 pandemic. They specifically identified the Des Moines, Knoxville, Greenville, and

Portland, Maine markets as those that would “continue to develop into lively, diverse, and affordable destinations.” While COVID-19 spurred concerns associated with living and working in dense environments, suburban and fringe communities were already seeing an uptick in interest by individuals outpriced in urban neighborhoods.

Communities in these ex-urban locations that want to attract these groups, and the employers that are following them, would be well advised to consider ways to position themselves not only as an affordable alternative to the city, but a destination with its own set of unique assets. Further, those that can creatively address ways to increase and integrate public and open spaces, and reconfigure roadways to serve multiple purposes, will be rise above the competition given their preparedness for future health and social equity events which are expected to be inevitable and multiplicative.

While growth in suburban and smaller markets has been increasing, growth in highly urban markets has been declining. Specifically, development activity in many larger cities has fallen to the point that their overall ranking among the 80 profiled in the forecast report has dropped from being one of the top 10 to being one of the top 20 or even 30.

Other cities that saw a decrease in their outlook for investment and development activity in 2021 include Brooklyn, Portland, Louisville, and Seattle. The latter three realized some of the most vocal protests (and counter protests) over police brutality and racial

equity, a fact which some investors believe impacted their rankings. Whether the rankings or market perceptions are permanent or temporary is yet to be determined and will rely in part on local and state policies.

Grouping the Markets

Markets can be grouped in many ways using different factors. The categories are intended to reflect the “intricacies that exist in each market, and how emerging trends may affect each of them in a unique way.”

All 80 markets are first organized into four major categories including Magnets, The Establishment, Niche, and Backbone. Those four categories are then broken into 12 subcategories. Austin is part of the Magnets Major Group and 18-Hour Cities Subgroup, which includes Denver, Raleigh | Durham, Charlotte, and Nashville. Five of the top 10 highest-ranked markets in overall real estate prospects fall within this subgroup.

As was the case in 2020, Austin continues to outperform nearly all of the 79 other markets profiled. Communities were rated on 12 real estate indicators:

1. Overall Real Estate Prospects
2. Homebuilding Prospects
3. Local Market Investor Demand
4. Local Market Development | Redevelopment Opportunities

5. Local Public and Private Investment
6. Availability of Debt and Equity Capital
7. Local Economy
8. Industrial Buy | Hold | Sell Prospects
9. Office Buy | Hold | Sell Prospects
10. Multifamily Buy | Hold | Sell Prospects
11. Retail Buy | Hold | Sell Prospects
12. Hotel | Lodging Buy | Hold | Sell Prospects

Table: 5-1 summarizes Austin’s ranking on each of these indicators as compared to 79 other U.S. markets.

Table: 5-1
Austin U.S. Market Rankings

Indicator / Index	Austin Market U.S. Rank
Overall Real Estate Prospects	2
Homebuilding Prospects	2
Local Market Investor Demand	1
Local Market Development / Redevelopment Opportunities	4
Industrial Buy / Hold / Sell Prospects	3
Office Buy / Hold / Sell Prospects	4
Multifamily Buy / Hold / Sell Prospects	4
Retail Buy / Hold / Sell Prospects	11
Hotel Buy / Hold / Sell Prospects	6

Source: PWC – ULI Emerging Trends in Real Estate 2021.

Market Assessment

The delivery of investment to any geography whether urban core or corridor, is affected by multiple forces, internal and external, real and perceived, self-imposed and outside the control of either the developer or community where it is located. The first factor is the market, and whether there is sufficient demand, real or perceived, to support the investment or reinvestment concept. This is the first determinant of market feasibility. Subsequent factors, or forces, may generally be organized into one of the following five categories – physical, financial, regulatory, political and organizational. For example, an analysis of market conditions may suggest adequate support for a project proposal, yet insufficient physical capacity, incompatible zoning, or public opposition to the concept or location where it is being considered. In the context of a publicly led redevelopment and new development initiative such as this one, it is frequently the circumstance that while there is market opportunity, there are also barriers to investment. A successful revitalization strategy must understand both the opportunities for, and obstacles to, investment. **Figures: 5-1** and **5-2** illustrate the purpose of a market analysis and all of the forces that could affect market feasibility.

Trade Area Determination

The market analysis conducted by Ricker | Cunningham focused on identifying market opportunities within a trade area representative of a range of both residential and nonresidential land use types.

A trade area is defined as an area from which a project (s) or locale will draw the majority of its residents (housing), patrons (retail), employees (office, industrial, institutional), and visitors (lodging) – and those areas that will likely be a source of competition (supply) and demand.

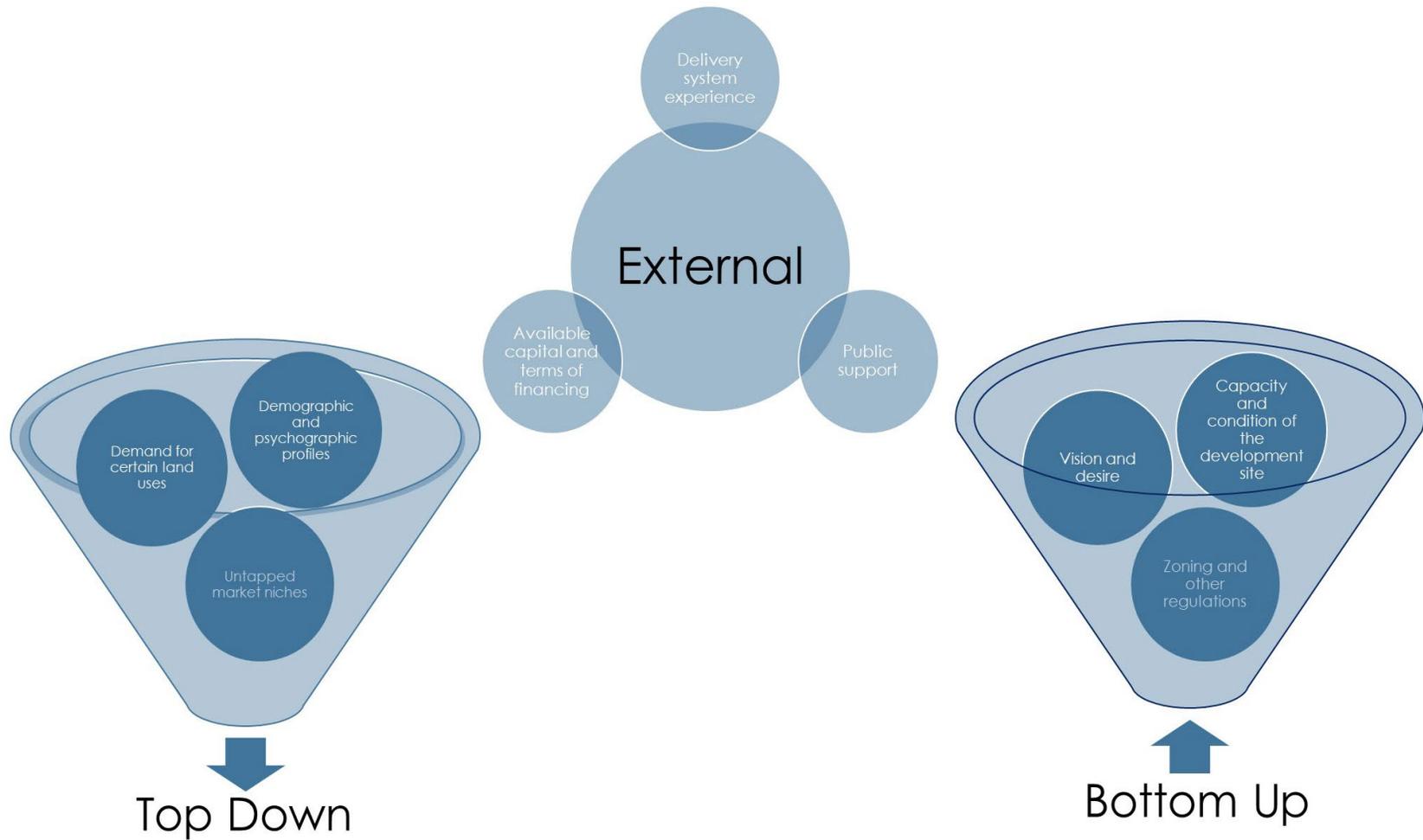
The boundaries of a trade area are often irregular as they are influenced by the following conditions:

- Physical Barriers
- Location of Possible Competition
- Proximity to Population and | or Employment Concentrations

Figure: 5-1
Purpose of Market Analysis



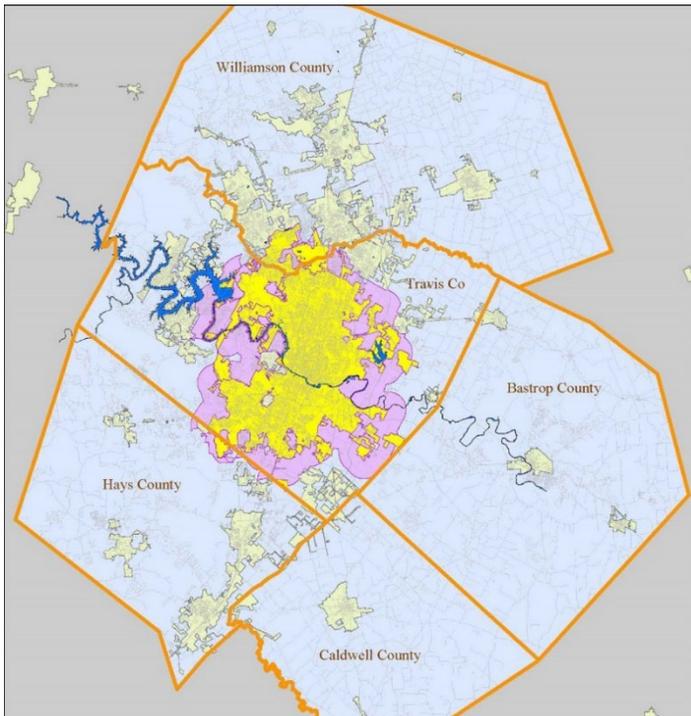
Figure: 5-2
Market Feasibility Considerations



- Zoning
- Market Factors
- Drive Times, Spending and Commuting Patterns
- Others

For the purposes of the Austin citywide market analysis, the Trade Area was identified as the Austin-Round Rock Metro Area (see **Figure: 5-3**).

Figure: 5-3
Austin Trade Area



Trade Area Demographic Characteristics

Table: 5-3 compares demographic variables for the city of Austin and the Austin-Round Rock Metro Area (the Trade Area).

As shown, the Austin-Round Rock Trade Area is projected to grow slightly faster than the City over the next 10 years.

The city's lower average household size and higher shares of non-family, one- and two-person, and renter households suggest continued demand for a range of higher-density, lower-maintenance housing products (both ownership and rental).

Both the Trade Area and city show a young, well-educated, affluent resident base, with a high degree of ethnicity.

The city's demographic profile is representative of a progressive, urban community, attracted to real estate product types that are diverse, innovative, and address a wide range of socioeconomic groups.

Trade Area Psychographic Characteristics

Psychographics is a term used to describe the characteristics of people and neighborhoods which, instead of being purely demographic, speak more to attitudes, interests, opinions, and lifestyles.

Tables: 5-4 and 5-5 compare psychographic variables for the city of Austin and the Austin-Round Rock Trade Area.

Table: 5-3
Demographic Characteristics

2020 Indicator (unless otherwise noted)	Austin - Round Rock Metro Area	
	City of Austin	Area
2010 Population	800,123	1,716,289
2010 Households	329,283	650,459
2020 Population	985,370	2,296,794
2020 Households	409,294	867,862
Annual Household Growth Rate (2020 to 2030)	1.9%	2.6%
Average Household Size	2.36	2.60
Percent Non-Family Households	48%	38%
Percent One- and Two-Person Households	67%	61%
Percent Renters	56%	40%
Percent Age 65+	10%	11%
Percent Age 25-44	34%	30%
Median Age	33.1	34.4
Percent With Bachelors Degree	51%	52%
Average Household Income	\$104,500	\$108,100
Percent With Income Below \$25,000	15%	13%
Percent With Income Over \$100,000	37%	40%
Percent Hispanic	36%	34%
Percent Black/African-American	8%	8%
Percent Asian American	8%	7%

Source: U.S. Census; Texas State Demographer; City of Austin; ESRI; and Ricker | Cunningham.

As with the demographic profile, both the Trade Area and city show young, affluent lifestyle segments. The city segments also show the

impact of the University (Dorms to Diplomas and College Towns), while the Trade Area segments include more suburban households (Soccer Moms, Southern Satellites and Green Acres). Both the Trade Area and city are seeing the continued emergence of ethnic groups, particularly Hispanic households. These ethnic households also represent a wide range of age and income levels.

Detailed descriptions of the top city of Austin Tapestry Segments are presented in **Appendix iv**.

Age Cohort Migration

Migration studies examine how certain groups or populations move within a certain geography. For the purpose of this market analysis, movement among three major age cohorts – Baby Boomers, Generation X, and Generation Y (Millennials) - within the city of Austin and surrounding Metro Area, were analyzed over the period 2000 to 2025. A series of maps illustrating these patterns are presented in **Figures: 5-4 through 5-6**. Each colored shape in the maps represents a census block. However, whereas the purpose of the migration maps is to identify changing conditions in the same geography over multiple periods of time, this can be difficult using census blocks as a measure since their boundaries can change over time.

Therefore, the analysis presented should be considered a representation, rather than an exact reflection, of age cohort mobility in the region. Finally, since the definition of these age

cohorts can differ depending on their source, these groups are assumed to fall within the following age ranges for the years analyzed.

Baby Boomer

2020 – 56 – 74 years

2025 – 61 – 79 years

Generation X

2020 – 36 – 55 years

2025 – 41 – 60 years

Generation Y

2020 – 20 – 35 years

2025 – 25 – 40 years

The maps presented in **Figures: 5-4, 5-5 and 5-6** show the anticipated increasing influences of younger age cohorts in the Trade Area over the next few years, as the Baby Boomer population (although still a major demographic force) begins to decline.

Table: 5-4

Psychographic Characteristics – City of Austin

Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Metro Renters	52,320	13.0%	779
Young and Restless	46,974	11.7%	671
Emerald City	34,087	8.5%	594
NeWest Residents	31,700	7.9%	1,016
Bright Young Professionals	28,529	7.1%	315
Enterprising Professionals	15,153	3.8%	263
Up and Coming Families	14,781	3.7%	148
Urban Chic	13,289	3.3%	251
Boomburbs	12,730	3.2%	183
American Dreamers	12,681	3.1%	213
Dorms to Diplomas	12,681	3.1%	605
College Towns	12,681	3.1%	321
Total Above Segments	287,606	71.4%	--

LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Middle Ground	73,019	18.1%	167
Uptown Individuals	66,381	16.5%	431
Midtown Singles	61,639	15.3%	248
Affluent Estates	38,588	9.6%	96
Ethnic Enclaves	36,165	9.0%	126
Total Above Groups	275,792	68.4%	--

Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	128,367	31.8%	175
Suburban Periphery	108,900	27.0%	85
Principal Urban Center	101,538	25.2%	353
Urban Periphery	62,226	15.4%	93
Semirural	1,370	0.3%	4
Total Above Groups	402,401	99.8%	--
Total Trade Area	403,065	100.0%	--

* Indicates concentration of this segment relative to U.S. average.

Source: ESRI and Ricker | Cunningham

Table: 5-5

Psychographic Characteristics – Austin – Round Rock Metro Area

Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Up and Coming Families	107,101	12.7%	511
Boomburbs	71,523	8.5%	491
Young and Restless	58,850	7.0%	402
Metro Renters	54,860	6.5%	391
Bright Young Professionals	53,005	6.3%	280
Soccer Moms	41,550	4.9%	169
Emerald City	34,252	4.1%	286
NeWest Residents	33,151	3.9%	508
American Dreamers	23,196	2.8%	187
Southern Satellites	21,906	2.6%	83
College Towns	20,082	2.4%	250
Green Acres	19,962	2.4%	74
Total Above Segments	539,438	64.0%	--

LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Ethnic Enclaves	148,937	17.7%	248
Affluent Estates	146,573	17.4%	175
Middle Ground	103,203	12.3%	113
Midtown Singles	80,532	9.6%	155
Uptown Individuals	69,397	8.2%	216
Total Above Groups	548,642	65.1%	--

Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Suburban Periphery	374,140	44.4%	139
Metro Cities	167,087	19.8%	109
Urban Periphery	112,246	13.3%	80
Principal Urban Center	106,005	12.6%	177
Rural	58,322	6.9%	41
Total Above Groups	817,800	97.1%	--
Total Trade Area	842,329	100.0%	--

Figure: 5-4

Age Cohort Movement - Baby Boomers

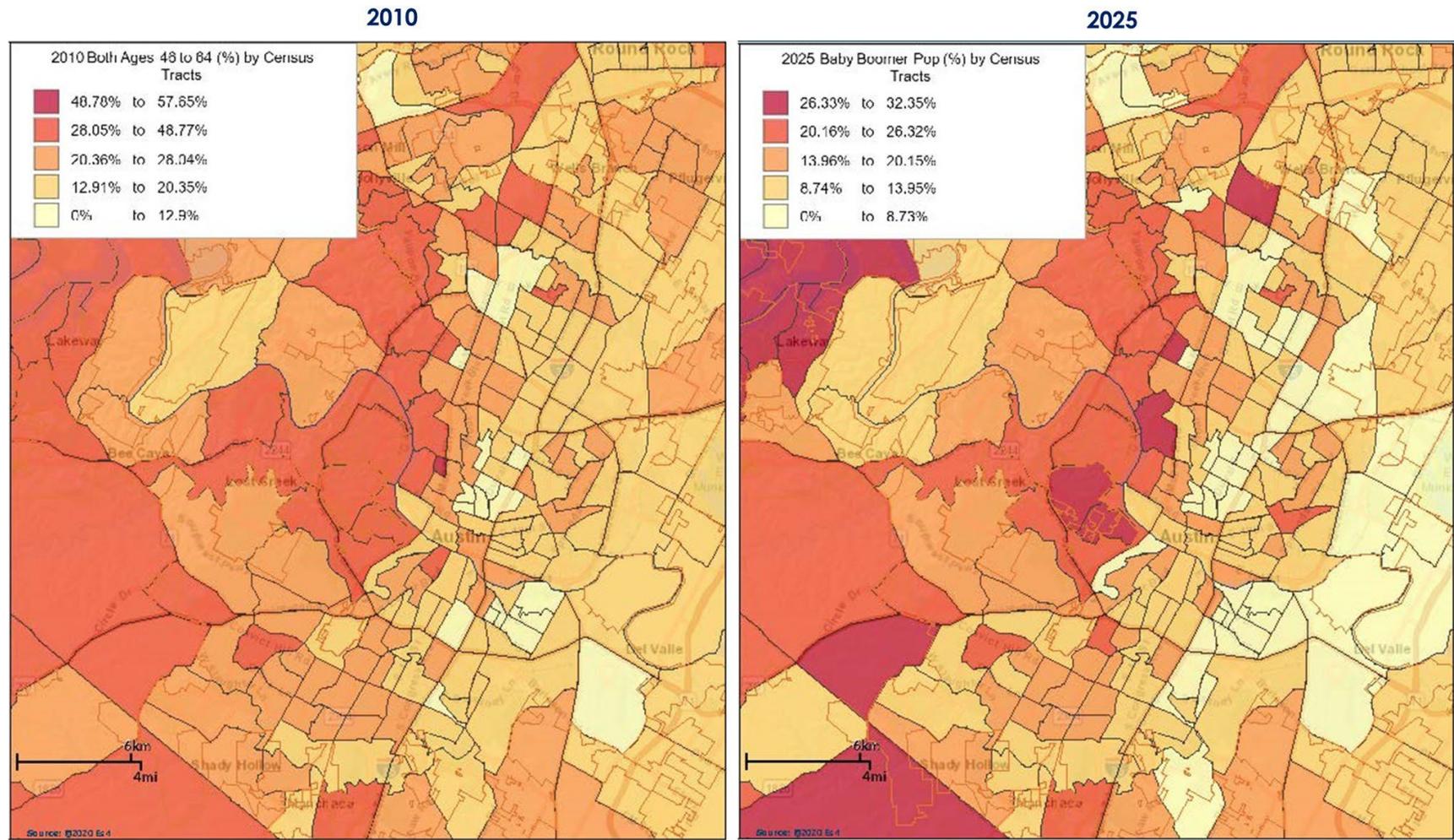


Figure: 5-5

Age Cohort Movement – Generation X

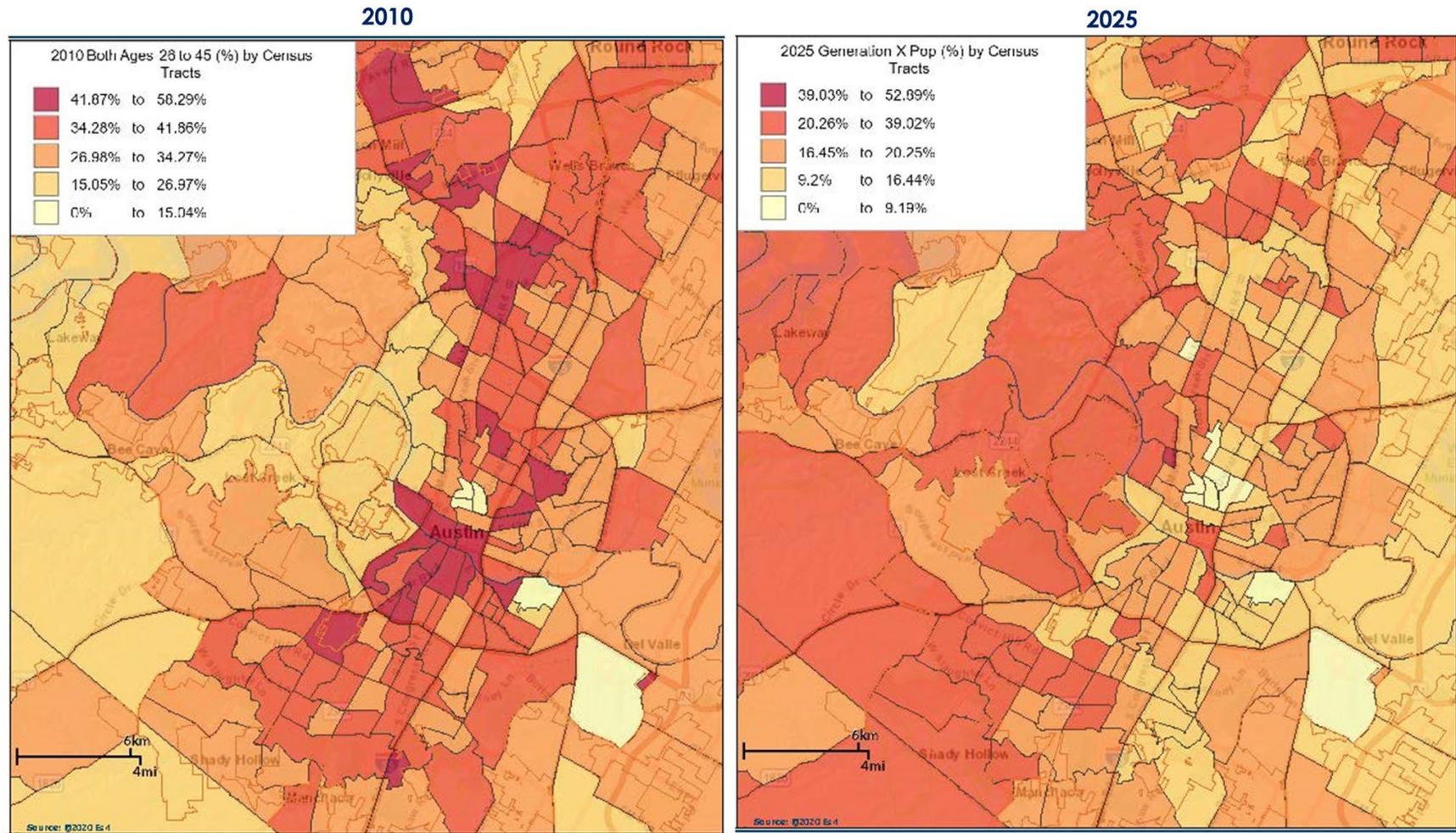
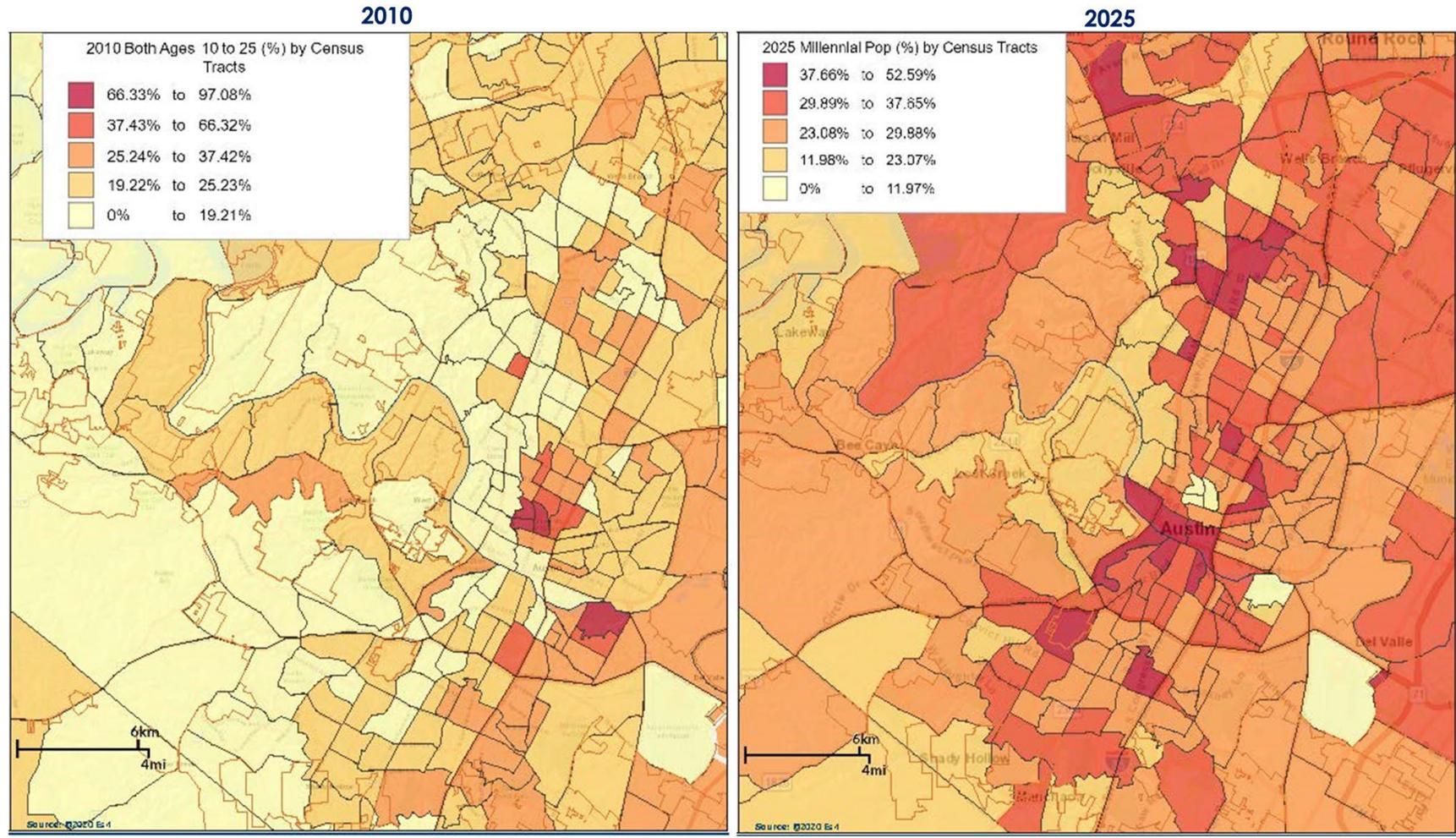


Figure: 5-6

Age Cohort Movement – Generation Y



Market Supply and Demand

An analysis of the current performance of real estate products within an overall market, as well as competitive projects within a trade area, provides an indication of whether a property or area may be ready for new development and |or redevelopment. It also helps to identify potential gaps in the market -- niches that new development and |or redevelopment could fill. The following pages summarize supply and demand characteristics within the Trade Area by major land use type.

Residential Market

Residential Supply

Table: 5-6 summarizes building permit activity for the city and the Metro Area. As shown, over the past 10 years, annual residential construction in the city has averaged over 11,000 units, representing

approximately 46% of the Metro Area. During that time period, the city has comprised 61% of the Metro Area’s single family attached units and over 71% of multifamily units. Single family attached units (e.g., townhomes, rowhomes, condominiums, flats, etc.) only represent 1.2% of total Metro Area construction, despite the demographic predictors of high demand for these types of products.

Table: 5-7 summarizes multifamily market conditions within the city’s submarkets. As shown, 11 of the 13 city submarkets show higher rent levels than the Trade Area and 7 of the 13 have lower vacancy rates. These city submarkets comprise approximately 70% of the Trade Area inventory and comprise 74% of Trade Area new construction. Downtown and North Austin currently have the highest number of units under construction.

Table: 5-6

Residential Building Permits

Unit Type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021 Est. *	Total	Annual Average	% of Total	Austin % of Metro Area
City of Austin															
Single Family Detached	1,713	2,525	2,573	2,827	2,846	3,705	4,440	4,433	4,568	4,113	1,501	33,743	3,374	29.9%	25.0%
Single Family Attached (2-4 units)	46	39	370	347	356	14	76	47	212	241	70	1,748	175	1.5%	61.0%
Multi-Family (5+ units)	2,419	7,545	8,891	7,361	6,890	5,184	7,063	8,803	9,929	13,336	4,871	77,421	7,742	68.6%	71.1%
Total Units	4,178	10,109	11,834	10,535	10,092	8,903	11,579	13,283	14,709	17,690	6,442	112,912	11,291	100.0%	45.7%
Austin-Round Rock Metropolitan Area															
Single Family Detached	6,231	8,261	8,954	11,842	11,857	13,327	16,119	17,665	18,426	22,551	8,843	135,233	13,523	54.8%	
Single Family Attached (2-4 units)	81	114	402	444	448	238	153	165	344	477	224	2,866	287	1.2%	
Multi-Family (5+ units)	3,927	11,220	11,509	7,990	10,065	8,296	10,428	12,840	13,267	19,277	9,813	108,819	10,882	44.1%	
Total Units	10,239	19,595	20,865	20,276	22,370	21,861	26,700	30,670	32,037	42,305	18,880	246,918	24,692	100.0%	

Source: U.S. Census Bureau; Texas A&M Real Estate Center; and Ricker | Cunningham.

Table: 5-7
Trade Area Multifamily Characteristics

City of Austin Submarket	Multifamily Market Indicators					12-month Absorption (units)
	Total Inventory (units)	12-month Deliveries (units)	Under Construction (units)	Asking Rents per Sq Ft	Vacancy Rate	
Central	4,045	379	321	\$2.05	17.8%	(42)
Downtown	4,706	0	1,867	\$3.19	4.5%	270
East	11,280	970	1,495	\$2.02	13.6%	626
Midtown	13,246	373	825	\$1.86	8.9%	794
North	24,708	467	1,801	\$1.63	7.9%	414
Northeast	8,193	368	1,156	\$1.40	13.8%	270
Northwest	33,770	23	0	\$1.52	6.3%	66
Riverside	15,840	1,211	1,627	\$1.67	14.2%	597
South	17,007	454	1,275	\$1.60	7.1%	736
South Central	12,565	39	74	\$2.10	7.5%	188
Southeast	8,429	741	792	\$1.47	9.5%	836
Southwest	11,915	300	315	\$1.77	7.8%	214
West	2,112	0	0	\$2.39	6.6%	51
Austin-Round Rock Metro Area	238,219	9,584	15,637	\$1.51	8.9%	2,658

Source: CoStar and Ricker | Cunningham.

Residential Demand

Demand for residential units is a function of projected household growth across a wider geography – in this case, the Trade Area. In other words, Austin will compete with other locations in the Trade Area as a potential home for newly formed households, whether they arise through natural increase or net in-migration. As shown in **Table: 5-8**, the Trade Area has the opportunity to realize significant growth in residential development activity over the next 10 years – potentially adding over 191,000 new housing units, approximately 40% of which could be rentals (primarily market-rate apartments).

Residential Demand by Product Type

As shown in **Table: 5-9**, the Trade Area shows demand for over 40,000 attached ownership units and over 63,000 rental apartment units over the next 10 years. This level of demand could support a wide range of housing types, price ranges and densities.

Table: 5-9
Residential Demand by Product Type

Single Family Attached

Annual Household Income Range	Approximate Home Price Range	Trade Area For-Sale Demand (Incomes \$15K+)	Estimated % Single Family Attached	Single Family Attached Demand
\$15-25K	\$75 to \$100K	960	35%	336
\$25-35K	\$100 to \$150K	1,728	35%	605
\$35-50K	\$150 to \$200K	4,799	35%	1,680
\$50-75K	\$200 to \$250K	14,685	35%	5,140
\$75-100K	\$250 to \$350K	19,964	35%	6,988
\$100-150K	\$350 to \$500K	31,002	35%	10,851
\$150K and up	\$500K and up	41,945	35%	14,681
Totals		115,084	35%	40,279

Note: Assumes Townhome/Condo development stabilizes at 35% of all ownership demand

Rental Apartments

Annual Household Income Range	Approximate Rent Range	Trade Area Rental Demand (Incomes \$15K+)
\$15-25K	\$375 - \$625	8,638
\$25-35K	\$625 - \$875	9,790
\$35-50K	\$875 - \$1,250	14,397
\$50-75K	\$1,250 - \$1,750	17,949
\$75-100K	\$1,750 - \$2,250	4,991
\$100-150K	\$2,250 - \$3,250	5,471
\$150K and up	\$3,250+	2,208
Totals		63,445

Source: U.S. Census; CAMPO; City of Austin; ESRI; and Ricker | Cunningham.

Table: 5-8

Austin Trade Area Residential Demand 10-Year Demand

		Households	2020	867,900				
			2030	1,057,965	Annual Growth Rate	2.0%		
		Household Growth (2020-30)		190,065	Adjust for 2nd homes, demolition, vacancy	1.0%		
		Adjusted Unit Requirement		191,966	% Rental	40%		
					Trade Area Demand from New Households (10-yr)			
Annual Household Income Range (2020 dollars)	Approximate Rent Range	Supportable Home Price Range	Current Households in Income Bracket	New Households by Income Bracket	Total Units	Estimated % Rental	Total Rental Units	Total Ownership Units
up to \$15K	up to \$375	up to \$75K	7%	7%	13,438	95%	12,766	672
\$15-25K	\$375 - \$625	\$75 to \$100K	6%	5%	9,598	90%	8,638	960
\$25-35K	\$625 - \$875	\$100 to \$150K	7%	6%	11,518	85%	9,790	1,728
\$35-50K	\$875 - \$1,250	\$150 to \$200K	10%	10%	19,197	75%	14,397	4,799
\$50-75K	\$1,250 - \$1,750	\$200 to \$250K	17%	17%	32,634	55%	17,949	14,685
\$75-100K	\$1,750 - \$2,250	\$250 to \$350K	13%	13%	24,956	20%	4,991	19,964
\$100-150K	\$2,250 - \$3,250	\$350 to \$500K	19%	19%	36,474	15%	5,471	31,002
\$150K and up	\$3,250+	\$500K and up	21%	23%	44,152	5%	2,208	41,945
Totals			100%	100%	191,966	40%	76,210	115,755

Source: U.S. Census; CAMPO; City of Austin; ESRI; and Ricker | Cunningham.

Recent national studies have shown that nearly half of the population is looking for a different residential lifestyle than is presently available in their respective market. People care less about space and more about how space is used. Downtowns and infill neighborhoods are an ideal environment for these types of higher-density, lower-maintenance housing products.

Within Austin's downtown and infill neighborhoods, housing in support of businesses (workforce housing) will be a critical component in creating a mixed-use, "live-work-play-shop" environment. Given the current economic realities of developing | redeveloping parcels within these areas, higher density housing products, both ownership and rental, will be the most likely supported by the market. Live-work units are another "hybrid" product that complements and supports commercial corridors.

Retail Market

Retail Supply

Table: 5-10 summarizes retail market conditions within the city’s 8 submarkets. As shown, 5 of the 8 city submarkets show higher rent levels than the Trade Area and 6 of the 8 have lower vacancy rates. These city submarkets comprise approximately 53% of the Trade Area inventory, yet they comprise less than 30% of Trade Area new construction. Of the city’s submarkets, South | Southeast Austin currently has the highest number of square feet under construction.

While the overall Trade Area retail market struggled with Covid-19 impacts and trends that were changing the face of retail before the pandemic, it is expected to rebound in 2021 | early 2022, as the accelerated redevelopment of obsolete space paired with restored consumer confidence and pent-up demand will result in an improved supply and demand balance.

Retail Demand

Support for retail space is derived from two sources – the “recapture” of expenditures by residents of the Trade Area that occur outside the Trade Area referred to as “leakage”: and expenditures by new residents of the Trade Area resulting from household growth. As shown in **Table: 5-11**, there is a significant level of “leakage” within the general merchandise retail category, potentially supporting an additional 890,000 square feet of space.

As shown, expenditure by new residents of the Trade Area resulting from household growth could potentially support an additional 10.3 million square feet of space over the next 10 years.

Including both demand from retail “leakage” (890,000 square feet) and new household growth (10.3 million square feet), the Trade Area could support an additional 11.2 million square feet of retail |restaurant |service space.

Within the city of Austin, there will continue to be opportunities for larger-scale, region-serving retail development, just not in the downtown and infill neighborhoods that are the targets for the LEP program. These more challenged areas will support smaller, neighborhood-serving retail and service uses, ideally as part of mixed-use developments.

Table: 5-10
Trade Area Retail Characteristics

Retail Indicator	City of Austin Retail Submarkets								Austin-Round Rock Metro Area
	CBD	Central	East	Southwest	South and Southeast	North	Northwest	Northeast	
Net Rentable Square Feet	2,662,000	9,115,000	5,301,000	9,566,000	16,633,000	8,310,000	6,019,000	3,448,000	114,478,737
12 Month Deliveries (sq ft)	5,000	1,000	26,000	103,000	62,000	30,000	61,000	7,000	964,000
Under Construction (sq ft)	3,000	0	51,000	91,000	122,000	0	0	13,000	964,000
Market Rent (per sq ft)	\$32.50	\$25.97	\$25.91	\$31.62	\$26.46	\$22.79	\$29.89	\$23.71	\$25.90
Vacancy Rate (incl Sublease)	3.8%	5.8%	3.3%	4.3%	2.3%	3.4%	4.7%	3.5%	4.4%
12 Month Absorption (sq ft)	15,296	(120,291)	60,584	50,007	57,667	8,727	(50,952)	104,067	442,000

Source: CoStar and Ricker | Cunningham.

Table: 5-11
Trade Area Retail Demand

Retail Category	Estimated 2020 Household Retail Demand	Estimated 2020 Retail Sales (Supply)	Estimated 2020 Retail Void (Leakage)	Estimated Retail Sales/s.f.	New Retail Space Needed to Recapture Void/Leakage	Annual Household Growth Rate (2020-2030)	Net New Household Retail Demand	New Retail Space Needed for Household Growth	Total 10-Year New Trade Area Retail Demand (s.f.)
Furniture & Home Furnishings	\$863,310,375	\$1,121,271,662	\$0	\$300	0	2.0%	\$189,060,155	630,201	630,201
Electronics & Appliance	\$903,417,265	\$1,358,550,308	\$0	\$300	0	2.0%	\$197,843,340	659,478	659,478
Bldg Materials, Garden Equipment	\$1,548,742,948	\$1,833,719,055	\$0	\$350	0	2.0%	\$339,166,064	969,046	969,046
Food & Beverage (Grocery)	\$4,421,144,733	\$4,913,154,987	\$0	\$500	0	2.0%	\$968,206,026	1,936,412	1,936,412
Health & Personal Care	\$1,372,730,577	\$1,533,273,560	\$0	\$450	0	2.0%	\$300,620,336	668,045	668,045
Clothing and Accessories	\$1,147,750,207	\$1,578,778,150	\$0	\$350	0	2.0%	\$251,350,891	718,145	718,145
Sporting Goods,Hobby, Book, Music	\$853,572,972	\$1,040,928,189	\$0	\$300	0	2.0%	\$186,927,718	623,092	623,092
General Merchandise	\$4,309,995,271	\$3,953,703,246	\$356,292,025	\$400	890,730	2.0%	\$943,864,915	2,359,662	3,250,392
Miscellaneous Stores	\$958,336,004	\$1,432,833,785	\$0	\$300	0	2.0%	\$209,870,237	699,567	699,567
Foodservice & Drinking Places	\$2,795,361,630	\$3,841,076,538	\$0	\$600	0	2.0%	\$612,168,599	1,020,281	1,020,281
Total	#####	#####	\$356,292,025		890,730		\$4,199,078,281	10,283,930	11,174,660

Source: CAMPO; City of Austin; Urban Land Institute; ESRI; and Ricker | Cunningham.

Office Market

Office Supply

Table: 5-12 summarizes office market conditions within the city’s 8 submarkets. As shown, only 2 of the 8 city submarkets (the CBD and East Austin) show higher rent levels than the Trade Area but 6 of the 8 have lower vacancy rates. These city submarkets comprise approximately 74% of the Trade Area inventory, yet they comprise 63% of Trade Area new construction. Of the city’s submarkets, the CBD and East Austin currently have the highest number of square feet under construction.

Office Demand

Support for office space is derived from two sources – growth | expansion among existing users in the Trade Area and the relocation of new companies into the market. Based on overall annual employment growth of 1.5%, the Trade Area could support an additional 7.6 million square feet of new office space over the next 10 years. (See **Table: 5-13.**)

Table: 5-12
Trade Area Office Characteristics

Office Indicator	City of Austin Office Submarkets								Austin-Round Rock Metro Area
	CBD	Central	East	Southwest	Southeast	North	Northwest	Northeast	
Net Rentable Square Feet	18,730,000	6,784,000	7,187,000	16,013,000	5,727,000	10,588,000	18,278,000	5,522,000	119,585,777
12 Month Deliveries (sq ft)	1,461,000	194,000	330,000	376,000	513,000	39,000	51,000	0	4,100,000
Under Construction (sq ft)	2,190,000	298,000	1,383,000	238,000	147,000	418,000	0	118,000	7,561,242
Asking Rent (per sq ft)	\$54.66	\$36.50	\$41.71	\$40.44	\$33.01	\$40.24	\$39.29	\$33.35	\$40.72
Vacancy Rate	15.9%	16.8%	23.2%	13.1%	6.1%	9.4%	21.5%	13.1%	19.0%
12 Month Absorption (sq ft)	(359,498)	(329,556)	(189,766)	(494,096)	453,827	(166,599)	(849,290)	(42,108)	(1,600,000)

Source: CoStar and Ricker | Cunningham.

Table: 5-13

Trade Area Office Demand

Industry Category	Estimated 2020 Employees	Estimated Growth Rate 2020-2030	Estimated 2030 Employees	Estimated New Employees	Estimated % in Office Space	Estimated Net New Office Employees	Sq Ft per Office Employee	Estimated 10-yr Office Demand
Natural Resources, Mining and Construction	53,700	2.1%	66,003	12,303	30%	3,691	180	664,380
Manufacturing	64,900	1.0%	71,368	6,468	5%	323	180	58,214
Trade, Transportation and Utilities	157,800	1.5%	183,932	26,132	10%	2,613	180	470,384
Information	32,300	1.4%	37,050	4,750	80%	3,800	180	684,022
Financial Activities	63,600	1.3%	72,110	8,510	85%	7,234	180	1,302,089
Professional and Business Services	107,100	1.1%	119,348	12,248	70%	8,574	180	1,543,262
Educational and Health Services	196,400	2.1%	241,641	45,241	20%	9,048	180	1,628,662
Leisure and Hospitality	120,900	2.3%	151,324	30,424	10%	3,042	180	547,628
Other Services	52,200	1.4%	60,123	7,923	30%	2,377	180	427,860
Government	74,900	0.4%	77,575	2,675	30%	803	180	144,472
Self-Employed	18,500	1.6%	21,649	3,149	30%	945	180	170,059
Totals	942,300	1.5%	1,102,125	159,825	27%	42,450	180	7,641,032

Source: Texas Workforce Commission; U.S. Census; ESRI; and Ricker | Cunningham.

Industrial Market

Industrial Supply

Table: 5-14 summarizes industrial market conditions within the city’s 8 submarkets. As shown, 6 of the 8 city submarkets show higher rent levels than the Trade Area and 7 of the 8 have lower vacancy rates. These city submarkets comprise approximately 61% of the Trade Area inventory and 46% of Trade Area new construction. East Austin and Northeast Austin currently have the highest number of square feet under construction.

Industrial Demand

As with office space, support for industrial space is derived from two sources – growth | expansion among existing users in the Trade Area and the relocation of new companies into the market. Based on overall annual employment growth of 1.5%, the Trade Area could support an additional 14.3 million square feet of new industrial space over the next 10 years (See **Table: 5-15**).

Table: 5-14
Trade Area Industrial Characteristics

Industrial Indicator	City of Austin Industrial Submarkets								Austin-Round Rock Metro Area
	CBD	Central	East	Southwest	Southeast	North	Northwest	Northeast	
Net Rentable Square Feet	93,000	2,136,000	7,159,000	4,267,000	16,854,000	17,973,000	3,822,000	15,473,000	110,634,721
12 Month Deliveries (sq ft)	0	0	0	28,000	156,000	95,000	0	172,000	315,260
Under Construction (sq ft)	0	0	4,500,000	15,000	440,000	0	0	614,000	12,056,925
Market Rent (per sq ft)	\$21.41	\$14.08	\$12.53	\$15.99	\$11.00	\$11.43	\$13.79	\$12.09	\$11.76
Vacancy Rate	--	6.3%	4.4%	5.6%	7.0%	4.4%	1.7%	5.8%	7.5%
12 Month Absorption (sq ft)	(2,216)	73,664	(18,978)	44,830	405,078	292,439	24,098	181,766	1,173,555

Source: CoStar and Ricker | Cunningham.

Table: 5-15

Trade Area Industrial Demand

Industry Category	Estimated 2020 Employees	Estimated Growth Rate 2020- 2030	Estimated 2030 Employees	Estimated New Employees	Estimated % in Industrial Space	Estimated Net New Industrial Employees	Sq Ft per Industrial Employee	Estimated 10-yr Industrial Demand
Natural Resources, Mining and Construction	53,700	2.1%	66,003	12,303	20%	2,461	400	984,267
Manufacturing	64,900	1.0%	71,368	6,468	80%	5,175	400	2,069,824
Trade, Transportation and Utilities	157,800	1.5%	183,932	26,132	60%	15,679	400	6,271,790
Information	32,300	1.4%	37,050	4,750	20%	950	250	237,508
Financial Activities	63,600	1.3%	72,110	8,510	15%	1,277	250	319,139
Professional and Business Services	107,100	1.1%	119,348	12,248	15%	1,837	250	459,304
Educational and Health Services	196,400	2.1%	241,641	45,241	20%	9,048	300	2,714,437
Leisure and Hospitality	120,900	2.3%	151,324	30,424	5%	1,521	250	380,297
Other Services	52,200	1.4%	60,123	7,923	30%	2,377	250	594,250
Government	74,900	0.4%	77,575	2,675	20%	535	300	160,524
Self-Employed	18,500	1.6%	21,649	3,149	20%	630	250	157,462
Totals	942,300	1.5%	1,102,125	159,825	26%	41,490	300	14,348,802

Source: Texas Workforce Commission; U.S. Census; ESRI; and Ricker |
Cunningham.

Market Share Considerations

A number of factors influence a community's and sites | areas within a community's ability to capture market share. These can be categorized as – top-down considerations, bottom-up considerations, external considerations and others. Some the city (or stakeholder entities) can control, and others cannot.

Top-Down Considerations

- Demand for certain land uses
- Demographic and psychographic conditions which support certain product types
- Untapped market niches (product voids)
- Competitive projects (proposed, planned and under construction)

Bottom-Up Considerations

- Physical capacity of the community | individual parcels to accommodate market-supported product types – fewer physical constraints
- Vision of the community for certain uses
- Size of parcels, parcel ownership (public and private), owner investment objectives
- Zoning (and other regulations) and presence of easements

External Considerations

- Delivery system – who are the area's builders | developers, what are they willing and able to offer

- Financing markets – availability of capital with reasonable funding terms for certain product types
- Market forces beyond those currently in the market (e.g., migration of people to the Trade Area who do not represent the existing profile of residents and consumers)

Other Considerations

- Available resources to position and promote investment in the community
- Public support for a long-term vision

City of Austin Market Share

The city of Austin has the potential to capture a significant share of Trade Area growth over the next 10 years, for a variety of residential, retail, office and industrial land uses. The supported land use mix focuses on redevelopment and reinvestment in central and infill city neighborhoods, with real estate products appropriate for those areas.

Table: 5-16 summarizes estimated city market shares by land use type. Note that market shares for single family detached units are not shown since LEP-targeted projects will likely be comparatively denser given their location within established neighborhoods.

Table: 5-16

City Market Share by Land Use Type

Land Use Type	Trade Area Demand (2020 to 2030)	City of Austin			
		Market Share		Absorption (Units/Sq Ft)	
		Low	High	Low	High
Residential (Units):					
Single Family Attached	40,300	65%	70%	26,195	28,210
Rental Apartments	44,400	65%	70%	28,860	31,080
Residential Subtotal	84,700			55,055	59,290
Non-Residential (Sq Ft):					
Retail	11,200,000	55%	60%	6,160,000	6,720,000
Office	7,600,000	70%	75%	5,320,000	5,700,000
Industrial	14,300,000	65%	70%	9,295,000	10,010,000
Non-Residential Subtotal	33,100,000			20,775,000	22,430,000

Source: Ricker | Cunningham.

Summary of Implications for LEP Program

Residential

- While the Austin housing market has a diverse range of product types, the only affordable or attainable housing offerings have been multifamily rental units.
- As shown in **Figure: 5-7**, housing targeted to 80% and below of Area Median Income (AMI) is considered affordable. Units targeted to this income level require public subsidies. For the neighborhoods targeted for the LEP Program, there is an immediate need for these types of units.
- There is also high demand for workforce, or middle-income housing (80% to 120% of AMI). These are the “missing middle” units that the private market is not providing and for which there are no public assistance programs. Given the current price | rent structure in central Austin, there may be an opportunity to offer a high-density for-sale product (condominium, townhome, rowhouse, etc.) to address this segment of the market.
- High demand and limited supply are driving up the costs of delivering these products. The lack of regulatory incentives (e.g., inclusionary zoning, density bonuses, etc.) further exacerbates this imbalance. The LEP Program has the opportunity to provide incentives to fill economic gaps associated with affordable or workforce housing products.

Figure: 5-7

Community Housing Bridge



Retail

The current retail market in central Austin has become increasingly costly for small, local businesses and those within categories most impacted by Covid (creative sector, restaurants, entertainment venues, etc.).

- These businesses, with slim margins, have to compete with credit tenants and national chains, as well as facing development pressure for higher-value land uses. Rising rents and property taxes as revitalization occurs in their neighborhood presents yet another challenge.
- The LEP Program has the potential to provide relief to these challenged businesses with operational incentives such as rent

assistance, tax rebates, loans and grants, and gap financing.

Another potential incentive might be in the form of discounted or shared space within a mixed-use development.

Office

- As with small local retail establishments, neighborhood-serving office tenants are facing similar challenges to affordability (rising rents and common area expenses, increased property taxes, etc.).
- Perhaps not as affected by COVID as the retail sector, small office users face the prospect of planning for a post-COVID workspace environment, without the financial means to do so. This is particularly daunting for an owner-occupied space with a mortgage commitment.
- The LEP Program has the potential to provide relief to these office users similar to that for retail businesses, such as rent assistance, tax rebates, loans and grants, gap financing and discounted space within a mixed-use development.

Industrial

- The industrial market benefited from COVID more than any other sector. Still, small local businesses, particularly in newly revitalizing neighborhoods, could be targeted by the LEP Program for incentives to expand an existing business or start a new one. Maker space or a business incubator could be an opportunity to attract local entrepreneurs from a wide variety of industries.

Strategic Areas

Identification of strategic investment areas was based on city Council’s understanding that not only do certain types of investment lead to positive economic growth and stabilization, but that businesses within these sectors, are often disproportionately affected by, and vulnerable to, influences beyond their control, including economic, market, and societal forces that put them at an operational disadvantage. Since most of these forces are particularly pronounced where legacy businesses and community-serving organizations tend to be located, potential remedies were tested in representative areas of Austin to ensure they effectively neutralize adverse impacts.

Since the municipal resources are limited, the central approach to ensuring long-term stability and access for these vulnerable and valued community assets, is to make available programmatic offerings that encourage public-private partnerships that minimize investment risk, fill economic project gaps, and deliver community benefits. As such capital investment will need to be strategically positioned, and monetary resources diverse and flexible, supported by a framework of policies designed to provide long-term protections and midterm assurances.

The strategic “testing grounds” where LEP strategies were analyzed generally include those described below. They were chosen based on the experiences of local developers, business owners and operators, who historically pursued prototypical projects including affordability

and redevelopment elements and which experienced a host of pressures emblematic of commercial and mixed-use districts across the city. A detailed profile of market conditions in each one, as well as potential types of investment opportunities are also presented in **Appendix iv** to this report.

A description of each area is provided, as well as a description of dominant real estate land uses, and a list of product types with medium- and long-term development potential. Also presented is a map illustrating both efficient and inefficient patterns of property utilization, determined by comparing the value of land improvements. This type of investigation can be used to highlight sites at a greater risk of or possessing the potential for redevelopment, all other factors being equal (i.e., regulations or programmatic intervention). Careful review of these maps illustrates the urgency for financial tools and strategic tactics that encourage projects with a robust suite of community benefits before market conditions become such that those types of efforts become financially infeasible.

Supplementing site-specific information are market indices that profile certain conditions which are driving real estate forces in each area. Also included is a review of geography-based programs such as existing TIRZ, Homestead Preservation Districts, Opportunity Zones, or CBDG block grant priority areas, and the eligibility of potential projects to qualify for these resources. This is supplemented by a list of commercial corridors and centers around the city experiencing similar circumstances, where the

recommendations and solutions presented herein might be applied.

Finally, a description of potential development typologies that build on existing trends and the area’s character are presented, including possible community benefits that could be delivered. These are accompanied by sample proformas that illustrate the magnitude of potential financial “gaps” that would need to be filled to realize desired outcomes in each area. The proformas also demonstrate how project values, in terms of property investment, tax revenues, and community benefit impacts could leverage public sector participation.

Table: 5-17 summarizes the prioritization process for these strategic areas.

Table: 5-17
Strategic Area Prioritization

Areas	Section	Strategic Area Type	Council Districts	Comparable Districts and Council Districts	Land Use Character
East Cesar Chavez	I-35 to Hwy 183	Strategic Area 1 (Mixed Use)	3	Burnet Road (D7), Mesa Drive (D10), Far West (D10)	Mixed Use
North Lamar	Rundberg to Braker	Strategic Area 2 (Mixed Use)	4	Anderson Mill/Hwy 183 (D6), Hwy 290/71 (D8)	Mixed Use
Springdale, Airport, and Hwy 183	Springdale Station Imagine Austin Center and adjacent Industrial	Strategic Area 3 (Mixed Use Industrial)	1,3	Dessau (D1), MLK (D1)	Mixed Use/ Transition Sites Heavy
South Congress	Riverside to Oltorf	Downtown Market/Retail Corridor	9	Burnet Road (D7), Mesa Drive (D10), Far West (D10)	Retail Corridor
South 1st	Barton Springs to Oltorf	Downtown Market/Retail Corridor	9	Burnet Road (D7), Mesa Drive (D10), Far West (D10)	Retail Corridor
Montopolis	East Riverside to Burleson	Industrial	2,3	Dessau (D1), Metric (D4)	Industrial Focused
Lamar	Manchaca to Westgate	Retail Corridor	5	Anderson Mill/Hwy 183 (D6), Four Points (D6), Hwy 290/71 (D8)	Retail Corridor

Land Use Character Key	
Mixed Use	2-3 commercial land uses at ~30% or above, with relative balance of uses
Downtown Market	In or adjacent to CBD, average retail or office rents \$35/sf or above, rapid growth, major
Industrial	Industrial uses over 60% of commercial land uses
Retail Corridor	Retail uses over 60% of commercial land uses
Transition Sites Heavy	Industrial over 25% and under 70% total square footage; presence of major emerging projects and/or mixed-use redevelopment

Strategic Area Case Studies

The **East Cesar Chavez Corridor** extends from Interstate 35 (I-35) on the west, approximately 3 miles to U.S. Highway 183 on the east, encompassing commercial parcels on both sides of the Corridor. A significant portion of the Corridor is at a utilization rate less than 50%, as measured by percent of total value attributable to improvements.

Table: 5-18 summarizes market characteristics for this Strategic Area.

Table: 5-18

East Cesar Chavez Corridor Market Characteristics

East Cesar Chavez			
Area Type	Mixed Use, Rapid Growth		
Comparable Areas	Burnet Road (D7), Mesa Drive (D10), Far West (D10)		
Major City Capital Investment	City-Owned Strategic Property; 2020 Mobility Bond - Bikeways		
Major Projects and Trends	General conversion of residential and industrial space to retail and office/coworking space. See the complex at 2400 Cesar Chavez owned by EG Realty.		
Trade Area Statistics	Retail	Office	Industrial
Lease Rate	\$33.33	\$47.36	\$12.85
Vacancy	3.5%	2870.0%	1.7%
Absorption	1,753	-50,264	-75,800
Total Square Footage	1,346,788	2,185,167	1,451,719
% of Commercial Area Square Footage	27%	44%	29%
<i>Source: Costar, July 2021; City of Austin</i>			
Rent Increase Trends			
Rent	Retail (NNN)	Office (Gross)	Industrial (All Service Type)
2021 YTD	33.33	46.67	10.19
2020	31.77	45.8	11.47
2019	34.47	45.52	24.5
2018	31.15	38.01	18.94
2017	28.1	36.23	8.92
2016	31.7	31.11	9.66
2015	26.07	29.88	8.64
2014	19.9	22.34	8.37
2013	19.62	23.46	6.43
2012	21.14	14.76	5.98
2011	24.4	13.77	6.87
2010	22.06	10.34	5.57
2009	20.97	11.59	5.4
2008	22.54	17.32	5.91
2007	19.49	14.01	6.42
2006	20.08	12.93	5.46
Net Absorption SF Total	Retail	Office	Industrial
2021 YTD	-5791	49288	-63333
2020	35951	-185897	-16137
2019	64355	754231	-1193
2018	1754	-224749	8481
2017	746	89413	11074
2016	-16913	-50825	-16782
2015	24310	67905	-90561
2014	7374	53034	-53818
2013	9295	18403	2937
2012	2678	2855	6972
2011	4160	10611	-26045
2010	-7610	40646	25205
2009	13661	-33009	-39767
2008	27429	-10024	71031
2007	161617	10459	12844
2006	20600	37722	-23821

The **Montopolis Strategic Area** includes properties surrounding the intersection of Montopolis Drive and East Ben White Boulevard (SH 71). The Area is bounded by East Riverside Drive in the northeast and East Saint Elmo Road on the southwest and includes a high degree of undeveloped and industrial and warehousing property, as well as several parcels owned by the city of Austin.

Table: 5-19 summarizes market characteristics for this Strategic Area.

Table: 5-19
Montopolis Market Characteristics

Montopolis			
Area Type	Industrial Focused		
Comparable Areas	Dessau (D1), Metric (D4)		
Major City Capital Investment	Major concentrations of multifamily and industrial/warehousing space, with proximity to industrial tech campuses and major affordable housing needs.		
Major Projects and Trends	Major concentrations of multifamily and industrial/warehousing space, with proximity to industrial tech campuses and major affordable housing needs.		
Trade Area Statistics	Retail	Office	Industrial
Lease Rate	\$25.58	\$33.27	\$10.42
Vacancy	0.6%	6.3%	5.7%
Absorption	27,741	368,839	356,845
Total Square Footage	2,126,991	5,617,969	12,175,381
% of Commercial Area Square Footage	11%	28%	61%
<i>Source: Costar, July 2021; City of Austin</i>			
Rent Increase Trends			
Rent	Retail (NNN)	Office (Gross)	Industrial (All Service Type)
2021 YTD	30.51	33.25	9.75
2020	26.28	30.58	9.43
2019	21.39	29.55	8.68
2018	21.61	26.09	7.82
2017	23.98	22.8	8.02
2016	23.71	22.48	7.48
2015	17.1	20.67	7.64
2014	19.41	17.74	6.02
2013	19.09	20.85	5.69
2012	14.95	16.82	5.68
2011	14.87	14.51	5.65
2010	13.77	15	5.42
2009	14.08	14.86	5.96
2008	14.96	14.79	6.36
2007	16.75	15.84	7.05
2006	18.61	15.33	6.47
Net Absorption SF Total	Retail	Office	Industrial
2021 YTD	18276	-13292	98606
2020	28268	648061	591970
2019	-11414	250225	390811
2018	8639	546601	596963
2017	8402	-15263	147661
2016	60260	318615	319475
2015	-40194	-6545	200781
2014	-25529	53296	353201
2013	114774	-256689	257425
2012	20811	-100929	400776
2011	61750	48237	277650
2010	-50381	1447	345180
2009	101589	185308	-132975
2008	-36117	-189288	766806
2007	-51506	-64891	-151924
2006	-127961	-57782	66946

The **North Lamar Strategic Area** includes properties along both sides of the North Lamar Boulevard Corridor between West Rundberg Lane on the southwest and West Braker Lane on the northeast. This Area has a relatively high degree of underutilized property, as well as parcels owned by the city of Austin near key intersections (Braker and Rundberg Lanes).

Table: 5-20 summarizes market characteristics for this Strategic Area.

Table: 5-20
North Lamar Market Characteristics

North Lamar			
Area Type	Mixed Use, Stable		
Comparable Areas	Anderson Mill/Hwy 183 (D6), Hwy 290/71 (D8)		
Major City Capital Investment	2016 Corridor Bond; Project Connect (Proposed); Sidewalk Construction		
Major Projects and Trends	Long-established, arterial-oriented retail; broad mix including industrial and office; major complexes include HEB at Rundberg and Chinatown Center at Kramer.		
Trade Area Statistics	Retail	Office	Industrial
Lease Rate	\$20.75	\$32.80	\$12.17
Vacancy	4.0%	14.1%	1.0%
Absorption	-9,224	-11,980	58,570
Total Square Footage	2,799,068	1,843,702	3,560,449
% of Commercial Area Square Footage	34%	22%	43%
<i>Source: Costar, July 2021; City of Austin</i>			
Rent Increase Trends			
Rent	Retail (NNN)	Office (Gross)	Industrial (All Service Type)
2021 YTD	20.69	27.05	11.55
2020	20.45	26.49	11.91
2019	19.05	26.55	10.23
2018	17.92	24.8	9.85
2017	19.58	21.07	9.94
2016	17.43	22.62	9.21
2015	14.27	21.6	7.82
2014	13.29	18.94	8.1
2013	14.29	16.06	6.83
2012	15.48	13.9	6.33
2011	15.17	16.49	7.34
2010	16.74	20.37	6.97
2009	15.94	19.46	7.29
2008	10.51	18.6	8.83
2007	11.83	16.66	6.29
2006	9.52	15.85	5.85
Net Absorption SF Total	Retail	Office	Industrial
2021 YTD	-18421	3803	28518
2020	-695	-44261	14437
2019	-9942	2306	78603
2018	-10487	9472	-32921
2017	14802	-82178	70407
2016	21928	72993	-147475
2015	122675	-22636	58248
2014	-4811	-33011	-59590
2013	3776	78569	-1785
2012	3705	128604	71267
2011	-28212	-1486	14694
2010	-3407	7795	-36566
2009	22685	-6751	-17953
2008	101454	43976	61633
2007	-27122	7835	22951
2006	17047	-8735	106155

The **South Congress – South 1st Strategic Area** includes properties along both sides of the South Congress Avenue and South 1st Street Corridors from the Texas School of the Deaf campus on the north to approximately Oltorf Street on the south. This Area is comprised of two aging commercial corridors with significant degrees of underutilized property, as well as a few scattered parcels owned by the city of Austin.

Table: 5-21 summarizes market characteristics for this Strategic Area.

Table: 5-21
South Congress – South 1st Market Characteristics

South Congress/South 1st			
Area Type	Retail Corridor (Downtown Market)		
Comparable Areas	Burnet Road (D7), Mesa Drive (D10), Far West (D10)		
Major City Capital Investment	Project Connect (Proposed); 2016 Mobility Bond (Preliminary Engineering and Design); 2020 Mobility Bond - Bikeways; OTC repositioning; Intersection Safety / Vision Zero Potential 2021-2024 Construction; Sidewalk Construction		
Major Projects and Trends	Long-established retail corridors with recent commercial mixed-use development. Includes most established pedestrian-oriented retail districts in Austin. Many legacy businesses concentrated here, with rapidly escalating rent and high displacement pressure.		
Trade Area Statistics	Retail	Office	Industrial
Lease Rate	\$28.29	\$43.05	\$13.38
Vacancy	3.2%	15.5%	1.8%
Absorption	5,757	71,630	15,714
Total Square Footage	3,080,828	3,607,100	932,711
% of Commercial Area Square Footage	40%	47%	12%
<i>Source: Costar, July 2021; City of Austin</i>			
Rent Increase Trends			
Rent	Retail (NNN)	Office (Gross)	Industrial (All Service Type)
2021 YTD	35.16	42.11	16.46
2020	30.53	40.49	18.03
2019	28.75	36.98	19.67
2018	28.12	35.02	13.31
2017	26.55	31.73	15.55
2016	25.99	30.08	8.27
2015	26.59	27.16	9.43
2014	19.12	22.56	12.8
2013	18.79	21.15	9.04
2012	19.58	19.22	10.29
2011	21.05	17.6	6
2010	21.68	18.42	6
2009	21.27	17.82	-
2008	17.08	17.79	6.97
2007	20.39	17.88	6.48
2006	20.15	16.88	3.6
Net Absorption SF Total	Retail	Office	Industrial
2021 YTD	4055	95909	24725
2020	17646	-90639	-13847
2019	-24175	25156	14500
2018	13998	83315	-15650
2017	-33382	91933	1000
2016	-31512	-72293	-30898
2015	27468	10597	-483
2014	-6541	-7339	-1824
2013	134594	37523	-4176
2012	-42108	2039	2950
2011	-85577	63821	3978
2010	-10011	81233	-14000
2009	-13497	-76623	500
2008	74338	81526	10409
2007	109045	153242	19881
2006	73550	-122231	1869

The **South Lamar Strategic Area** includes properties on both sides of the South Lamar Boulevard Corridor near the intersection of State Highways 360 and 71. This Area is dominated by aging commercial centers with a substantial degree of underutilized property, as well as parcels owned by the city of Austin in the southwest quadrant of the aforementioned intersection.

Table: 5-22 summarizes market characteristics for this Strategic Area.

Table: 5-22
South Lamar Market Characteristics

South Lamar			
Area Type	Retail Corridor		
Comparable Areas	Anderson Mill/Hwy 183 (D6), Four Points (D6), Hwy 290/71 (D8)		
Major City Capital Investment	2016 Corridor Bond		
Major Projects and Trends	Major mixed use arterial with highway oriented businesses and strip centers, large apartment complexes, and new large vertical mixed-use projects		
Trade Area Statistics	Retail	Office	Industrial
Lease Rate	\$27.76	\$42.42	\$13.34
Vacancy	2.9%	13.0%	2.6%
Absorption	80,242	-44,459	105,117
Total Square Footage	9,169,654	8,526,231	2,698,310
% of Commercial Area Square Footage	45%	42%	13%
<i>Source: Costar, July 2021; City of Austin</i>			
Rent Increase Trends			
Rent	Retail (NNN)	Office (Gross)	Industrial (All Service Type)
2021 YTD	25.19	41.9	15.1
2020	26.12	39.99	12.73
2019	23.4	41.35	16.72
2018	21.83	40.1	14.38
2017	24.58	36.81	12.87
2016	23.95	32.53	10.45
2015	23.04	33.23	11.55
2014	19.6	28.83	8.02
2013	17.53	29.15	7
2012	18.26	26.85	6.2
2011	18.99	22.43	5.27
2010	19.79	23.6	6.21
2009	19.27	23.45	5.95
2008	19.58	24.15	8.49
2007	19.45	24.16	8.83
2006	18.88	24.92	5.99
Net Absorption SF Total	Retail	Office	Industrial
2021 YTD	107238	37914	106563
2020	-4429	-172558	-105379
2019	-18189	157912	29657
2018	-24162	140986	-17233
2017	-57599	626331	-22990
2016	-43703	-208512	53018
2015	182375	238024	-86191
2014	-21033	-25500	-1924
2013	138541	105346	-31935
2012	-73413	-207610	14050
2011	-156970	91992	3940
2010	104787	96011	87465
2009	-16600	-6340	-25631
2008	69474	191124	-23807
2007	416339	240935	47898
2006	239879	155775	-16759

The **Springdale Strategic Area** includes properties surrounding the intersection of Springdale Road and Airport Boulevard. The Area is bounded approximately by Munson Street on the northeast and East 7th Street on the southwest and includes a high degree of undeveloped and industrial and warehousing property.

Table: 5-23 summarizes market characteristics for this Strategic Area.

Table: 5-23
Springdale Market Characteristics

Springdale, Airport, and Hwy 183			
Area Type	Mixed Use/ Transition Sites Heavy		
Comparable Areas	Dessau (D1), MLK (D1)		
Major City Capital Investment	2016 Corridor Bond; City-Owned Strategic Property; Sidewalk Construction		
Major Projects and Trends	Area with major growth in creative complexes, including Caonpy Arts, Museum of Human Achievement, Spingdale General, and thinkEAST initiative. Includes existing and new multifamily complexes.		
Trade Area Statistics	Retail	Office	Industrial
Lease Rate	\$28.01	\$45.08	\$11.87
Vacancy	3.4%	23.0%	9.2%
Absorption	-739	-91,182	-12,129
Total Square Footage	2,158,245	3,416,048	3,068,808
% of Commercial Area Square Footage	25%	40%	36%
<i>Source: Costar, July 2021; City of Austin</i>			
Rent Increase Trends			
Rent	Retail (NNN)	Office (Gross)	Industrial (All Service Type)
2021 YTD	34.13	45.63	12.11
2020	30.46	44.78	12.43
2019	31.21	44.72	11.51
2018	30.25	37.04	14.62
2017	29.82	34.33	9.34
2016	28.76	30.22	9.04
2015	24.65	25.55	7.77
2014	22.2	22.54	7.3
2013	19.62	19.03	6.18
2012	20.86	14.75	4.53
2011	23.15	11.42	6.1
2010	20.47	9.09	5.82
2009	18.36	12.87	5.91
2008	21.96	18.62	6.19
2007	20.38	15.35	6.61
2006	15.65	12.46	6.12
Net Absorption SF Total	Retail	Office	Industrial
2021 YTD	-11450	76019	-7931
2020	45727	-273899	-114490
2019	65712	807980	-55728
2018	39340	170694	110705
2017	-22741	74824	-194691
2016	-11734	-54168	-42346
2015	21618	78994	-92642
2014	10404	55134	19628
2013	3048	28473	-18543
2012	19502	6101	-3345
2011	15468	5412	36471
2010	-19989	52119	-24762
2009	12435	-40359	-65971
2008	75551	2819	82169
2007	178062	24492	69437
2006	52776	63915	-28563

Section 6: Industry Perspectives

Introduction

Passage of City Council [Ordinance 20180830-058](#), instructing the Economic Development Department to design a Location Enhancement Program (LEP) as a component of the Chapter 380 Incentive Policy, was predicated on a desire to mitigate circumstances that disproportionately and adversely impact certain at-risk groups. Specifically, leadership requested development of a program to protect and sustain the presence of small, legacy, ethnic, and cultural businesses, and organizations throughout the city. The need for such a resource became more fully realized during preparation of the city's two principal planning and strategic documents -- [Imagine Austin](#) (the city's comprehensive plan) and the [2023 Strategic Action Plan](#), when thousands of residents and other stakeholders shared their concerns about the potential loss of Austin's authenticity in the wake of growth among large employers.

To ensure an accurate understanding of internal and external forces that challenge the identified groups, along with their impact, the city's consultants, together with staff from its Redevelopment Division, conducted a series of small group discussions (virtually) between April and August of 2020. Anywhere from four (4) to 10 individuals, including representatives from each of the targeted industry groups and organizational entities that administer resources and provide support to the same, as well as operators within these sectors, participated, each session lasting between 60 and 90 minutes. Inquiries concerning specific challenge, pre-COVID

19, during, and potentially post-COVID-19 were made and experiences were shared. Each session concluded with a meaningful dialogue regarding necessary amendments to existing programs and the addition of others essential for a comprehensive portfolio of offerings.

In addition to interviews with for-profit and nonprofit groups, business and property owners, developers, lenders, and advisors to city hall concerning social and economic policies and their operational impacts, several discussions were held with representatives from the city, including project team members. In total, 37 (17 external, 20 internal) individuals participated in at least one of these platforms, and several provided empirical data to supplement the narrative.

Small group discussions facilitated in the context of this effort, built on the considerable community outreach undertaken by the Department during redesign of the Chapter 380 Incentive Policy, between 2017 and 2018. Additional input solicited by the Department leading up to initiation of the LEP development process, was also considered. Finally, extensive industry focus group research conducted throughout the spread of COVID-19 to ensure programmatic resources aligned with the needs of Austin's small businesses and target industries, was reviewed and the findings reflected in the recommendations presented herein.

Presented below and on the following pages is a summary of input provided through outreach and engagement activities that helped

shape the LEP, as well as input from the small group focus panels conducted to provide refined guidance to calibrate specific LEP needs in relation to existing city programs and gaps, as well as local industry needs.

Economic Development Department Outreach Initiatives

Between 2015-2020 the Economic Development Department engaged thousands of concerned stakeholders in reviewing Department programs and initiatives. Types of outreach activities varied based on the initiative, but may generally be divided into the following categories:

- Written Survey: 9,383 respondents
- Community Meetings, Town Halls, and Focus Groups: 34 events
- Community Meetings, Town Halls, and Focus Groups: 2,356 attendees
- Community Leader Working Groups: 111 attendees
- Interviews | One-on-One Sessions: 280 participants

The participation numbers presented above may reflect some overlap, but taken collectively, they total over 12,000 interactions with stakeholders in a variety of settings. These initiatives consistently reinforced the need for a program similar to the LEP, with a somewhat consistent framework and guidelines.

¹ The 'agent of change principle' encapsulates the position that a person or business (i.e., the agent) introducing a new land use is responsible for managing the impact of that change.

[Chapter 380 Economic Development Incentive Revisions, 2017-2018](#)

Participants: 260 participants in community focus groups, 2,500 pieces of written feedback, 82 survey responses, and 32 participants in community leadership sessions

Key Themes: Extensive community input resulted in a clear desire for revised tax incentive policies focused on equity, employment growth, enhancing opportunities for the creative sector, supporting small business, and addressing the affordable space needs of small and creative businesses

[Music and Creative Ecosystem Stabilization Recommendations, 2016](#)

Participants: Participants included those from contributing studies, with additional stakeholders engaged in review of proposals

Key Themes: Recommendations included major priorities such as creating | preserving affordable creative and music space, enacting an agent-of-change principle¹, simplifying entertainment licensing, crafting new incentives and financial tools, revising land use regulations to support music and art users, streamlining permitting processes, and supporting revenue and professional development

[Austin Music Census, 2015](#)

Participants: 3,968 survey respondents, eight (8) focus groups, and

20 interviews

Key Themes: Extensive data was collected from musicians and related industry workers describing their demographics, area strengths, and challenges, among them stagnating incomes and pressure on real estate affordability, both venues and housing. Regulatory inefficiencies and programmatic delays highlighted the need for aggressive policy actions.

[Creative Space Needs Survey, 2017; 2020](#)

Participants: 500+ respondents, including individual artists and organizational representatives

Key Themes: The 2017 survey revealed significant needs among individuals and businesses within the creative sector for space: 38% of respondents indicated they have paid for space they could not afford; 69% were using space they identified as “not being ideal for their needs;” 51% of artists said they have considered leaving Austin for another city or state that is more affordable; 81% indicated their ideal workspace would be 500 square feet or less; 23% of organizations and businesses were in a precarious position with month-to-month leases; 12% shared that they either had not secured space for the following year, or were in immediate danger of losing the space they had; 78% currently had space smaller than 5,000 square feet, 39% had space smaller than 1,000 square feet; and 49% needed either flexible performance space or a black box theater.

[Economic Recovery Strike Team Industry Panels: 2020](#)

Participants: 97 individuals participated in six (6) industry panels

Key Themes: Panelists spoke to the need for a variety of financial resources to survive, economically, during and after the pandemic, with extensive focus on structural opportunities to support businesses and organizations in creative sectors. These included affordable commercial real estate and housing programs, along with a processing and logistics infrastructure for industries.

[Major Themes of Community Engagement](#)

Affordability

Businesses in many sectors have expressed challenges in finding and preserving affordable commercial space. This concern was mentioned frequently by operators of music and arts venues during the [Austin Music Census](#) and again when the [Creative Space Survey](#) was administered. Businesses in these sectors have a considerable need for affordable commercial space, including both customer and patron-oriented retail, as well as performance space, including specialized space for certain industries. Performance oriented businesses also reported a lack of space, primarily rehearsal, while food businesses reported a lack of cold storage facilities. For several industries there appeared to be gaps in real estate product types serving essential, yet niche purposes within a larger industry ecosystem.

Participating businesses also repeatedly reported that affordable housing is a problem, especially for their workforce though

sometimes for the proprietors themselves. The lack of housing near commercial and entertainment centers and attainable to a workforce making typical (or even competitive) wages for their industry was said to be a growing problem for small businesses, music and arts organizations and venues, and specialized production-oriented firms.

Regulatory Burdens

Across all sectors and despite the type of outreach effort, businesses noted difficulties navigating Austin’s regulatory framework. This included development entitlements, health permits required for food-related businesses, and building regulations for arts and music venues. Improved flexibility and a more efficient and expedited permit review process was identified as something of value across sectors.

Music venues were engaged in efforts to revise sound and entertainment-related licensing and permitting processes. A successful Entertainment & Amplified Sound Compatibility engagement resulted in a permanent extension of outdoor live performance hours along with enhanced sound ordinance enforcement. This was identified as a successful example of regulatory improvements that supported the goals of different stakeholders.

Need to Serve Underserved Communities and Improve Equity

Survey respondents and community meeting participants have said more resources need to be expended to ensure greater equity in

the delivery of city programs. There is a desire to see both funding and programming targeted to historically underrepresented groups and neighborhoods, as well as new programming developed specifically to counter displacement of creative and established small businesses. Economic development policies and programs are viewed as an important tool for promoting more equitable prosperity in Austin, while also mitigating threats posed by the increasing cost of doing business, acquiring real estate, and responding to rapidly changing demographic and consumer preferences.

Conclusions from Contributing Outreach

Approximately 12,000 unique stakeholder engagements hosted by the city and Economic Development Department have yielded tangible guidance regarding community priorities. The lack of affordable, stable commercial space appropriate for certain business sectors or clusters continues to be an issue shared by many businesses and industries. Needs range from specialized facilities to non-specific commercial space affordable for small businesses and creative venues. These concerns have persisted as a major concern revealed by multiple outreach initiatives undertaken during the last decade.

Location Enhancement Program Outreach

Interviews and small group discussions were held with individuals operating within and | or representing one or more of the following groups.

- Creative Space Assistance Program | Creative Bond Deployment | Creative Space Needs | Grants
- Small Business Resources and Incentives
- Loan Programs | CDBG | Neighborhood Empowerment Zones
- Global Business Expansion Division | Heritage Tourism | Food Sector
- Strategic Property Coordination | Redevelopment Division
- Chapter 380 | Incentives | Workforce | EDC|O
- Music Industry Needs
- Arts and Creative Space Developers | Initiatives
- Real Estate Related Needs of Businesses | District and Association Representatives
- Private | Public Sector Lenders
- Private Sector Policy Advisor

Input received during these engagements fell into several major themes. The following discussion synthesizes comments received in the context of those themes including: COVID-19 relief (short-term “triage”), long-term affordability, regulatory and policy reform, public-private solutions (including capacity building), and equity for underserved communities. These themes surfaced during discussions about existing and potential barriers within programs, and voids and opportunities across the breadth of programs offered by the city.

COVID-19 Relief

Understandably, the predominant issue raised in all focus groups

was short-term COVID-19 relief and resilience coming out of the pandemic. Most stakeholders identified the need for immediate relief from: rent, pre- and post-COVID, regulatory barriers (e.g., outdoor patio space, incompatibility with adjacent land uses), and property taxes, etc., as well as longer term solutions for growing an inventory of affordable space, securing longer-term leases, and identifying resources for “special” space needs, particularly be operators in live music and cultural arts.

Small businesses in all sectors reported thin operating margins and immediate challenges resulting from substantial declines in revenue, yet sustained and significant operating expenses (e.g., rent, expense pass-throughs). Since the vast majority of small businesses rent, rather than own the space where they operate, assistance negotiating lease terms with landlords was considered a meaningful and immediate opportunity for support.

Many small businesses that owned their space, while in a strategically stronger position to better control expenses, still lacked the capacity to effectively negotiate loan terms with financial institutions or entities. Further, while many stakeholders indicated some success requesting relief from their landlord, few felt they had experienced success negotiating with either a bank or larger lender (based outside of Austin). One potentially positive outcome of COVID-19 was its ability to expose the intrinsic connection between the forces of real estate and success and stability of small, minority-owned, and legacy businesses and operators within creative sectors.

While the city's COVID relief funds provided a certain level of short-term assistance to the targeted audiences, there was thought to remain a significant need for support from the city in the form of a longer-term "lender" (low-interest financing) or source of either non-traditional capital or bridge loans.

Long-Term Affordability

Affordable housing was again mentioned in this context as an essential "community benefits" and priority initiative for city leadership. Discussions around this topic primarily focused on programs and incentives available to promote affordable housing (50% of AMI and below for rental and 80% and below for ownership). Whereas it continues to be the greatest need of low-income residents, the city has assembled a range of tools, with one exception, that being resources targeted at development of "workforce housing" (80% to 120% of AMI). Although the private sector is slowly beginning to address housing for the "missing middle" as they are referred to (e.g., Austin Housing Conservancy), citywide efforts are falling behind the increasing need for this product type.

There is a considerable need for affordable and attainable housing, some that can accommodate individuals and operators that want to live and work in the same or a connected unit, whether by artists or other workers in the creative sectors. This, too, continued to be a consistent theme among participants in this process, as well as other industry panels hosted by the Economic Development

Department over the last five years.

Investigations of how to solve this matter have revealed two significant challenges in the Austin market, access to experienced partners familiar with complex financing strategies, and the capacity of local for-profit and nonprofit development groups to manage what is often a protracted process of securing public approvals, financing, and development. Within the Austin market, while there is a high level of sophistication and familiarity with soliciting and managing public incentive requests, higher than normal carrying costs due to onerous procedural delays have made these types of undertakings infeasible for the smaller development entities that dominate the market.

Delivery of mixed-use and small-scale commercial developments are similarly challenged, with a void in incentives and a dearth of groups with the resources to overcome costly public approval delays. Individuals from many industry sectors have described challenges with finding and retaining affordable commercial space in an environment where prices are increasing at a rate that is well-above market averages. While the need for attainably priced operating space has been frequently mentioned, especially by those businesses operating in the arts and cultural sectors, all of the small businesses reportedly needed resources to manage increasing their overhead costs. Where they differed was in the magnitude of need, often driven by the nuances of operations, particularly among performance and entertainment-oriented businesses. One example is arts related businesses that continue to lack rehearsal space,

another are food related businesses that lack cold storage space. There appear to be gaps in real estate products for many groups, but especially those that fulfill a niche purpose within the larger system.

An additional challenge, somewhat unique to the Austin market, is a lack of local private donors and foundations, particularly given the high number of large corporations. Surprisingly, even as Austin has [grown into a high-tech hub](#), there are very few private foundations providing a consistent source of funding for cultural facilities (e.g., annual endowment).

[Regulatory and Policy Reform](#)

Frequently identified regulatory challenges were primarily associated with development and building restrictions, health permits, and land use and sound compatibility requirements. Efforts by the Department to better streamline public approvals were acknowledged, but the general sentiment was there needed to be more resources given the higher-than-average number of operators in Austin. Finally, there was fairly uniform agreement that more flexibility and greater efficiency was needed across those divisions of the city that impact the delivery of space to the market. The perception among many stakeholders was that the city's programs, while extensive and diverse, could be more "user-friendly." There was also confusion with respect to program eligibility criteria and overall frustration navigating each program's requirements. The lack of accommodations or exceptions for small

and micro businesses, was considered another example of government being too far removed from "businesses on the street" to understand the intricacies that differentiate large and small businesses and operators. This is an important challenge that recommendations associated with the LEP attempted to address.

An additional matter noted in this and previous outreach efforts, especially by operators of music venues, was the need to revise sound and entertainment-related licensing and permitting protocols. A study of entertainment and amplified sound compatibility revealed deficiencies in existing processes and offered specific reforms including a permanent extension of operating time for outdoor live performance venues could operate, and enhanced sound ordinance enforcement. Resolution of this concern has been widely identified as a successful example of how regulatory improvements were made with consideration of goals among multiple stakeholder groups.

While certain aspects of Austin's entitlement processes may be somewhat similar to those of comparable cities with similar economies, where they seem to diverge is in the capacious influence neighborhood organizations and their members have been given during both regulatory approval and incentive request processes. Public outreach and input is critical in any society or community, the degree to which it is not only encouraged, but allowed to influence decisions on issues that may or may not be within their purview to understand, has created a high-risk investment climate rife with uncertainty. Risk translates into higher-

than-average financing costs, rendering many meritorious projects infeasible.

Public-Private Solutions

Another common issue raised within all the focus groups was an ongoing need for effective public-private solutions to overcome challenges inherent in most infill and redevelopment projects, particularly those with affordable housing units, and attainable commercial space. For example, while traditional **market rate** projects in established neighborhoods are already at an economic disadvantage due to higher land costs and property taxes, limited locations for construction material staging, setback, and density restrictions to name just a few obstacles, those with components that diminish revenue and increase construction and operating costs (e.g., space for arts and culture) are even more difficult to deliver without financial relief and committed partners. While the city to-date, has made available tools and tactics to overcome some of these obstacles (i.e., density bonuses), there remains the need for a comprehensive package of resources available prior to construction, during development and lease up, and while operational, to accomplish stated city goals and provide identified community benefits.

Equity for Underserved Communities

Within the small group discussions, there was an undercurrent of concern regarding social equity with respect to city programs and services. As noted above, there was a desire to see both funding

“The city’s programs, while extensive, need to be more accessible to operators and businesses of all sizes (not just large employers), and applications made more “user-friendly” ... eligibility needs to be more easily understood and the program requirements, easier to navigate, across all city programs. Their absence suggests the city is “too far removed from businesses on the street” to understand the intricacies that differentiate large and small operators.”

Source: Private sector participant in LEP program development.

and programming tailored to the needs and challenges of historically underrepresented groups and neighborhoods, including new resources to specifically limit the potential for displacement of creative and established small businesses.

Economic development policies, along with programs that provide capacity-building, were considered vital to ensure prosperity was equitably distributed throughout Austin, and threats from increasing real estate costs and changing demographic and consumer preferences mitigated.

Conclusions from Location Enhancement Program Interviews

Salient input received by participants through outreach efforts associated with this investigation are summarized below and presented, largely verbatim, in **Appendix v** of this report. Also included is a list of participants by group. All the input from this and past efforts informed the recommendations presented herein that are associated with the LEP, its administration, resources, and

conditions necessary for private sector participation.

Summary of Comments

City Participation: Past successes by the city have “always been attributed to assertive leadership, when in reality effective partnerships are the result of shared commitments by all partners to an agreement”. Further, the projects with which they participate should improve all parts of the community. In the context of the projects of the target sectors, examples of positive ventures with the city nearly always crossed geographic lines (neighborhoods, council wards) and benefited residents without bias.

Small and Micro Business Allowance: The city’s programs, while extensive, need to be more accessible to operators and businesses of all sizes (not just large employers), and applications made more “user-friendly”. Further, program eligibility needs to be more easily understood and the program requirements, easier to navigate, across all city programs. Their absence suggests the city is “too far removed from businesses on the street” to understand the intricacies that differentiate large and small operators. If they did, they would appreciate the stark contrast in not only levels of experience but resources available to them.

City Offerings: Whereas traditional market rate projects in established neighborhoods are already at an economic disadvantage due to specific barriers unique to these environments including comparatively higher land costs and property taxes,

limited locations for construction material staging, and regulating restrictions that limit the **development “envelope”**; the additional burden of program requirements that diminish revenue and increase construction and operating costs can render many projects financial infeasible without a long-term and well-capitalized partner, like the city.

While the city has made some tools and tactics available to overcome these obstacles (i.e., density bonuses), it lacks a comprehensive package of resources (financial, physical, regulatory, policy) capable of addressing challenges along the predevelopment, development, and operational continuum, particularly those that are not heavily tied to projects likely to generate significant job growth for multiple segments of the market.

Project Approvals: Although certain aspects of city’s entitlement processes are like those of other cities with similar economies, where they diverge is in the capacious influence neighborhood organizations and their members have been extended. While public outreach and input is important in many government processes, the degree to which it is not only encouraged, but allowed to influence decisions on issues that may or may not be within any one person’s purview or understanding, has created an investment climate of uncertainty that makes some regulatory and incentive requests infeasible. Since uncertainty in real estate and finance translates into risk, and risk into costly financing terms, projects that otherwise might be feasible, including those considered desirable by city leaders, may never reach City Council for consideration.

“While public outreach and input is important in many government processes, the degree to which it is not only encouraged, but allowed to influence decisions on issues that may or may not be within any one person’s purview or understanding, has created an investment climate of uncertainty that makes some regulatory and incentive requests infeasible.”

Source: Private sector participant in LEP program development.

Affordable Housing: Two significant hurdles to delivering affordable housing, including housing for artists, have been identified. They are -- access to and experience with complex public-private partnerships, and the capacity of local for-profit and nonprofit development groups to manage what is often a protracted process of securing public approvals and financing. Within the Austin market, while there is a high level of sophistication navigating procedures associated with soliciting and managing public incentives, when combined with higher than normal **carrying costs** fueled by onerous procedural practices, these pursuits are infeasible for many small developers. Since the principal targets for the LEP are small and micro-operators, the application process and potential awards should include some tailored to the needs of smaller entities.

Capacity Building: In addition to monetary support, the target groups need capacity-building assistance, for example, negotiating the terms of real estate transactions including lease terms,

extensions, and compatibility with regulations. Since most small businesses rent rather than own the spaces they operate in, help negotiating these details with landlords presents an immediate opportunity for collaboration by the city. Landlords, or small businesses that own their space, while in a strategically stronger position to better control operating expenses, are still often ill equipped to negotiate loan terms with financial institutions and entities.

“Rather than further encumbering private developers of affordable and artist housing, or attainable commercial and performance space, should be given incentives and gap-filling awards, to offset future losses in revenue resulting from delivery of these community benefits.”

Source: Private sector participant in LEP program development.

Lease Terms: Among the greatest challenges for businesses and operators in the subject sectors are finding properties offering longer-term leases (3 to 5 years with options to renew at attainable rates); dearth of affordable and adaptable space to meet the needs of the target groups; and lack of resources for costly, yet necessary adaptations (lighting, flooring, air conditioning) for operators.

Creative Space Assistance Program (CSAP): Funding provided through CSAP (approximately \$12 million per year) from hotel tax receipts, could be a beneficial source of revenue for the LEP, but for the stipulation that it be reauthorized by a public vote every 3 to 5 years. As such, it cannot be monetized as a supplemental source of

project funding. Additionally, there is a perception among local developers that this \$12 million bond program was “sold” as a potential resource with few limitations and greater access than suggested by the final bond language.

Conflicts Between Programs and Goals: Long-term affordability is the “north star” of departmental representatives, yet existing resources fall short of advancing this objective. Rather than further encumbering private developers of affordable and artist housing, or attainable commercial and performance space, should be given incentives and gap-filling awards, to offset future losses in revenue resulting from delivery of these community benefits.

Further, existing guidelines among affordable housing programs that favor local developers and nonprofits over those with regional or national experience and access to **Low Income Housing Tax Credits (LIHTC)** resources need to be eliminated, at least until local developers can come to the table with sufficient credentials to meet the city’s need for this kind of product and community benefit.

Legal Interpretation of Authorizing Legislation: The city’s legal department frequently pushes back on the legality of long-term

land leases despite there being examples throughout the state where appropriate accommodations have been made to make this ownership structure viable. Aspects of these arrangements that have posed the biggest obstacles include the use of property tax

caps since they cannot be capitalized to support long-term lease, however other forms of security could be identified and applied.

History of 380 Agreements – Success and Failures: Whereas certain past 380 project awards have exacerbated the city’s displacement problems; the program has been tainted in the minds of residents and business owners who may have overlooked positive outcomes. Matrices by which project proposals are evaluated and awarded need to include a range of criteria, among them qualitative measures, and the quantified impact of “doing nothing.”

Surplus Properties Policy and Practices: The city should assume a meaningful role in making properties and spaces available for private investment that advances the objectives of the LEP and delivery of community benefits. Examples include using a broader lens to discern those properties that can be acquired, donated, and | or sold at a discounted rate, but also including strategies used in negotiations with lenders regarding how properties are valued and used to leverage project funding.

Financial Partnerships: Public sector entities should play to their core competencies, rather than trying to be all things to all people. As such, they should consider using agencies outside city hall to distribute program resources (i.e., **Community Development Financial Institutions (CDFIs)**).

Section 7: Location Enhancement Program and Guidelines

Note: Key terms are bolded the first time they appear in the text and defined at the end of this section.

Authorizing Legislation

The Austin City Council (the “City Council” and “Council”), with passage of [Ordinance No. 20180830-058](#)¹ charged the Economic Development Department (the “EDD” and “Department”) of the city with developing and executing a Location Enhancement Program (LEP), or real estate **gap financing** initiative to support target audiences. It also repealed [Ordinance No. 20090312-005](#), which amended the city’s economic development policy related to economic development incentives for **private, large-scale, mixed-use projects** that include a retail component. [Resolution No. 20180830-056](#)², providing for administration of the **Chapter 380 Incentive Policy** and **Economic Development Guiding Principles**, laid the groundwork for adoption and management of the LEP.

Community Benefits and Equity Targets

These include organizations and entities in the music, cultural arts (creative businesses), and food service industries, many of which are operated by **underserved groups** including small, minority-

owned, and legacy businesses.

Context for City Program Development

The city’s most **vulnerable neighborhoods**, while once considered less desirable, are now frequently sought after as the city’s inventory of **undeveloped** and **under-developed infill properties** continues to decline. Growth in the number of **large employers** and **credit tenants** in these locations has not only driven up land prices and rental rates but contributed to the **displacement** of many **small** and **locally owned businesses** and **cultural assets**. To mitigate the impact of these and other challenges on valued and **at-risk businesses** and groups, city leaders charged staff with developing a program to fill the void left by existing resources and policies. Fundamental findings from the work presented herein, were disparities between **commercial establishments**, largely associated with their size, sources of revenue, and location, and limited impact one-time awards have on the targeted operators, particularly in a climate of sustained expansion.

For a variety of reasons that have only become more pronounced with the significant restructuring of all real estate sectors pre- and post-pandemic, small commercial entities do not operate on a consistent and level playing field with their larger counterparts, making them more vulnerable to external forces including public policies, regulations, and changing market conditions. Regardless,

¹ Authorizing the city manager to develop the Locational Enhancement Program for economic development under Chapter 380 of the Texas Local Government Code.

² Allowing for adoption of the city’s Economic Development Guiding Principles and Chapter 380 Policy.

“The global pandemic has highlighted and exacerbated the profound social and spatial inequalities that exist both globally and within countries. Lockdown has underlined the importance of having a good-quality, affordable home, and access to green space, and has led to increased concerns over the affordable housing crisis and rising homelessness. It has also reinforced the links between poverty and health inequalities. Failure to create good jobs, good homes, and good places to live represents a failure of capitalism and the market systems we have created. Failure to consider the impacts on those who might lose out from real estate development also presents risks to the sector itself, such as vandalism and longer-term social unrest.”

Source: Urban Land Institute

they play an essential role in preserving a community’s authenticity, and as such, should be valued for their secondary and tertiary contributions to the city’s bottom line. In effect, they are private enterprises, many for profit, that serve as both a community asset and amenity. In the local market, small, “**main street,**” **legacy,** and locally owned businesses including retail stores, restaurants, and **entertainment venues,** are the essence of what has made Austin “weird.” It is on the backs of these businesses that the city grew its reputation as an international stage for **performing** and **visual arts,** **cultural diversity,** and **entrepreneurship.** Without them, what makes Austin unique is lost, and its offerings, the same as any other market.

Retention of individuals, businesses, and organizations, not just within the municipal boundaries, but equitably distributed throughout the city, is a foundational element of the community’s

master plan for growth (comprehensive plan). It is an endeavor, however, that cannot and will not be solved by either the public or private sector alone. Given the complexity of market, economic, and social conditions (only made worse by the spread of COVID-19) that have and will continue to drive up both property values and development costs, so too must be the solutions for delivering and maintaining those entities and the spaces that host Austin’s **cultural, ethnic, and legacy infrastructure.** As such, program offerings must include more than just monetary resources and tactical strategies, but also an attitudinal shift regarding the value they provide, both direct and indirect, and policy framework that ensures sustained support and public commitment.

Principal resources of the city currently available to advance community objectives and Council priorities are largely **performance-based** and designed to facilitate employment growth. These are supplemented by services including assistance with training, **business development,** event planning, and permitting. Incentives and grants are available for initiatives that seek to address inequities in housing, and assist operators within cultural sectors, however, none provide **upfront capital** to fill economic gaps, or offer sustained assistance or certainty regarding facility costs and availability.

The LEP’s principal intent is to facilitate the construction, renovation, and preservation of real property; delivery (and maintenance) of space for priority tenant types, primarily in locations where economic conditions are adversely impacting at-

risk business sectors; and use tools and tactics that neutralize the monetary impact of developing **community-serving infrastructure** (facilities). Further, to make these resources available at the concept or **pre-development stage** of a project, to ensure **financial feasibility** and the ability to leverage the public sector's participation into favorable primary financing terms.

Programmatic Gaps

Key themes among these and other related programs include relief through **procedural permitting** and **licensing changes**, and provision of innovative incentives to advance the development and preservation of creative spaces. Goals of these programs that intersect with those of the LEP include:

- Use of resources beyond those administered under the umbrella of the Chapter 380 Incentive Policy such as **property** and **sales tax abatements**, Chapter 380 agreements, **development fee waivers**, TIF districts, TDRs, relief from **impact fees**, **low interest loans**, **land banking**, and others.
- **Operational, policy, and regulatory reform** that **streamlines approval processes** and provides greater certainty regardless of potential monetary obstacles.
- Expand existing offerings to include the targeted audiences, and address the unique challenges experienced by these groups.
- Pursuit of long-term lease agreements at **modified** and **fixed rates** to diminish the potential for displacement.

Although these initiatives have numerous similarities, what they have not been able to do is provide resources outside the limits of the Chapter 380 "Performance-Based Incentive" Policy.

Even the CSAP, that purportedly provides gap financing, describes their agreements as performance-based, or, in other words, contingent on the project's performance after operational. The LEP's intent, as described herein, is not only to fill voids left by existing program offerings, but make resources available that will bridge the "**feasibility gap**" between a project concept that is not economically viable with one that is economically viable.

Specifically, the LEP is designed to provide assistance that emphasizes:

- "Commercial affordability for tenants of commercial space ... with particular focus on small, local, **heritage businesses**, non-profits, cooperatives, and those in the creative sectors."
- "Financial 'obstacles' faced by owners of commercial spaces by providing access to capital financing to deliver **community benefits**."
- "Participation in the development process of new developments, including mixed-use commercial, to deliver a variety of benefits directly to the adjacent community." Source: City Council [Ordinance No. 20180830-058](#).

Its portfolio of offerings will include tools and tactics at one or more points along the continuum of project or space financing, development, and operations.

Program Purpose

The city of Austin believes that certain types of investment lead to positive economic growth and stabilization, while also advancing the tenets of Imagine Austin. In addition, the city recognizes that certain business sectors, particularly those that play an essential role in the city’s cultural and ethnic identities, can be disproportionately affected by, and vulnerable to, influences beyond their control, including economic, market and societal forces that put them at an operational disadvantage. Overcoming limitations or obstacles, together with advancing Council’s goal for “complete communities” or equal access for all neighborhoods in every sector of the city, have led community leaders to make available incentives and other resources to neutralize the impact of adverse conditions, as well as retain and sustain these valued commercial enterprises in accordance with **State of Texas Tax and Local Government Codes**.

Therefore, the purpose of the LEP is to advance the community’s objective for complete communities by – fostering investment and reinvestment in strategic locations, neutralizing market obstacles, and ensuring the ongoing presence of valued assets including those sectors of the local economy which play an essential role in its cultural and ethnic identities. As explained in Imagine Austin, the

city’s principal comprehensive planning document, Council desires that “each level of our community will be livable, safe, and affordable; promote physical activity, community engagement, and inclusion; ensure that amenities and services are easily accessible to all; and that they contribute to Austin’s unique community spirit.”

Location Enhancement Program Portfolio Structure

Program Values & Priority Goals

The LEP seeks to address the following general priorities as identified by community need (as measured by select market indices, Austin City Council objectives, and industry input, along with strategic and policy direction):

1. Support the creation and retention of vibrant centers of commerce, culture, and residences.
2. Provide a stable location for specific types of tenants (small and local businesses including creative and music related businesses and non-profits) and **target industries** that advance City Council objectives.
3. Increase the availability of diverse affordable commercial spaces.
4. Promote projects that strengthen the local economy, sustain economic activity, and build resilience against economic downturns.
5. Engage an equitable lens to consider projects and project locations, and their contribution to a city-wide portfolio of community benefits.

6. Provide basic services and amenities for all communities but particularly those that have been historically underserved.
7. Ensure displacement or **gentrification** are not unintended consequences of desired investment.

Project Types

City Council’s desire for a program that aligns with its Guiding Principles, including the delivery and maintenance of real estate accessible to underserved and at-risk groups, aligns with its pursuit of greater equity in development. To achieve the Location Enhancement Program Portfolio Values and Priority Goals, the following project categories are offered to address the unique challenges of the targeted audiences: Category 1: Construction and Renovation of Real Property with a Community Benefit, and Category 2: Delivery and Retention of Space for Priority Tenant Types.

Category 1: Construction and Renovation of Real Property with a Community Benefit

Capital investment through the renovation of existing real property improvements or construction of new real property improvements identified as priorities in City Council adopted plans, resulting in one or more of the following community benefits:

- Attainable space for public, civic, cultural, and commercial use.
- Neighborhood serving retail (new or retained) in a location historically underserved by commercial goods and services,

access to quality job opportunities, and community amenities.

- **Income restricted residential units** (with a **set-aside** for artists) in excess of any density bonus, served by **non-vehicular modes of public transportation**, and | or located in a zoned **Transit Oriented Development (TOD)**. (See Project Connect maps.)
- Historic restoration of a property either on the **National Register** or city’s list of historically significant properties.
- Capital and | or community-serving infrastructure that addresses critical area-wide improvement needs.
- Opportunities for alleviating and offsetting financial burdens to the city associated with development and management of community benefits ([Council Ordinance No. 20180830-058](#)).

Category 2: Delivery of Affordable Space for Priority Tenant Types

Projects that deliver or retain affordable space meeting important community objectives related to priority tenant types identified in City Council adopted plans and guidelines, resulting in one or more of the following community benefits:

- Retention of small, local, heritage, legacy, and minority-owned businesses and operators, including for-profit and non-profit entities, cooperatives, and others in the creative sector ([Council Ord. 20180830-058](#)).
- Food retailers that provide affordable healthy food choices inside the city’s municipal boundaries, in areas facing disproportionately high rates of **food insecurity** (greater than

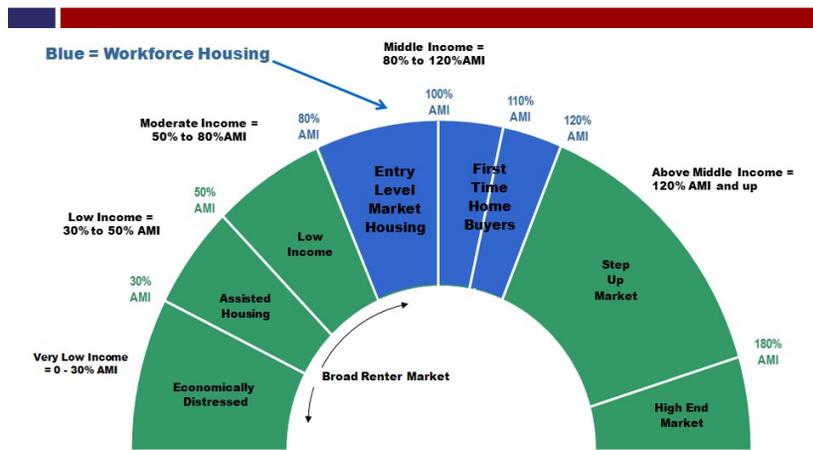
21%) as defined in the report, [Food Insecurity in the City of Austin](#).

- Commercial space with long-term (at least 5 years) leases for small and micro area businesses at below market rents.
- Locally owned Austin small, heritage, legacy, and minority-owned businesses and operators that have either been displaced in the last five years or were at risk of being displaced prior to COVID and that remain vulnerable, which advance Council-adopted plan objectives.

Affordability Guidelines

In order to ensure appropriate guidelines are established for the various program awards, the term “affordability” used frequently herein, was quantified for different real property types. A description of this work follows below.

Housing Bridge



The definition of affordability varies by real estate product type. For residential products, affordability is determined based on the household income of renters and buyers. For nonresidential products (e.g., retail, restaurant, office and industrial), affordability is determined by the ratio of a tenant’s annual rent to annual revenues. Note: This is a commonly used method by property managers and leasing agents. Analyses used to determine these thresholds for products that align with the objectives of the LEP are presented below.

Residential Affordability

Affordability for residential products will be determined by city income and rent guidelines. These income and rent limits are updated annually for the **Austin-Round Rock MSA** and address a wide range of household income levels. The housing bridge illustration below delineates these household income levels into housing types (e.g., very low income, low income, moderate income, etc.). In general, public sector housing programs are designed to address household incomes at or below 80% of the area median household income. The private sector tends to address the higher end of the housing bridge (household incomes at or above 120% of area median household income). Because the Strategic Areas analysis focused on rental projects targeted to the middle-income workforce, income and rent limits addressing household incomes between 80% and 120% of area median income will be encouraged.

Non-Residential Affordability

Measuring affordability for the wide range of real estate products that comprise nonresidential land uses is more challenging than that for residential uses, which have multiple government programs designed to do so. As noted, a commonly used measure of occupancy costs for commercial businesses are the rent | revenue ratio. This ratio compares annual rent (including any operating expenses that are passed through) to annual revenue. Given the differences in lease rates and terms for retail, office and industrial space (and the subsets of products within each category), a range of affordability measures will need to be applied. Research among real estate industry sources indicates that small business tenants are looking to keep annual occupancy costs (rent plus operating expense pass throughs) between 5% and 10% of annual revenues. In some cases, such as a high-end law firm, these occupancy costs can approach 15% to 20% of annual revenues. Because every tenant type will have different rent levels and terms, as well as different revenue expectations, it is impossible to create a “one size fits all” targeted

incentive. **Table: 7-1** illustrates potential affordability targets for various nonresidential product types in the local Austin market.

As shown, for each product type, **market rent** (including **triple net expenses** where applicable) is compared to estimated **revenue per square foot**. Again, even within these individual product types, there will be wide variations in rents and expected revenues. The target rent as a percentage of annual revenues can be set at 5% to 10% so as to calculate the level of discounting in rents that could be applied to an incentive. As an example, using a 7% target rent | revenue ratio, market rents for a restaurant small business would result in a discounted rent at 60% of market. Similarly, a small office tenant, with a target rent | revenue ratio of 10%, would require a discounted rent of approximately 70% of market. The length of time that the incentive would be applied would likely vary by type of business and real estate product. However, if it is true that most small businesses fail within the first few years, a 3- to 5-year incentive would be reasonable.

Table: 7-1
Affordability Targets by Product Type (2021)

Product Type	Avg Tenant Space (Sq Ft)	Market Rent/Sq Ft*	Annual Rent	Estimated Revenue / Sq Ft	Estimated Annual Revenue	Rent % of Revenue	Target Rent % of Revenue	Target Rent	% of Market Rate
Restaurant	2,500	\$35.00	\$87,500	\$300	\$750,000	11.67%	7.0%	\$21.00	60.0%
Retail	2,500	\$31.58	\$78,958	\$250	\$625,000	12.63%	7.0%	\$17.50	55.4%
Office	3,000	\$41.50	\$124,494	\$300	\$900,000	13.83%	10.0%	\$30.00	72.3%
Industrial	3,000	\$19.00	\$56,985	\$200	\$600,000	9.50%	7.0%	\$14.00	73.7%

* 2022 Qtr 2 rates; includes NNN expenses

Source: Urban Land Institute; International Council of Shopping Centers; and Ricker | Cunningham.

Program Guidelines

General Requirements for Program Eligibility

The intent of the LEP is to advance City Council’s pursuit of greater equity in development and access to space. As explained in Imagine Austin, the city’s principal comprehensive planning document, Council desires that “each level of our community will be livable, safe, and affordable; promote physical activity, community engagement, and inclusion; ensure that amenities and services are easily accessible to all; and that they contribute to Austin’s unique community spirit.” Their remedy was to establish an initiative that promoted the evolution of “complete communities to accomplish these ends.” In this context, complete communities, refer to places where “every Austinite has choices at every stage of life that allow them to experience and contribute in meaningful ways.”

With rapid gentrification and displacement accelerated through COVID, ever before has real estate been perceived to play such a pivotal role in community development. Real estate and the built environment are being placed at the forefront of municipal efforts to address social value, cultural and racial inequities, and economic recovery. As difficult as the last 15 months have been, one advantageous outcome has been the realization that businesses and industries targeted by the LEP are in-fact “essential” to the Austin economy. Further, given the magnitude of the pandemic’s impact on entities in these sectors, combined with those market challenges that existed prior to the spread of COVID-19, it will be critical that the LEP be implemented as quickly as possible, that it be

inclusive, and that its resources are able to overcome a range of challenges.

Contractual Prerequisites

Applicants awarded LEP resources within either of the portfolio categories will be expected, at a minimum, to comply with the following contractual requirements:

- Recipient will be required to sign an affidavit confirming they will comply with all federal, state, and local laws and authorities in effect at the time an agreement is executed, including city regulations related to environmental compliance, non-discrimination, and anti-harassment.
- Absent a negotiated agreement with the city, the recipient will 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 project that is the subject of the agreement.
- Recipient will comply with the city’s **MBE|WBE Ordinance** through the **Minority-Owned and Women- Owned Business Enterprise Procurement Program**.
- Recipient involved in the construction of real property or capital improvements will:
 - provide Workers Compensation Insurance and OSHA 10 Training; and
 - comply with the city’s established prevailing wage program, as it may be adjusted from time-to-time, used on public

works projects;

- Recipient may protest property tax valuation, however in the event the tax valuation of the property has been lowered due to a successful protest, the city will evaluate the impact of the new valuation on the amount of revenue generated by the project relative to the amount pledged and may make a corresponding adjustment in the actual award;
- Recipient will provide written policies to support anti-harassment and anti-discrimination practices for business operations and work environment in the city; and
- 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.

Minimum Requirements

Applicants for LEP 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:

1. 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 small, local, heritage businesses, non-profits, cooperatives, and those in the creative sector;

2. 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;
3. 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 population;
4. Opportunities for developing partnerships with existing developments to alleviate improvement barriers to advance the quality, affordability, and uses of existing locations within the city of Austin and to preserve the business and cultural community;
5. 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
6. Opportunities for alleviating and offsetting burdens of the city regulatory environment as it relates to business growth and development.

Further Established Policy Directives

Whereas the city acknowledges that entities and individuals within the target groups face unique challenges obtaining private sector capital, securing long-term leases at **fixed** and attainable **lease**

rates, and maintaining sufficient **economic margins** to withstand market fluctuations, much less qualifying for public sector assistance with performance-based measures tied to job-related indices, there is a heightened level of interest in providing assistance to these types of vulnerable and at-risk groups. Given the city’s intention that public resources are judicially distributed and strategically leveraged, along with its goal for complete communities, they have demonstrated their desire for and pursuit of a balanced portfolio of community assets. The LEP is expected to play a principal role in advancing this objective.

To this end, the applicant will provide a narrative description of how their project proposal will advance one or more of the following policy priorities from [Imagine Austin](#):

- LUT P2 – Promote development in compact centers, communities, or along corridors that are connected by roads and transit, are designed to encourage walking and bicycling, and reduce healthcare, housing, and transportation costs.
- LUT P7 - Encourage infill and redevelopment opportunities that place residential, work, and retail land uses in proximity to each other to maximize walking, bicycling, and transit opportunities.
- E P2 - Implement policies that create, nurture, and retain small and local businesses and minority- and women-owned businesses.
- E P6 - Support up-to-date infrastructure, flexible policies and programs, and **adaptive reuse** of buildings, so local, small, and creative businesses thrive and innovate.
- C P1- Continue to grow artists, micro-enterprises, and small arts

organizations as businesses, and support iconic cultural institutions to sustain and grow Austin’s economic and cultural vitality.

- C P8 – Expand access to affordable and **functional studio, exhibition, performance**, and office **space** for arts organizations, artists, and creative industry businesses.
- Goal: “Grow and Invest in Austin’s creative economy” #9 - Develop new financial resources and strategies to sustain and expand the creative industry sector.
- Ongoing Goal: Grow and Invest in Austin’s creative economy. Arts and cultural education are a major focus of investing in Austin’s workforce and education system. Encouraging innovation and providing support for local, small businesses and start-ups is key to growing Austin’s creative economy.

The applicant will provide a narrative description of how their project proposal represents one or more of the following themes related to community benefits called for in existing planning, policy, and regulating documents that will be addressed by the LEP.

Imagine Austin, City of Austin Comprehensive Plan*

- Promote development in compact and connected centers
- Encourage infill and redevelopment opportunities
- Develop policies to create and retain small and local businesses
- Increase support to local, small, and creative businesses with up-to-date infrastructure, policies, and programs
- Support artists, businesses, and cultural institutions to grow and

sustain Austin’s economic and cultural vitality

- Sustain and expand the creative sector through greater access to affordable and functional spaces
- Create “complete communities” that offer basic day-to-day needs

Strategic Direction 2023 (SD23)

- Support the vibrancy and sustainability of creative industry ecosystem
- Maintain a resilient economy by supporting small businesses
- Advance strategic anchors (tenets) – equity, affordability, innovation, sustainability and resiliency, proactive prevention, and community trust and relationships

Chapter 380 Incentive Policy

- Support Austin’s culture, creative sector, and community identity
- Build affordable, livable, and accessible development
- Impact business growth and promote economic diversity

Austin Music and Creative Ecosystem Stabilization

- Create affordable space through inclusion in city planning processes
- Create affordable creative space through bonds, public investment, and private development
- Increase affordable spaces in the city by commissioning a small business, music, and creatives real estate gap analysis

Strategic Housing Blueprint

- Support infrastructure investments to ensure preservation and affordability
- Make robust, strategic investments to minimize displacement

Neighborhood Area Plans

- Preserve and create **neighborhood-scaled affordable housing**
- Promote **businesses** that are **neighborhood-serving**
- Create public parks and green space, and complete trails
- Construct commercial space tailored to small business specifically
- Maintain walkable, mixed-use areas along major streets

Austin Strategic Mobility Plan (ASMP)

- Facilitate social interaction through land use and transportation
- Efficiently use existing parking supply
- Connect people to food, opportunities for physical activity, and health care using multiple transportation modes
- Work with communities to mitigate displacement impacts of transportation projects

The applicant will provide a narrative description of how their project proposal will use knowledge gained from city resource documents including the [Uprooted: Residential Displacement in Austin's Gentrifying Neighborhoods](#) report, and Equity Tool, to monitor and anticipate the threat of gentrification and potential

applications for the LEP.

Bonus Qualifiers

Bonus Qualifiers are a factor of the overall Project Score and based on inclusion of one or more of the following:

- The project is located in an established neighborhood, commercial corridor, or high frequency transit corridor as identified in the **Growth Concept Map** in the Imagine Austin plan.
- The project has space that supports the needs of local groups, non-profits, schools, micro and small businesses, and neighborhood groups.
- The project features improvements that favor use of non-vehicular mobility (i.e., pedestrian, bicycle, parking for carpool vehicles, facilities for car- and bike-sharing).
- The project will be eligible for **LEED certification** silver or above.
- The project will include space for mobile art installations from the local creative economy, such as local artists.
- The project will include with on-site day care facilities for tenants, the neighborhood, and representatives of the program’s target groups.
- The project pledges to use contractors that qualify as a **micro business based** on guidelines used by the Small Business Administration (SBA) (1 to 9 employees).

Exceptions

Projects in either of the portfolio categories which may be eligible for consideration, despite an overall modest Project Score (see below), include:

- Those that provide an extraordinary community benefit
- Addresses qualitative or area-specific goals as expressed in adopted plans

LEP Resources Available and Maximum City

Contribution

Monetary Resources and Strategic Practices

Program offerings are designed to advance the stated objectives by providing resources that address locational challenges at various points along the delivery (construction) and operating continuum including:

1. During project concept development and financing;
2. Once operational, but when adversely impacted by external market and economic forces; and
3. When public policies and regulations are being reviewed and revised to mitigate adverse conditions and encourage desired outcomes.

Audiences, or potential recipients of these resources include:

1. Developers of infill and redevelopment projects operating in the

- strategic areas;
- 2. Business owners within the identified at-risk and targeted segments; and
- 3. Operating entities within the cultural and creative sectors.

Program elements include:

- 1. Gap-financing for non-city partnership entities who deliver commercial and | or creative space for use at no- or a reduced-rate by one or more of the identified program beneficiaries;
- 2. Preferred financing for property acquisition, **mortgage payout, lease rate buy-down**, or rental assistance by one of the identified program beneficiaries; and
- 3. Property acquisition and cultural and community space construction initiatives.

Project Eligibility and Determining City Participation

- 1. Partner entity constructs commercial and | or venue space, quasi-publicly owned properties, either integrated into a larger public or private development project, or stand alone, and maintains it for 20 years at affordable commercial lease terms guaranteed through a lease, lease amendment, or deed restriction, and monitored as part of award compliance. The space could (in the future) be **condominiumized, covenant-controlled**, and subsequently deeded over to the city (EDC or other department), for marketing and management.

- 2. The goal of this type of project is to help grow a portfolio of spaces as a component of “complete communities,” for use by the program beneficiaries, at no or a low cost. Program resources will be used to offset the loss of potential revenue from the space (if in a market rate private development project), and cost of land and materials if constructed separate from the primary structure, or tenant finishes are incorporated.
- 3. The amount of space constructed will be counted against any regulatory requirement associated with onsite landscaping and open space.
- 4. Should the property transfer ownership within the 20-year timeframe, all covenants will run with the property.

The city recognizes that the nature of projects the LEP is intended to support, Category 1: Construction and Renovation of Real Property with a Community Benefit, and Category 2: Delivery and Retention of Space for Priority Tenant Types, are often rife with challenges, particularly because of their location in established infill locations, and likelihood they will involve the redevelopment or adaptive reuse of existing structures, rather than development of new ones in less restricted settings. It also acknowledges that these types of initiatives, those that strive to retain and construct an infrastructure of policies, programs, and projects that benefit the community, often further widen the economic “gap” and that it is unlikely that one strategy or tool will be sufficient to close that “gap”. As such, several potential resources with the potential for a

direct monetary impact have been identified, that when used in various combinations, could be sufficient to effectively leverage the private sector investment necessary to accomplish the objectives stated herein.

The following programs, tools, and tactics have potential to address one or more LEP objectives. They are organized by relevance to the two project categories:

Category 1 Project Resources:

- **Opportunity Zone**
- **Tax Increment Reinvestment Zone (TIRZ)**
- **Chapter 380 Agreement**
- **Federal Rehabilitation Tax Credit**
- **Texas Historic Preservation Tax Credit**
- **Special Districts**
- **Low Income Housing Tax Credits (LIHTC)**
- **Historic Rehabilitation Tax Credits**
- **Grants and Loans** beyond those offered through the Location Enhancement Program
- **Tax Abatements** beyond any offered through the Location Enhancement Program
- **Contributions to Land and Site Improvements** (infrastructure cost participation) beyond that offered through the Location

Enhancement Program

- **Fee Waivers**
- **Expedited Permitting**
- **Positioning and Disposition Strategies** for surplus and other public property
- **Density or Development Bonuses**
- Others, as appropriate, that may become available
- **General Fund Set-Aside for Local Community Development Financial Institutions (CDFI)**
- **Neighborhood Empowerment Zones**
- Transfer of **Real Property to Nonprofit Corporation**
- Grant Money to **Economic Development Corporation (EDC)**
- **Transfer of Development Rights (TDRs)**
- Density Bonuses targeted for commercial and creative sector affordability
- **Land Donation, Swap, Write-Down** (price)
- **Matching Dollars** (from dedicated sources)
- Partnerships with **Lending Institutions**
- **Community Information Sessions**³

Category 2 Project Resources:

- Grants and Loans beyond those offered through the Location Enhancement Program
- Tax Abatements beyond any offered through the Location

³ Host annual or bi-annual information meetings where attendees are provided an overview of the program, as well as tutorial about how to complete the application.

Enhancement Program

- Fee Waivers
- Expedited Permitting
- Grant Money to Economic Development Corporation

Note that several of these tools were analyzed for their impact on prototypical project concepts, an example of which is presented later in this document. More detail regarding this analysis is presented in an appendix to this report.

Enabling Legislation

LEP resources listed above are authorized by the following enabling legislation:

Chapter 380 – Grants and Loans

Chapter 312 – Tax Abatements

Transportation 431 – External Corporations

Chapter 378 – Neighborhood Empowerment Zones

Chapter 372 – Public Improvement Districts

Chapter 311 – Tax Increment Financing

Maximum City Contribution

Category 1 and Category 2 project score thresholds will be considered when determining the viability of requests, along with the source of funding or assistance, and award amount. the amount of project-generated city funding a project can receive over the term of the agreement. This is denoted as follows:

Category 1: Construction and Renovation of Real Property with a Community Benefit

- For gap financing of real estate construction, acquisition, or rehabilitation, analyses of project economic “gaps” (the margin or deficit resulting from project revenues vs. project costs) and potential public investment leverage (dollars of public investment to leverage private investment) will supplement project score and be limited by program resources. The goal is to assist projects that have verifiable “gaps” and have the potential to encourage desired private investment.
- A maximum incentive contribution to real estate construction, acquisition, or rehabilitation project equity would likely be determined by the “gap” amounts and potential leverage ratios (dollars of private investment leveraged by public investment) associated with each project. It is not unusual in redevelopment and infill areas for project “gaps” to range between 20% and 40%.

Category 2: Delivery of Affordable Space for Priority Tenant Types

- For affordable space for priority tenant types, evaluations can be based on the indicators discussed previously, that is, benchmarks for the ratio of annual occupancy cost to annual revenues. As noted, these will likely vary between different tenant types and the range of benchmarks can be updated contingent on prevailing market conditions.
- Maximum incentive amounts for this type of space would likely

be determined by program limits and potential funding sources.

In these cases, the maximum funding available to a project will be related to the total value of the project, direct and indirect, being delivered, including estimates of revenue to the city from the project as well as estimates of cost-benefit associated with specific community benefits.

Development Project Examples

Economic Analysis

The analysis that follows demonstrates the development economics of representative or prototypical “case study” projects that could be proposed, along with the level (or magnitude) and type of public investment that could be necessary to realize one or more community benefit and make the project eligible for LEP resources:

- Workforce Housing with Ground Level Affordable Retail | Restaurant | Service Space
- Incubator Retail | Service with Incubator Office | Employment Space (including nonprofits)
- Live – Workspace and Affordable
- Incubator Restaurant | Food Service Space (food trucks, ghost kitchen, commercial kitchen)
- Affordable Live Music | Entertainment Space (could be component of mixed-use)
- Affordable Cultural Arts Space (again, could be component of mixed-use)

Economic feasibility, including profitability, is influenced by conditions impacting costs and revenues. Examples include land prices, market conditions, property owner return expectations, on- and off-site improvements including upgrades to existing infrastructure, financing terms that reflect perceived levels of risk., and regulations that dictate the allowable development “envelope”. It is further impacted by conditions that impact project revenues including rates of absorption, either accelerated or protracted, rental rates and sale prices that may or may not be discounted and | or abated, and absorption assumptions. Any programmatic prerequisites such as minimum wage requirements, the use of certain materials, guidelines related to sensitive design, and required capital improvements widen the feasibility divide, and drive-up project risk. As such, and as verified by the analyses presented here, the economic impact of city-imposed requirements will need to be considered when determining the award amount.

Assumptions related to the revenue and cost factors presented here were based on findings from market analyses completed in each of the investment areas, between 2020 and 2021. As such, actual project figures will likely to be different as circumstances and conditions change. Therefore, conclusions derived from this work, however, should be considered representative to the extent they inform the types of tools and tactics necessary to accomplish goals of the LEP.

Table: 1-2 provides an overview of findings related to the financial feasibility of a range of different market-supported concepts (listed

above). Subsequent tables provide details related to individual projects, themselves.

Project Revenue Factors

- Rental rates for office, retail, and residential units
- Sale prices for residential units
- Absorption of units
- Prevailing capitalization and investment rates to determine project value and economic returns

Project Cost Factors:

- Land
- On-site development (including parking)
- Building construction (hard)
- Building construction (soft)
- Other development costs (e.g., financing)

The experience of other cities with similar objectives has shown that efforts to partner with the private sector interests in delivering investment that benefits the community almost always necessitates participation by the public sector at levels ranging from 25% to 40%, on average. The analyses summarized here suggest potential projects are likely to experience economic gaps between 14% and 39%, all of which are well within a reasonable range.

Table: 1-2

Location Enhancement Program Assessment

Case Study Project Economic Summary

Project Indicator	Case Study Project Concepts						
	Workforce Housing / Affordable Retail	Incubator Retail / Office / Employment	Affordable Live / Work Space	Incubator Restaurant / Food Service Space	Affordable Live Music / Entertainment Space	Affordable Cultural Arts Space	Light Industrial Space
Private Sector Investment							
Development Sq Ft:							
Project Land Area (Acres)	1.00	1.00	2.00	0.50	2.00	3.00	2.00
Retail/Restaurant	10,000	12,000	0	10,000	30,000	12,000	0
Office/Employment	0	12,000	0	0	0	36,000	25,000
Residential (Rental)	40,000	0	60,000	0	0	0	0
Residential (For-Sale)	0	0	0	0	0	0	0
Total Private Development	50,000	24,000	60,000	10,000	30,000	48,000	25,000
Floor Area Ratio	115%	55%	69%	46%	34%	37%	29%
Total Project Value (@ Build-Out)	\$13,662,517	\$4,995,000	\$13,140,000	\$3,262,500	\$7,293,750	\$9,780,000	\$4,593,750
Total Project Costs (@ Build-Out)	\$19,194,054	\$7,159,284	\$15,207,984	\$4,493,544	\$9,584,784	\$16,154,424	\$5,428,051
Project Margin/(Gap)	(\$5,531,537)	(\$2,164,284)	(\$2,067,984)	(\$1,231,044)	(\$2,291,034)	(\$6,374,424)	(\$834,301)
Project Margin/(Gap) %	-29%	-30%	-14%	-27%	-24%	-39%	-15%
Potential Contributions to Gap							
Land Acquisition/Writedown	\$4,356,000	\$653,400	\$871,200	\$1,306,800	\$871,200	\$3,920,400	\$435,600
Site Improvements Contribution	\$0	\$547,200	\$0	\$0	\$835,200	\$763,200	\$0
Supportable Property Tax TIF	\$1,200,000	\$600,000	\$1,600,000	\$300,000	\$800,000	\$800,000	\$500,000
Sales Tax Sharing	\$200,000	\$200,000	\$0	\$200,000	\$0	\$300,000	\$0
Development Fee Waivers	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Federal/State/Local Grants	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Streamlined Development Approval Process	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Tax Credit Equity (LIHTC, Historic, New Market)	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Total Contributions to Gap	\$5,756,000	\$2,000,600	\$2,471,200	\$1,806,800	\$2,506,400	\$5,783,600	\$935,600

Source: Ricker | Cunningham.

Catalyst Project Private Investment Leverage

Catalyst Project	Total Private Investment	Total Public Investment*	Leverage Ratio**
Workforce Housing / Affordable Retail	\$19,190,000	\$5,760,000	3.3
Incubator Retail / Office / Employment	\$7,160,000	\$2,000,000	3.6
Affordable Live / Work Space	\$15,210,000	\$2,470,000	6.2
Incubator Restaurant / Food Service Space	\$4,490,000	\$1,810,000	2.5
Affordable Live Music / Entertainment Space	\$9,580,000	\$2,510,000	3.8
Affordable Cultural Arts Space	\$16,150,000	\$5,780,000	2.8
Light Industrial Space	\$5,430,000	\$940,000	5.8
Totals	\$77,210,000	\$21,270,000	3.6

* Reflects both "direct" and "indirect" public investment.

** Reflects amount of private investment generated for every \$1 dollar in public investment.

*** Reflects potential increase in property value rather than value of new investment.

Source: Ricker | Cunningham.

Request, Review, and Award Processes

Projects seeking partnership with the city through the Location Enhancement Program Portfolio will follow the process described below and provide the specified information.

Application for Resources

Step 1: Complete the Online Application Cover Sheet

Completion of the online application cover sheet alone, without inclusion of the processing fee and project information described below will not constitute a complete request. Rather, it will provide the city with general information related to the project concept and intentions. It is imperative that all applicants self-select for eligibility based on their ability to comply with the Contractual Prerequisites (listed above) and Minimum Requirements (also listed above), prior to completing and submitting the application.

Content of Cover Sheet:

1. Project Name and General Description
2. LEP Project Category (1 or 2)
3. Project Address
4. Acknowledgement of Contractual Prerequisites
5. Descriptions of the following:
 - a. Alignment with Program Values and Goals
 - b. Policy Directives Advanced
 - c. Community Benefits Incorporated or Addressed
 - d. Social, Economic, and Market Conditions that Necessitate Request

6. Illustration of Property Location
7. Proof of Ownership or Intent to Purchase
8. Evidence Property Tax Payments are Current
9. Intended Ownership and | or Management Role

Incentives vs. Gap Financing

Whereas incentives are provided to influence an action that is going to happen, such as encourage its timing or location, gap financing is necessary to make an action happen, it makes an otherwise infeasible feasible. As such, it must be provided prior to development, and not subject to performance. Finally, it can be a loan or grant and expires once established thresholds have been achieved and sustained.

Step 2: Pay Processing Fee

Applicants will pay a processing fee to be determined by the city.

Step 3: Demonstration of Need

Applicants will provide the following:

“But For” Statement: Verifiable evidence that the award fills a gap due to advancement of one or more priority goals. In the context of the LEP, and whereas 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 both heightened costs and 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.

Cost-Benefit Analysis: Estimates of whether the project concept will result in a revenue-positive, -negative, - or neutral position for the city. Whereas a principal focus of the LEP is to facilitate development of a portfolio of assets that stabilize the ongoing presence of at-risk and valued businesses and operations and grow the city's inventory of spaces that support creative industries, and since the impact of these efforts may not be reflected using typical matrices such as increases in municipal tax revenues, analyses of the fiscal impact of these initiatives will be essential to accurately evaluate requests for funding.

Given the rising cost of establishing, operating, and maintaining a business in the Austin market, the LEP does not require all projects provide the city with a revenue-positive fiscal position to qualify for an award. Rather, projects with the potential to be revenue-neutral, particularly those that include one or more community benefits, will also be considered. 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. Further, for the purpose of scoring, impacts associated with the delivery of desired community benefits will be considered from the city's, and applicant's perspective. For example, the significance of lost project revenue to the applicant and cost of construction will be weighed along with savings for the city by not having to finance certain capital improvements and community assets.

Extraordinary Benefits: There may be projects which receive the maximum points that are of exceptional merit but with either a substantial financing gap or limited potential for generating significant city financial. As such, city participation in these projects could result in a net-neutral fiscal impact to the city. Under these circumstances, it may be prudent to use supplemental sources other than those generated by the project.

Agreements for projects of extraordinary benefit will need to therefore, allow for the use of multiple sources of project funding.

Estimates of Return on Investment (ROI) from Community Benefit Components (Project Catalyzation): A key benchmark used to evaluate requests will include an estimate of private investment leveraged by public contributions. One way the public sector can "ready an environment for investment" is to make strategic investments that encourage or catalyze private investment and reinvestment. Industry analysts consider a leverage ratio of 5:1 to 10:1 (\$5 to \$10 in private investment for every \$1 of public investment) to be financially sound.) A 20% contribution by the city of Austin to one of these projects, would not only advance objectives of the LEP, but potentially leverage at least \$5 in private investment for every \$1 spent. The level of contribution by the city would essentially be considered equity in the project. As a 20% "partner", the city should be able to share in any financial upside, whether from the sale of the property or refinancing.

Application Review

City staff will review the content of all completed applications and verify the accuracy of all statements and opinions. If the information provided is either incomplete or vague in any way, the applicant will be notified and provided the opportunity to submit additional materials. If necessary, city staff may request an in-person meeting or conference call. City staff will also initiate any inter-departmental connections that could ultimately be involved with the project and solicit their input regarding the proposed project concept.

Bundling Programs

As explained previously, given the potential complexity of projects that may submit a request for LEP resources, the city is prepared to use multiple tools and tactics. City staff will consider any requests for specific monetary resources and | or actions relative to desired outcomes, but ultimately determine the most viable combination, while ensuring as few public resources are used and for the shortest period necessary to achieve desired outcomes.

Project Scoring

A Project Score will be assigned to all requests deemed to be in the interest of the city, and measured based on their potential overall impact, both direct and indirect, relative to the following considerations.

- Ability to Comply with Contractual Prerequisites

- Preliminary Eligibility Relative to Minimum Requirements
- Other Content in Application Cover Sheet
 - Project Name and General Description
 - LEP Project Category (1 or 2)
 - Project Address
 - Illustration of Property Location
 - Proof of Ownership or Intent to Purchase
 - Evidence Property Tax Payments are Current
 - Intended Ownership and | or Management Role
 - Descriptions of the following:
 - Alignment with Program Values and Goals
 - Policy Directives Advanced
 - Community Benefits Incorporated or Addressed
 - Social, Economic, and Market Conditions that Necessitate Request
- Demonstration of Need
 - “But-For” Statement (i.e., Economic “Gap” analysis)
 - Cost-Benefit Analysis
 - Estimates of Return on Investment with Community Benefits
- Bonus Points
- Exceptions

Application Status – Accepted or Declined

Applicants will be informed of the status of their application by city staff and after review by department representatives and management approval, and if favorably received, instructed as to

next steps, largely determined by the value of the project.

Tier 1 Process: Project proposals valued below City Manager spending authority (which is \$72,000), and if the applicant accepts the city’s proposal, will receive a formal letter of “program acceptance” from the department administering the program, including a contract proposal, and stipulated conditions upon which both parties must agree. The agreement will then be executed, and the compliance process begun.

Tier 2 Process: For project proposals valued above City Manager spending authority but below, \$5,000,000 in capital Investment value, and if the applicant accepts the city’s proposal, a contract will be drafted by city staff and management and submitted for City Council approval at the next regular Council meeting. If Council approves of the proposal, an agreement will be executed by both parties, and the compliance process begun.

Reassessment and Review

The Location Enhancement Program portfolio will involve the following protocols and practices:

Compliance

Annual assessments will be conducted by city staff of all projects in receipt of LEP resources to continually monitor the “effectiveness” of the award components and respective projects’ ability to achieve the intended goals. Additional reviews will be completed for:

- Projects in receipt of a “not-to-exceed” award, the resources of which are a reimbursement of incremental taxes paid (such as those generated within a TIRZ) rather than lump sum received prior to construction, will be expected to provide documentation of expenditures during construction, and sale or rent activity once operational, to ensure performance thresholds are being met and monetary distributions do not exceed established caps. Should the findings of the review necessitate a significant adjustment to conditions of the original agreement, these will be discussed with city management, and the results shared with City Council.
- All recipients, regardless of project type, Category 1: Construction and Renovation of Real Property with a Community Benefit, or Category 2: Delivery and Maintenance of Space for Priority Tenant Types, will provide the city with information regarding their compliance with contractual prerequisites. The findings of this review will also be shared with City Council.

Whereas the program is primarily intended to be a resource used to advance community objectives and fill economic gaps, they will not be subject to performance-based reviews similar to those associated with projects through a Chapter 380 agreement, nor subject to public comments objections.

Term of Agreements and Grandfathering

Agreements made within the Location Enhancement Program

portfolio will honor contract terms until its termination. In the event the program is discontinued, or program criteria change to reflect a change in conditions, existing agreements will be **grandfathered** for the remainder of the term of the project agreement, unless all parties to the same agree in writing.

Stewardship

City staff is committed to the following relative to administration, implementation, and stewardship of the Location Enhancement Program Portfolio.

Efficient, Inviting, and Responsive

The LEP is a visible and accessible opportunity for city leadership to leverage private investment by using public funds for the betterment of the larger Austin community and business interests within its municipal boundaries. To this end, request, review, award, and monitoring processes will be efficient, and agreements completed expeditiously to match the rapid pace of the business environment and minimize costly delays. Every effort will be made to build in appropriate timelines, clearly communicate expectations.

Transparency

The LEP Portfolio will comply with best practice transparency measures, including producing timely and accurate reporting on all agreements, along with supporting documentation, compliance reports, and ongoing payment information to city management and City Council, as well as the public upon request. All final agreements

and project information not considered confidential, will be made available to the public upon request and after contractual approval.

Project Exceptions

Unique project concepts considered outside the intentions of the LEP may be considered on a case-by-case basis, depending on several factors, among them market conditions and other external forces present at the time the project application is received. City staff will continually monitor these types of impacts and determine if available resources (used individually and in various combinations) are sufficient and appropriate to achieve stated objectives. If it is determined that a non-conforming project is still deemed to be in the interest of the city, as such can provide significant community value despite prevailing market conditions, but does not fit within the structure of the program as it exists, special consideration may be made to either create an additional program to support such a project depending on the feasibility of doing so and the city's financial bandwidth, or capacity, or consider those projects an "exception" as defined herein.

Reassessment and Review

The Location Enhancement Program portfolio will follow a regular reassessment process including the following elements:

Five-Year Program Reassessment

The Location Enhancement Program portfolio will run with a standard five- year term to allow for changes in Austin's economic

environment, community needs and shifting policy directives. Program Values and Priority Goals identified in each of the Business Expansion Categories will be examined on a five-year term to ensure proper connection with the current Austin Strategic Direction priorities. At the end of the five-year term, the program will be reassessed by City staff to determine if adjustments need to be made to the program evaluation method, criteria, process, administration, or whether the program's current structure achieves the intended priority goals. Staff will provide a briefing to the City Council on the results of the five-year reassessment. Council must approve the continuation of and/or any changes to the program after the reassessment is complete. Staff will continue to operate and administer programs until Council action. Reassessment will include an overview of performance measured against the program's priority goals (annual and five-year) as well as City of Austin executive leadership input and community feedback. Community stakeholders will be consulted for feedback during this reassessment process. Suggestions and identification of new needs will be solicited on a five-year basis to recalibrate program priority goals to match community needs, Council objectives, and changes in Strategic Direction.

Term of Agreements & Grandfathering

Agreements made within the Business Expansion Program Portfolio are not subject to the five-year maximum term. Typically, 5-10 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.

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.

Annual Update & Reporting

An annual assessment will be made for the “effectiveness” of the programs and projects in reaching the intended goals.

Program and Project Metrics will be tracked on an annual basis. Metrics used will focus on outcomes identified in the city’s Strategic Direction document and general performance measures including but not limited to:

Program Metrics

- Contribution to Complete Community
- Community Benefits Achieved
- Metrics by Project Component
- Equity Measures (Equity Tool)
- Transportation Impacts (ridership splits)
- Affordability Measurements
- Other Strategic Direction Measures

Project Metrics

- Proof of Ownership or Intent to Purchase
- Evidence Property Tax Payments are Current (if owned)
- Intended Ownership and | or Management Structure
- Acknowledgement of Contractual Prerequisites
- Potential to Catalyze Investment (induced investment)
- **Direct and Indirect Jobs** Created (by type)
- Jobs Retained (by type)

- Fiscal Impacts (costs vs. revenues)
- Capital Investment

An illustration of the LEP is presented in **Exhibit: 7-1** on the following pages.

Exhibit: 7-1

Location Enhancement Framework



Guiding Principles (or Anticipated Outcomes)

- Investment that advances the community's vision as expressed in widely accepted community plans, including Imagine Austin;
- Demonstrable stabilization and growth among business interests in creative sectors and other valued and vulnerable industry groups;
- Duplicative template for the evolution of complete communities * throughout the city; and
- Elevated quality of design and development in locations where investment interest has lagged behind other parts of the city.

Note: With the reference to "complete communities," these could serve as broadly-serving guiding principles.

Target Audiences

Those commercial concerns, and the groups they represent, deemed vulnerable and valued, and for which City Council desires solutions to mitigate economic cycles, rapid growth, and frequent displacement, are primarily small, minority-owned, and underserved businesses operating in the non-profit music and cultural arts (herein referred to as "creative") sectors. Many are legacy businesses, and most are located in established commercial, industrial and residential areas that while once considered affordable, are now at-risk of gentrification. **Note: While this description is specific to the LEP Program, it could be expanded to include a reference to affordable housing.**

Incentive Policy

Policy Purpose: The City of Austin (the "City") believes that certain types of investment in the city lead to positive economic growth and stabilization, while also advancing the tenets of Imagine Austin. In addition, they recognize that certain business sectors, particularly those that play an essential role in the city's cultural and ethnic identities, can be disproportionately affected by, and vulnerable to influences beyond their control, including economic, market and societal forces that put them at an operational disadvantage. Therefore, and in accordance with State of Texas Tax and Local Government Codes, the City will, on a case-by-case basis, make available incentives and other resources to neutralize the impact of adverse conditions in order to retain and sustain these valued commercial enterprise.

Criteria

Proposal has or will ...

- Strong likelihood of succeeding;
- Verifiable economic need (demonstrable economic gap):**
- Contribute to the community's cultural | ethnic infrastructure;**
- Stabilize targeted commercial business interest;**
- Provide ownership opportunity or potential for sustained presence in the community;**
- Replace under-performing land asset with productive use;**
- Preserve and improve historically-designated or significant property;**
- Exceed design development quality of adjacent and surrounding improvements;**
- Foster growth and diversity of local employment base; and**
- Provide an appropriate return to the city, either indirectly or directly.**

Note: While these criteria are somewhat specific to the LEP Program, they could be expanded or modified to include a reference to affordable housing.

Strategic Investment Areas

- East Cesar Chavez Corridor
- Montopolis
- North Lamar
- South Congress – South 1st
- South Lamar
- Springdale

Note: While these strategic areas are largely commercial, this list could either be eliminated, replaced or eliminated in a more general incentive policy intended to advance attainable housing goals, as well.

Economic Development Mission (As the implementing entity for the City)

The City of Austin's Economic Development Department supports and recruits business to Austin through all divisions. Our mission is to promote a competitive, sustainable and equitable economy for all.

Complete Communities

* Complete Communities - a community is "complete" when it provides access by foot, bike, transit and car to jobs, shopping, learning, open space, recreation, and other amenities and services ... in all parts of Austin -- north, south, east, west, or central -- nearby amenities will help residents in their pursuit of a desired quality-of-life ... and simultaneously preserve the community's identity, culture, and sense of place. As explained in Imagine Austin, "These communities will be for Austinites of all ages. They will provide environments that support children at every stage of their development, young adults beginning their professional lives, families, and seniors aging gracefully in the neighborhoods where they raised their families." Source: Imagine Austin.

Resources (Programs, Projects, Partnerships, and Practices (Tactics))



Appendices

Appendix i:
Glossary of Terms

(ED) Texas Enterprise Fund - is used as an incentive tool for projects that offer significant projected job creation and capital investment and where a single Texas site is competing with another viable out-of-state option.

(CD and ED) Events Trust Fund - applies local and state gains from sales and use, auto rental, hotel, and alcoholic beverage taxes generated over a specified period of time. Eligible events are not restricted to sports, but the venue must have been selected through a highly competitive selection process.

(ED) Governor's University Research Initiative - has a goal to bring the best and brightest researchers in the world to the State of Texas. This program is a matching grant program to assist eligible institutions of higher education in recruiting distinguished researchers.

(ED) Texas Enterprise Zone Program - is an economic development tool for local communities to partner with the State of Texas to promote job creation and significant private investment that will assist economically distressed areas of the state.

(ED) Product Development and Small Business Incubator Fund - is a revolving loan program financed through original bond issuances. The primary objective of the program is to aid in the development, production, and commercialization of new or improved products and to foster and stimulate small business in the State of Texas.

(ED) Skills Development Fund - is an innovative program created to assist Texas public community and technical colleges finance customized job training for their local businesses. The Fund was established by the Legislature in 1995 and is administered by the Texas Workforce Commission. Grants are provided to help companies and labor unions form partnerships with local community colleges and technical schools to provide custom job training. Average training costs is \$1,800 per trainee; however, the benefit may vary depending on the proposal.

(ED) Self-Sufficiency Fund - is a job-training program that is specifically designed for individuals that receive Temporary Assistance for Needy Families (TANF). The program links the business community with local educational institutions and is administered by the Texas Workforce Commission. The goal of the Fund is to assist TANF recipients in becoming independent of government financial assistance.

The Fund makes grants available to eligible public colleges or to eligible private, non-profit organizations to provide customized job training and training support services for specific employers. A joint application from the employer and eligible public college and | or eligible private, non-profit organization is required to be submitted to the Local Workforce Development Board for review and comment prior to approval.

(CD and ED) Opportunity Zones – are an economic development tool available in every state that was born out of the 2017 Federal Tax

Cuts and Jobs Act. The Act's purpose was to encourage investment, economic growth, and job creation in underserved communities by local businesses and property owners, who in turn receive tax benefits. Texas has 628 designated census tracts in 145 counties, including Travis County. Travis County has 24 of the 628 census tracts, XX of which are located within the Austin Metropolitan Area boundaries.

(ED) Industrial Revenue Bonds - provide a source of tax-exempt or taxable bond finance for projects involving significant private activity that promote new and existing businesses, encourage employment, and expand the tax base of a community. IRBs are issued by Industrial Development Corporations sponsored by a government unit, but their proceeds are passed on to private businesses, which are generally responsible for debt service payment

(ED) Capital Access Program - is a partnership between the State of Texas and selected non-profit lenders to increase access to financing for small and medium-sized businesses and non-profits which face barriers to accessing capital or fall outside of guidelines of conventional lending. The Program facilitates loans which are underwritten by the participating non-profit lenders and supported by state contributions to a loan loss reserve fund.

(ED) Economic Development & Diversification In-State Tuition for Employees - is a program that allows employees, and the family members of a qualified business, considering a relocation or expansion of its operations in the State of Texas to pay in-state

tuition rates at public institutions of higher education in the state without first establishing residency.

(ED) Texas Capital Fund Infrastructure Program - is an economic development tool designed to provide financial resources to non-entitlement communities. Funds from this program can be utilized for public infrastructure (water, sewer, roads, etc.) needed to assist a business, which commits to create and | or retain permanent jobs, primarily for low and moderate-income persons.

(CD) State Sales and Use Tax Exemptions – may be applied to purchases necessary to an exempt organization's functions, or to hotel occupancy tax or franchise tax. Exemptions vary by tax, depending upon the type of organization. Eligible organizations include charitable, homeowners, educational, religious, federal and others.

(ED) Franchise Tax Deduction for Business Relocation – is authorized by House Bill 500 that provides for a company to deduct moving expenses from their apportioned margin while calculating their franchise liability. Eligible companies must relocate their principal place of business from out of Texas to obtain the deduction.

(ED and CD) Chapter 380 | 381- of the Local Government Code, authorizes municipalities to offer incentives designed to promote economic development such as commercial and retail projects. Specifically, it provides for offering loans and grants of city funds or

services at little or no cost to promote state and local economic development and to stimulate business and commercial activity.

(CD which benefits ED efforts) Bonds (General Obligation and Tax Free) include both general obligation and tax free municipal bonds, commonly known as a municipal bond, issued by a local government or territory, or one of their agencies. It is generally used to finance public projects such as roads, schools, airports and seaports, and infrastructure-related repairs.

(CD and ED) Ad Valorem | Property Tax Exemption – are authorized in Title 1 Chapter 11, Subchapter A, of the Texas Property Tax Code and include a variety of partial or total (absolute) exemptions from appraised property values used to determine local property taxes. A partial exemption removes a percentage or a fixed dollar amount of a property's value from taxation. A total (absolute) exemption excludes the entire property from taxation.

(ED) Research & Development Tax Credit – may be claimed by taxpayers to offset a portion of their franchise tax or use it towards a sale and use tax exemption on the purchase or lease of depreciable tangible personal property used in qualified research in Texas.

(ED and CD) Renewable Energy Incentives – were established by the Public Utility Commission of Texas (PUCT) to (1) promote an additional 2,000 megawatts of new renewable energy capacity to be built in Texas by 2009, to be increased to 10,000 megawatts by 2025; and (2) allow customers to have access to providers of energy

generated. The Renewable Energy Credit (REC) trading program is administered by ERCOT. To earn RECs, a generator must be a new facility or a small producer that meets the requirements in PUCT Substantive Rule §25.173(c).

A facility is eligible to earn RECs if it relies exclusively on an energy source that is naturally regenerated such as solar, wind, geothermal, hydroelectric, wave | tidal, biomass or biomass-based waste products. The energy source cannot be derived from fossil fuels, waste products from fossil fuels or waste products from inorganic sources.

(ED) Permit Assistance – is a service that helps businesses navigate Texas' permitting, licensing and regulatory environment, and aids in resolving permitting issues that arise including: resolution of outstanding issues identified by state agencies, timely and efficient permit review, facilitating contacts between applicants and state agencies responsible for processing and reviewing permit applications; and, eliminating, consolidating, simplifying, expediting, or otherwise improving permit procedures affecting business enterprises.

(ED) Moving Image Industry Incentive Program – is designed to build the economy through the moving image industry and create jobs in Texas. TMIIIIP provides qualifying film, television, commercial, animation, visual effects, video game, extended reality (XR), and other moving image productions the opportunity to receive a cash

grant based on a percentage of a project's eligible Texas expenditures, including eligible wages paid to Texas residents.

(CD) Federal Rehabilitation Tax Credit Program – was established in 1976 and is administered by the National Park Service (NPS) in partnership with the Internal Revenue Service (IRS) and the Texas Historical Commission (THC). A federal tax credit worth 20 percent of the eligible rehabilitation costs is available for buildings listed in the National Register of Historic Places. Recent legislation altered the program in the following ways.

(CD) Texas Historic Preservation Tax Credit Program - was established through Texas House Bill 500 during the 83rd Texas Legislative Session and went into effect on January 1, 2015. The new state historic tax credit is worth 25 percent of eligible rehabilitation costs and is available for buildings listed in the National Register of Historic Places, as well as Recorded Texas Historic Landmarks and Texas State Antiquities Landmarks. The program is administered jointly by the Texas Historical Commission (THC) in cooperation with the Texas Comptroller of Public Accounts.

Appendix ii:

City of Austin Historical Market Conditions

Community Statistics
Austin vs. United States
2021

	Austin Metro Area	United States
Annual Population Change (2021 - 2026)	2.1%	0.7%
Age Distribution (years)		
0 - 24	35%	31%
25 - 44	31%	28%
45 - 64	22%	25%
65+	12%	17%
Real Per Capita Income	\$55,589	\$51,440
Annual Real Per Capita Income Change (2021 - 2026)	1.3%	0.4%
Annual Households Change (2021 - 2026)	2.3%	0.8%
Median Home Price	\$335,000	\$300,000
Median Home Price Change (2019 - 2020)	3.7%	7.1%
2020 as % of Previous Cycle Peak	182	135
Housing Opportunity Index *	59.3	59.6
Walk Score	40	54
Rent Cost of Ownership **	0.74	0.87
Rent as % of Household Income	16.5	29.5

* National Association of Home Builders (NAHB) Wells Fargo Housing Opportunity Index share of homes sold that would have been affordable to households earning the median income.

** Market apartment rent divided by the median mortgage payment, including estimated taxes, insurance, and maintenance.

Source: Urban Land Institute (ULI) and Ricker | Cunningham (RC).

Austin Real Estate Market Rankings
2014 - 2021

Year	Investment	Development	Homebuilding
2014	7	10	5
2015	2	4	1
2016	4	1	2
2017	3	1	11
2018	3	2	25
2019	4	30	3
2020	1	3	6
2021	1	4	2

Source: Urban Land Institute (ULI) and Ricker | Cunningham (RC).

Appendix iii:

State of Texas Incentive Programs

Program Practice	Source of Funds	Legislative Authority (Code Reference)	Authorization	Outcome (Economic Development Community Development)	Purpose Intent	Incentive Type (Program, Project, Partnership, Practice)	Recipient	Type of Assistance (Pre-Development Operational)
Chapter 380 Program	Sales, Use, and Ad Valorem Property Taxes	Chapter 380, Local Government Code; Chapter 312, Texas Tax Code	The governing body of a municipality may establish and provide for the administration of one or more programs, including programs for making loans and grants of public money and providing personnel and services of the municipality, to promote state or local economic development, stimulate business and commercial activity tailored to meet local needs and objectives.	Community development and economic development objectives, however, local eligibility criteria largely job-related	Local application – Performance-based program to leverage "transformative public-private partnerships that strengthen the local economy, sustain economic activity, and build resilience against national economic downturns;" (alternative) reimburse private developers expenses associated with adverse conditions in a strategic investment area and or delivery of projects and community spaces with a public benefit.	Program	Facility Developer, Property Owner, and Business Operator	Pre-Development
Business Expansion Incentive Program	Sales, Use, and Ad Valorem Property Taxes	Chapter 380, Local Government Code; Chapter 312, Texas Tax Code	See above.	Economic Development	Pay-for-performance program that pays out annually to qualified businesses deemed high-impact including: 1. local Austin businesses; 2. employers hiring targeted populations; and 3. businesses relocating to Austin.	Program	Property Owner, Business Operator	Operational
Location Enhancement Program	Sales, Use, and Ad Valorem Property Taxes	Chapter 380, Local Government Code; Chapter 312, Texas Tax Code	TBD	Community development and economic development objectives, therefore actual applications will require appropriate eligibility criteria	Proposed program goals: 1. support the creation and retention of vibrant centers of commerce, culture and residences; 2. provide a stable location for specific types of tenants (small and local business including creative and music related businesses and nonprofits) and target market industries that advance City Council goals; 3. increase the availability of diverse affordable commercial spaces; 4. promote projects that strengthen the local economy, sustain economic activity and build resilience against economic downturns; 5. engage an equitable lens in projects and project locations, to ensure city-wide community benefits; 6. Provide basic services and amenities for all communities but particularly those that have been historically underserved; and, 7. ensure displacement or gentrification are not unintended consequences of specific real estate projects.	Program	TBD	TBD
Tax Abatements	Ad Valorem Property Tax (full or partial exemption)	Chapter 312, Texas Tax Code	After established guidelines and criteria governing tax abatement agreements and a resolution stating that the taxing unit elects to become eligible to participate in tax abatement, they may provide tax abatements for both new facilities and structures and for the expansion or modernization of existing facilities and structures. Cities and special purpose districts may use this program to attract new industries, encourage the retention and development of existing businesses, and promote capital investment by easing the property tax burden on certain projects in strategic investment areas.	Economic development and community development objectives, however, local eligibility criteria largely job-related	Note: Difficult to discern an expressed "purpose" for tax abatement awards.	Program	Facility Developer, Property Operator	Operational

Program Practice	Source of Funds	Legislative Authority (Code Reference)	Authorization	Outcome (Economic Development Community Development)	Purpose Intent	Incentive Type (Program, Project, Partnership, Practice)	Recipient	Type of Assistance (Pre-Development Operational)
Neighborhood Empowerment Zones	Ad Valorem Property Tax, Sales, and Use Tax Abatements; Local Fee Waivers; Release of City Liens	Chapter 378, Local Government Code; Chapter 312 Texas Tax Code	A municipality may create a neighborhood empowerment zone covering a part of the municipality if the municipality determines the creation of the zone would promote: (1) the creation of affordable housing, including manufactured housing, in the zone; (2) an increase in economic development in the zone; (3) an increase in the quality of social services, education, or public safety provided to residents of the zone; or (4) the rehabilitation of affordable housing in the zone.	Community Development and Economic Development	Designation to encourage investment and reinvestment in strategic investment areas of the community; offer relief from conditions that present barriers to investment; promote housing (affordable), economic development, and quality (expanded) services; and encourage local objectives including historic preservation.	Program	Facility Developer (including residential home builders), Property Owner	Pre-Development and Operational
Public Improvement Districts (PID)	Special Assessment	Chapter 372, Local Government Code	If the governing body of a municipality or county finds that it promotes the interests of the municipality or county, the governing body may undertake an improvement project that confers a special benefit on a definable part of the municipality or county or the municipality's extraterritorial jurisdiction. Projects include those listed under purpose.	Community Development	Designated area within which resources may be used for the construction and maintenance of improvements within its boundaries including: water, wastewater, health and sanitation, drainage, street, sidewalk, mass transit, parking, library, park, recreation, cultural, landscaping, art installations, pedestrian malls; and, fund supplemental services and improvements to meet community needs which could not otherwise be provided in a timely manner including safety, security, advertising and business recruitment.	Partnership	Facility Developer, Property Owner, and Business Operator	Pre-Development and Operational
Tax Increment Financing (TIRZ)	Ad Valorem Property Tax (Incremental Tax Revenue)	Chapter 311, Texas Tax Code	The governing body of a county by order may designate a contiguous geographic area in the county and the governing body of a municipality by ordinance may designate a contiguous or noncontiguous geographic area that is in the corporate limits of the municipality, in the extraterritorial jurisdiction of the municipality, or in both to be a reinvestment zone to promote development or redevelopment of the area if the governing body determines that development or redevelopment would not occur solely through private investment in the reasonably foreseeable future.	Economic Development	Designated area within which incremental revenue may be used to construct infrastructure and other improvements within its boundaries.	Partnership	Facility Developer, Property Owner	Pre-Development
Super TIRZ	Ad Valorem Property Tax (Incremental Tax Revenue)	Chapter 311, Texas Tax Code	See above.	Community Development	Designated area within which incremental revenue is dedicated to a special fund for use in developing and sustaining space for individuals and entities operating in one of the target business sectors (creative segments). Funds may be used to administer low-interest and or patient capital loan pool for meritorious real estate and business development projects.	Partnership	Facility Developer, Property Owner, and Business Operator	Pre-Development and Operational
Fee Waivers **	n.a.	n.a.	n.a.	Community Development and Economic Development	Program that encourages investment during the entitlement phase of a project, by waiving certain municipal application and permitting fees, or delaying development fees until a specified timeframe or performance threshold. (patient contribution of capital)	Program	Facility Developer, Property Owner ***	Pre-Development
Density Bonuses **	n.a.	n.a.	n.a.	Community Development and Economic Development	Program that allows developers to build more units than are allowed by existing zoning, if the developer agrees to advance a specified community objective. ***	Program	Facility Developer	Pre-Development
Tax Incentives **	n.a.	n.a.	n.a.	Community Development and Economic Development	Non-specific City of Austin resource	n.a.	n.a.	n.a.
Development Agreements **	n.a.	n.a.	n.a.	Community Development and Economic Development	Non-specific City of Austin resource	n.a.	n.a.	n.a.

Program Practice	Source of Funds	Legislative Authority (Code Reference)	Authorization	Outcome (Economic Development Community Development)	Purpose Intent	Incentive Type (Program, Project, Partnership, Practice)	Recipient	Type of Assistance (Pre-Development Operational)
Commercial Recycling Rebate Program	Austin Resource Recovery Department Resources; Commercial Rebate	n.a.	n.a.	Community Development	City of Austin program that provides commercial rebates and incentives to companies that employ implement organic recycling and/or single-stream recycling initiatives.	n.a.	Business Operator	Operational
Energy Rebate for Businesses	City of Austin, Austin Energy Resources; Commercial Rebate	n.a.	n.a.	Community Development	City of Austin program that provides commercial rebates and incentives to companies that employ strategies and use equipment that minimizes energy use.	Program	Business Operator	Operational
Global Business Expansion Division	City of Austin, Resource Recovery Department Resources; Staff Technical Support	n.a.	n.a.	Economic Development	Division of City of Austin that facilitates international expansion, manages city-issued incentives, defines and manages workforce contracts, and empowers businesses to reduce and reuse waste.	Program	Business Operator	Operational
Grant for Technology Opportunities Program	City General Fund, Grant	Chapter 380, Local Government Code	See above.	Community Development and Economic Development	Program that grants non-profit entities involved in improving the community's ability to "fully participate in the digital society."	Program	Program Administrator	Operational
Micro-Enterprise Technical Assistance	City General Fund, Staff Technical Support	n.a.	n.a.	Economic Development	City of Austin program (administered by BigAustin) that offers training and technical assistance to qualified micro-enterprises in the city. A micro-enterprise is defined as a business with five or fewer employees, one being the owner, or an individual who is actively working towards developing a business that is expected to become a micro-enterprise.	Program, Partnership	Business Operator	Operational
Small Business Energy Rebates	City of Austin, Austin Energy Resources; Commercial Rebate	n.a.	n.a.	Community Development	City of Austin program that provides commercial rebates and incentives to small businesses that employ strategies and use equipment that minimizes energy use.	Program	Business Operator	Operational
Retail Sales Tax Abatement	Sales Tax Abatement or Reimbursement (incremental increase resulting from improvements or change in tenant mix)	Chapter 312, Texas Tax Code	See above.	Community Development and Economic Development	Program that encourages development or expansion of retailers that fill an important void in a strategic investment area's retail market inventory. Resources include a rebate of incremental sales tax revenue generated by the retailer, as well as assistance with relocation or expansion related costs.	Program	Business Operator	Operational
Development Corporation Act (Type A B)	Local Sales and Use Tax (funding for corporation and projects)	Chapters 501 - 505, Local Government Code	The Development Corporation Act of 1979 gives cities the ability to finance new and expanded business enterprises in their local communities through economic development corporations (EDCs). See details under purpose.	Economic Development	Authorization afforded municipalities to finance new and expanded business enterprises through an economic development corporation (EDC); Type A resources are primarily oriented to assist and attract large employers while Type B resources are targeted to support and attract retail, sports, entertainment, and tourism-related uses, along with development of public parks and facilities, and supporting infrastructure.	Partnership	Business Operator	Pre-Development
Economic Development Corporation	City General Fund	H.B. 782	(Taken verbatim) Whether suffering from long-term distress or a sudden economic dislocation, distressed communities should be encouraged to promote innovation and entrepreneurship, including, as appropriate, the support of the formation of business incubators in economically distressed areas, so as to help regions to create higher-skill, higher-wage jobs and foster the participation of those regions in the global marketplace.	Economic Development	Authorization allowed home rule cities to grant money to an economic development corporation.	Partnership	Business Operator	Pre-Development
Enterprise Zone	Local and State Sales and Use Tax (Refunds and Abatements), Franchise Tax Reductions or Credits, Fee Waivers, Reduced Regulations	Chapter 2303, Local Government Code; Section 151, Texas Tax Code	Severely distressed areas of the state may provide incentives by state and local governmental entities to induce private investment in those areas by removing unnecessary governmental regulatory barriers to economic growth, and specifically provide tax incentives and economic development program benefits.	Economic Development	Designated area that offers tax benefits to expanding and relocating businesses in economically-distressed areas. Resources may be used for activities associated with creating and retaining permanent jobs, making capital investments, and providing employment for economically disadvantaged individuals and area residents.	Program	Facility Developer, Business Owner	Pre-Development and Operational

Program Practice	Source of Funds	Legislative Authority (Code Reference)	Authorization	Outcome (Economic Development Community Development)	Purpose Intent	Incentive Type (Program, Project, Partnership, Practice)	Recipient	Type of Assistance (Pre-Development Operational)
Municipal Hotel Occupancy Tax	Local Hotel Occupancy Tax	Chapter 351, Texas Tax Code	A municipality by ordinance may impose a tax on a person who, under a lease, concession, permit, right of access, license, contract, or agreement, pays for the use or possession or for the right to the use or possession of a room that is in a hotel. Revenue from the municipal hotel occupancy tax may be used only to promote tourism and the convention and hotel industry, and that use is limited to the following: (1) the acquisition of sites for and construction of convention center facilities or visitor information centers, or both; (2) the furnishing of facilities, personnel, and materials for the registration of convention delegates or registrants; (3) advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity; (4) the encouragement, promotion, improvement, and application of the arts; and (5) historical restoration and preservation projects or activities or advertising and conducting solicitations and promotional programs to encourage tourists and convention delegates to visit preserved historic sites or museums.	Economic Development and Community Development	Authorization afforded local and county governments to levy taxes on hotel room sales, for use promoting the hotel and convention industry. Eligible activities include: convention and visitor center operations, convention promotion, advertising, promotion of the arts, historic restoration and preservation, sporting events operations, upgrades to existing sports facilities, tourist transportation systems construction, and wayfinding.	Resource	Business Operator	Operational
Capital Improvement Program (CIP) Priority	City General Fund	n.a.	n.a.	Community Development	Practice (or policy) of governmental entity to prioritize expenditures in strategic investment areas to mitigate adverse conditions and catalyze private investment.	Practice	Property Owner, Business Operator	n.a.
Façade and Streetscape Improvement Program	Sales, Use, and Ad Valorem Property Taxes	Chapter 380, Local Government Code; Chapter 311, Texas Tax Code	See above.	Community Development	Program to promote commercial revitalization and catalyze private investment in strategic areas by offering low and no interest loans and grants for improvements that enhance and preserve an area's authenticity.	Program	Property Owner, Business Operator	n.a.
Business Development Resources	City General Fund	n.a.	n.a.	Economic Development	Program to provide technical support for small and micro-businesses and entrepreneurs.	Program	Business Operator	Operational
Cultural Business Resources	Hotel Occupancy Tax	Chapter 351, Texas Tax Code	See above.	Community Development	Program to provide resources (monetary, technical, other) to foster the next generation of entrepreneurs, create a robust pipeline of micro-enterprises, and provide growth opportunities for established (legacy) small businesses.	Program	Business Operator	Operational
Bonds	Private, Public, Institutional Bond Holders	Chapter 1331, Local Government Code	A municipality may issue bonds payable from ad valorem taxes in the amount it considers expedient to: (1) construct or purchase permanent improvements inside the municipal boundaries, including public buildings, waterworks, or sewers; (2) construct or improve the streets and bridges of the municipality; or (3) construct or purchase building sites or buildings for the public schools and other institutions of learning inside the municipality, if the municipality has assumed exclusive control of those schools and institutions.	Community Development	Authorization afforded governments (revenue or general obligation bond issuance) to finance construction or purchase of buildings to house manufacturing or commercial activity leased to a private entity or house a state agency. Home rule cities may issue Certificates of Obligation (COs) to finance expenditures for public facilities, pay for professional services, demolish substandard structures, and restore historic structures.	Resource	Facility Developer	Pre-Development

Program Practice	Source of Funds	Legislative Authority (Code Reference)	Authorization	Outcome (Economic Development Community Development)	Purpose Intent	Incentive Type (Program, Project, Partnership, Practice)	Recipient	Type of Assistance (Pre-Development Operational)
Municipal Management District (MMD)	Ad Valorem Property Tax, Special Assessment, Impact Fees	Chapter 375, Local Government Code	The creation of a municipal management district is declared to be essential to the accomplishment of the other public purposes stated in this chapter; and the creation of each district is necessary to promote, develop, encourage, and maintain employment, commerce, economic development, and the public welfare in the commercial areas of municipalities and metropolitan areas of this state.	Economic Development and Community Development	Designated area within which resources may be used to finance facilities, infrastructure, and services beyond those already provided by individual property owners or municipalities. Improvements may be funded by self-imposed property taxes, special assessments, and impact fees, or by other charges levied against property owners within its boundaries (certain residential property may be exempted from taxes or fees).	Partnership	Facility Developer, Property Owner, and Business Operator	Pre-Development and Operational
Special District	Ad Valorem Property Tax, Special Assessment, Impact Fees, Charges	Special Districts Local Laws Code	Local governments called special purpose districts provide a variety of services including water conservation, toll roads, hospitals, libraries, utilities and fire control efforts. Depending on their purpose, these districts are supported by a property tax, sales tax or user fees, and may issue debt.	Community Development	Designated area which resources may be used to finance, manage, and maintain capital improvements and infrastructure either absent or deficient beyond those provided by the government. Property and business interests within its boundaries share in the cost of infrastructure and services which serve to stabilize, distinguish, and market the area's business climate. District resources may be used in combination with other funds (including incremental revenue) in order to close an economic gap, while also preserving resources for use by other projects.	Partnership	Facility Developer, Property Owner, and Business Operator	Pre-Development and Operational
Improvement District ****	Special Assessment	See above.	See above.	Community Development	Also referred to as business improvement district (BID), business improvement area (BIA), business revitalization zone (BRZ), public improvement district (PID), community improvement district (CID), special services area (SSA), or special improvement district (SID), is a designated area within which businesses are required to pay an additional tax (or levy) in order to fund projects and provide services (over and above the government) within their boundaries. They are primarily funded through the levy, but may also draw on other public and private funding streams. Eligible expenses include: marketing; street maintenance; security; and construction of capital improvements, and pedestrian and streetscape enhancements.	Partnership	Facility Developer, Property Owner, and Business Operator	Pre-Development and Operational
Community Development Banks (CDB) Community Development Financial Institutions (CDFI) (BigAustin)	Public, Private, Non-Profit and Venture Capital Funds	n.a.	n.a.	Community Development	Community Development (CD) banks are depository institutions with a stated mission to primarily benefit the underserved communities in which they are chartered to conduct business. A CD bank pursues this specialized mission by providing financial services to low-and moderate-income (LMI) individuals or communities, or benefiting other areas targeted for redevelopment by local, state, tribal, or federal governments. CD banks must meet the same safety and soundness, statutory, regulatory, business planning, and procedural requirements as all other national banks.	Partnership	Facility Developer, Property Owner, and Business Operator	Pre-Development and Operational
Community Reinvestment Act (CRA)	Resources of Commercial Banks and Savings and Loans	n.a.	n.a.	Community Development	Program of the federal government that requires the Federal Reserve and federal banking regulators to encourage commercial banks and savings associations help meet the needs of borrowers in all segments of their communities, including low- and moderate-income neighborhoods. Congress passed the act in 1977 to reduce discriminatory credit practices against low-income neighborhoods, a practice known as redlining.	Partnership	Facility Developer	Pre-Development
New Market Tax Credits	Federal Income Tax Credit for Individuals and Corporations	n.a.	n.a.	Community Development	Program of the federal government, administered by Community Development Financial Institutions (CDFI), allocated by local community development entities, and intended to stimulate business and real estate investment in low-income communities (at the census level) and reinvigorate struggling local economies.	Partnership	Facility Developer, Property Owner, and Business Operator	Pre-Development and Operational

Program Practice	Source of Funds	Legislative Authority (Code Reference)	Authorization	Outcome (Economic Development Community Development)	Purpose Intent	Incentive Type (Program, Project, Partnership, Practice)	Recipient	Type of Assistance (Pre-Development Operational)
Opportunity Zones	Capital Gains Tax Deferment (if the investment is held for ten years, all capital gains on the new investment are waived)	n.a.	n.a.	Community Development	Designated area within each state where long-term business and community investment is encouraged. Each state may designate up to 25 percent of its eligible low-income census tracts as opportunity zones. Travis County has 21 designated opportunity zones, all of which are located within Austin's municipal limits.	Partnership	Facility Developer, Property Owner	Pre-Development
Texas Industry Development Loan Program	State Revolving Loan	Chapter 375, Local Government Code	See above.	Economic Development and Community Development	Program of the State of Texas, Economic Development and Tourism Division, through the Texas Small Business Industrial Corporation, that provides loans to Texas communities and eligible 501(c) 3 corporations at favorable market rates for eligible tax exempt public purpose projects that stimulate economic development. Eligible projects include construction of: community infrastructure, public facilities, public transportation, and remediation on public land facilities, deemed required or suitable for the promotion of economic development.	Partnership	Facility Developer, Property Owner, and Business Operator	Pre-Development
Texas Historic Preservation Tax Credit Program	Tax Credit Investors	Texas House Bill 500, Texas Administrative Code, Title 13, Part II, Chapter 13	An owner is eligible for a credit for eligible costs and expenses incurred in the certified rehabilitation of a certified historic structure if: (A) the rehabilitated certified historic structure is placed in service on or after September 1, 2013; (B) the Owner has an ownership interest in the certified historic structure in the year during which the structure is placed in service after the rehabilitation; and (C) the total amount of the eligible costs and expenses incurred exceeds \$5,000.	Community Development	Program of the State of Texas, administered by the Texas Historical Commission (THC), that provides historic tax credits worth 25 percent of eligible rehabilitation costs and available for buildings listed in the National Register of Historic Places, as well as Recorded Texas Historic Landmarks, and Texas State Antiquities Landmarks.	Partnership	Facility Developer	Pre-Development
Federal Rehabilitation Tax Credit Program	Tax Credit Investors	n.a.	n.a.	Community Development	Program of the federal government that provides a 20 percent tax credit for the rehabilitation and reuse of historic buildings, and revitalization of historic downtowns.	Partnership	Facility Developer	Pre-Development
Community Development Block Grant (CDBG)	Federal Grant	n.a.	n.a.	Community Development	Program administered by the U.S. Department of Housing and Urban Development (HUD) that provides funds for local community development activities with the stated goal of providing local initiatives including construction of affordable housing, anti-poverty education, and infrastructure development. CDBG, like other block grant programs, differ from categorical grants in that they are subject to less federal oversight, and largely used at the discretion of state and local governments, and their subgrantees.	Program	Facility Developer	Pre-Development
Brownfield Revolving Loan Fund (RLF) Program	Resources of - Environmental Protection Agency (EPA) - grants, revolving loan fund; Housing and Urban Development (HUD) - pilot grants, city bonds, state funds	Texas Administrative Code (Various Chapters)	n.a.	Community Development	Program of the federal government that provides resources for properties where expansion, redevelopment, or reuse may be complicated by potential or known hazardous substances, pollutants or contaminants. Available resources are distributed through the Environmental Protection Agency (EPA) and HUD, and may be used for clean-up, environmental job training, technical assistance, and research, in the form of a loan or grant.	Partnership	Facility Developer	Pre-Development
SBA 504 Loans	Small Business Association Loan	n.a.	n.a.	Economic Development	Program of the Small Business Association (SBA) 504 Loan or Certified Development Company (CDC) for the purchase of fixed assets including real estate, buildings, and machinery, at below market rates. As part of our coronavirus debt relief efforts, the SBA will pay 6 months of principal, interest, and any associated fees that borrowers owe for all current 7(a), 504, and microloans in regular servicing status as well as new 7(a), 504, and microloans disbursed prior to September 27, 2020.	Partnership	Facility Developer	Pre-Development

Program Practice	Source of Funds	Legislative Authority (Code Reference)	Authorization	Outcome (Economic Development Community Development)	Purpose Intent	Incentive Type (Program, Project, Partnership, Practice)	Recipient	Type of Assistance (Pre-Development Operational)
SBA 7A Loans	Small Business Association Loan and Loan Guarantees	n.a.	n.a.	Economic Development	Program of the SBA for small business expenditures including: working capital; expansion renovation; new construction; purchase of land, buildings, equipment, and fixtures; leasehold improvements; refinancing debt; seasonal line of credit; inventory; and start-up costs. The CARES Act that created the PPP also authorized the SBA to pay six months of principal, interest and associated fees on 7(a)s, 504s and microloans that are in regular servicing status. This is automatic and applies to pre-existing loans and new ones that are disbursed by September 27, 2020.	Partnership	Facility Developer	Pre-Development
Land Transactions:								
Municipal Land-Banking	City General Fund	n.a.	n.a.	Community Development and Economic Development	Activities including the acquisition, positioning, and disposition of property in furtherance of stated objectives within a strategic investment area. Additional transactions may include: development of publicly-held land; joint ventures with private, public, institutional, or other entities; facilitation or consolidation of properties; and clearing title inconsistencies.	Practice	Facility Developer	Pre-Development
City Surplus Property Disposition	n.a.	n.a.	n.a.					
Swaps	n.a.	n.a.	n.a.					
Write-Downs		n.a.	n.a.					
Transfer (Non-Profit Advocacy Partner)	n.a.	H.B. 122						
Land Assemblage	Foreclosure or Delinquent Taxes	n.a.	n.a.					
Streamlined Permitting Entitlements:								
Streamline Mixed-Use Zoning (or Rezoning)	n.a.	n.a.	n.a.	Community Development	Allow for interdepartmental coordination and the provision of assistance to priority projects and or projects in strategic investment areas through staff project facilitation, attempting to resolve questions that arise through a single point of contact.	Program	Facility Developer	Pre-Development
Streamline Public Benefit Projects	n.a.	n.a.	n.a.	Community Development				
Misc. Activities:								
Transfer of Development Rights	n.a.	n.a.	n.a.	Community Development	Practice by municipalities to match landowners that are eligible to transfer (sell) development rights with land developer desiring to acquire (purchase) development rights; may be used to implement the goals and objectives of the community's comprehensive plan, preserve and protect sensitive lands or land with development constraints, assist in the orderly development of urban growth, encourage new development, provide an opportunity for landowners to obtain a higher return on investment through development of an increased density and purchase of development rights.	Practice	Facility Developer	Pre-Development
Release City Liens	n.a.	n.a.	n.a.	Community Development	Practice of releasing any liens held by the municipality against properties for unpaid taxes to encourage private investment and expedite their return to the tax rolls.	Practice		
Match Dollars from Dedicated Sources	Misc. Municipal Resources	n.a.	n.a.	Community Development and Economic Development	Practice of securing resources from a secondary source by agreeing to match the amount requested.	Practice	Facility Developer	Pre-Development
Facilitate Creation of Low Interest No Interest Loan Pools	n.a.	n.a.	n.a.	Community Development and Economic Development	Practice of encouraging multiple financial organizations "pool" the resources of their respective organizations in an effort to provide funds to bowers at a lower rate of interest, compared to a conventional loan, for certain improvements.	Practice		

Source: State of Texas Office of Economic Development, Texas Municipal League Economic Development Handbook, State of Texas Tax and Local Government Codes, City of Austin, and Ricker | Cunningham.

Program Practice	Source of Funds	Legislative Authority (Code Reference)	Authorization	Outcome (Economic Development Community Development)	Purpose Intent	Incentive Type (Program, Project, Partnership, Practice)	Recipient	Type of Assistance (Pre-Development Operational)
--------------------	-----------------	---	---------------	--	------------------	--	-----------	--

* Department, not a program

** City of Austin identifies these as resources for the development of affordable housing (only).

*** If one in the same, or a transferable incentive

**** Resources that require payment of a special assessment by micro- and small businesses should only be considered in locations where conditions are stable and businesses are operating at or above market averages.

[List in City's Guiding Principles Document](#)

[Listed on the City of Austin Website as an Economic Development Incentive](#)

Appendix iv:

Citywide Market Assessment and Strategic Area Profiles

CITY OF AUSTIN LOCATION ENHANCEMENT PROGRAM

Citywide Market Assessment Summary

31 DECEMBER 2020

PREPARED FOR:



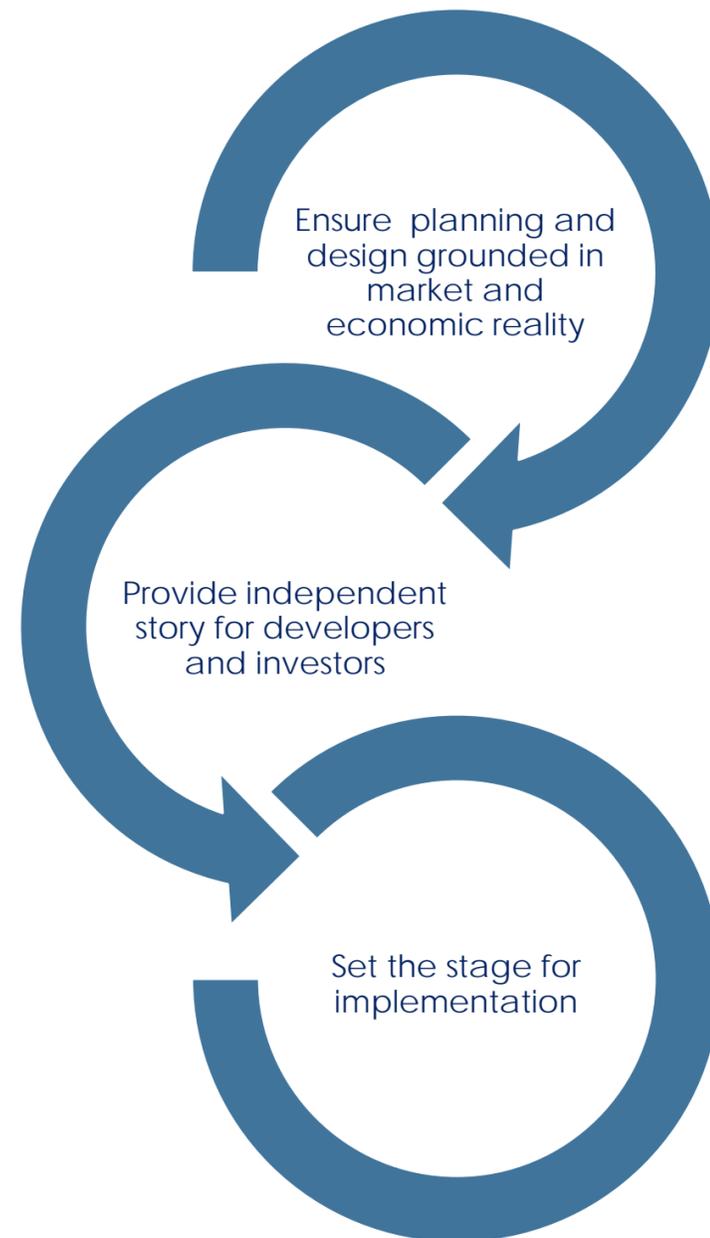
PREPARED BY:



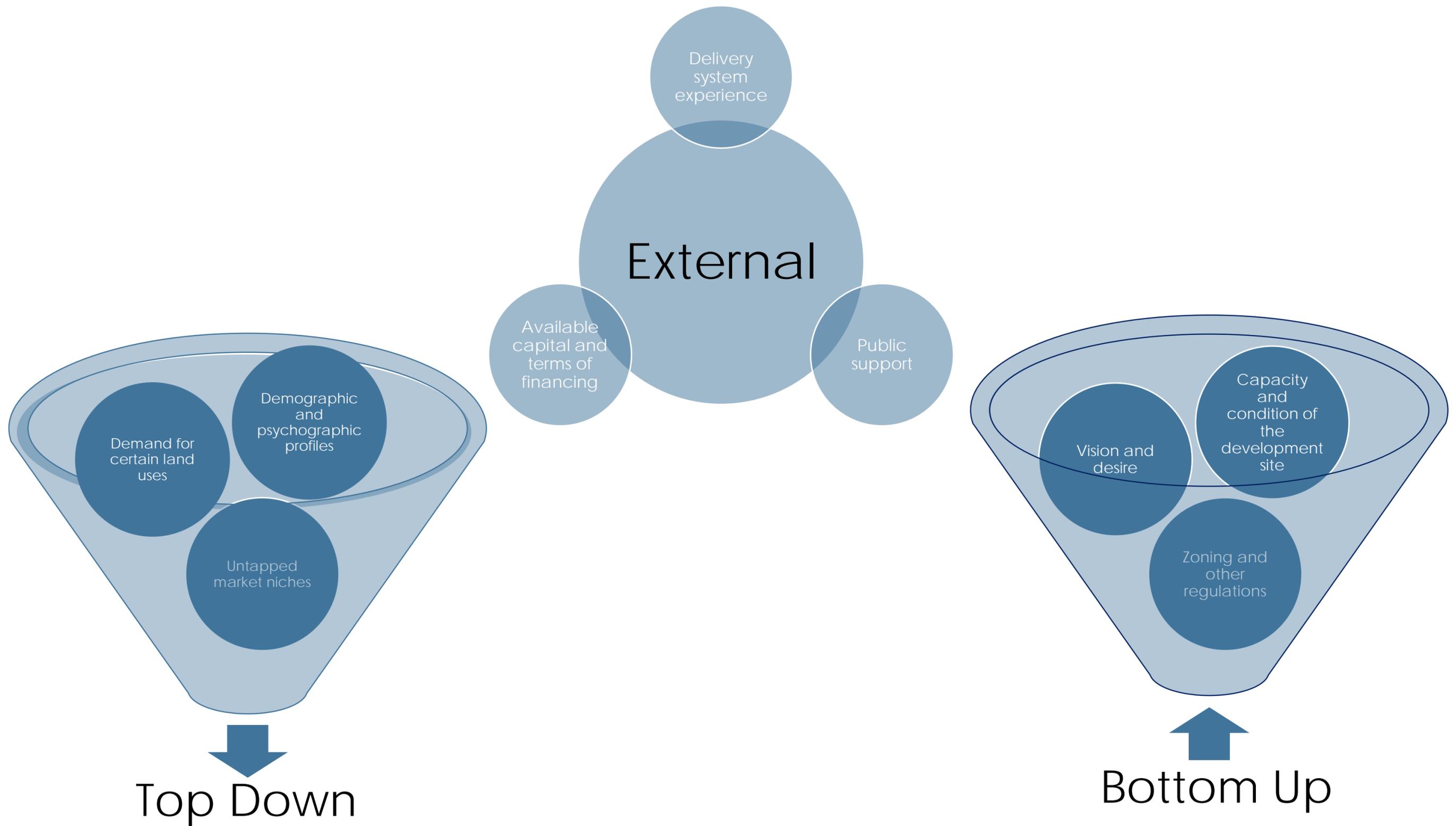
REPORT CONTENT

- Purpose of Market Analysis
- Market Feasibility Considerations
- Market Trade Area
- Demographic and Psychographic Profiles
- Age Cohort Movement
- Trade Area Supply and Demand
 - Residential
 - Retail
 - Office
 - Industrial
- Market Share Considerations
- City of Austin Market Share by Land Use Type
- Appendix
 - City of Austin Psychographic Profiles
- Covid Impacts

PURPOSE OF MARKET ANALYSIS



MARKET FEASIBILITY CONSIDERATIONS



MARKET TRADE AREA

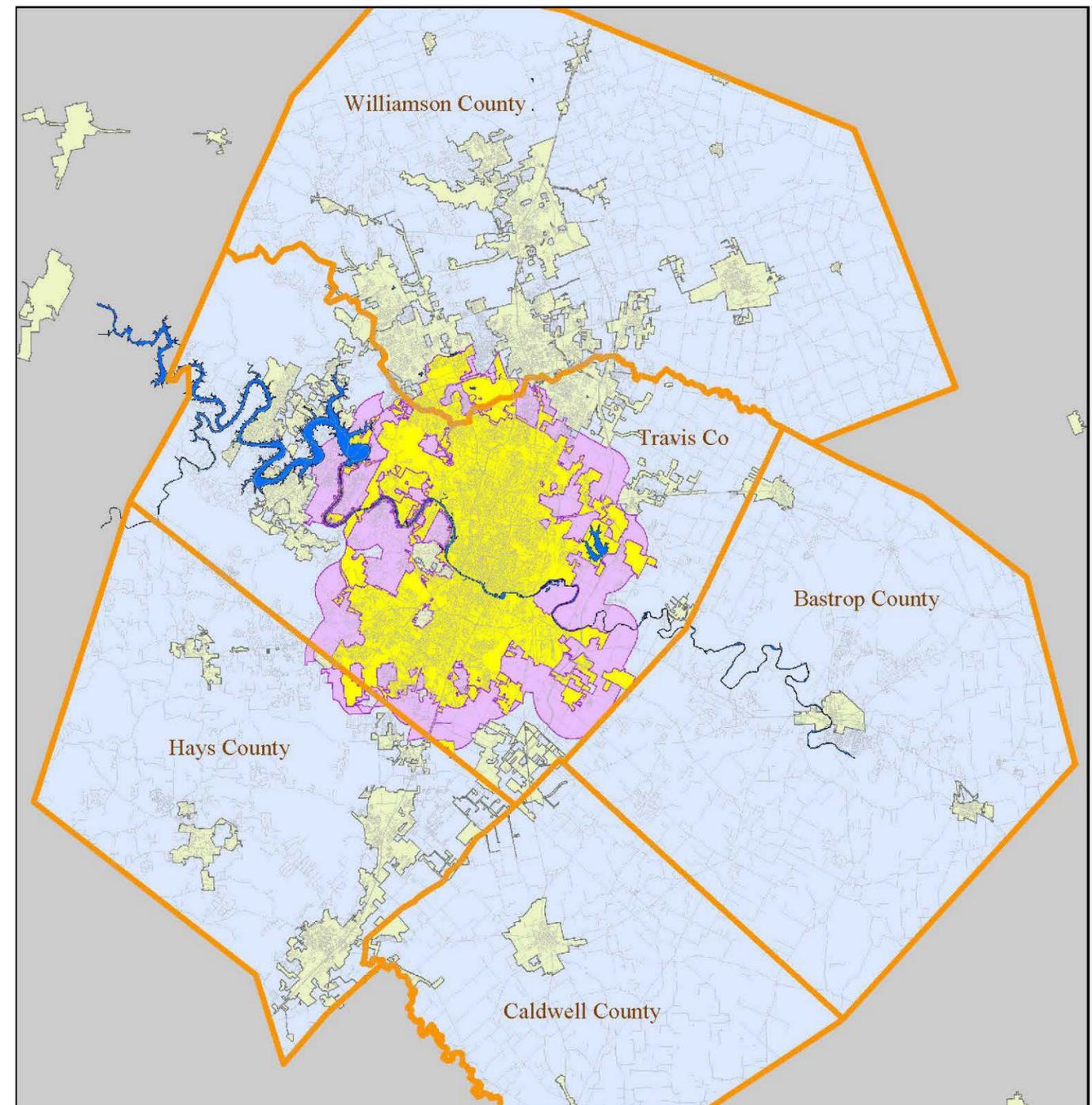
The market analysis conducted by Ricker|Cunningham focused on identifying market opportunities within a trade area representative of a range of both residential and nonresidential land use types.

A trade area is defined as an area from which a project (s) or locale will draw the majority of its residents (housing), patrons (retail), employees (office, industrial, institutional), and visitors (lodging) – and those areas that will likely be a source of competition (supply) and demand.

The boundaries of a trade area are often irregular as they are influenced by the following conditions:

- Physical Barriers
 - Location of Possible Competition
 - Proximity to Population and / or Employment Concentrations
 - Zoning
 - Market Factors
 - Drive Times, Spending and Commuting Patterns
 - Others
- For the purposes of the Austin Citywide market analysis, the Trade Area was identified as the Austin-Round Rock Metro Area.

Austin-Round Rock Metro Area



DEMOGRAPHIC PROFILE

- The Austin-Round Rock Trade Area is projected to grow slightly faster than the City over the next 10 years.
- The City's lower average household size and higher shares of non-family, one- and two-person, and renter households suggest continued demand for a range of higher-density, lower-maintenance housing products (both ownership and rental).
- Both the Trade Area and City show a young, well-educated, affluent resident base, with a high degree of ethnicity.
- The City's demographic profile is representative of a progressive, urban community, attracted to real estate product types that are diverse, innovative, and address a wide range of socioeconomic groups.

2019 Indicator (unless otherwise noted)	City of Austin	Austin - Round Rock Metro Area
2010 Population	790,390	1,716,289
2010 Households	329,326	650,459
2020 Population	999,991	2,291,915
2020 Households	414,800	842,329
Annual Household Growth Rate (2020 to 2030)	1.4%	1.6%
Average Household Size	2.36	2.60
Percent Non-Family Households	48%	27%
Percent One- and Two-Person Households	67%	53%
Percent Renters	55%	40%
Percent Age 65+	10%	11%
Percent Age 25-44	34%	31%
Median Age	33.0	34.3
Percent With Bachelors Degree	51%	52%
Average Household Income	\$98,500	\$103,045
Percent With Income Below \$25,000	16%	13%
Percent With Income Over \$100,000	34%	37%
Percent Hispanic	36%	34%
Percent Black/African-American	8%	8%
Percent Asian American	8%	7%

Source: U.S. Census; Texas State Demographer; City of Austin; ESRI; and Ricker | Cunningham.

The City displays the characteristics of a community "ripe" for redevelopment and reinvestment in central city and infill locations.



The major forces of globalization, technology, urbanization, and demography are constantly interacting with each other and having a direct impact on the real estate industry.

PSYCHOGRAPHIC PROFILE

Psychographics is a term used to describe the characteristics of people and neighborhoods which, instead of being purely demographic, speak more to attitudes, interests, opinions and lifestyles. The Trade Area's psychographic profile indicates a young, affluent, highly-educated, community.

As with the demographic profile, both the Trade Area and City show young, affluent lifestyle segments. The City segments also show the impact of the University (Dorms to Diplomas and College Towns), while the Trade Area segments include more suburban

City of Austin			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Metro Renters	52,320	13.0%	779
Young and Restless	46,974	11.7%	671
Emerald City	34,087	8.5%	594
NeWest Residents	31,700	7.9%	1,016
Bright Young Professionals	28,529	7.1%	315
Enterprising Professionals	15,153	3.8%	263
Up and Coming Families	14,781	3.7%	148
Urban Chic	13,289	3.3%	251
Boomburbs	12,730	3.2%	183
American Dreamers	12,681	3.1%	213
Dorms to Diplomas	12,681	3.1%	605
College Towns	12,681	3.1%	321
Total Above Segments	287,606	71.4%	--

LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Middle Ground	73,019	18.1%	167
Uptown Individuals	66,381	16.5%	431
Midtown Singles	61,639	15.3%	248
Affluent Estates	38,588	9.6%	96
Ethnic Enclaves	36,165	9.0%	126
Total Above Groups	275,792	68.4%	--

Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	128,367	31.8%	175
Suburban Periphery	108,900	27.0%	85
Principal Urban Center	101,538	25.2%	353
Urban Periphery	62,226	15.4%	93
Semirural	1,370	0.3%	4
Total Above Groups	402,401	99.8%	--
Total Trade Area	403,065	100.0%	--

Austin - Round Rock Metropolitan Area			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Up and Coming Families	107,101	12.7%	511
Boomburbs	71,523	8.5%	491
Young and Restless	58,850	7.0%	402
Metro Renters	54,860	6.5%	391
Bright Young Professionals	53,005	6.3%	280
Soccer Moms	41,550	4.9%	169
Emerald City	34,252	4.1%	286
NeWest Residents	33,151	3.9%	508
American Dreamers	23,196	2.8%	187
Southern Satellites	21,906	2.6%	83
College Towns	20,082	2.4%	250
Green Acres	19,962	2.4%	74
Total Above Segments	539,438	64.0%	--

LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Ethnic Enclaves	148,937	17.7%	248
Affluent Estates	146,573	17.4%	175
Middle Ground	103,203	12.3%	113
Midtown Singles	80,532	9.6%	155
Uptown Individuals	69,397	8.2%	216
Total Above Groups	548,642	65.1%	--

Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Suburban Periphery	374,140	44.4%	139
Metro Cities	167,087	19.8%	109
Urban Periphery	112,246	13.3%	80
Principal Urban Center	106,005	12.6%	177
Rural	58,322	6.9%	41
Total Above Groups	817,800	97.1%	--
Total Trade Area	842,329	100.0%	--

* Indicates concentration of this segment relative to U.S. average. A segment index of 200 would mean that this group contains 2 times the concentration of households compared to the average U.S. neighborhood.

Source: ESRI and Ricker | Cunningham.

households (Soccer Moms, Southern Satellites and Green Acres). Both the Trade Area and City are seeing the continued emergence of ethnic groups, particularly Hispanic households. These ethnic households also represent a wide range of age and income levels.

Detailed descriptions of the top City of Austin Tapestry Segments are presented at the end of this report.

AGE COHORT CHARACTERISTICS

Indicators:

% married at age 18 – 32
 % consider people trustworthy
 % earn enough now/will earn enough to live desired life
 % believe in God – certain to uncertain
 % identify as “environmentalist”
 % non-white

Baby Boomers:

48% (1980)
 40%
 45% / 15%
 93%
 42%
 43%

Age Defined:

1980 -- 16 - 34 years
 1990 – 26 – 44 years
 2000 – 36 – 54 years
 2010 – 46 – 64 years
 2015 – 51 – 69 years
 2020 – 56 – 74 years

Indicators:

% married at age 18 – 32
 % consider people trustworthy
 % earn enough now / will earn enough to live desired life
 % believe in God – certain to uncertain
 % identify as “environmentalist”
 % non-white

X Generation:

36% (1997)
 31%
 38% / 30%
 93%
 42%
 39%

Age Defined:

1980 – < 15 years
 1990 – 6 – 25 years
 2000 – 16 – 34 years
 2010 – 26 – 45 years
 2015 – 31– 50 years
 2020 – 36 – 55 years

Indicators:

% married at age 18 – 32
 % consider people trustworthy
 % earn enough now / will earn enough to live desired life
 % believe in God – certain to uncertain
 % identify as “environmentalist”
 % non-white

Y Generation: *

26% (2013)
 19%
 32% / 52%
 86%
 32%
 28%

Age Defined:

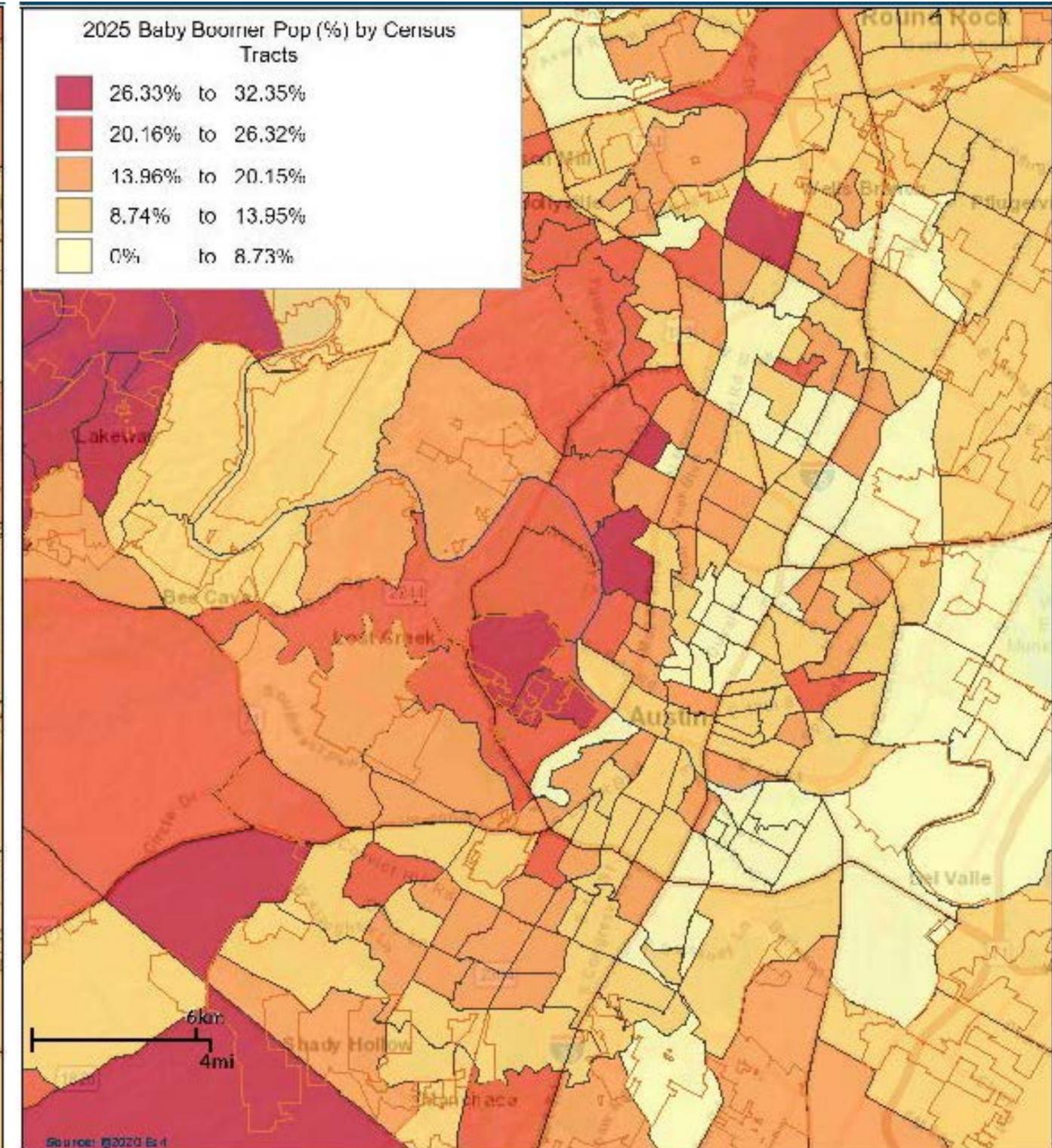
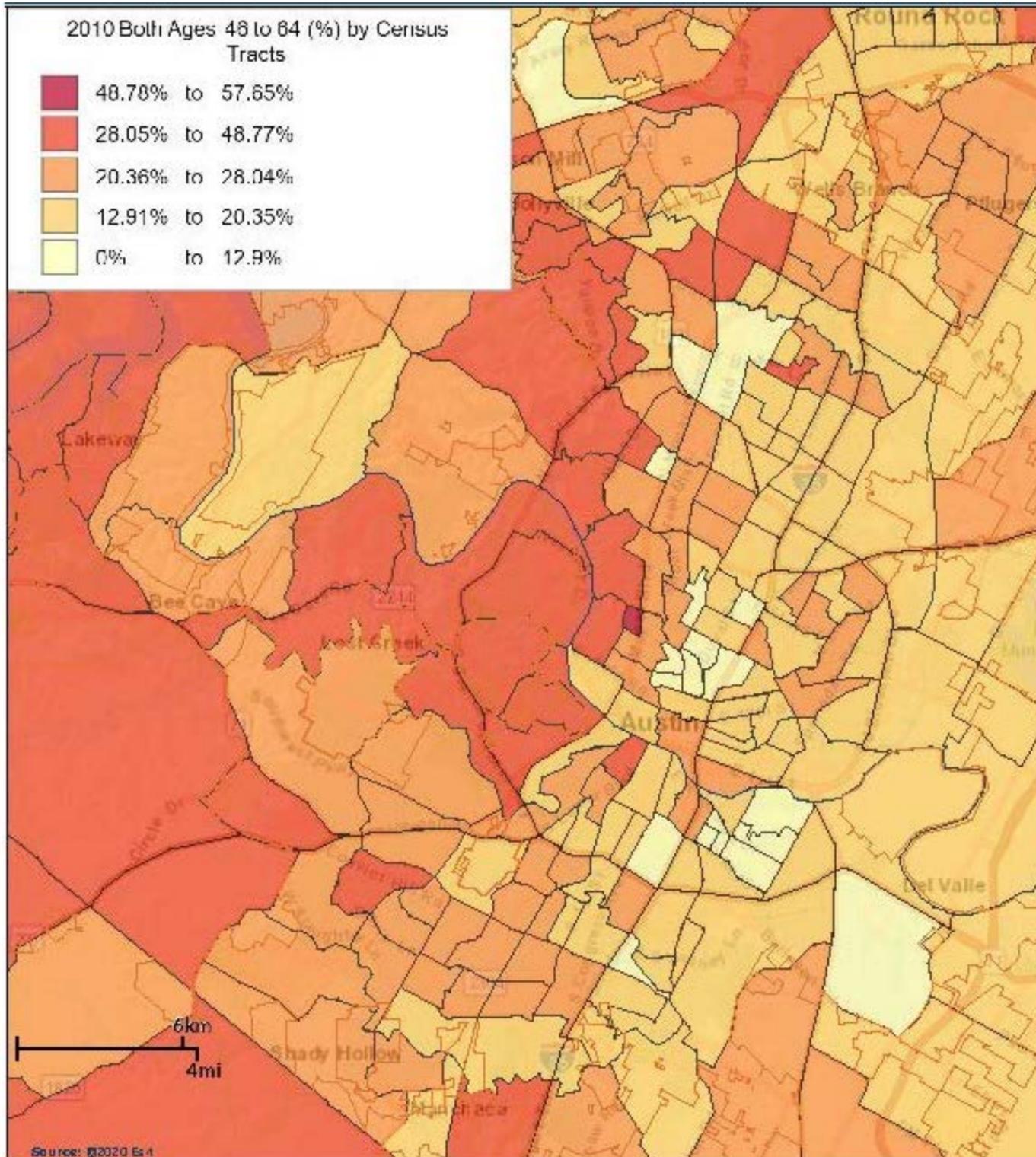
1980 – n.a.
 1990 -- < 5 years
 2000 – < 15 years
 2010 – 10 – 25 years
 2015 – 15– 30 years
 2020 – 20 – 35 years

* Millennials

AGE COHORT MOVEMENT – BABY BOOMERS

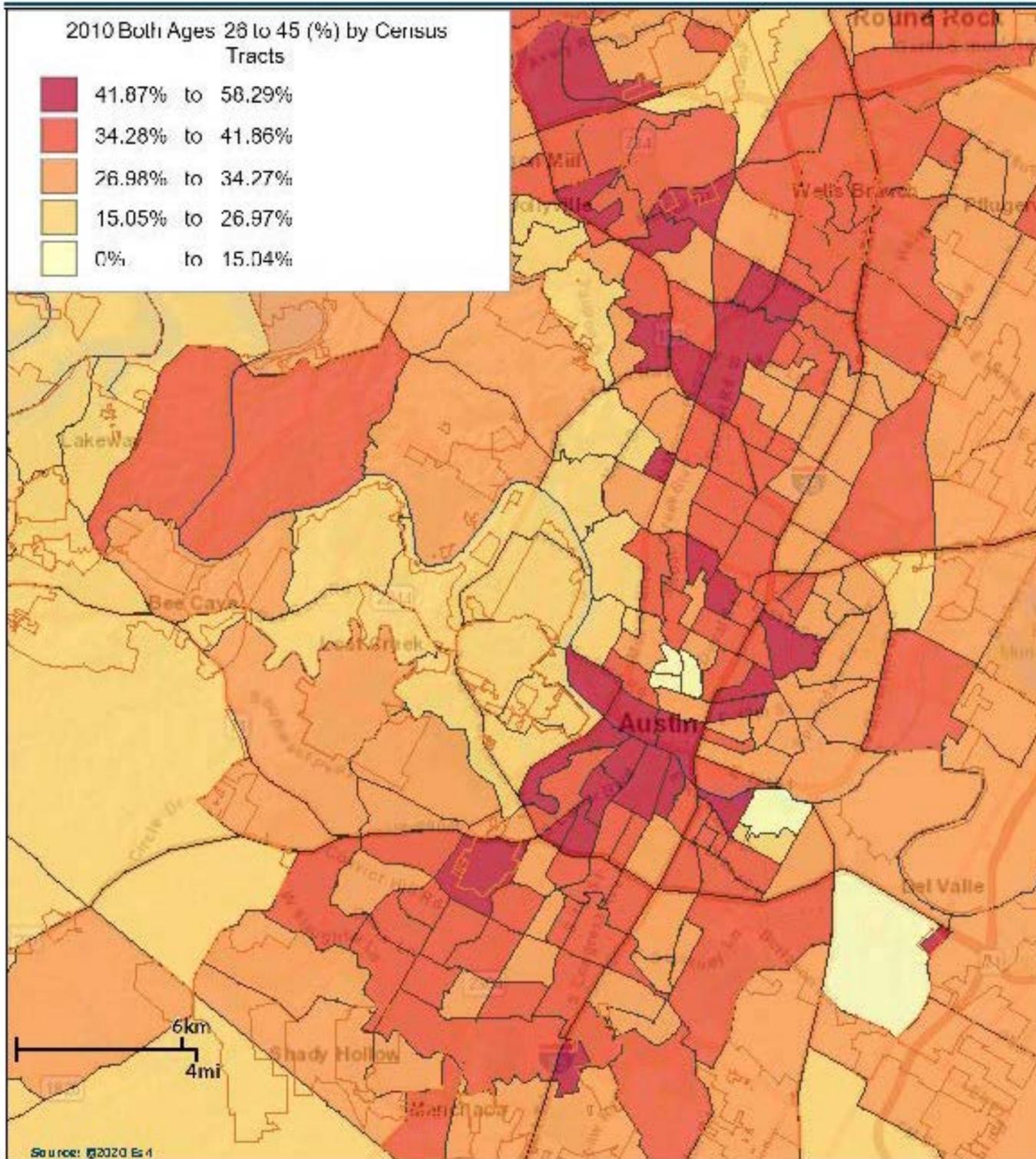
2010

2025

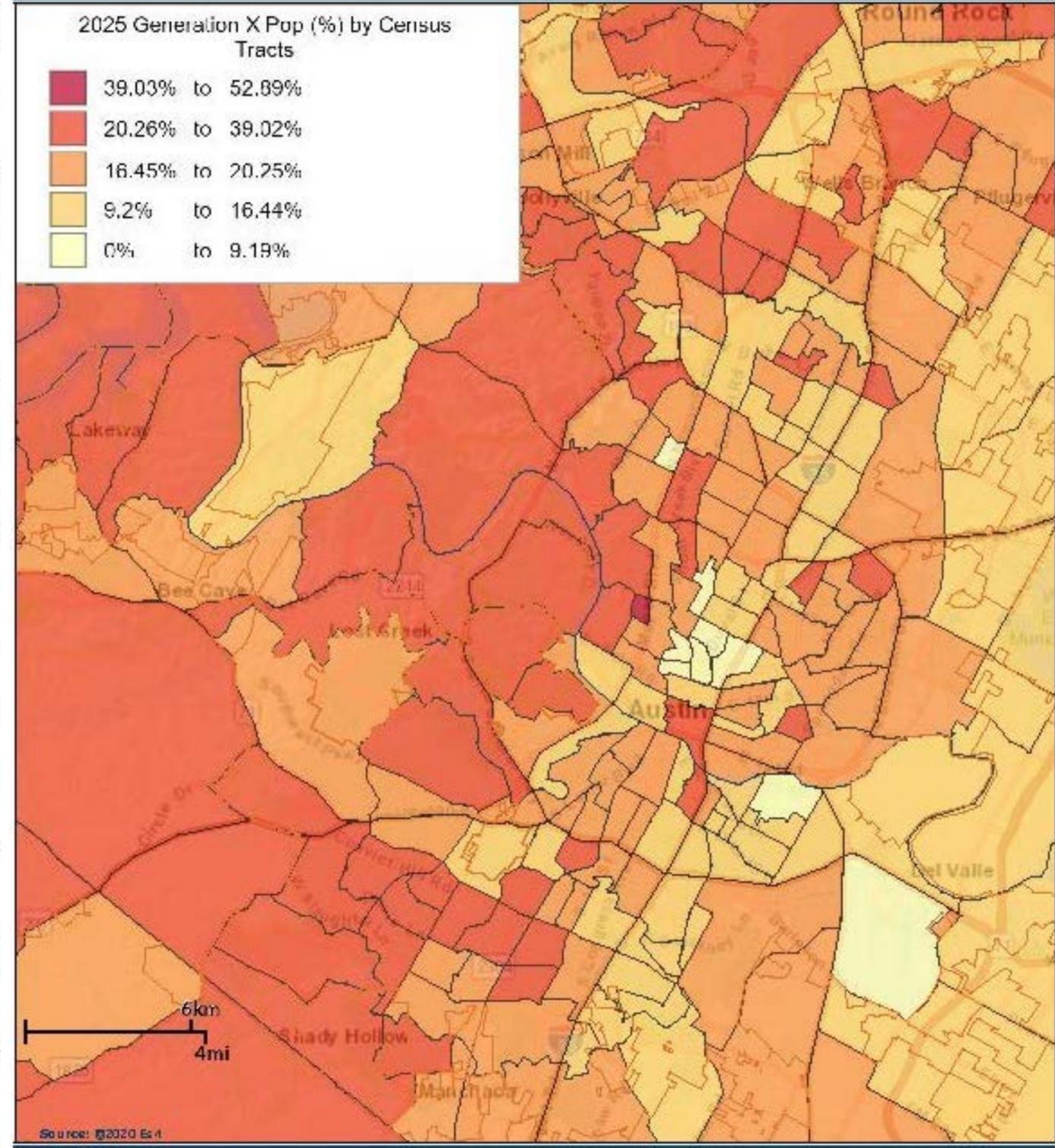


AGE COHORT MOVEMENT – GEN X

2010

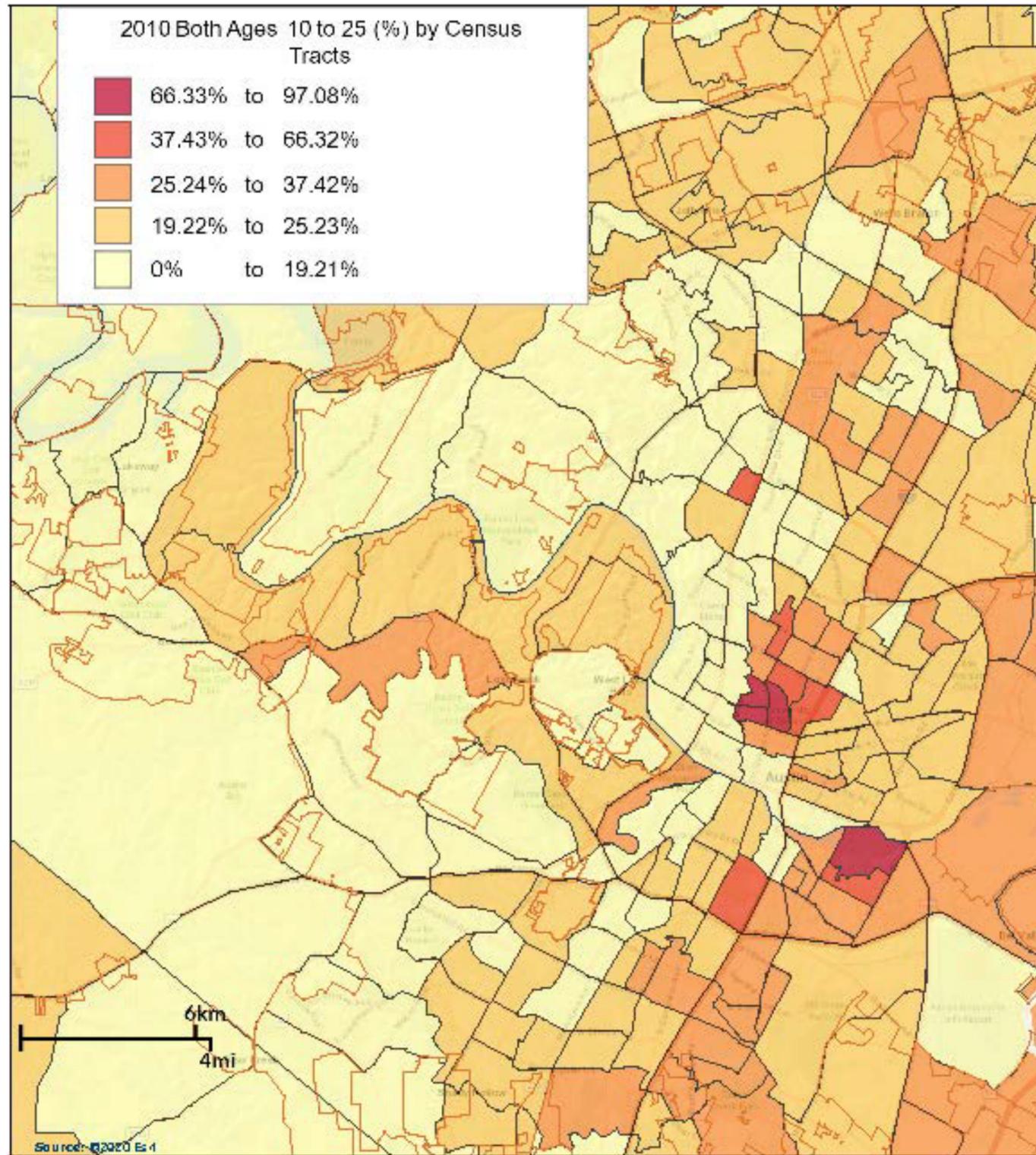


2025

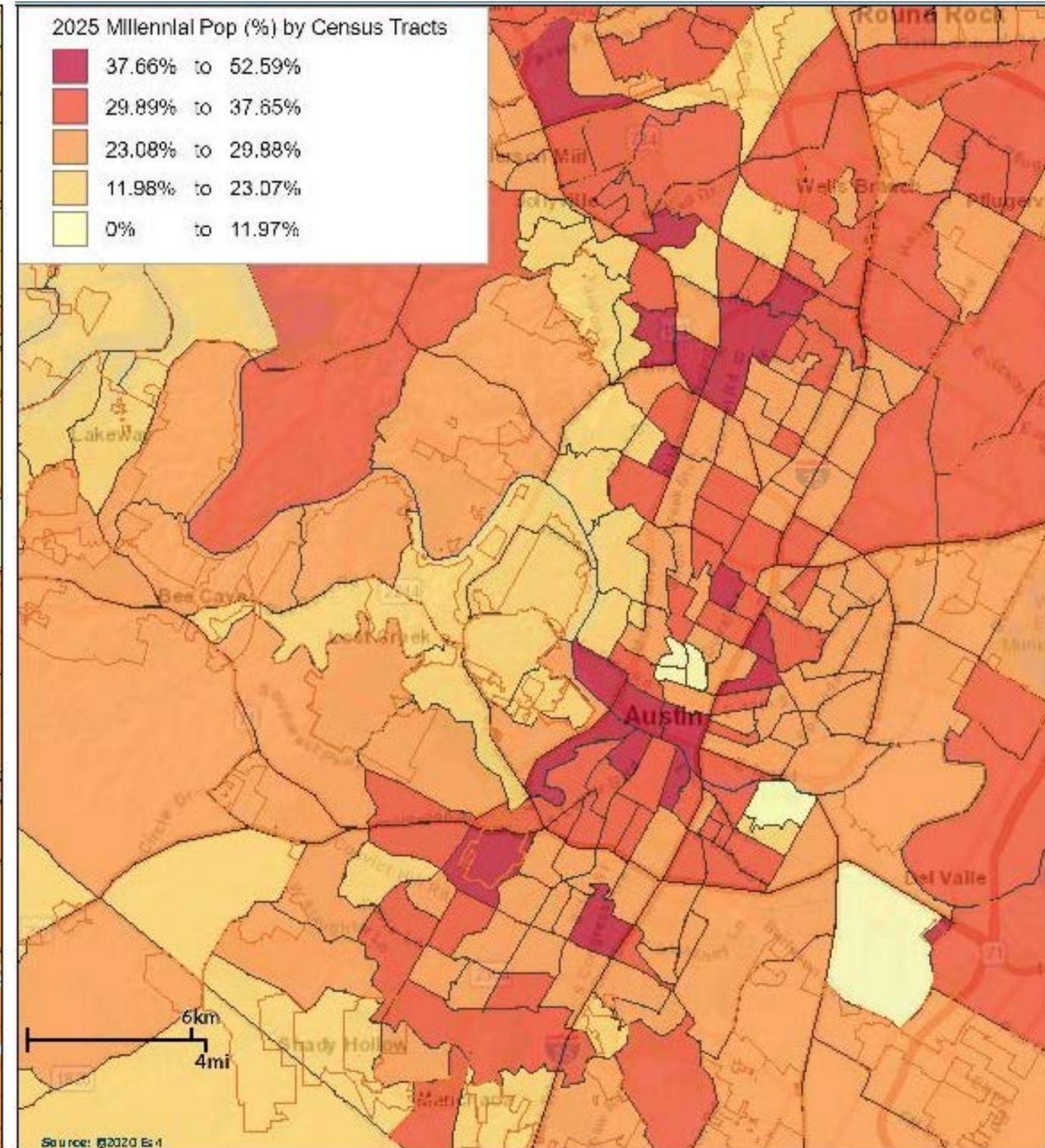


AGE COHORT MOVEMENT – GEN Y

2010



2025



TRADE AREA RESIDENTIAL SUPPLY – BUILDING PERMITS

City and Trade Area Building Permits

Unit Type	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020 Est. *	Total	Annual Average	% of Total	Austin % of Metro Area
City of Austin														
Single Family Detached	1,713	2,525	2,573	2,827	2,846	3,705	4,440	4,433	4,568	3,564	33,194	3,319	29.2%	25.1%
Single Family Attached (2-4 units)	46	39	370	347	356	14	76	47	212	267	1,774	177	1.6%	62.6%
Multi-Family (5+ units)	2,419	7,545	8,891	7,361	6,890	5,184	7,063	8,803	9,929	14,567	78,652	7,865	69.2%	72.4%
Total Units	4,178	10,109	11,834	10,535	10,092	8,903	11,579	13,283	14,709	18,398	113,620	11,362	100.0%	46.7%
Austin-Round Rock Metropolitan Area														
Single Family Detached	6,231	8,261	8,954	11,842	11,857	13,327	16,119	17,665	18,426	19,375	132,057	13,206	54.2%	
Single Family Attached (2-4 units)	81	114	402	444	448	238	153	165	344	443	2,832	283	1.2%	
Multi-Family (5+ units)	3,927	11,220	11,509	7,990	10,065	8,296	10,428	12,840	13,267	19,092	108,634	10,863	44.6%	
Total Units	10,239	19,595	20,865	20,276	22,370	21,861	26,700	30,670	32,037	38,910	243,523	24,352	100.0%	

* Estimate based on activity from January through November.

Source: U.S. Census Bureau; Texas A&M Real Estate Center; and Ricker | Cunningham.

An analysis of the current performance of real estate products within an overall market, as well as competitive projects within a trade area, provides an indication of whether a property or area may be ready for new development and/or redevelopment. It also helps to identify potential gaps in the market -- niches that new development and/or redevelopment could fill.

The table above summarizes building permit activity for the City and the Metro Area. As shown, over the past 10 years, annual residential construction in the City has averaged over 11,000 units, representing approximately 47% of the Metro Area. During that time period, the City has comprised 63% of the Metro Area's single family attached units and over 70% of multifamily units. Single family attached units (e.g., townhomes, rowhomes, condominiums, flats, etc.) only represent 1.2% of total Metro Area construction, despite the demographic predictors of high demand for these types of products.

TRADE AREA RESIDENTIAL SUPPLY – MULTIFAMILY

City of Austin Submarket	Multifamily Market Indicators					
	Total Inventory (units)	12-month Deliveries (units)	Under Construction (units)	Asking Rents per Sq Ft	Vacancy Rate	12-month Absorption (units)
Central	3,699	0	700	\$1.86	12.2%	(229)
Downtown	4,693	116	2,308	\$2.58	9.2%	59
East	10,707	618	1,383	\$1.80	15.0%	1
Midtown	13,234	924	919	\$1.68	14.1%	36
North	24,240	161	1,684	\$1.48	7.1%	553
Northeast	7,824	360	510	\$1.30	11.6%	223
Northwest	33,868	162	132	\$1.33	6.8%	(253)
Riverside	14,556	566	1,508	\$1.58	11.5%	59
South	17,065	870	647	\$1.30	8.3%	646
South Central	12,811	157	287	\$1.83	8.9%	(219)
Southeast	8,123	876	0	\$1.33	10.6%	658
Southwest	11,603	0	300	\$1.51	6.9%	5
West	2,172	0	0	\$2.07	8.8%	8
Austin-Round Rock Metro Area	232,773	10,696	14,080	\$1.48	9.7%	5,860

Source: CoStar and Ricker | Cunningham.

The table above summarizes multifamily market conditions within the City’s submarkets. As shown, 8 of the 13 City submarkets show higher rent levels than the Trade Area and 7 of the 13 have lower vacancy rates. These City submarkets comprise approximately 70% of the Trade Area inventory and comprise 73% of Trade Area new construction. Downtown and North Austin currently have the highest number of units under construction.

TRADE AREA RESIDENTIAL DEMAND

Residential Demand Analysis			Households	2020	855,800			
Austin Trade Area				2030	1,003,019	Annual Growth Rate	1.6%	
10-yr Demand Estimates			Household Growth (2020-30)	147,219	Adjust for 2nd homes, demolition, vacancy	1.0%		
			Adjusted Unit Requirement	148,692	% Rental	40%		
Trade Area Demand from New Households (10-yr)								
Annual Household Income Range (2020 dollars)	Approximate Rent Range	Supportable Home Price Range	Current Households in Income Bracket	New Households by Income Bracket	Total Units	Estimated % Rental	Total Rental Units	Total Ownership Units
up to \$15K	up to \$375	up to \$75K	7%	5%	7,435	95%	7,063	372
\$15-25K	\$375 - \$625	\$75 to \$100K	6%	5%	7,435	90%	6,691	743
\$25-35K	\$625 - \$875	\$100 to \$150K	7%	6%	8,921	85%	7,583	1,338
\$35-50K	\$875 - \$1,250	\$150 to \$200K	12%	11%	16,356	75%	12,267	4,089
\$50-75K	\$1,250 - \$1,750	\$200 to \$250K	17%	17%	25,278	55%	13,903	11,375
\$75-100K	\$1,750 - \$2,250	\$250 to \$350K	14%	14%	20,817	20%	4,163	16,653
\$100-150K	\$2,250 - \$3,250	\$350 to \$500K	18%	20%	29,738	15%	4,461	25,278
\$150K and up	\$3,250+	\$500K and up	19%	22%	32,712	10%	3,271	29,441
Totals			100%	100%	148,692	40%	59,402	89,289

Source: U.S. Census; CAMPO; City of Austin; ESRI; and Ricker | Cunningham.

Demand for residential units is a function of projected household growth across a wider geography – in this case, the Trade Area. In other words, Austin will compete with other locations in the Trade Area as a potential home for newly formed households, whether they arise through natural increase or net in-migration. As shown, the Trade Area has the opportunity to realize significant growth in residential development activity over the next 10 years – potentially adding over 148,000 new housing units, approximately 40% of which could be rentals (primarily market-rate apartments).



TRADE AREA RESIDENTIAL DEMAND BY TYPE

Attached Ownership

Annual Household Income Range	Approximate Home Price Range	Trade Area For-Sale Demand (Incomes \$15K+)	Estimated % Single Family Attached	Single Family Attached Demand
\$15-25K	\$75 to \$100K	743	35%	260
\$25-35K	\$100 to \$150K	1,338	35%	468
\$35-50K	\$150 to \$200K	4,089	35%	1,431
\$50-75K	\$200 to \$250K	11,375	35%	3,981
\$75-100K	\$250 to \$350K	16,653	35%	5,829
\$100-150K	\$350 to \$500K	25,278	35%	8,847
\$150K and up	\$500K and up	29,441	35%	10,304
Totals		88,918	35%	31,121

Note: Assumes Townhome/Condo development stabilizes at 35% of all ownership demand
 Source: U.S. Census; CAMPO; City of Austin; ESRI; and Ricker | Cunningham.

Detached Ownership

Annual Household Income Range	Approximate Home Price Range	Trade Area For-Sale Demand (Incomes \$15K+)	Estimated % Single Family Detached	Single Family Detached Demand
\$15-25K	\$75 to \$100K	743	65%	483
\$25-35K	\$100 to \$150K	1,338	65%	870
\$35-50K	\$150 to \$200K	4,089	65%	2,658
\$50-75K	\$200 to \$250K	11,375	65%	7,394
\$75-100K	\$250 to \$350K	16,653	65%	10,825
\$100-150K	\$350 to \$500K	25,278	65%	16,430
\$150K and up	\$500K and up	29,441	65%	19,137
Totals		88,918	65%	57,796

Source: U.S. Census; CAMPO; City of Austin; ESRI; and Ricker | Cunningham.

Rental Apartments

Annual Household Income Range	Approximate Rent Range	Trade Area Rental Demand (Incomes \$15K+)
\$15-25K	\$375 - \$625	6,691
\$25-35K	\$625 - \$875	7,583
\$35-50K	\$875 - \$1,250	12,267
\$50-75K	\$1,250 - \$1,750	13,903
\$75-100K	\$1,750 - \$2,250	4,163
\$100-150K	\$2,250 - \$3,250	4,461
\$150K and up	\$3,250+	3,271
Totals		52,339

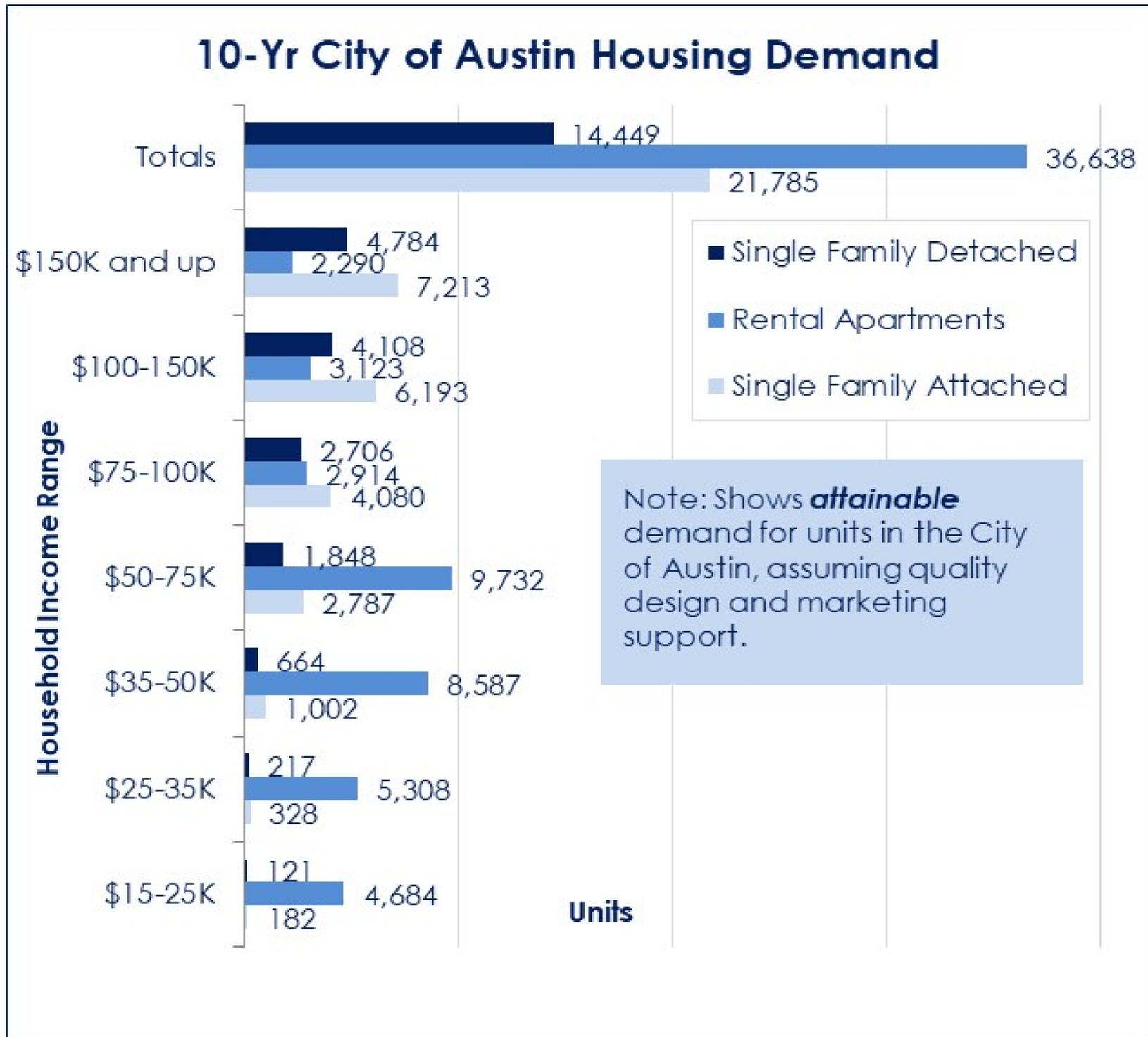
Source: U.S. Census; CAMPO; City of Austin; ESRI; and Ricker | Cunningham.



The Trade Area shows demand for over 31,000 attached ownership units and over 52,000 rental apartment units over the next 10 years. Recent national studies have shown that nearly half of the population is looking for a different residential lifestyle than is presently available in their respective market. People care less about space and more about how space is used. Downtowns and infill neighborhoods are an ideal environment for these types of higher-density, lower-maintenance housing products.

CITY OF AUSTIN RESIDENTIAL DEMAND

City Housing Demand Summary



TRADE AREA RETAIL SUPPLY

Retail Market Characteristics by Submarket

Retail Indicator	City of Austin Retail Submarkets								Austin-Round Rock Metro Area
	CBD	Central	East	Southwest	South and Southeast	North	Northwest	Northeast	
Net Rentable Square Feet	2,713,000	9,123,000	5,324,000	9,547,000	15,454,000	8,274,000	5,798,000	3,433,000	113,558,829
12 Month Deliveries (sq ft)	0	0	26,000	82,000	168,000	52,000	0	47,000	1,300,000
Asking Rent (per sq ft)	\$32.63	\$25.00	\$25.40	\$31.21	\$25.60	\$22.17	\$29.02	\$23.26	\$25.30
Vacancy Rate (incl Sublease)	4.9%	5.8%	4.3%	4.0%	3.0%	3.0%	4.3%	4.0%	4.5%
12 Month Absorption (sq ft)	(65,670)	(162,186)	71,233	64,894	94,268	42,430	(75,745)	214,753	614,000

Source: CoStar and Ricker | Cunningham.

The table above summarizes retail market conditions within the City’s 8 submarkets. As shown, 5 of the 8 City submarkets show higher rent levels than the Trade Area and 6 of the 8 have lower vacancy rates. These City submarkets comprise approximately 53% of the Trade Area inventory, yet they comprise less than 30% of Trade Area new construction. Of the City’s submarkets, South / Southeast Austin currently have the highest number of square feet under construction.

TRADE AREA RETAIL DEMAND

Retail Demand From “Leakage”

Retail Category	Estimated 2020 Household Retail Demand	Estimated 2020 Retail Sales (Supply)	Estimated 2020 Retail Void (Leakage)	Estimated Retail Sales/s.f.	New Retail Space Needed to Recapture Void/Leakage
Furniture & Home Furnishings	\$863,310,375	\$1,121,271,662	\$0	\$300	0
Electronics & Appliance	\$903,417,265	\$1,358,550,308	\$0	\$300	0
Bldg Materials, Garden Equipment	\$1,548,742,948	\$1,833,719,055	\$0	\$350	0
Food & Beverage (Grocery)	\$4,421,144,733	\$4,913,154,987	\$0	\$500	0
Health & Personal Care	\$1,372,730,577	\$1,533,273,560	\$0	\$450	0
Clothing and Accessories	\$1,147,750,207	\$1,578,778,150	\$0	\$350	0
Sporting Goods,Hobby, Book, Music	\$853,572,972	\$1,040,928,189	\$0	\$300	0
General Merchandise	\$4,309,995,271	\$3,953,703,246	\$356,292,025	\$400	890,730
Miscellaneous Stores	\$958,336,004	\$1,432,833,785	\$0	\$300	0
Foodservice & Drinking Places	\$2,795,361,630	\$3,841,076,538	\$0	\$600	0
Total	\$19,174,361,982	\$22,607,289,480	\$356,292,025		890,730



Support for retail space is derived from two sources – the “recapture” of expenditures by residents of the Trade Area that occur outside the Trade Area referred to as “leakage”; and expenditures by new residents of the Trade Area resulting from household growth. As shown here, there is a significant level of “leakage” within the general merchandise retail category, potentially supporting an additional 890,000 square feet of space.

TRADE AREA RETAIL DEMAND

Retail Demand From New Household Growth

Retail Category	Estimated 2020 Household Retail Demand	Annual Household Growth Rate (2020-2030)	Net New Household Retail Demand	New Retail Space Needed for Household Growth
Furniture & Home Furnishings	\$863,310,375	1.6%	\$148,511,442	495,038
Electronics & Appliance	\$903,417,265	1.6%	\$155,410,852	518,036
Bldg Materials, Garden Equipment	\$1,548,742,948	1.6%	\$266,423,358	761,210
Food & Beverage (Grocery)	\$4,421,144,733	1.6%	\$760,549,856	1,521,100
Health & Personal Care	\$1,372,730,577	1.6%	\$236,144,733	524,766
Clothing and Accessories	\$1,147,750,207	1.6%	\$197,442,361	564,121
Sporting Goods, Hobby, Book, Music	\$853,572,972	1.6%	\$146,836,360	489,455
General Merchandise	\$4,309,995,271	1.6%	\$741,429,309	1,853,573
Miscellaneous Stores	\$958,336,004	1.6%	\$164,858,279	549,528
Foodservice & Drinking Places	\$2,795,361,630	1.6%	\$480,873,623	801,456
Total	\$19,174,361,982		\$3,298,480,173	8,078,282

Source: CAMPO; City of Austin; Urban Land Institute; ESRI; and Ricker | Cunningham.

As shown, expenditures by new residents of the Trade Area resulting from household growth could potentially support an additional 8.1 million square feet of space over the next 10 years.



TRADE AREA RETAIL DEMAND

Total Retail Demand

Retail Category	New Retail Space Needed to Recapture Void/Leakage	New Retail Space Needed for Household Growth	Total 10-Year New Trade Area Retail Demand (s.f.)
Furniture & Home Furnishings	0	495,038	495,038
Electronics & Appliance	0	518,036	518,036
Bldg Materials, Garden Equipment	0	761,210	761,210
Food & Beverage (Grocery)	0	1,521,100	1,521,100
Health & Personal Care	0	524,766	524,766
Clothing and Accessories	0	564,121	564,121
Sporting Goods, Hobby, Book, Music	0	489,455	489,455
General Merchandise	890,730	1,853,573	2,744,303
Miscellaneous Stores	0	549,528	549,528
Foodservice & Drinking Places	0	801,456	801,456
Total	890,730	8,078,282	8,969,012

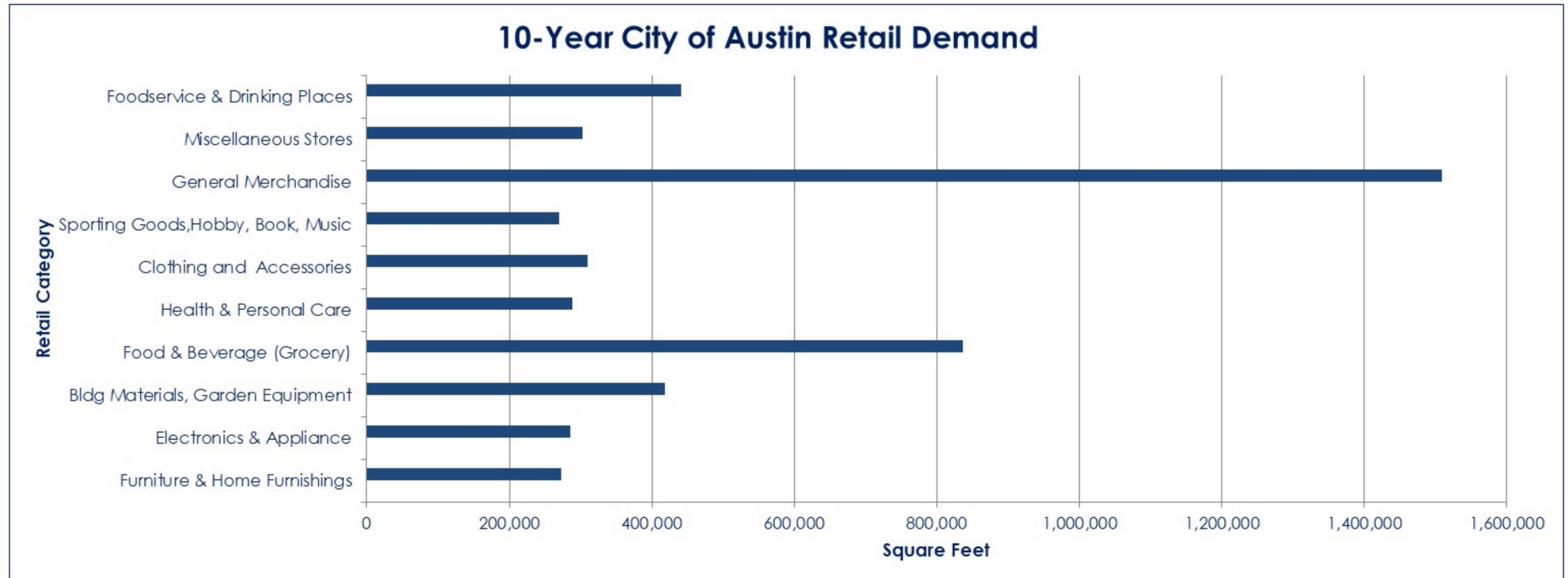
Source: CAMPO; City of Austin; Urban Land Institute; ESRI; and Ricker Cunningham.

Including demand from retail “leakage” (890,000 square feet) and new household growth (8.1 million square feet), the Trade Area could support an additional 8.9 million square feet of retail/restaurant/service space.



CITY OF AUSTIN RETAIL DEMAND

Total Retail Demand By Retail Category



TRADE AREA OFFICE SUPPLY

Office Market Characteristics by Submarket

Office Indicator	City of Austin Office Submarkets								Austin-Round Rock Metro Area
	CBD	Central	East	Southwest	Southeast	North	Northwest	Northeast	
Net Rentable Square Feet	17,214,000	6,625,000	6,916,000	15,778,000	6,036,000	10,492,000	18,181,000	5,855,000	116,378,350
12 Month Deliveries (sq ft)	3,000	2,000	216,000	256,000	420,000	706,000	51,000	314,000	3,200,000
Under Construction (sq ft)	3,423,000	273,000	1,311,000	463,000	36,000	350,000	0	0	7,621,907
Asking Rent (per sq ft)	\$54.23	\$36.03	\$40.61	\$41.18	\$32.35	\$39.61	\$39.15	\$33.38	\$40.51
Vacancy Rate	10.2%	11.2%	18.4%	10.0%	6.3%	8.6%	18.7%	17.1%	11.9%
12 Month Absorption (sq ft)	(828,584)	(225,898)	31,780	(254,845)	594,796	473,994	(450,575)	(233,201)	(517,592)

Source: CoStar and Ricker | Cunningham.

The table above summarizes office market conditions within the City’s 8 submarkets. As shown, 3 of the 8 City submarkets show higher rent levels than the Trade Area and 5 of the 8 have lower vacancy rates. These City submarkets comprise approximately 75% of the Trade Area inventory and 77% of Trade Area new construction. The Central Business District and East Austin currently have the highest number of square feet under construction.

TRADE AREA OFFICE DEMAND

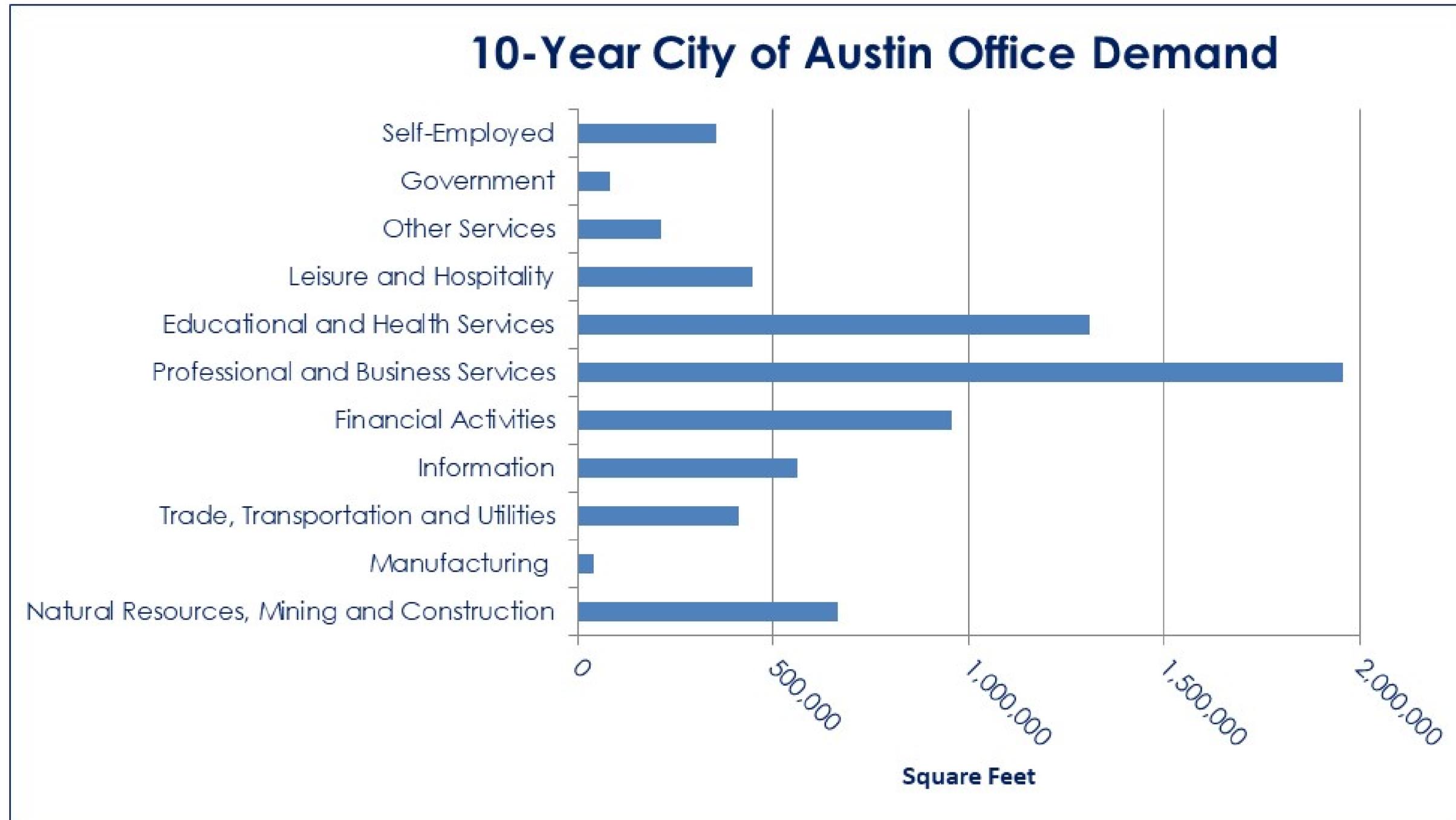
Total Trade Area Office Demand

Industry Category	Estimated 2020 Employees	Estimated Growth Rate 2020-2030	Estimated 2030 Employees	Estimated New Employees	Estimated % in Office Space	Estimated Net New Office Employees	Sq Ft per Office Employee	Estimated 10-yr Office Demand
Natural Resources, Mining and Construction	76,700	2.1%	94,273	17,573	30%	5,272	180	948,938
Manufacturing	63,000	1.0%	69,279	6,279	5%	314	180	56,510
Trade, Transportation and Utilities	196,900	1.5%	229,508	32,608	10%	3,261	180	586,937
Information	38,000	1.4%	43,588	5,588	80%	4,471	180	804,732
Financial Activities	66,800	1.3%	75,739	8,939	85%	7,598	180	1,367,603
Professional and Business Services	193,800	1.1%	215,963	22,163	70%	15,514	180	2,792,569
Educational and Health Services	225,400	2.1%	277,321	51,921	20%	10,384	180	1,869,147
Leisure and Hospitality	140,700	2.3%	176,106	35,406	10%	3,541	180	637,314
Other Services	37,000	1.4%	42,616	5,616	30%	1,685	180	303,272
Government	60,800	0.4%	62,972	2,172	30%	652	180	117,275
Self-Employed	55,000	1.6%	64,363	9,363	30%	2,809	180	505,581
Totals	1,154,100	1.5%	1,351,727	197,627	28%	55,499	180	9,989,877

Source: Texas Workforce Commission; U.S. Census; ESRI, Inc.; and Ricker | Cunningham.

Support for office space is derived from two sources – growth / expansion among existing users in the Trade Area and the relocation of new companies into the market. Based on overall annual employment growth of 1.5%, the Trade Area could support an additional 9.9 million square feet of new office space over the next 10 years.

CITY OF AUSTIN OFFICE DEMAND



TRADE AREA INDUSTRIAL SUPPLY

Industrial Market Characteristics by Submarket

Industrial Indicator	City of Austin Industrial Submarkets								Austin-Round Rock Metro Area
	CBD	Central	East	Southwest	Southeast	North	Northwest	Northeast	
Net Rentable Square Feet	93,000	2,134,000	7,237,000	4,170,000	16,906,000	17,878,000	3,824,000	15,010,000	108,476,055
12 Month Deliveries (sq ft)	0	0	31,000	0	318,000	6,000	0	79,000	2,300,000
Under Construction (sq ft)	0	0	4,550,000	28,000	430,000	95,000	0	1,106,000	12,382,010
Asking Rent (per sq ft)	\$20.53	\$13.68	\$12.25	\$16.00	\$10.64	\$11.04	\$13.41	\$12.48	\$11.53
Vacancy Rate	--	7.6%	5.5%	6.4%	5.9%	5.2%	1.5%	4.7%	6.7%
12 Month Absorption (sq ft)	(6,959)	(32,262)	(45,229)	(69,544)	767,454	(50,689)	62,767	331,972	2,800,000

Source: CoStar and Ricker | Cunningham.

The table above summarizes industrial market conditions within the City’s 8 submarkets. As shown, 6 of the 8 City submarkets show higher rent levels than the Trade Area and 6 of the 8 have lower vacancy rates. These City submarkets comprise approximately 62% of the Trade Area inventory and 50% of Trade Area new construction. East Austin and Northeast Austin currently have the highest number of square feet under construction.

TRADE AREA INDUSTRIAL DEMAND

Total Trade Area Industrial Demand

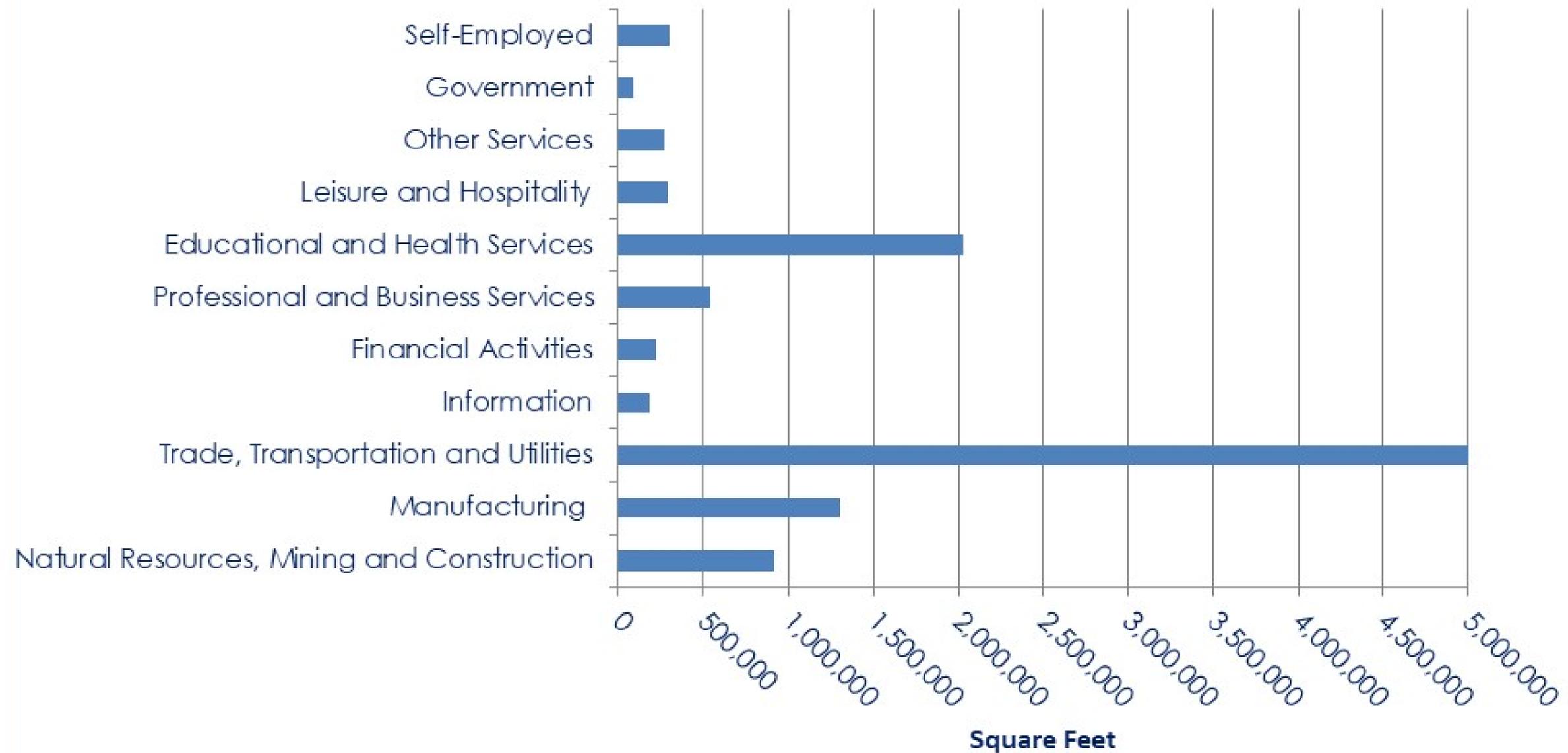
Industry Category	Estimated 2020 Employees	Estimated Growth Rate 2020-2030	Estimated 2030 Employees	Estimated New Employees	Estimated % in Industrial Space	Estimated Net New Industrial Employees	Sq Ft per Industrial Employee	Estimated 10-yr Industrial Demand
Natural Resources, Mining and Construction	76,700	2.1%	94,273	17,573	20%	3,515	400	1,405,834
Manufacturing	63,000	1.0%	69,279	6,279	80%	5,023	400	2,009,229
Trade, Transportation and Utilities	196,900	1.5%	229,508	32,608	60%	19,565	400	7,825,826
Information	38,000	1.4%	43,588	5,588	20%	1,118	250	279,421
Financial Activities	66,800	1.3%	75,739	8,939	15%	1,341	250	335,197
Professional and Business Services	193,800	1.1%	215,963	22,163	15%	3,324	250	831,122
Educational and Health Services	225,400	2.1%	277,321	51,921	20%	10,384	300	3,115,245
Leisure and Hospitality	140,700	2.3%	176,106	35,406	5%	1,770	250	442,579
Other Services	37,000	1.4%	42,616	5,616	30%	1,685	250	421,212
Government	60,800	0.4%	62,972	2,172	20%	434	300	130,305
Self-Employed	55,000	1.6%	64,363	9,363	20%	1,873	250	468,131
Totals	1,154,100	1.5%	1,351,727	197,627	25%	50,031	300	17,264,099

Source: Texas Workforce Commission; U.S. Census; ESRI, Inc.; and Ricker | Cunningham.

Support for industrial space is derived from two sources – growth / expansion among existing users in the Trade Area and the relocation of new companies into the market. Based on overall annual employment growth of 1.5%, the Trade Area could support an additional 17.3 million square feet of new industrial space over the next 10 years.

CITY OF AUSTIN INDUSTRIAL DEMAND

20-Year City of Austin Industrial Demand



MARKET SHARE CONSIDERATIONS

A number of factors influence a community's and sites/areas within a community's ability to capture market share. These can be categorized as – top down considerations, bottom up considerations, external considerations and others. Some the City (or stakeholder entities) can control, and others they cannot.

Top Down Considerations

- Demand for certain land uses
- Demographic and psychographic conditions which support certain product types
- Untapped market niches (product voids)
- Competitive projects (proposed, planned and under construction)

Bottom Up Considerations

- Physical capacity of the community / individual parcels to accommodate market-supported product types – less physical constraints
- Vision of the community for certain uses
- Size of parcels, parcel ownership (public and private), owner investment objectives
- Zoning (and other regulations) and presence of easements

External Considerations

- Delivery system – who are the area's builders / developers, what are they willing and able to offer
- Financing markets – availability of capital with reasonable funding terms for certain product types
- Market forces beyond those currently in the market (e.g., migration of people to the Trade Area who do not represent the existing profile of residents and consumers)

Other Considerations

- Available resources to position and promote investment in the community
- Public support for a long-term vision

CITY OF AUSTIN MARKET SHARE

City Market Support by Land Use Type

Land Use Type	Trade Area Demand (2020 to 2030)	City of Austin			
		Market Share		Absorption (Units/Sq Ft)	
		Low	High	Low	High
Residential (Units):					
Single Family Detached	58,800	20%	25%	11,760	14,700
Single Family Attached	31,100	65%	70%	20,215	21,770
Rental Apartments	52,300	65%	70%	33,995	36,610
Residential Subtotal	142,200			65,970	73,080
Non-Residential (Sq Ft):					
Retail	8,900,000	55%	60%	4,895,000	5,340,000
Office	9,900,000	70%	75%	6,930,000	7,425,000
Industrial	17,300,000	65%	70%	11,245,000	12,110,000
Non-Residential Subtotal	36,100,000			23,070,000	24,875,000

Source: Ricker | Cunningham.

The City of Austin has the potential to capture a significant share of Trade Area growth over the next 10 years, for a variety of residential, retail, office and industrial land uses. The supported land use mix focuses on redevelopment and reinvestment in central and infill City neighborhoods, with real estate products appropriate for those areas.

CITY OF AUSTIN MARKET OPPORTUNITIES

Supportable Product Images

Residential



Retail



Employment (Office / Industrial)



CITY OF AUSTIN PSYCHOGRAPHIC PROFILES



LifeMode Group: Uptown Individuals
Metro Renters

3B

Households: 1,911,500

Average Household Size: 1.67

Median Age: 32.5

Median Household Income: \$67,000

WHO ARE WE?

Residents in this highly mobile and educated market live alone or with a roommate in older apartment buildings and condos located in the urban core of the city. This is one of the fastest growing segments; the popularity of urban life continues to increase for consumers in their late twenties and thirties. *Metro Renters* residents income is above the US average, but they spend a large portion of their wages on rent, clothes, and the latest technology. Computers and cell phones are an integral part of everyday life and are used interchangeably for news, entertainment, shopping, and social media. *Metro Renters* residents live close to their jobs and usually walk or take a taxi to get around the city.

OUR NEIGHBORHOOD

- Over half of all households are occupied by singles, resulting in the smallest average household size among the markets, 1.67.
- Neighborhoods feature 20+ unit apartment buildings, typically surrounded by offices and businesses.
- Renters occupy close to 80% of all households.
- Public transportation, taxis, walking, and biking are popular ways to navigate the city.

SOCIOECONOMIC TRAITS

- Well-educated consumers, many currently enrolled in college.
- Very interested in the fine arts and strive to be sophisticated; value education and creativity.
- Willing to take risks and work long hours to get to the top of their profession.
- Become well informed before purchasing the newest technology.
- Prefer environmentally safe products.
- Socializing and social status very important.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.



LifeMode Group: Midtown Singles Young and Restless

11B

Households: 2,131,500

Average Household Size: 2.04

Median Age: 29.8

Median Household Income: \$40,500

WHO ARE WE?

Gen Y comes of age: Well-educated young workers, some of whom are still completing their education, are employed in professional/technical occupations, as well as sales and office/administrative support roles. These residents are not established yet, but striving to get ahead and improve themselves. This market ranks in the top 5 for renters, movers, college enrollment, and labor force participation rate. Almost 1 in 5 residents move each year. More than half of all householders are under the age of 35, the majority living alone or in shared nonfamily dwellings. Median household income is still below the US. Smartphones are a way of life, and they use the Internet extensively. *Young and Restless* consumers are diverse, favoring densely populated neighborhoods in large metropolitan areas; over 50% are located in the South (almost a fifth in Texas), with the rest chiefly in the West and Midwest.

OUR NEIGHBORHOOD

- One of the youngest markets: More than half the householders under age 35; median age 29.8.
- Primarily single-person households (Index 163) with some shared households (Index 201).
- Highly mobile market, beginning careers and changing addresses frequently.
- Naturally, one of the top 5 renter markets (Index 233).
- Apartment rentals popular: 44% in 5-19 unit buildings (Index 487), 27% in 20+ unit buildings (Index 318).
- Majority of housing built in 1970 or later (84%).

SOCIOECONOMIC TRAITS

- Education completed: More than 2 out of 3 have some college, an associate's degree, or a bachelor's degree or higher. Almost 14% are still enrolled in college (Index 175).
- Labor force participation rate is exceptionally high at 75.0%; unemployment is low at 5.2%.
- These are careful shoppers, aware of prices, and demonstrate little brand loyalty.
- They like to be the first to try new products, but prefer to do research before buying the latest electronics.
- Most of their information comes from the Internet and TV, rather than traditional media.
- Carry their cell phone everywhere they go.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.



LifeMode Group: Middle Ground
Emerald City

Households: 1,748,600

Average Household Size: 2.06

Median Age: 37.4

Median Household Income: \$59,200

WHO ARE WE?

Emerald City's denizens live in lower-density neighborhoods of urban areas throughout the country. Young and mobile, they are more likely to rent. Well educated and well employed, half have a college degree and a professional occupation. Incomes close to the US median come primarily from wages, investments, and self-employment. This group is highly connected, using the Internet for entertainment and making environmentally friendly purchases. Long hours on the Internet are balanced with time at the gym. Many embrace the "foodie" culture and enjoy cooking adventurous meals using local and organic foods. Music and art are major sources of enjoyment. They travel frequently, both abroad and domestically.

OUR NEIGHBORHOOD

- There are mostly older, established neighborhoods with homes built before 1960; around 30% built before 1940.
- Just over half of all homes are renter occupied.
- Single-person and nonfamily types make up over half of all households.
- Median home value and average rent are slightly above the US levels; around half of owned homes are worth \$150,000-\$300,000.

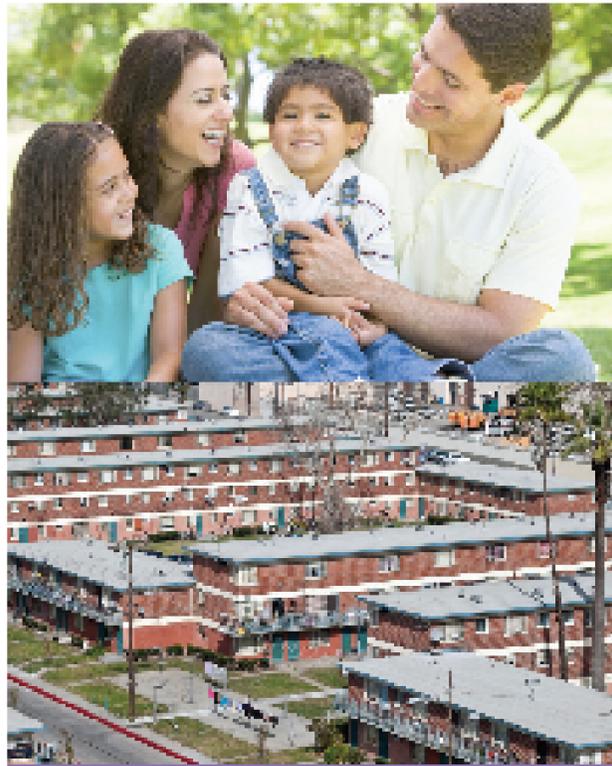
SOCIOECONOMIC TRAITS

- Well educated, these consumers research products carefully before making purchases.
- They buy natural, green, and environmentally friendly products.
- Very conscious of nutrition, they regularly buy and eat organic foods.
- Cell phones and text messaging are a huge part of everyday life.
- They place importance on learning new things to keep life fresh and variable.
- They are interested in the fine arts and especially enjoy listening to music.



Note: The index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.

13C



LifeMode Group: Next Wave
NeWest Residents

Households: 970,800
Average Household Size: 3.35
Median Age: 27.3
Median Household Income: \$30,200

WHO ARE WE?

For this young Hispanic market, life has taken many turns recently. They are new to America and new to their careers, with new, young families. Many are new to the English language; nearly one-third of households are linguistically isolated. *NeWest Residents* are ambitious and dream of a better life. They aren't ready to fully adopt the American way of life but are willing to take risks for the benefit of their families. As the breadwinners, the men of the house work long hours in blue collar jobs, primarily in the service industry. Skilled workers steer toward construction and manufacturing sectors. Female labor force participation is somewhat low, perhaps due to the language barrier, but also because of their parenting responsibilities.

OUR NEIGHBORHOOD

- They're concentrated in larger metropolitan areas (over half a million people) in the South and West.
- Reside in mostly renter-occupied apartments in older, mid- to high-rise buildings. Over 80% of housing units were built before 1990. Rental rates are below the US average (Index 85).
- Half of the households have children, in either married-couple or single-parent families.
- With average household size exceeding three, presence of children less than 5 years old is high compared to the US average. Dependent children represent approximately one-third of the population.

SOCIOECONOMIC TRAITS

- Female labor participation is slightly lower than the US average, partially attributable to the language barrier in this diverse foreign-born market.
- Male labor force participation (Index 116) is compulsory for these new families.
- Working full-time in blue collar jobs, this market works hard and dreams big. They seek adventure and take risks for the betterment of their families.
- They are automotive enthusiasts; if they had the savings, they would buy a used, but bold, fun-to-drive vehicle.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.



LifeMode Group: Middle Ground
Bright Young Professionals

8C

Households: 2,750,200

Average Household Size: 2.41

Median Age: 33.0

Median Household Income: \$54,000

WHO ARE WE?

Bright Young Professionals is a large market, primarily located in urban outskirts of large metropolitan areas. These communities are home to young, educated, working professionals. More than one out of three householders is under the age of 35. Slightly more diverse couples dominate this market, with more renters than homeowners. More than two-fifths of the households live in single-family homes; over a third live in 5+ unit buildings. Labor force participation is high, generally white-collar work, with a mix of food service and part-time jobs (among the college students). Median household income, median home value, and average rent are close to the US values. Residents of this segment are physically active and up on the latest technology.

OUR NEIGHBORHOOD

- Approximately 57% of the households rent; 43% own their homes.
- Household type is primarily couples, married (or unmarried), with above average concentrations of both single-parent (Index 125) and single-person (Index 115) households.
- Multiunit buildings or row housing make up 56% of the housing stock (row housing (Index 178), buildings with 5–19 units (Index 275)); 43% built 1980–99.
- Average rent mirrors the US (Index 100).
- Lower vacancy rate is at 8.2%.

SOCIOECONOMIC TRAITS

- Education completed: 35% with some college or an associate’s degree, 33% with a bachelor’s degree or higher.
- Unemployment rate is lower at 4.7%, and labor force participation rate of 72% is higher than the US rate.
- These consumers are up on the latest technology.
- They get most of their information from the Internet.
- Concern about the environment, impacts their purchasing decisions.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by ORB M&I.



LifeMode Group: Upscale Avenues
Enterprising Professionals



Households: 1,737,200
Average Household Size: 2.48
Median Age: 35.3
Median Household Income: \$86,600

WHO ARE WE?

Enterprising Professionals residents are well educated and climbing the ladder in STEM (science, technology, engineering, and mathematics) occupations. They change jobs often and therefore choose to live in condos, town homes, or apartments; many still rent their homes. The market is fast-growing, located in lower density neighborhoods of large metro areas. *Enterprising Professionals* residents are diverse, with Asians making up over one-fifth of the population. This young market makes over one and a half times more income than the US median, supplementing their income with high-risk investments. At home, they enjoy the Internet and TV on high-speed connections with premier channels and services.

OUR NEIGHBORHOOD

- Almost half of households are married couples, and 29% are single person households.
- Housing is a mixture of suburban single-family homes, row homes, and larger multiunit structures.
- Close to three quarters of the homes were built after 1980; 25% are newer, built after 2000.
- Renters make up nearly half of all households.

SOCIOECONOMIC TRAITS

- Median household income one and a half times that of the US.
- Over half hold a bachelor's degree or higher.
- Early adopters of new technology in hopes of impressing peers with new gadgets.
- Enjoy talking about and giving advice on technology.
- Half have smartphones and use them for news, accessing search engines, and maps.
- Work long hours in front of a computer.
- Strive to stay youthful and healthy, eat organic and natural foods, run and do yoga.
- Buy name brands and trendy clothes online.



Note: The index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MBL.



LifeMode Group: Ethnic Enclaves

Up and Coming Families

Households: 2,901,200

Average Household Size: 3.12

Median Age: 31.4

Median Household Income: \$72,000



WHO ARE WE?

Up and Coming Families is a market in transition—residents are younger and more mobile and ethnically diverse than the previous generation. They are ambitious, working hard to get ahead, and willing to take some risks to achieve their goals. The recession has impacted their financial well-being, but they are optimistic. Their homes are new; their families are young. And this is one of the fastest-growing markets in the country.

OUR NEIGHBORHOOD

- New suburban periphery: new families in new housing subdivisions.
- Building began in the housing boom of the 2000s and continues in this fast-growing market.
- Single-family homes with a median value of \$194,400 and a lower vacancy rate.
- The price of affordable housing: longer commute times (Index 217).

SOCIOECONOMIC TRAITS

- Education: 67% have some college education or degree(s).
- Hard-working labor force with a participation rate of 71% (Index 114) and low unemployment at 4.6% (Index 84).
- Most households (61%) have 2 or more workers.
- Careful shoppers, aware of prices, willing to shop around for the best deals and open to influence by others' opinions.
- Seek the latest and best in technology.
- Young families still feathering the nest and establishing their style.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.



LifeMode Group: Upscale Avenues
Urban Chic

2A

Households: 1,635,200
Average Household Size: 2.39
Median Age: 43.3
Median Household Income: \$109,400

WHO ARE WE?

Urban Chic residents are professionals that live a sophisticated, exclusive lifestyle. Half of all households are occupied by married-couple families and about 30% are singles. These are busy, well-connected, and well-educated consumers—avid readers and moviegoers, environmentally active, and financially stable. This market is a bit older, with a median age of 43 years, and growing slowly, but steadily.

OUR NEIGHBORHOOD

- More than half of *Urban Chic* households include married couples; nearly 30% are singles.
- Average household size is slightly lower at 2.39.
- Homes range from prewar to recent construction, high-rise to single family. Over 60% of householders live in single-family homes; more than one in four live in multiunit structures.
- Two-thirds of homes are owner occupied.
- Major concentrations of these neighborhoods are found in the suburban periphery of large metropolitan areas on the California coast and along the East Coast.
- Most households have two vehicles available. Commuting time is slightly longer, but commuting by bicycle is common (Index 252).

SOCIOECONOMIC TRAITS

- Well educated, more than 65% of residents hold a bachelor's degree or higher (Index 212).
- Unemployment rate is well below average at 3.3% (Index 61); labor force participation is higher at 68%.
- Residents are employed in white collar occupations—in managerial, technical, and legal positions.
- Nearly 40% of households receive income from investments.
- Environmentally aware, residents actively recycle and maintain a "green" lifestyle.
- These busy, tech-savvy residents use PCs extensively for an array of activities such as shopping, banking, and staying current—a top market for Apple computers.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by QM&M.



LifeMode Group: Affluent Estates

Boomburbs



Households: 2,004,400

Average Household Size: 3.25

Median Age: 34.0

Median Household Income: \$113,400

WHO ARE WE?

This is the new growth market, with a profile similar to the original: young professionals with families that have opted to trade up to the newest housing in the suburbs. The original Boomburbs neighborhoods began growing in the 1990s and continued through the peak of the housing boom. Most of those neighborhoods are fully developed now. This is an affluent market but with a higher proportion of mortgages. Rapid growth still distinguishes the Boomburbs neighborhoods, although the boom is more subdued now than it was 10 years ago. So is the housing market. Residents are well-educated professionals with a running start on prosperity.

OUR NEIGHBORHOOD

- Growth markets are in the suburban periphery of large metropolitan areas.
- Young families are married with children (Index 220); average household size is 3.25.
- Home ownership is 84% (Index 134), with the highest rate of mortgages, 71.5% (Index 173).
- Primarily single-family homes, in new neighborhoods, 66% built since 2000 (Index 441).
- Median home value is \$350,000 (Index 169).
- Lower housing vacancy rate at 3.7%.
- The cost of affordable new housing comes at the expense of one of the longest commutes to work, over 30 minutes average, including a disproportionate number (33.6%) commuting across county lines (Index 141).

SOCIOECONOMIC TRAITS

- Well educated young professionals, 55% are college graduates (Index 178).
- Unemployment is low at 3.3% (Index 61); high labor force participation at 71.3% (Index 114); most households have more than two workers (Index 124).
- Longer commute times from the suburban growth corridors have created more home workers (Index 156).
- They are well connected: own the latest devices and understand how to use them efficiently; biggest complaints—too many devices and too many intrusions on personal time.
- Financial planning is well under way for these professionals.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.



LifeMode Group: Ethnic Enclaves American Dreamers



Households: 1,824,900
Average Household Size: 3.19
Median Age: 32.5
Median Household Income: \$50,900

WHO ARE WE?

Located throughout the South and West, most *American Dreamers* residents own their own homes, primarily single-family housing—farther out of the city, where housing is more affordable. Median household income is slightly below average (Index 91). The majority of households include younger married-couple families with children and, frequently, grandparents. Diversity is high; many residents are foreign born, of Hispanic origin. Hard work and sacrifice have improved their economic circumstance as they pursue a better life for themselves and their family. Spending is focused more on the members of the household than the home. Entertainment includes multiple televisions, movie rentals, and video games at home or visits to theme parks and zoos. This market is connected and adept at accessing what they want from the Internet.

OUR NEIGHBORHOOD

- *American Dreamers* residents are family-centric and diverse. Most are married couples with children of all ages or single parents; multigenerational homes are common (Index 201).
- Average household size is higher at 3.19 (Index 123).
- Residents tend to live further out from urban centers—more affordable single-family homes and more elbow room.
- Tenure is slightly above average with 64% owner occupancy; primarily single-family homes with more mortgages (Index 114) and slightly higher monthly costs (Index 115).
- Three quarters of all housing were built since 1970.
- Many neighborhoods are located in the urban periphery of the largest metropolitan areas across the South and West.
- Most households have one or two vehicles available and a longer commute to work.

SOCIOECONOMIC TRAITS

- While nearly 17% have earned a college degree, the majority, or 63%, hold a high school diploma only or spent some time at a college or university.
- Unemployment is higher at 7.4% (Index 136); labor force participation is also higher at 66%.
- Most *American Dreamers* residents derive income from wages or salaries, but the rate of poverty is a bit higher in this market (Index 116).
- They tend to spend money carefully and focus more on necessities.
- They are captivated by new technology, particularly feature-rich smartphones.
- Connected: They use the Internet primarily for socializing but also for convenience, like paying bills online.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by GfK MRI.



LifeMode Group: Scholars and Patriots

Dorms to Diplomas

14C

Households: 630,300

Average Household Size: 2.22

Median Age: 21.6

Median Household Income: \$16,800

WHO ARE WE?

On their own for the first time, *Dorms to Diplomas* residents are just learning about finance and cooking. Frozen dinners and fast food are common options. Shopping trips are sporadic, and preferences for products are still being established. Many carry a balance on their credit card so they can buy what they want now. Although school and part-time work take up many hours of the day, the remainder is usually filled with socializing and having fun with friends. They are looking to learn life lessons inside and outside of the classroom. This is the first online generation, having had lifelong use of computers, the Internet, cell phones, and MP3 players.

OUR NEIGHBORHOOD

- Mix of dorms, on-campus and off-campus housing cater to young renters.
- Off-campus householders are commonly students living alone or with roommates; average household size is 2.22.
- More than 80% of the housing are apartments; many older homes in town have been converted into multifamily living units.
- With limited parking on campus, many walk, bike, or car pool to class.
- Less than one in ten homes are owner occupied.

SOCIOECONOMIC TRAITS

- They're the youngest market with half of the population aged 20–24.
- They're impulse buyers who experiment with different brands.
- They buy trendy clothes on a budget.
- Vehicles are just a means of transportation—economy and environmental impact are factors in purchases; used, imported subcompact cars are a popular choice.
- They value socializing, having fun, and learning new things.
- They're always connected; their cell phone is never out of reach.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by QM&M.



LifeMode Group: Scholars and Patriots
College Towns

14B

Households: 1,176,200

Average Household Size: 2.14

Median Age: 24.5

Median Household Income: \$32,200

WHO ARE WE?

About half the residents of *College Towns* are enrolled in college, while the rest work for a college or the services that support it. Students have busy schedules, but make time between studying and part-time jobs for socializing and sports. Students that are new to managing their own finances tend to make impulse buys and splurge on the latest fashions. This digitally engaged group uses computers and cell phones for all aspects of life including shopping, school work, news, social media, and entertainment. *College Towns* are all about new experiences, and residents seek out variety and adventure in their lives.

OUR NEIGHBORHOOD

- These are nonfamily households with many students living alone or with roommates for the first time.
- This segment is a mix of densely developed student housing and dorms with local residences.
- Off-campus, low rent apartments comprise half of the housing stock.
- Over three-quarters of the households are renter occupied, with one in ten remaining vacant.
- One-third of homes are single family; mostly occupied by local residents who own their homes.
- This market is bike and pedestrian friendly.

SOCIOECONOMIC TRAITS

- Their limited incomes result in thrifty purchases.
- They do not eat the healthiest foods, nor do they see a doctor regularly.
- They dress to impress with the latest fashions of the season.
- They prefer environmentally friendly products and vehicles that get good gas mileage.
- They're heavily influenced by celebrity endorsements and trends in magazines.
- They feel anything that can be done online is easier than in person.
- They have liberal political views.



Note: The Index represents the ratio of the segment rate to the US rate multiplied by 100. Consumer preferences are estimated from data by QM, MR.

CITY OF AUSTIN LOCATION ENHANCEMENT PROGRAM

Strategic Area Market Context Summaries

31 DECEMBER 2020

PREPARED FOR:



PREPARED BY:



STRATEGIC AREA MARKET ANALYSES

In formulating the City of Austin’s Location Enhancement Program (LEP), several targeted investment areas were identified for focused analyses of market opportunity and prospects for public / private partnership.

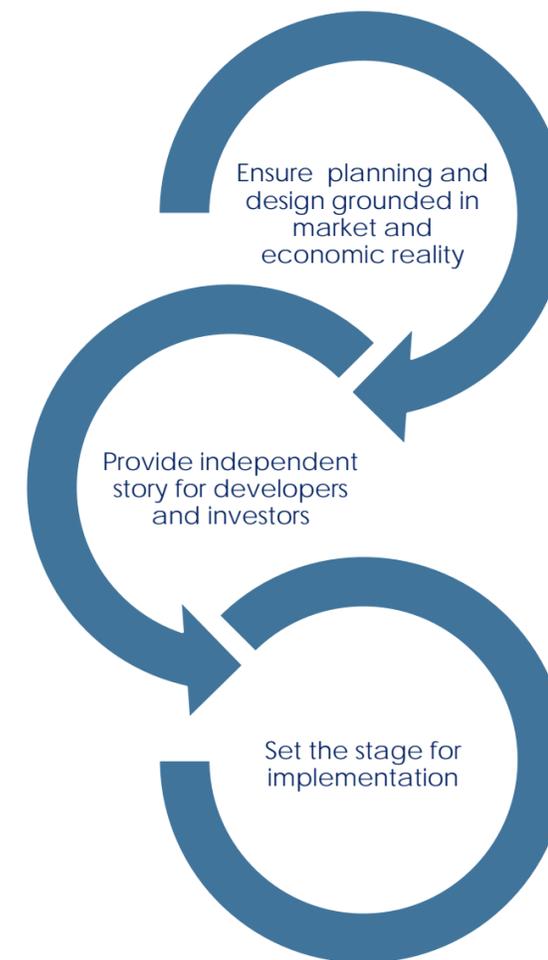
These Strategic Area market analyses include the following elements:

- Trade Area identification
- Demographic / Psychographic Profiles
- Supply and Demand by Land Use Type
- Submarket Share Summary

The information contained herein quantifies market support for a range of real estate product types and provides the “delivery system” with the data and analyses to make investment / development decisions related to revitalization of these key strategic areas.

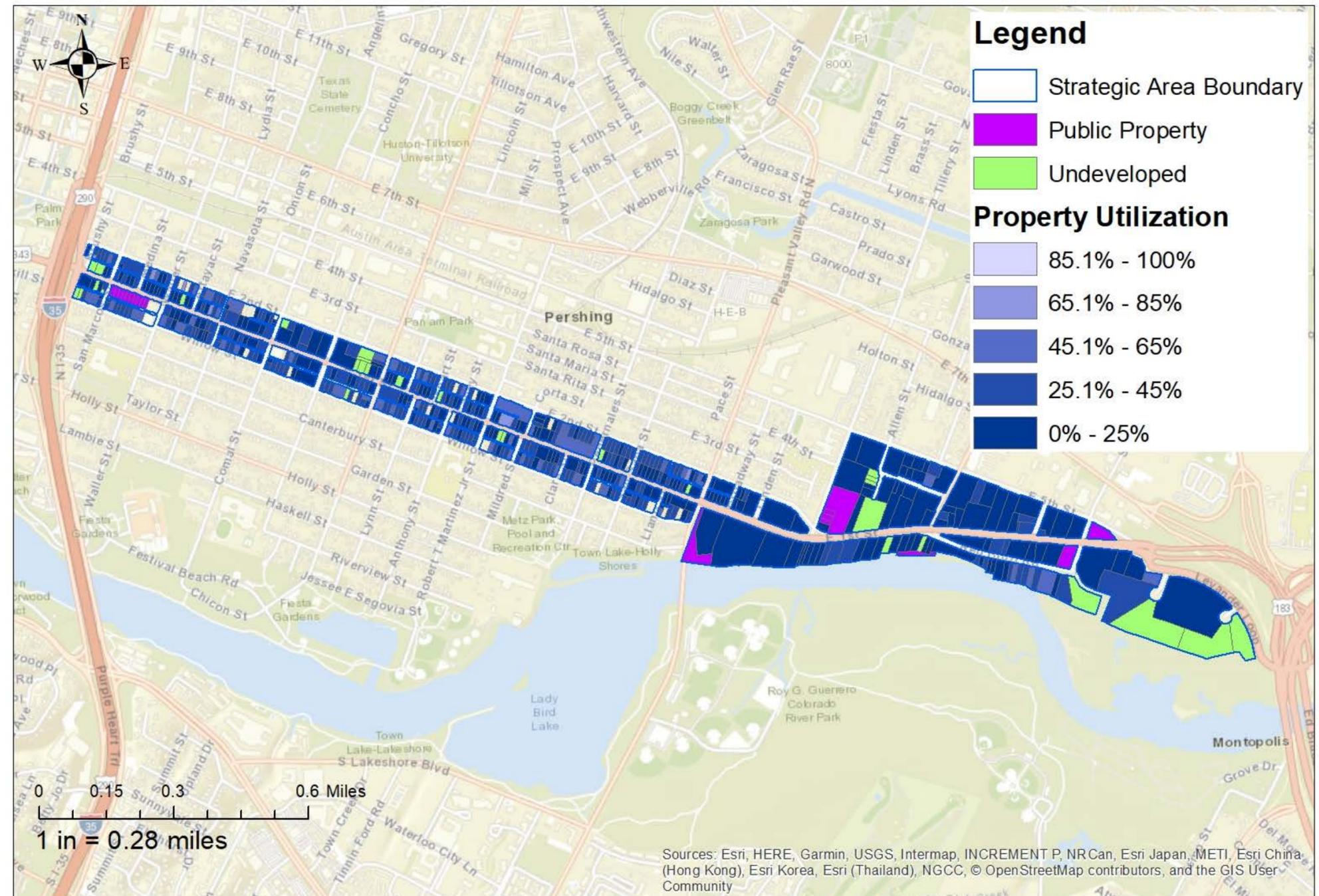
Market profiles are included for the following Strategic Areas:

- East Cesar Chavez Corridor
- Montopolis
- North Lamar
- South Congress – South 1st
- South Lamar
- Springdale



EAST CESAR CHAVEZ STRATEGIC AREA

The East Cesar Chavez Corridor extends from Interstate 35 (I-35) on the west, approximately 3 miles to U.S. Highway 183 on the east, encompassing commercial parcels on both sides of the Corridor. This map shows Corridor property utilization, as measured by percent of total value attributable to improvements. As shown, a significant portion of the Corridor is at a utilization rate less than 50%, a strong indicator for redevelopment likelihood. This will be mitigated somewhat by small parcel size, disaggregated ownership, and zoning restrictions near single family housing.



**Strategic Areas:
East Cesar Chavez Property Utilization**

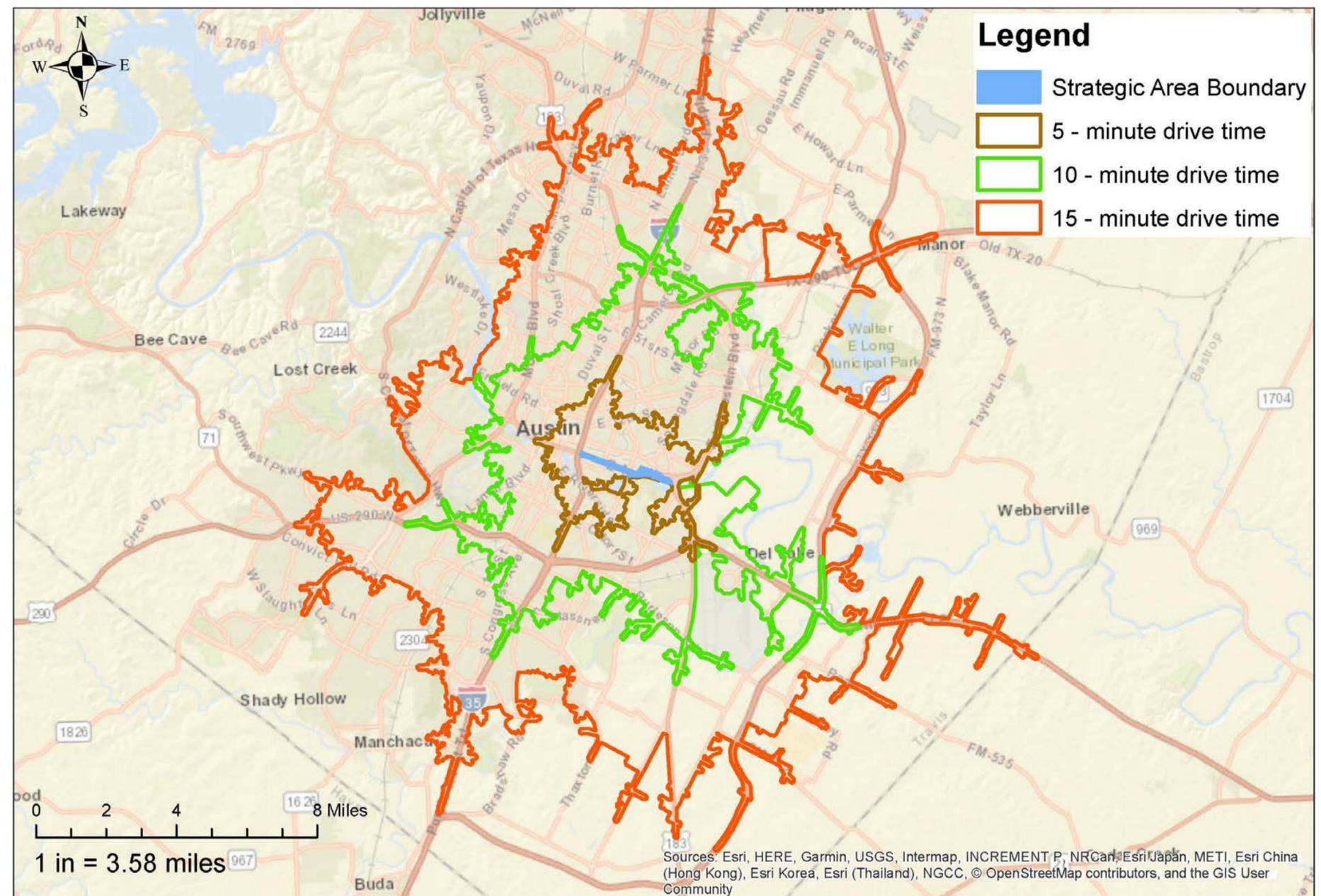
MARKET TRADE AREA

A trade area is defined as an area from which a project (s) or locale will draw the majority of its residents (housing), patrons (retail), employees (office, industrial, institutional), and visitors (lodging) – and those areas that will likely be a source of competition (supply) and demand. The boundaries of a trade area are often irregular as they are influenced by the following conditions:

- Physical Barriers
- Location of Possible Competition
- Proximity to Population and / or Employment Concentrations
- Zoning
- Market Factors
- Drive Times, Spending and Commuting Patterns
- Others

For the purposes of the East Cesar Chavez Corridor market analysis, the Trade Area was identified by a 10-minute drive time to/from the Corridor.

East Cesar Chavez Corridor Trade Area



DEMOGRAPHIC PROFILE

- The East Cesar Chavez Corridor Trade Area is projected to grow significantly faster than the City over the next 10 years.
- The Trade Area’s lower average household size and higher shares of non-family, one- and two-person, and renter households suggest continued demand for a range of higher-density, lower-maintenance housing products (both ownership and rental).
- The Trade Area skews younger and more ethnic than the City, with a similar well-educated, relatively affluent resident base.
- The Trade Area’s demographic profile is representative of a progressive, urban community, attracted to real estate product types that are diverse, innovative, and address a wide range of socioeconomic groups.

2019 Indicator (unless otherwise noted)	East Cesar Chavez Corridor	City of Austin
2010 Population	234,184	790,390
2010 Households	94,992	329,326
2020 Population	292,700	999,991
2020 Households	121,900	414,800
Annual Household Growth Rate (2020 to 2030)	2.3%	1.4%
Average Household Size	2.25	2.36
Percent Non-Family Households	61%	48%
Percent One- and Two-Person Households	69%	67%
Percent Renters	68%	55%
Percent Age 65+	8%	10%
Percent Age 25-44	34%	34%
Median Age	29.2	33.0
Percent With Bachelors Degree	43%	51%
Average Household Income	\$89,200	\$98,500
Percent With Income Below \$25,000	25%	16%
Percent With Income Over \$100,000	29%	34%
Percent Hispanic	42%	36%
Percent Black/African-American	11%	8%
Percent Asian American	5%	8%

Source: U.S. Census; Texas State Demographer; City of Austin; ESRI; and Ricker | Cunningham.



The major forces of globalization, technology, urbanization, and demography are constantly interacting with each other and having a direct impact on the real estate industry.

PSYCHOGRAPHIC PROFILE

Psychographics is a term used to describe the characteristics of people and neighborhoods which, instead of being purely demographic, speak more to attitudes, interests, opinions and lifestyles. The Trade Area's psychographic profile indicates a young, affluent, highly-educated, community.

As with the demographic profile, both the Trade Area and City show young, affluent lifestyle segments. The Trade Area segments also show a higher impact from the University (Dorms to Diplomas), while the City segments include a more established group of young, married couples who are more attracted to the outskirts of the City.

East Cesar Chavez Trade Area			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Metro Renters	21,699	17.8%	1,044
Young and Restless	19,287	15.8%	907
NeWest Residents	12,740	10.5%	1,360
Dorms to Diplomas	12,078	9.9%	1,949
Emerald City	10,291	8.4%	554
Total Above Segments	76,095	62.4%	--

LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Uptown Individuals	32,078	26.3%	684
Midtown Singles	24,563	20.2%	327
Scholars and Patriots	21,734	17.8%	1,106
Next Wave	16,443	13.5%	354
Middle Ground	15,965	13.1%	121
Total Above Groups	110,783	90.9%	--

Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	58,406	47.9%	264
Principal Urban Center	48,283	39.6%	556
Urban Periphery	12,581	10.3%	353
Suburban Periphery	2,404	2.0%	6
Semirural	226	0.2%	2
Total Above Groups	121,900	100.0%	--
Total Trade Area	121,900	100.0%	--

City of Austin			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Metro Renters	52,320	13.0%	779
Young and Restless	46,974	11.7%	671
Emerald City	34,087	8.5%	594
NeWest Residents	31,700	7.9%	1,016
Bright Young Professionals	28,529	7.1%	315
Total Above Segments	193,610	48.0%	--

LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Middle Ground	73,019	18.1%	167
Uptown Individuals	66,381	16.5%	431
Midtown Singles	61,639	15.3%	248
Affluent Estates	38,588	9.6%	96
Ethnic Enclaves	36,165	9.0%	126
Total Above Groups	275,792	68.4%	--

Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	128,367	31.8%	175
Suburban Periphery	108,900	27.0%	85
Principal Urban Center	101,538	25.2%	353
Urban Periphery	62,226	15.4%	93
Semirural	1,370	0.3%	4
Total Above Groups	402,401	99.8%	--
Total Trade Area	403,065	100.0%	--

* Indicates concentration of this segment relative to U.S. average. A segment index of 200 would mean that this group contains 2 times the concentration of households compared to the average U.S. neighborhood.

Source: ESRI and Ricker | Cunningham.

TRADE AREA HOUSING MARKET

East Cesar Chavez Multifamily Housing Conditions

Indicator	
Total Units	3,111
Under Construction	553
12-month Absorption	353
Vacancy Rate	11.9%
Market Rent per Unit	\$1,602
Market Rent per Sq Ft	\$2.07

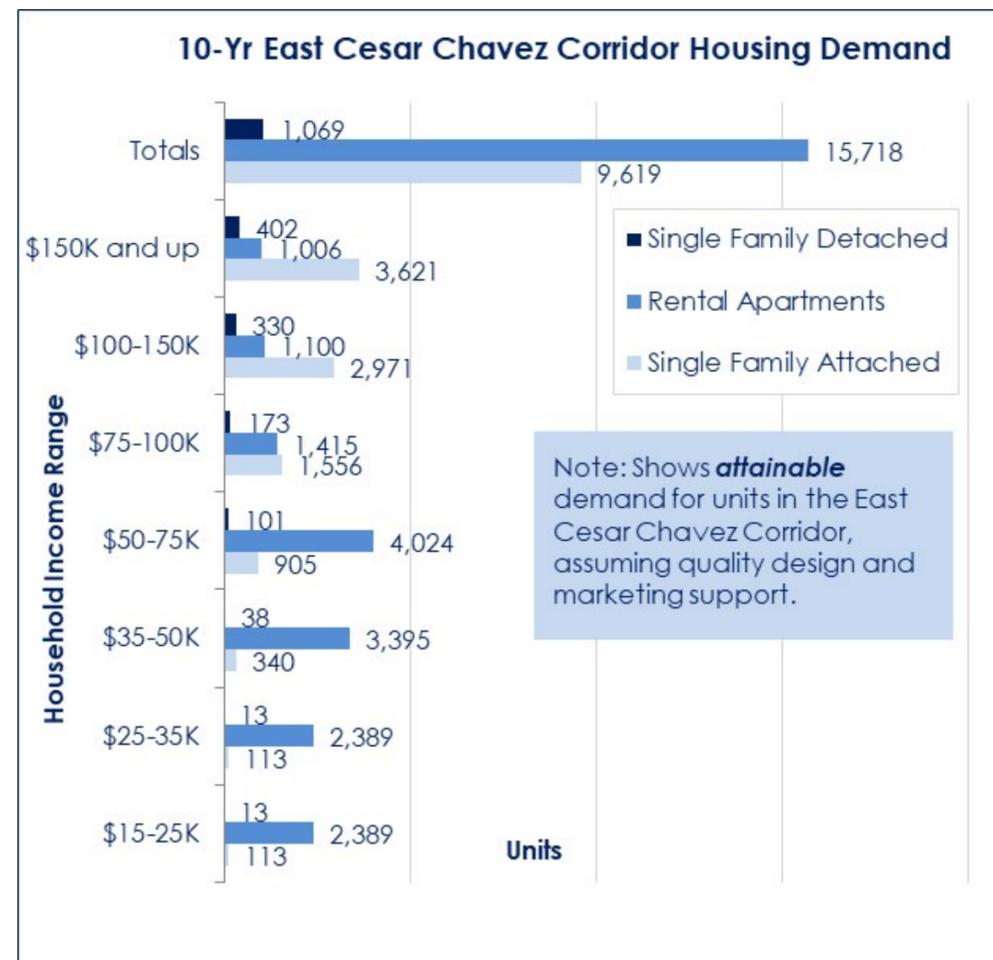
Source: CoStar and Ricker | Cunningham.

The East Cesar Chavez multifamily submarket is one of the most active in the City of Austin. With 553 units under construction, a healthy absorption rate and above market rental rates, this submarket continues to support a high level of new construction. Even though over half of submarket projects include affordable or rent-restricted units, there is high demand for units which address "middle market" renters.



The Trade Area shows healthy demand for both attached ownership and rental apartment units over the next 10 years. Recent national studies have shown that nearly half of the population is looking for a different residential lifestyle than is presently available in their respective market. People care less about space and more about how space is used. The East Cesar Chavez Corridor is an ideal environment for these types of higher-density, lower-maintenance housing products.

East Cesar Chavez Housing Demand Summary



TRADE AREA RETAIL MARKET

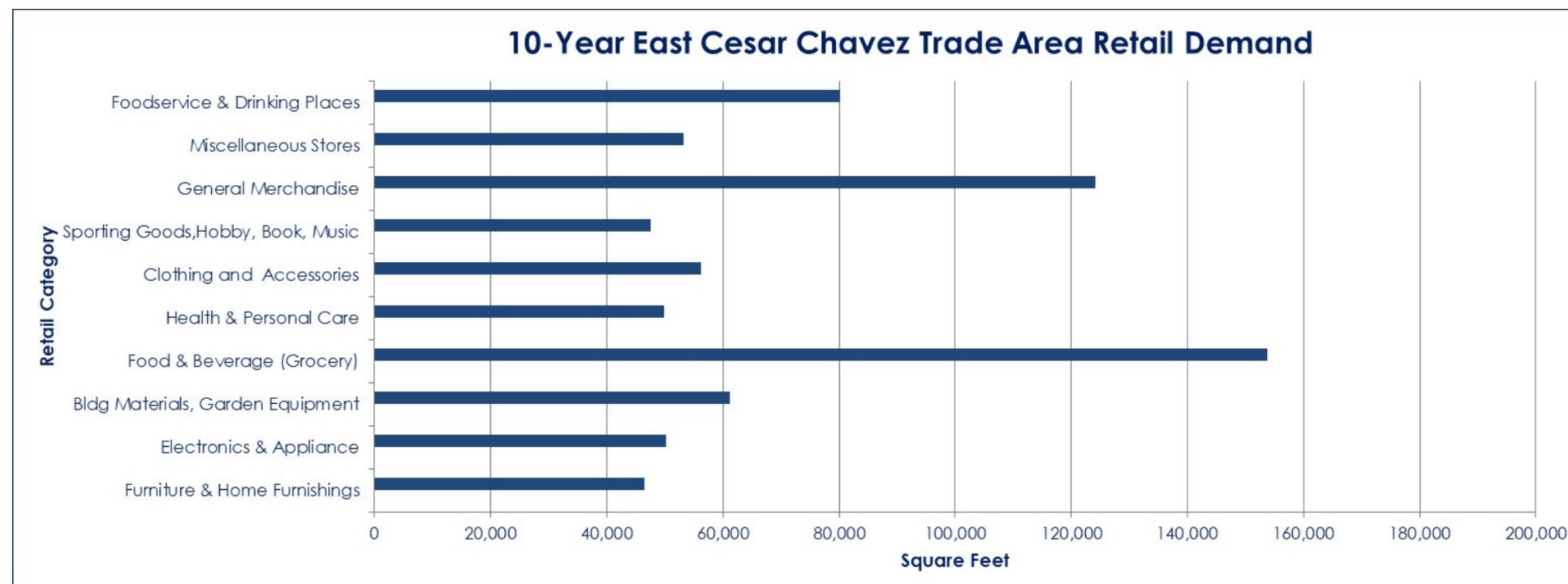
East Cesar Chavez Retail Market Conditions

Indicator	
Net Rentable Sq Ft	1,400,000
Under Construction (sq ft)	0
12-month Absorption (sq ft)	55,700
Vacancy Rate	3.9%
Market Rent per Sq Ft	\$28.34

East Cesar Chavez is an established retail submarket, with low vacancy rates and rental rates at the upper end of the overall Austin market. Given healthy household growth in Trade Area, the Corridor should continue to show high demand for household goods and services and food and beverage-related businesses

Source: CoStar and Ricker | Cunningham.

East Cesar Chavez Retail Demand Summary



Including demand from retail "leakage" (~70,000 sq ft) and new household growth (~650,000 sq ft), the East Cesar Chavez Trade Area could support an additional 720,000 square feet of retail/restaurant/service space over the next 10 years. The highest demand categories are food and beverage (grocery), foodservice and drinking places and general merchandise.



TRADE AREA EMPLOYMENT MARKET

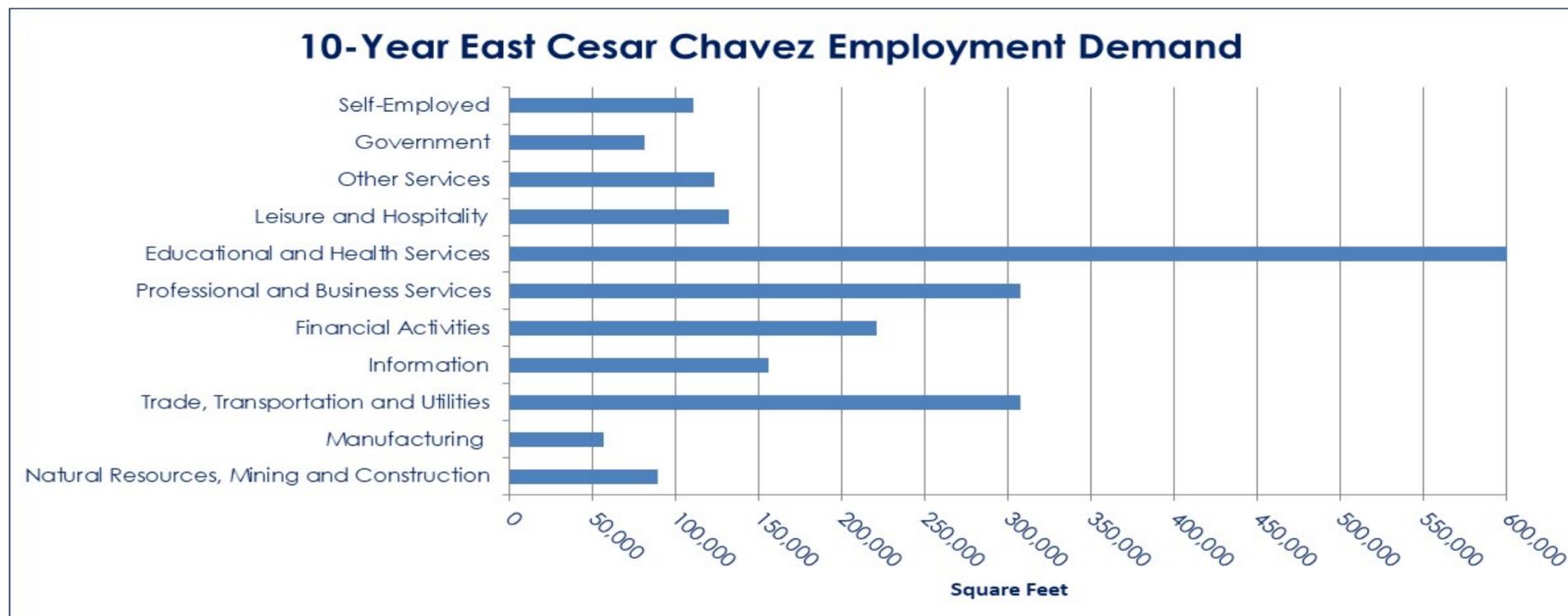
East Cesar Chavez Employment Market Conditions

Indicator	Office	Industrial
Net Rentable Sq Ft	2,000,000	1,500,000
Under Construction (sq ft)	777,000	0
12-month Absorption (sq ft)	230,000	(4,000)
Vacancy Rate	19.0%	0.4%
Market Rent per Sq Ft	\$44.45	\$11.93

Source: CoStar and Ricker | Cunningham.

East Cesar Chavez is a growing office submarket, with 777,000 square feet of space under construction. Vacancy rates are comparable to the City as a whole and rents are at the high end of the market. The industrial submarket is more established, with no new construction, low vacancy rates and rental rates at the upper end of the overall Austin market.

East Cesar Chavez Employment Demand Summary



Support for employment space is derived from two sources – growth / expansion among existing users in the Trade Area and the relocation of new companies into the market. Based on overall annual employment growth of 1.5%, the Cesar Chavez Trade Area could support an additional 2.1 million square feet of new employment (office and industrial) space over the next 10 years.



ECC CORRIDOR MARKET OPPORTUNITIES

East Cesar Chavez Strategic Area Opportunity Summary

Residential

- Small-lot Single Family Detached Units (Cottages)
- Single Family Attached Units (Townhouses, Rowhouses, Condominiums)
- Rental Apartments targeted to “middle income” renters (80% to 120% of Area Median Income)

Retail

- Specialty food and grocery
- Restaurant and entertainment venues
- Neighborhood retail / service space

Employment

- Neighborhood / Local Service Office space
- Medical Office space
- Live / Work “Maker” space
- Light industrial space

Real Estate Product Type	Market Opportunity	
	Short-Term	Long-Term
Residential		
Single Family Detached		
Cottages (small lot SFD)	X	X
Patio homes		X
Duplex / Townhome	X	X
Condominiums	X	X
Apartments / Lofts (workforce)	X	X
Retail		
Neighborhood retail / service	X	X
Restaurant / Bar	X	X
Entertainment	X	X
Specialty Food / Grocery	X	X
Boutique Retail		
Lodging / Hotel		
Employment		
Class A office		
Medical office	X	X
Neighborhood / Local Service office	X	X
Light industrial	X	X
Live / Work "Maker" space	X	X
Manufacturing	X	X

Short-Term = 1 to 5 years; Long-Term = 5+ years

Source: Ricker | Cunningham.

ECC CORRIDOR MARKET OPPORTUNITIES

Supportable Product Images

Residential



Retail

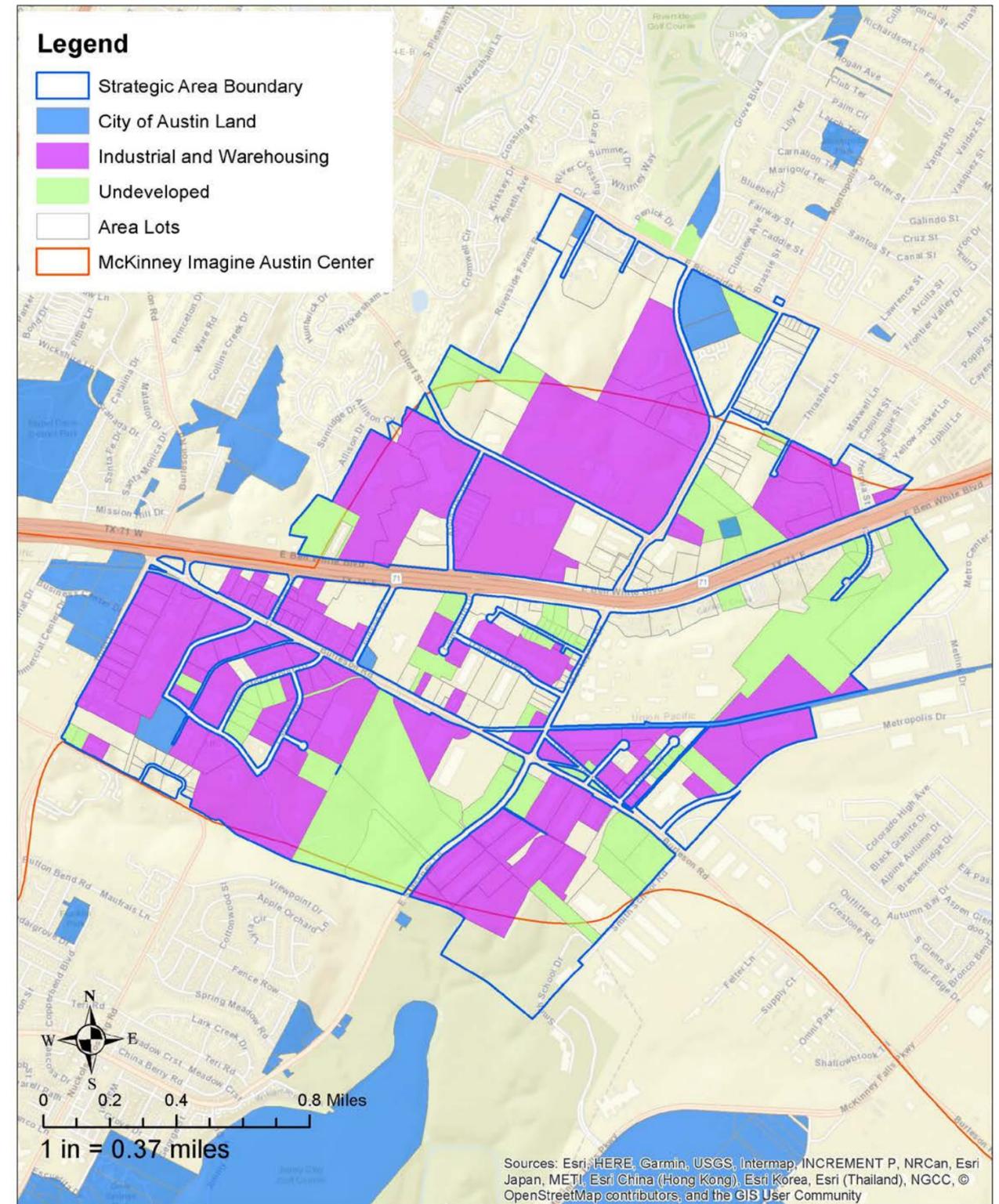


Employment



MONTOPOLIS STRATEGIC AREA

The Montopolis Strategic Area includes properties surrounding the intersection of Montopolis Drive and East Ben White Boulevard (SH 71). The Area is bounded by East Riverside Drive on the northeast and East Saint Elmo Road on the southwest. This map shows the high degree of undeveloped and industrial and warehousing property, as well as several parcels owned by the City of Austin. This indicates an area likely to continue experiencing redevelopment.



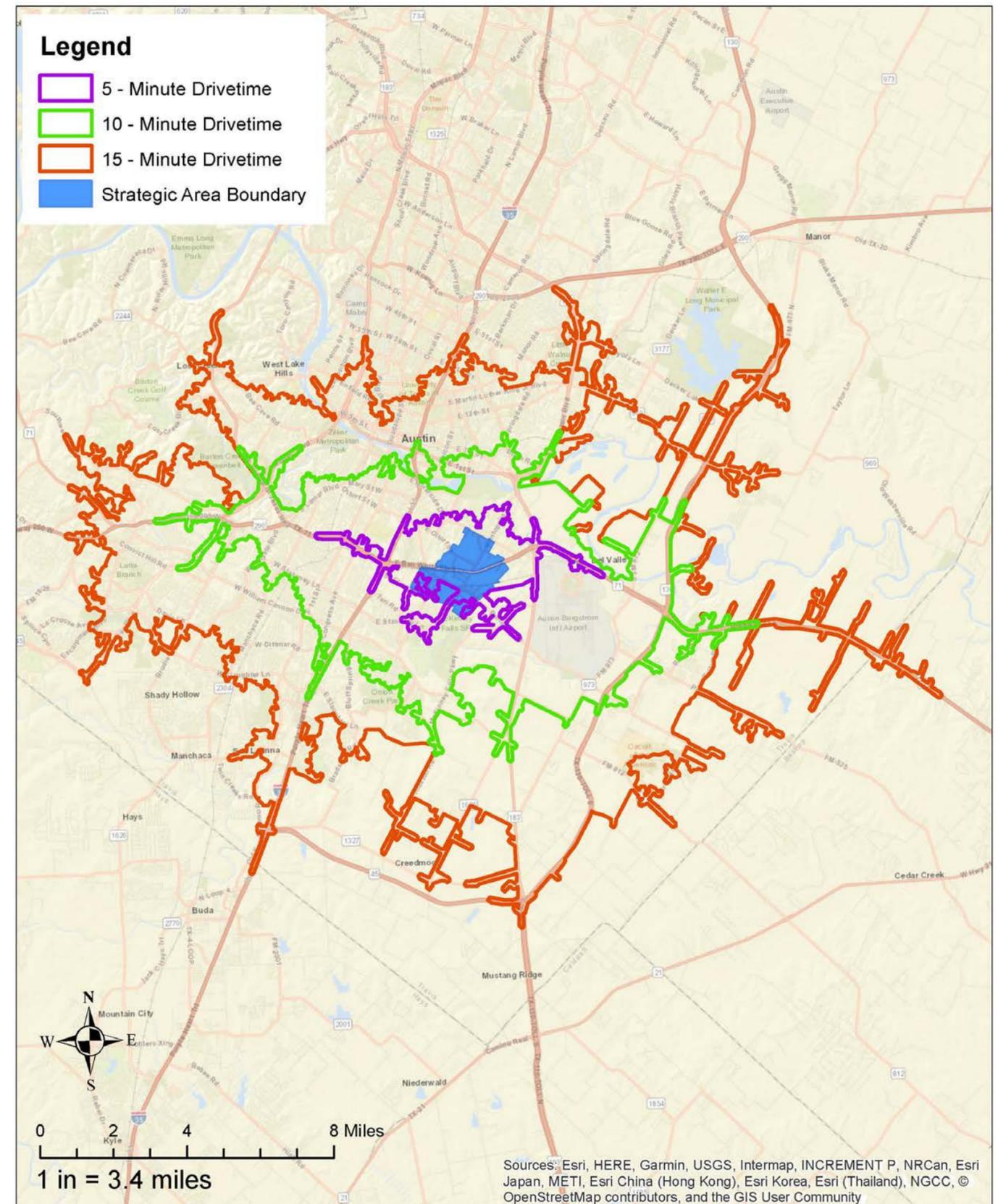
**Strategic Areas:
Montopolis (McKinney Center)**

MARKET TRADE AREA

A trade area is defined as an area from which a project (s) or locale will draw the majority of its residents (housing), patrons (retail), employees (office, industrial, institutional), and visitors (lodging) – and those areas that will likely be a source of competition (supply) and demand. The boundaries of a trade area are often irregular as they are influenced by the following conditions:

- Physical Barriers
- Location of Possible Competition
- Proximity to Population and / or Employment Concentrations
- Zoning
- Market Factors
- Drive Times, Spending and Commuting Patterns
- Others

For the purposes of the Montopolis Strategic Area market analysis, the Trade Area was identified by a 10-minute drive time to/from the Montopolis / SH 71 intersection.



DEMOGRAPHIC PROFILE

- The Montopolis Trade Area is projected to grow significantly faster than the City over the next 10 years.
- The Trade Area’s lower average household size and higher shares of non-family, one- and two-person, and renter households suggest continued demand for a range of higher-density, lower-maintenance housing products (both ownership and rental).
- The Trade Area skews younger and significantly more ethnic than the City, with a similar well-educated, relatively affluent resident base.
- The Trade Area’s demographic profile is representative of a diverse, progressive, urban community, attracted to real estate product types that are diverse, innovative, and address a wide range of socioeconomic groups.

2019 Indicator (unless otherwise noted)	Montopolis Trade Area	City of Austin
2010 Population	156,949	790,390
2010 Households	60,532	329,326
2020 Population	192,300	999,991
2020 Households	74,700	414,800
Annual Household Growth Rate (2020 to 2030)	2.3%	1.4%
Average Household Size	2.25	2.36
Percent Non-Family Households	61%	48%
Percent One- and Two-Person Households	72%	67%
Percent Renters	68%	55%
Percent Age 65+	8%	10%
Percent Age 25-44	34%	34%
Median Age	29.2	33.0
Percent With Bachelors Degree	43%	51%
Average Household Income	\$89,200	\$98,500
Percent With Income Below \$25,000	25%	16%
Percent With Income Over \$100,000	29%	34%
Percent Hispanic	42%	36%
Percent Black/African-American	11%	8%
Percent Asian American	5%	8%

Source: U.S. Census; Texas State Demographer; City of Austin; ESRI; and Ricker | Cunningham.



The major forces of globalization, technology, urbanization, and demography are constantly interacting with each other and having a direct impact on the real estate industry.

PSYCHOGRAPHIC PROFILE

Psychographics is a term used to describe the characteristics of people and neighborhoods which, instead of being purely demographic, speak more to attitudes, interests, opinions and lifestyles. The Trade Area’s psychographic profile indicates a young, affluent, highly-educated, community. As with the demographic profile, both the Trade Area and City show young, affluent lifestyle segments. The Trade Area segments also show a higher degree of ethnic diversity (Barrios Urbanos and NextWave, the LifeMode group with the highest % Hispanic population), while the City segments include a more established group of young, married couples who are more attracted to the outskirts of the City.

Montopolis Trade Area			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Young and Restless	21,845	29.2%	1,677
NeWest Residents	10,545	14.1%	1,839
Emerald City	7,382	9.9%	695
Metro Renters	5,236	7.0%	412
Barrios Urbanos	4,837	6.5%	624
Total Above Segments	49,845	66.7%	--
LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Midtown Singles	25,277	33.8%	550
Next Wave	11,556	15.5%	407
Middle Ground	11,234	15.0%	139
Ethnic Enclaves	10,909	14.6%	204
Uptown Individuals	8,529	11.4%	297
Total Above Groups	67,505	90.4%	--
Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	37,058	49.6%	274
Principal Urban Center	19,972	26.7%	376
Urban Periphery	14,033	18.8%	113
Suburban Periphery	2,964	4.0%	12
Semirural	530	0.7%	308
Total Above Groups	74,557	99.8%	--
Total Trade Area	74,693	100.0%	--

City of Austin			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Metro Renters	52,320	13.0%	779
Young and Restless	46,974	11.7%	671
Emerald City	34,087	8.5%	594
NeWest Residents	31,700	7.9%	1,016
Bright Young Professionals	28,529	7.1%	315
Total Above Segments	193,610	48.0%	--
LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Middle Ground	73,019	18.1%	167
Uptown Individuals	66,381	16.5%	431
Midtown Singles	61,639	15.3%	248
Affluent Estates	38,588	9.6%	96
Ethnic Enclaves	36,165	9.0%	126
Total Above Groups	275,792	68.4%	--
Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	128,367	31.8%	175
Suburban Periphery	108,900	27.0%	85
Principal Urban Center	101,538	25.2%	353
Urban Periphery	62,226	15.4%	93
Semirural	1,370	0.3%	4
Total Above Groups	402,401	99.8%	--
Total Trade Area	403,065	100.0%	--

* Indicates concentration of this segment relative to U.S. average. A segment index of 200 would mean that this group contains 2 times the concentration of households compared to the average U.S. neighborhood.

Source: ESRI and Ricker | Cunningham.

TRADE AREA HOUSING MARKET

Montopolis Trade Area Multifamily Housing Conditions

Indicator	
Total Units	21,328
Under Construction	2,438
12-month Absorption	262
Vacancy Rate	9.5%
Market Rent per Unit	\$1,228
Market Rent per Sq Ft	\$1.48

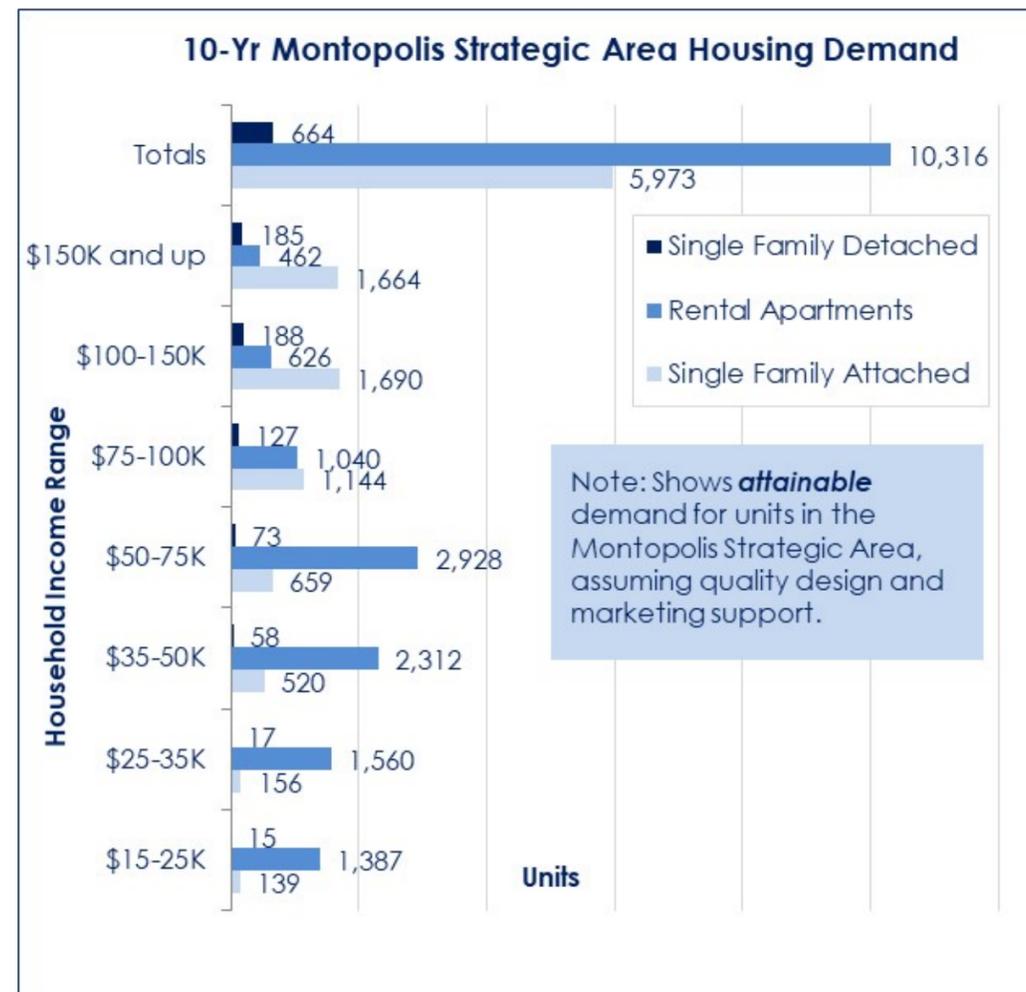
Source: CoStar and Ricker | Cunningham.

The Montopolis Trade Area multifamily submarket is one of the most active in the City of Austin, with 2,438 units under construction. However, a declining absorption rate and stable market rental rates make this submarket susceptible to increasing vacancy rates and possible rent decreases. Approximately 1/3 of submarket projects include affordable or rent-restricted units, so there is strong demand for units which address “middle market” renters.



The Trade Area shows healthy demand for both attached ownership and rental apartment units over the next 10 years. Recent national studies have shown that nearly half of the population is looking for a different residential lifestyle than is presently available in their respective market. People care less about space and more about how space is used. The Montopolis Strategic Area is an ideal environment for these types of higher-density, lower-maintenance housing products.

Montopolis Trade Area Housing Demand Summary



TRADE AREA RETAIL MARKET

Montopolis Trade Area Retail Market Conditions

Indicator	
Net Rentable Sq Ft	2,100,000
Under Construction (sq ft)	19,900
12-month Absorption (sq ft)	21,000
Vacancy Rate	1.5%
Market Rent per Sq Ft	\$24.79

The Montopolis Trade Area is an older, established retail submarket, with low vacancy rates and rental rates at the lower end of the overall Austin market. Even with healthy household growth, the Trade Area should continue to show moderate demand for household goods and services and food and beverage-related businesses

Source: CoStar and Ricker | Cunningham.

Montopolis Trade Area Retail Demand Summary



Including no demand from retail "leakage" and new household growth (~600,000 sq ft), the Montopolis Trade Area could support an additional 600,000 square feet of retail/restaurant/service space over the next 10 years. The highest demand categories are general merchandise, food and beverage (grocery), and foodservice and drinking places.



TRADE AREA EMPLOYMENT MARKET

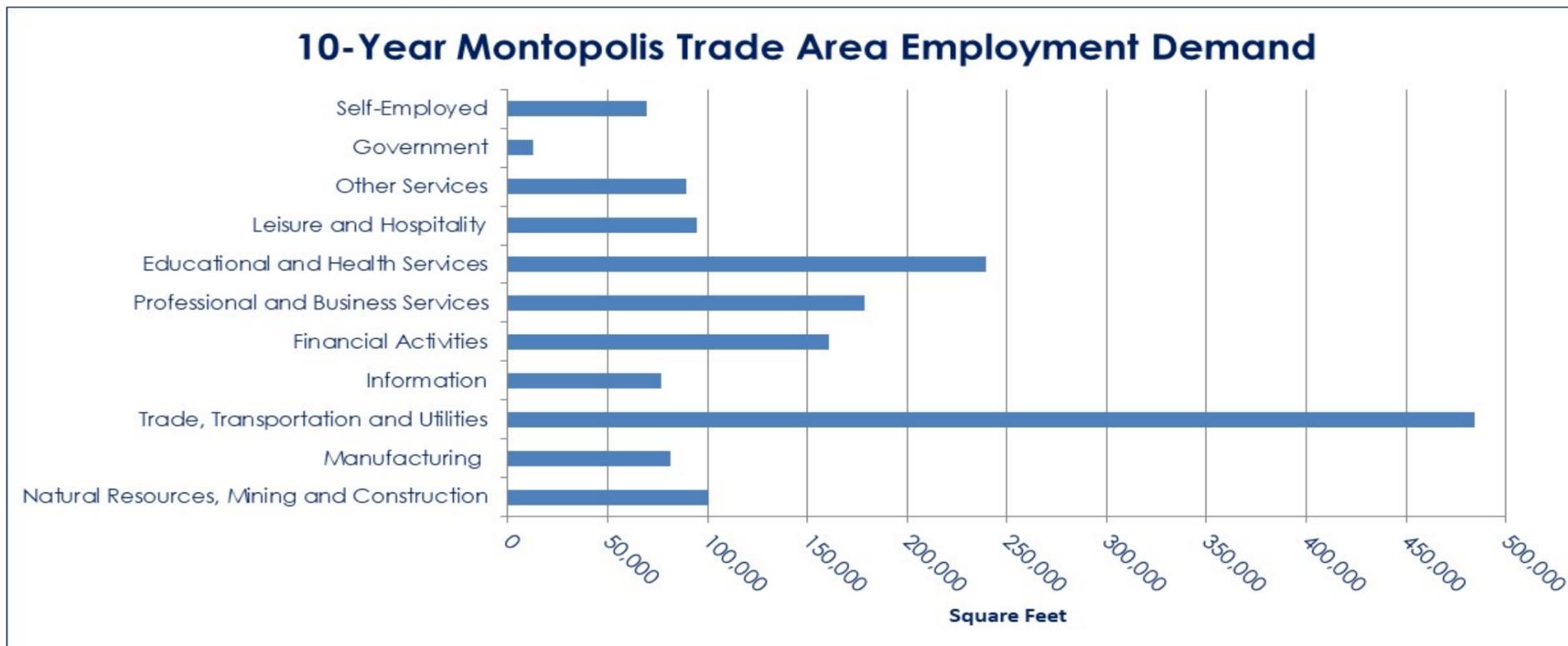
Montopolis Trade Area Employment Market Conditions

Indicator	Office	Industrial
Net Rentable Sq Ft	6,000,000	12,300,000
Under Construction (sq ft)	36,400	61,900
12-month Absorption (sq ft)	523,000	443,000
Vacancy Rate	6.5%	8.6%
Market Rent per Sq Ft	\$32.90	\$9.58

Source: CoStar and Ricker | Cunningham.

The Montopolis Trade Area is an office submarket, with minimal new construction, stable vacancy rates and rents at the lower end of the Austin market. The industrial submarket is even more established, with little new construction, lower vacancy rates and rental rates in the middle of the overall Austin market.

Montopolis Trade Area Employment Demand Summary



Support for employment space is derived from two sources – growth / expansion among existing users in the Trade Area and the relocation of new companies into the market. Based on overall annual employment growth of 1.5%, the Montopolis Trade Area could support an additional 1.6 million square feet of new employment (office and industrial) space over the next 10 years.



MONTOPOLIS MARKET OPPORTUNITIES

Montopolis Strategic Area Opportunity Summary

Residential

- Small-lot Single Family Detached Units (Cottages)
- Single Family Attached Units (Townhouses, Rowhouses, Condominiums)
- Rental Apartments targeted to “middle income” renters (80% to 120% of Area Median Income)

Retail

- Specialty food and grocery
- Restaurant and entertainment venues
- Neighborhood retail / service space

Employment

- Neighborhood / Local Service Office space
- Manufacturing space
- Live / Work “Maker” space
- Light industrial space

Real Estate Product Type	Market Opportunity	
	Short-Term	Long-Term
Residential		
Single Family Detached		
Cottages (small lot SFD)	X	X
Patio homes		X
Duplex / Townhome	X	X
Condominiums	X	X
Apartments / Lofts		X
Retail		
Neighborhood retail / service	X	X
Restaurant / Bar	X	X
Entertainment	X	X
Specialty Food / Grocery	X	X
Boutique Retail		X
Lodging / Hotel		X
Employment		
Class A office		X
Medical office		X
Neighborhood / Local Service office	X	X
Light industrial	X	X
Live / Work "Maker" space	X	X
Manufacturing	X	X

Short-Term = 1 to 5 years; Long-Term = 5+ years

Source: Ricker | Cunningham.

MONTOPOLIS MARKET OPPORTUNITIES

Supportable Product Images

Residential



Retail

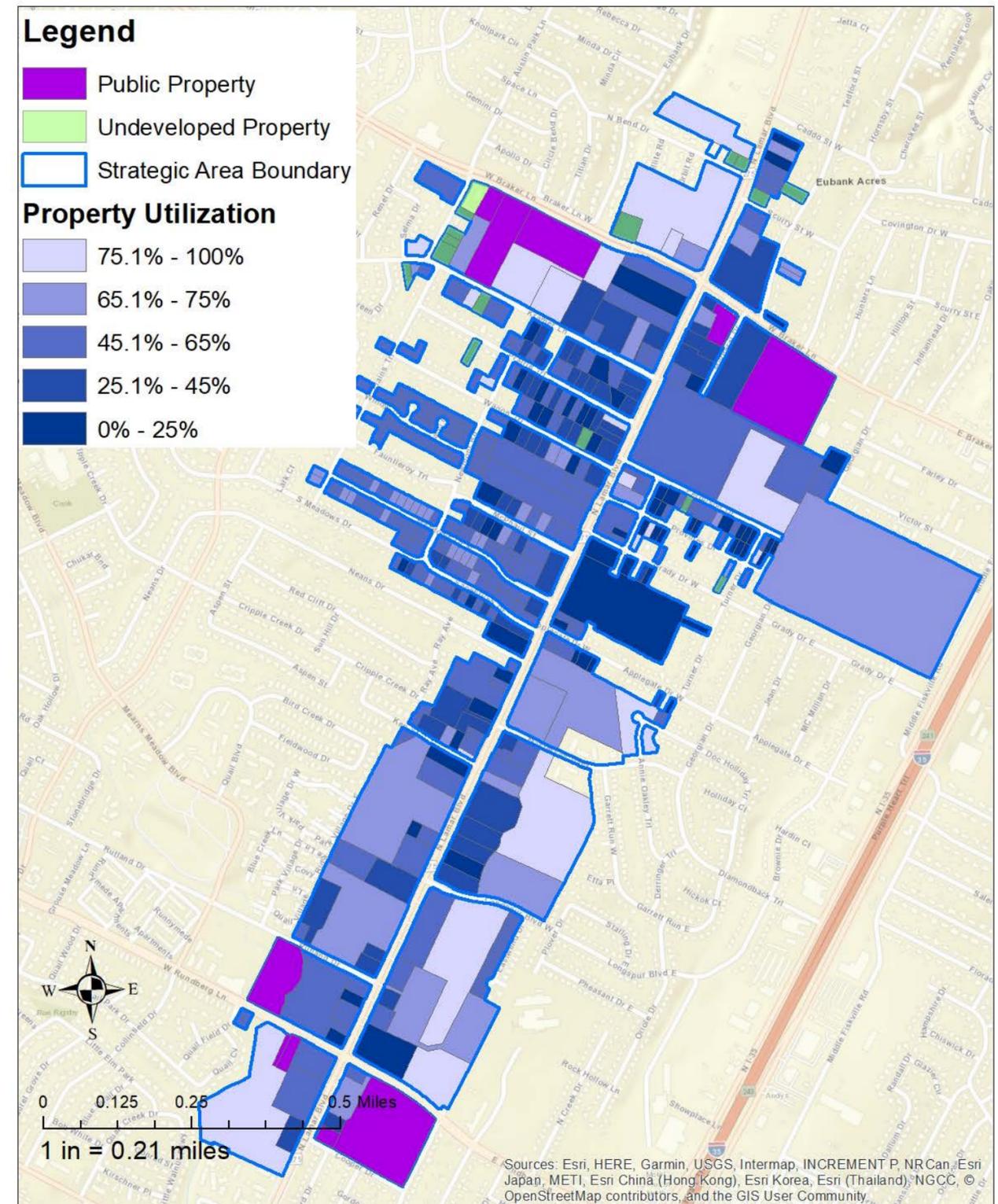


Employment



NORTH LAMAR STRATEGIC AREA

The North Lamar Strategic Area includes properties along both sides of the North Lamar Boulevard Corridor between West Rundberg Lane on the southwest and West Braker Lane on the northeast. This map shows a relatively high degree of underutilized property, as well as parcels owned by the City of Austin near key intersections (Braker and Rundberg Lanes). This indicates an area likely to continue experiencing redevelopment.



**Strategic Areas:
North Lamar Property Utilization**

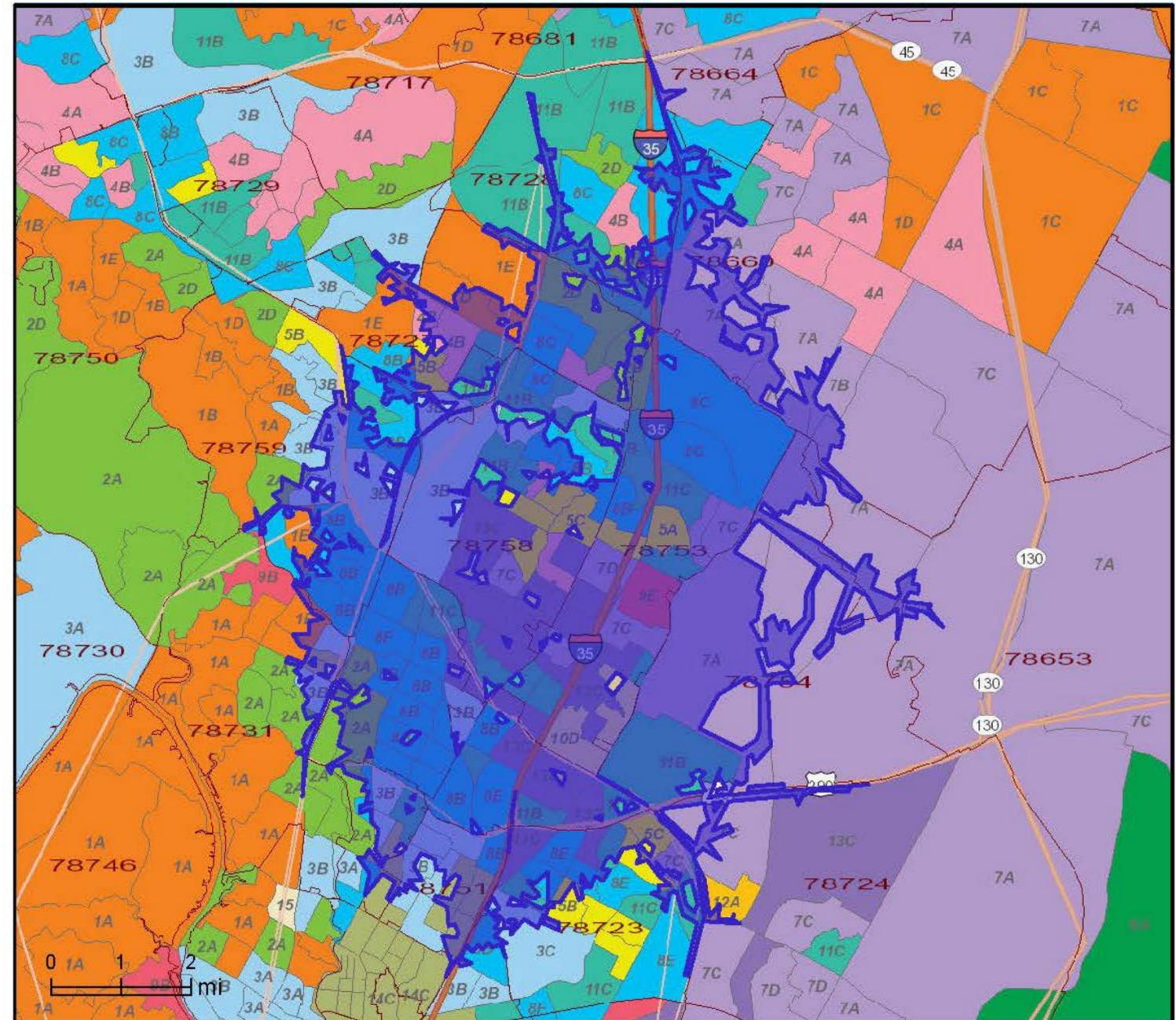
MARKET TRADE AREA

A trade area is defined as an area from which a project (s) or locale will draw the majority of its residents (housing), patrons (retail), employees (office, industrial, institutional), and visitors (lodging) – and those areas that will likely be a source of competition (supply) and demand. The boundaries of a trade area are often irregular as they are influenced by the following conditions:

- Physical Barriers
- Location of Possible Competition
- Proximity to Population and / or Employment Concentrations
- Zoning
- Market Factors
- Drive Times, Spending and Commuting Patterns
- Others

For the purposes of the North Lamar Strategic Area market analysis, the Trade Area was identified by a 10-minute drive time to/from the center of the Strategic Area.

North Lamar Trade Area



DEMOGRAPHIC PROFILE

- The North Lamar Trade Area is projected to grow slightly faster than the City over the next 10 years.
- The Trade Area’s higher average household size suggests a growing base of young families, although its higher shares of non-family, one- and two-person, and renter households suggest continued demand for a range of higher-density, lower-maintenance housing products (both ownership and rental).
- The Trade Area skews slightly younger and more ethnic than the City, with a similar well-educated, relatively affluent resident base.
- The Trade Area’s demographic profile is representative of a diverse, progressive, urban community, attracted to real estate product types that are diverse, innovative, and address a wide range of socioeconomic groups.

2019 Indicator (unless otherwise noted)	North Lamar Trade Area	City of Austin
2010 Population	199,817	790,390
2010 Households	83,385	329,326
2020 Population	244,200	999,991
2020 Households	101,500	414,800
Annual Household Growth Rate (2020 to 2030)	1.7%	1.4%
Average Household Size	2.39	2.36
Percent Non-Family Households	54%	48%
Percent One- and Two-Person Households	68%	67%
Percent Renters	65%	55%
Percent Age 65+	9%	10%
Percent Age 25-44	37%	34%
Median Age	32.4	33.0
Percent With Bachelors Degree	31%	51%
Average Household Income	\$83,600	\$98,500
Percent With Income Below \$25,000	28%	16%
Percent With Income Over \$100,000	17%	34%
Percent Hispanic	42%	36%
Percent Black/African-American	10%	8%
Percent Asian American	9%	8%

Source: U.S. Census; Texas State Demographer; City of Austin; ESRI; and Ricker | Cunningham.



The major forces of globalization, technology, urbanization, and demography are constantly interacting with each other and having a direct impact on the real estate industry.

PSYCHOGRAPHIC PROFILE

Psychographics is a term used to describe the characteristics of people and neighborhoods which, instead of being purely demographic, speak more to attitudes, interests, opinions and lifestyles. The Trade Area's psychographic profile indicates a young, affluent, highly-educated, community. As with the demographic profile, both the Trade Area and City show young, affluent lifestyle segments. The Trade Area segments also show a higher degree of ethnic diversity (NextWave, the LifeMode group with the highest % Hispanic population) and a growing base of young families, while the City segments include a more established group of young, married couples who are more attracted to the outskirts of the City.

North Lamar Trade Area			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
NeWest Residents	18,933	18.6%	2,428
Metro Renters	14,633	14.4%	846
Emerald City	12,784	12.6%	886
Young and Restless	10,316	10.2%	583
Up and Coming Families	7,776	7.7%	301
Total Above Segments	64,442	63.5%	--

North Lamar Trade Area			
LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Middle Ground	21,782	21.5%	198
Next Wave	18,933	18.6%	490
Midtown Singles	17,200	16.9%	275
Uptown Individuals	15,179	14.9%	389
Ethnic Enclaves	12,427	12.2%	171
Total Above Groups	85,521	84.2%	--

North Lamar Trade Area			
Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Principal Urban Center	34,112	33.6%	472
Metro Cities	31,552	31.1%	172
Urban Periphery	17,827	17.6%	106
Suburban Periphery	17,297	17.0%	53
Rural	750	0.7%	2
Total Above Groups	101,538	100.0%	--
Total Trade Area	101,538	100.0%	--

City of Austin			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Metro Renters	52,320	13.0%	779
Young and Restless	46,974	11.7%	671
Emerald City	34,087	8.5%	594
NeWest Residents	31,700	7.9%	1,016
Bright Young Professionals	28,529	7.1%	315
Total Above Segments	193,610	48.0%	--

City of Austin			
LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Middle Ground	73,019	18.1%	167
Uptown Individuals	66,381	16.5%	431
Midtown Singles	61,639	15.3%	248
Affluent Estates	38,588	9.6%	96
Ethnic Enclaves	36,165	9.0%	126
Total Above Groups	275,792	68.4%	--

City of Austin			
Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	128,367	31.8%	175
Suburban Periphery	108,900	27.0%	85
Principal Urban Center	101,538	25.2%	353
Urban Periphery	62,226	15.4%	93
Semirural	1,370	0.3%	4
Total Above Groups	402,401	99.8%	--
Total Trade Area	403,065	100.0%	--

* Indicates concentration of this segment relative to U.S. average. A segment index of 200 would mean that this group contains 2 times the concentration of households compared to the average U.S. neighborhood.

Source: ESRI and Ricker | Cunningham.

TRADE AREA HOUSING MARKET

North Lamar Trade Area Multifamily Housing Conditions

Indicator	
Total Units	12,345
Under Construction	859
12-month Absorption	(118)
Vacancy Rate	6.7%
Market Rent per Unit	\$1,017
Market Rent per Sq Ft	\$1.38

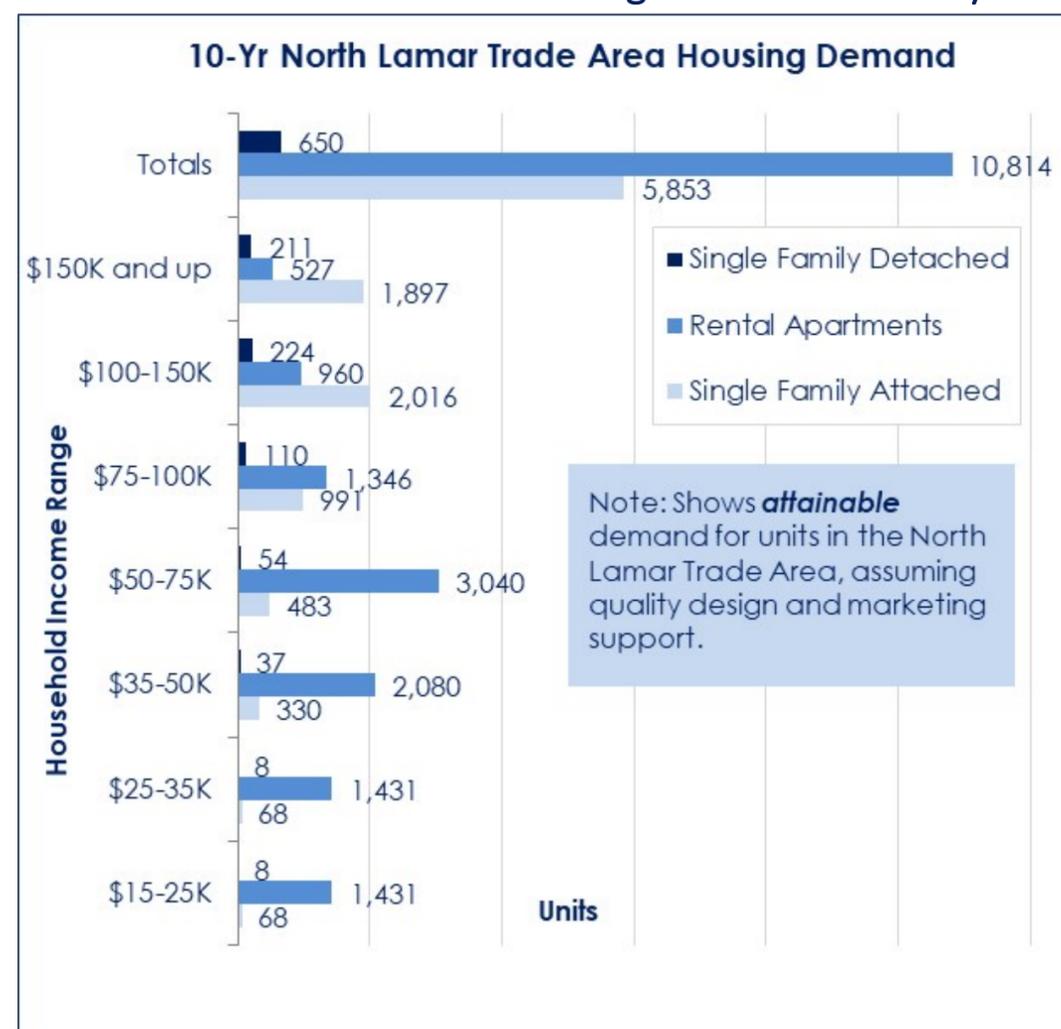
Source: CoStar and Ricker | Cunningham.

The North Lamar Trade Area multifamily submarket is an older, established submarket, with over 90% of units built before 2000. As such, rent levels tend to be lower than the City as whole and vacancy rates are lower. Less than 20% of units in this submarket are rent-restricted units, so may be additional demand for affordable units.



The Trade Area shows healthy demand for both attached ownership and rental apartment units over the next 10 years. Recent national studies have shown that nearly half of the population is looking for a different residential lifestyle than is presently available in their respective market. People care less about space and more about how space is used. The North Lamar Strategic Area is an ideal environment for these types of higher-density, lower-maintenance housing products.

North Lamar Trade Area Housing Demand Summary



TRADE AREA RETAIL MARKET

North Lamar Trade Area Retail Market Conditions

Indicator	
Net Rentable Sq Ft	2,800,000
Under Construction (sq ft)	0
12-month Absorption (sq ft)	(14,700)
Vacancy Rate	3.0%
Market Rent per Sq Ft	\$20.10

The North Lamar Trade Area is an older, established retail submarket, with low vacancy rates and rental rates at the lower end of the overall Austin market. Even with healthy household growth, the Trade Area should continue to show moderate demand for household goods and services and food and beverage-related businesses

Source: CoStar and Ricker | Cunningham.

North Lamar Trade Area Retail Demand Summary



Including no demand from retail "leakage" and new household growth, the North Lamar Trade Area could support an additional 900,000 square feet of retail/restaurant/service space over the next 10 years. The highest demand categories are general merchandise, food and beverage (grocery), and foodservice and drinking places.



TRADE AREA EMPLOYMENT MARKET

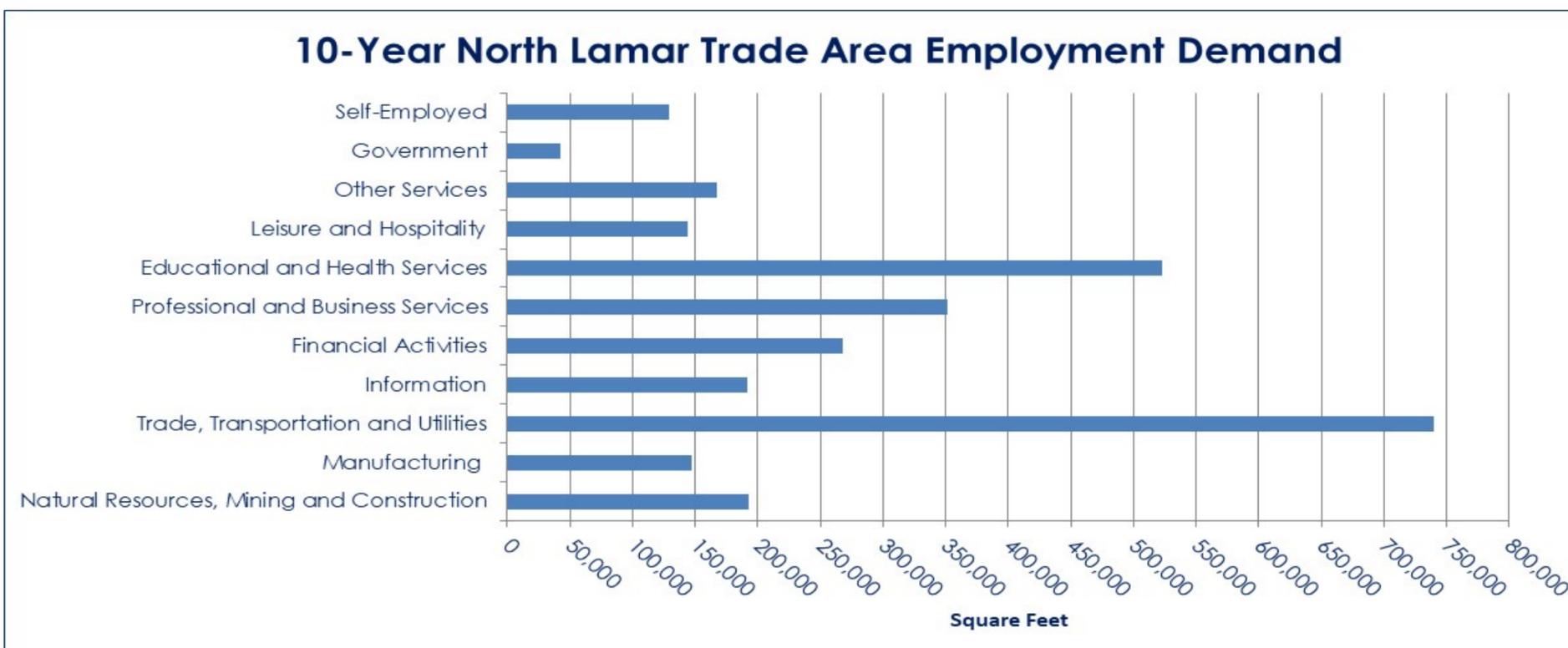
North Lamar Trade Area Employment Market Conditions

Indicator	Office	Industrial
Net Rentable Sq Ft	1,800,000	3,600,000
Under Construction (sq ft)	0	0
12-month Absorption (sq ft)	(41,300)	(41,200)
Vacancy Rate	14.0%	3.3%
Market Rent per Sq Ft	\$31.60	\$11.25

Source: CoStar and Ricker | Cunningham.

The North Lamar Trade Area is an established office submarket, with no new construction, stable vacancy rates and rents at the lower end of the Austin market. The industrial submarket is even more established, with no new construction, lower vacancy rates and rental rates at the high end of the overall Austin market.

North Lamar Trade Area Employment Demand Summary



Support for employment space is derived from two sources – growth / expansion among existing users in the Trade Area and the relocation of new companies into the market. Based on overall annual employment growth of 1.5%, the North Lamar Trade Area could support an additional 2.9 million square feet of new employment (office and industrial) space over the next 10 years.



NORTH LAMAR MARKET OPPORTUNITIES

Residential

- Rental Apartments / Lofts – market rate and affordable
- Single Family Attached Units (Townhouses, Rowhouses, Condominiums)

Retail

- Neighborhood retail / service space
- Restaurant and entertainment venues
- Specialty food and grocery

Employment

- Neighborhood / Local Service Office space
- Light industrial space
- Manufacturing space
- Live / Work “Maker” space

North Lamar Strategic Area Opportunity Summary

Real Estate Product Type	Market Opportunity	
	Short-Term	Long-Term
Residential		
Single Family Detached		
Cottages (small lot SFD)		
Patio homes		
Duplex / Townhome		X
Condominiums		X
Apartments / Lofts	X	X
Retail		
Neighborhood retail / service	X	X
Restaurant / Bar	X	X
Entertainment	X	X
Specialty Food / Grocery	X	X
Boutique Retail		
Lodging / Hotel		X
Employment		
Class A office		
Medical office		
Neighborhood / Local Service office	X	X
Light industrial	X	X
Live / Work "Maker" space	X	X
Manufacturing	X	X

Short-Term = 1 to 5 years; Long-Term = 5+ years

Source: Ricker | Cunningham.

NORTH LAMAR MARKET OPPORTUNITIES

Supportable Product Images

Residential



Retail

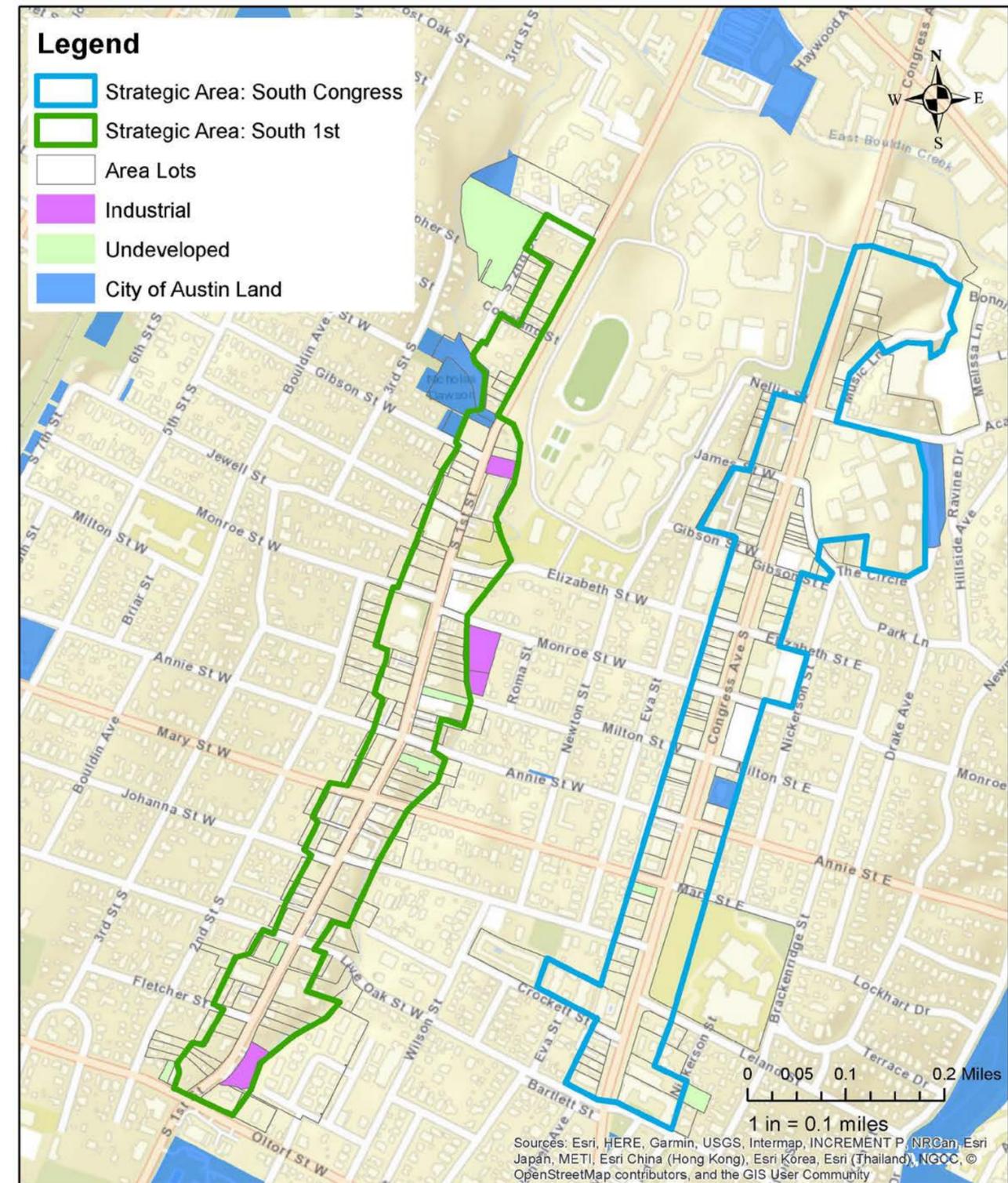


Employment



SOUTH CONGRESS – SOUTH 1ST STRATEGIC AREA

The South Congress – South 1st Strategic Area includes properties along both sides of the South Congress Avenue and South 1st Street Corridors from the Texas School of the Deaf campus on the north to approximately Oltorf Street on the south. This Area is comprised of two aging commercial corridors with significant degrees of underutilized property, as well as a few scattered parcels owned by the City of Austin. This indicates an area likely to continue experiencing redevelopment.



**Strategic Areas:
South Congress - South 1st**

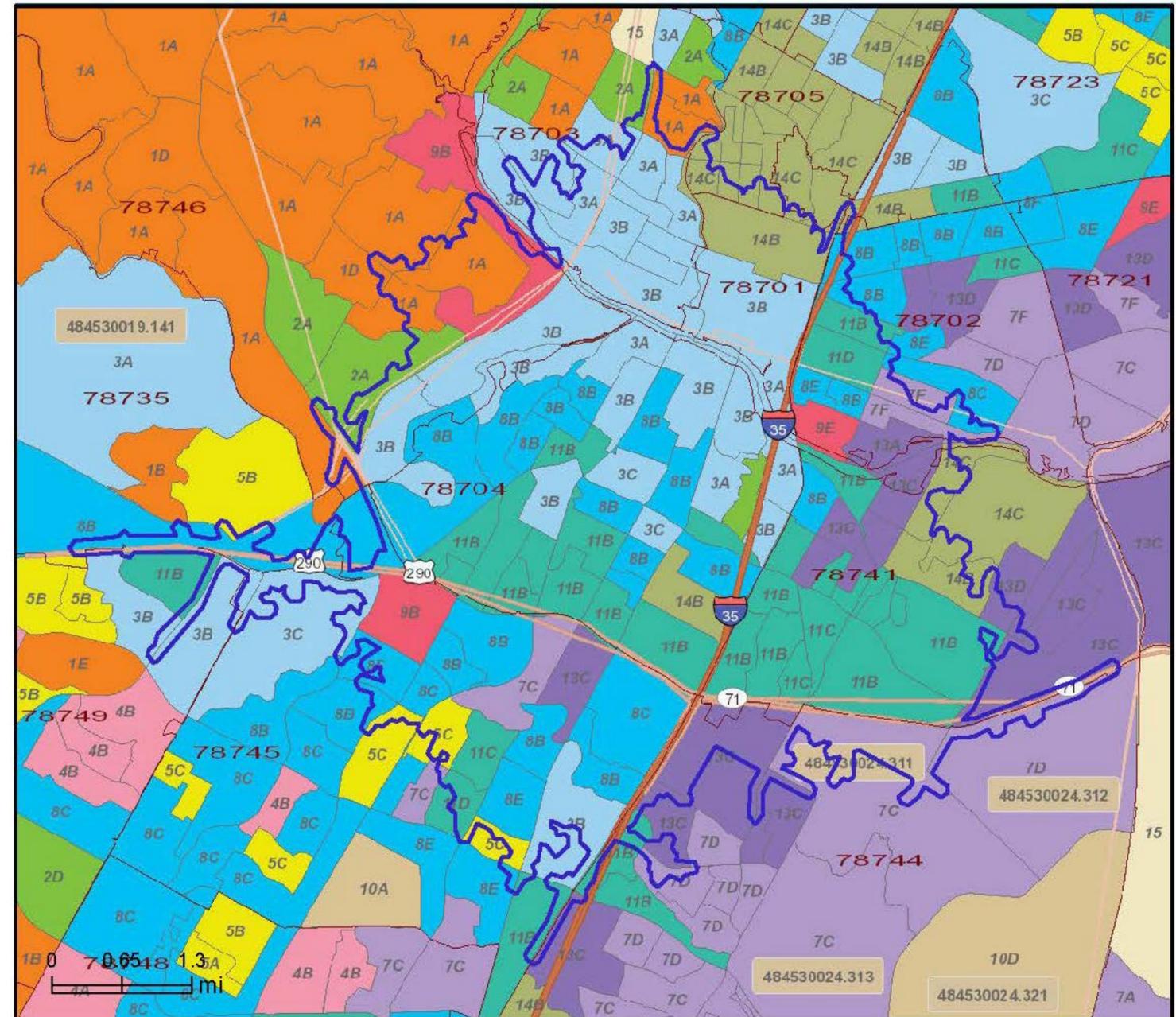
MARKET TRADE AREA

A trade area is defined as an area from which a project (s) or locale will draw the majority of its residents (housing), patrons (retail), employees (office, industrial, institutional), and visitors (lodging) – and those areas that will likely be a source of competition (supply) and demand. The boundaries of a trade area are often irregular as they are influenced by the following conditions:

- Physical Barriers
- Location of Possible Competition
- Proximity to Population and / or Employment Concentrations
- Zoning
- Market Factors
- Drive Times, Spending and Commuting Patterns
- Others

For the purposes of the South Congress – South 1st Strategic Area market analysis, the Trade Area was identified by a 10-minute drive time to/from the center of the Strategic Area.

South Congress – South 1st Trade Area



DEMOGRAPHIC PROFILE

- The South Congress – South 1st Trade Area is projected to grow faster than the City over the next 10 years.
- The Trade Area’s lower household size and higher shares of non-family, one- and two-person, and renter households suggest continued demand for a range of higher-density, lower-maintenance housing products (both ownership and rental).
- The Trade Area skews slightly younger and more ethnic than the City, with a similar well-educated, relatively affluent resident base.
- The Trade Area’s demographic profile is representative of a diverse, progressive, urban community, attracted to real estate product types that are diverse, innovative, and address a wide range of socioeconomic groups.

2019 Indicator (unless otherwise noted)	South Congress - South 1st Trade Area	City of Austin
2010 Population	130,206	790,390
2010 Households	60,800	329,326
2020 Population	166,900	999,991
2020 Households	79,800	414,800
Annual Household Growth Rate (2020 to 2030)	2.2%	1.4%
Average Household Size	2.03	2.36
Percent Non-Family Households	66%	48%
Percent One- and Two-Person Households	83%	67%
Percent Renters	70%	55%
Percent Age 65+	9%	10%
Percent Age 25-44	38%	34%
Median Age	32.4	33.0
Percent With Bachelors Degree	66%	51%
Average Household Income	\$102,000	\$98,500
Percent With Income Below \$25,000	19%	16%
Percent With Income Over \$100,000	34%	34%
Percent Hispanic	39%	36%
Percent Black/African-American	6%	8%
Percent Asian American	4%	8%

Source: U.S. Census; Texas State Demographer; City of Austin; ESRI; and Ricker | Cunningham.



The major forces of globalization, technology, urbanization, and demography are constantly interacting with each other and having a direct impact on the real estate industry.

PSYCHOGRAPHIC PROFILE

Psychographics is a term used to describe the characteristics of people and neighborhoods which, instead of being purely demographic, speak more to attitudes, interests, opinions and lifestyles. The Trade Area's psychographic profile indicates a young, affluent, highly-educated, community.

As with the demographic profile, both the Trade Area and City show young, affluent lifestyle segments. The Trade Area segments also show a higher degree of ethnic diversity (NextWave, the LifeMode group with the highest % Hispanic population), while the City segments include a more established group of young, married couples who are more attracted to the outskirts of the City.

South Congress - South 1st Trade Area			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Young and Restless	20,208	25.3%	1,452
Metro Renters	19,351	24.3%	1,427
Emerald City	10,043	12.6%	886
Laptops and Lattes	5,668	7.1%	659
NeWest Residents	5,080	6.4%	829
Total Above Segments	60,350	75.6%	--
LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Uptown Individuals	26,302	33.0%	857
Midtown Singles	25,199	31.6%	513
Middle Ground	13,033	16.3%	151
Next Wave	5,576	7.0%	184
Scholars and Patriots	5,112	6.4%	398
Total Above Groups	75,222	94.3%	--
Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	39,780	49.9%	275
Principal Urban Center	31,651	39.7%	557
Urban Periphery	5,737	7.2%	43
Suburban Periphery	2,625	3.3%	10
Semirural	0	0.0%	0
Total Above Groups	79,793	100.0%	--
Total Trade Area	79,793	100.0%	--

City of Austin			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Metro Renters	52,320	13.0%	779
Young and Restless	46,974	11.7%	671
Emerald City	34,087	8.5%	594
NeWest Residents	31,700	7.9%	1,016
Bright Young Professionals	28,529	7.1%	315
Total Above Segments	193,610	48.0%	--
LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Middle Ground	73,019	18.1%	167
Uptown Individuals	66,381	16.5%	431
Midtown Singles	61,639	15.3%	248
Affluent Estates	38,588	9.6%	96
Ethnic Enclaves	36,165	9.0%	126
Total Above Groups	275,792	68.4%	--
Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	128,367	31.8%	175
Suburban Periphery	108,900	27.0%	85
Principal Urban Center	101,538	25.2%	353
Urban Periphery	62,226	15.4%	93
Semirural	1,370	0.3%	4
Total Above Groups	402,401	99.8%	--
Total Trade Area	403,065	100.0%	--

* Indicates concentration of this segment relative to U.S. average. A segment index of 200 would mean that this group contains 2 times the concentration of households compared to the average U.S. neighborhood.

Source: ESRI and Ricker | Cunningham.

TRADE AREA HOUSING MARKET

South Congress – South 1st Trade Area Multifamily Housing Conditions

Indicator	
Total Units	11,420
Under Construction	287
12-month Absorption	(198)
Vacancy Rate	7.9%
Market Rent per Unit	\$1,371
Market Rent per Sq Ft	\$1.71

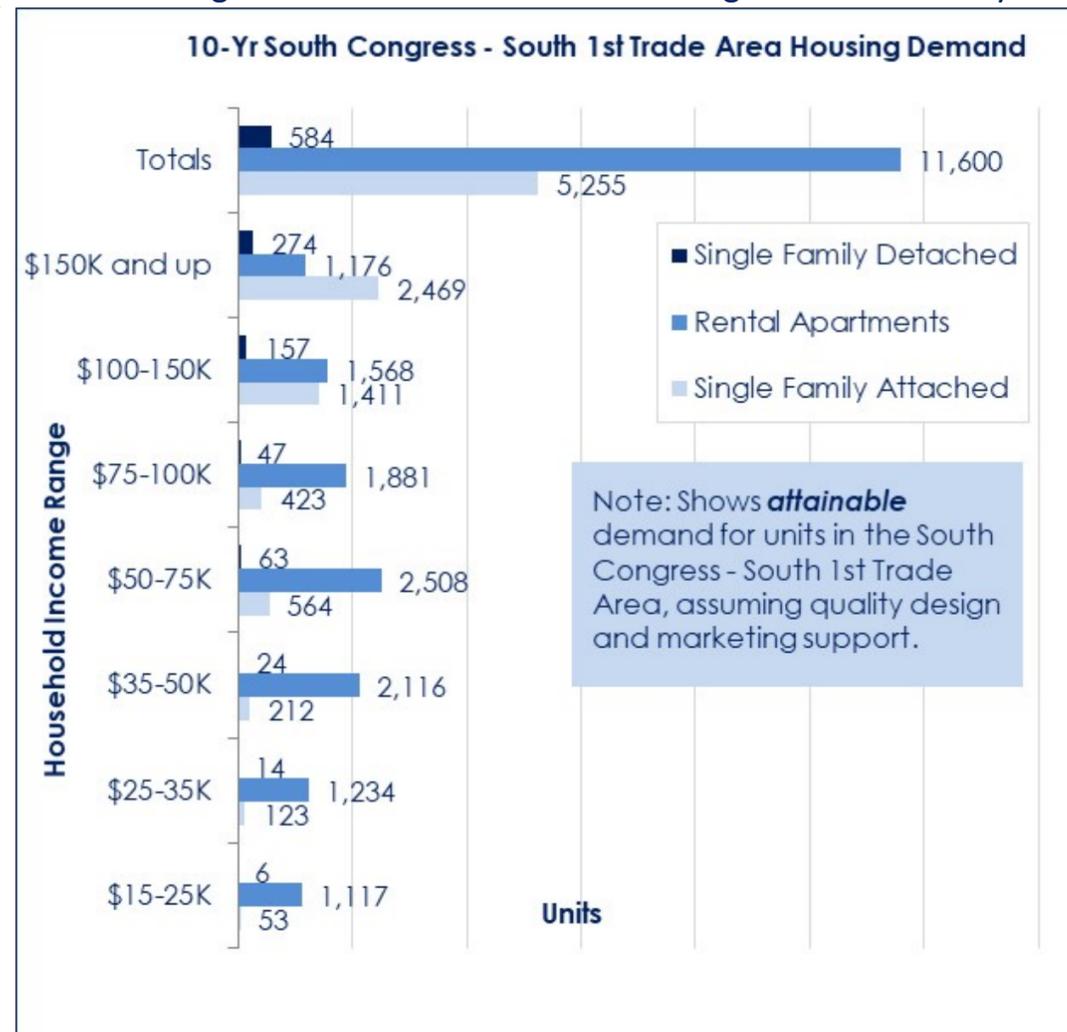
Source: CoStar and Ricker | Cunningham.

The South Congress – South 1st Trade Area multifamily submarket is a higher growth submarket, with nearly 40% of units built after 2000. As such, rent levels tend to be higher than the City as whole and vacancy rates are similar. Approximately 28% of units in this submarket are rent-restricted units, so there may be additional demand for affordable units.



The Trade Area shows healthy demand for both attached ownership and rental apartment units over the next 10 years. Recent national studies have shown that nearly half of the population is looking for a different residential lifestyle than is presently available in their respective market. People care less about space and more about how space is used. The South Congress – South 1st Strategic Area is an ideal environment for these types of higher-density, lower-maintenance housing products.

South Congress – South 1st Trade Area Housing Demand Summary



TRADE AREA RETAIL MARKET

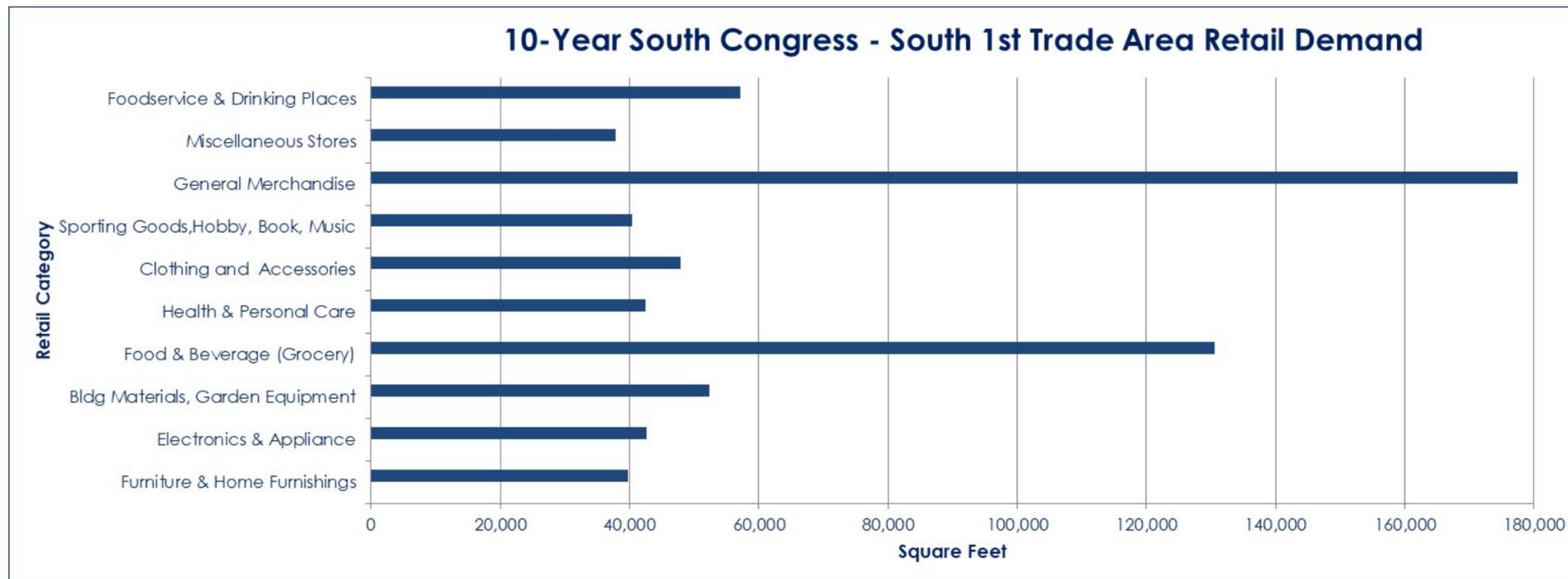
South Congress – South 1st Trade Area Retail Market Conditions

Indicator	
Net Rentable Sq Ft	3,000,000
Under Construction (sq ft)	41,900
12-month Absorption (sq ft)	(15,400)
Vacancy Rate	2.9%
Market Rent per Sq Ft	\$27.89

The South Congress – South 1st Trade Area is a higher growth retail submarket, with low vacancy rates and rental rates at the higher end of the overall Austin market. With healthy household growth and steady new construction, the Trade Area should continue to show strong demand for all retail types.

Source: CoStar and Ricker | Cunningham.

South Congress – South 1st Trade Area Retail Demand Summary



Including no demand from retail “leakage” and new household growth, the South Congress – South 1st Trade Area could support an additional 600,000 square feet of retail/restaurant/service space over the next 10 years. The highest demand categories are general merchandise, food and beverage (grocery), and foodservice and drinking places.



TRADE AREA EMPLOYMENT MARKET

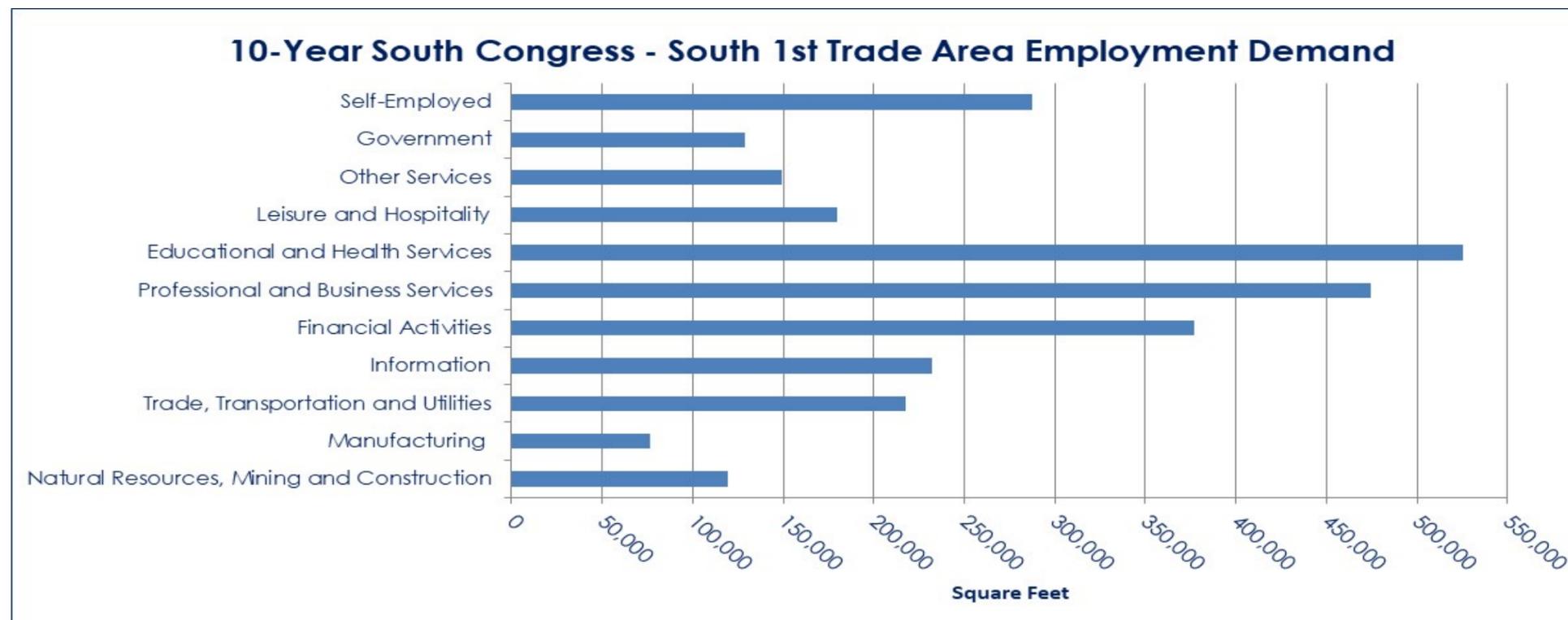
South Congress – South 1st Trade Area Employment Market Conditions

Indicator	Office	Industrial
Net Rentable Sq Ft	3,200,000	934,000
Under Construction (sq ft)	721,000	0
12-month Absorption (sq ft)	(154,000)	(4,100)
Vacancy Rate	11.6%	3.2%
Market Rent per Sq Ft	\$41.73	\$12.85

Source: CoStar and Ricker | Cunningham.

The South Congress – South 1st Trade Area is a growing office submarket, with steady new construction, stable vacancy rates and rents at the higher end of the Austin market. The industrial submarket is more established, with no new construction, lower vacancy rates and rental rates at the higher end of the overall Austin market.

South Congress – South 1st Trade Area Employment Demand Summary



Support for employment space is derived from two sources – growth / expansion among existing users in the Trade Area and the relocation of new companies into the market. Based on overall annual employment growth of 1.5%, the South Congress – South 1st Trade Area could support an additional 2.8 million square feet of new employment (office and industrial) space over the next 10 years.



SOUTH CONGRESS – SOUTH 1ST MARKET OPPORTUNITIES

South Congress – South 1st Strategic Area Opportunity Summary

Residential

- Single Family Attached Units (Townhouses, Rowhouses, Condominiums)
- Rental Apartments targeted to “middle income” renters (80% to 120% of Area Median Income)
- Rental Apartments / Lofts – market rate and affordable

Retail

- Neighborhood retail / service space
- Restaurant and entertainment venues
- Specialty food and grocery

Employment

- Neighborhood / Local Service Office space
- Light industrial space
- Manufacturing space
- Live / Work “Maker” space
- Business campus

Real Estate Product Type	Market Opportunity	
	Short-Term	Long-Term
Residential		
Single Family Detached		
Cottages (small lot SFD)		
Patio homes		X
Duplex / Townhome	X	X
Condominiums	X	X
Apartments / Lofts	X	X
Retail		
Neighborhood retail / service	X	X
Restaurant / Bar	X	X
Entertainment	X	X
Specialty Food / Grocery		X
Boutique Retail		X
Lodging / Hotel		X
Employment		
Class A office		X
Medical office		X
Neighborhood / Local Service office	X	X
Light industrial	X	X
Live / Work "Maker" space	X	X
Manufacturing	X	X

Short-Term = 1 to 5 years; Long-Term = 5+ years

Source: Ricker | Cunningham.

SOUTH CONGRESS – SOUTH 1ST MARKET OPPORTUNITIES

Supportable Product Images

Residential



Retail

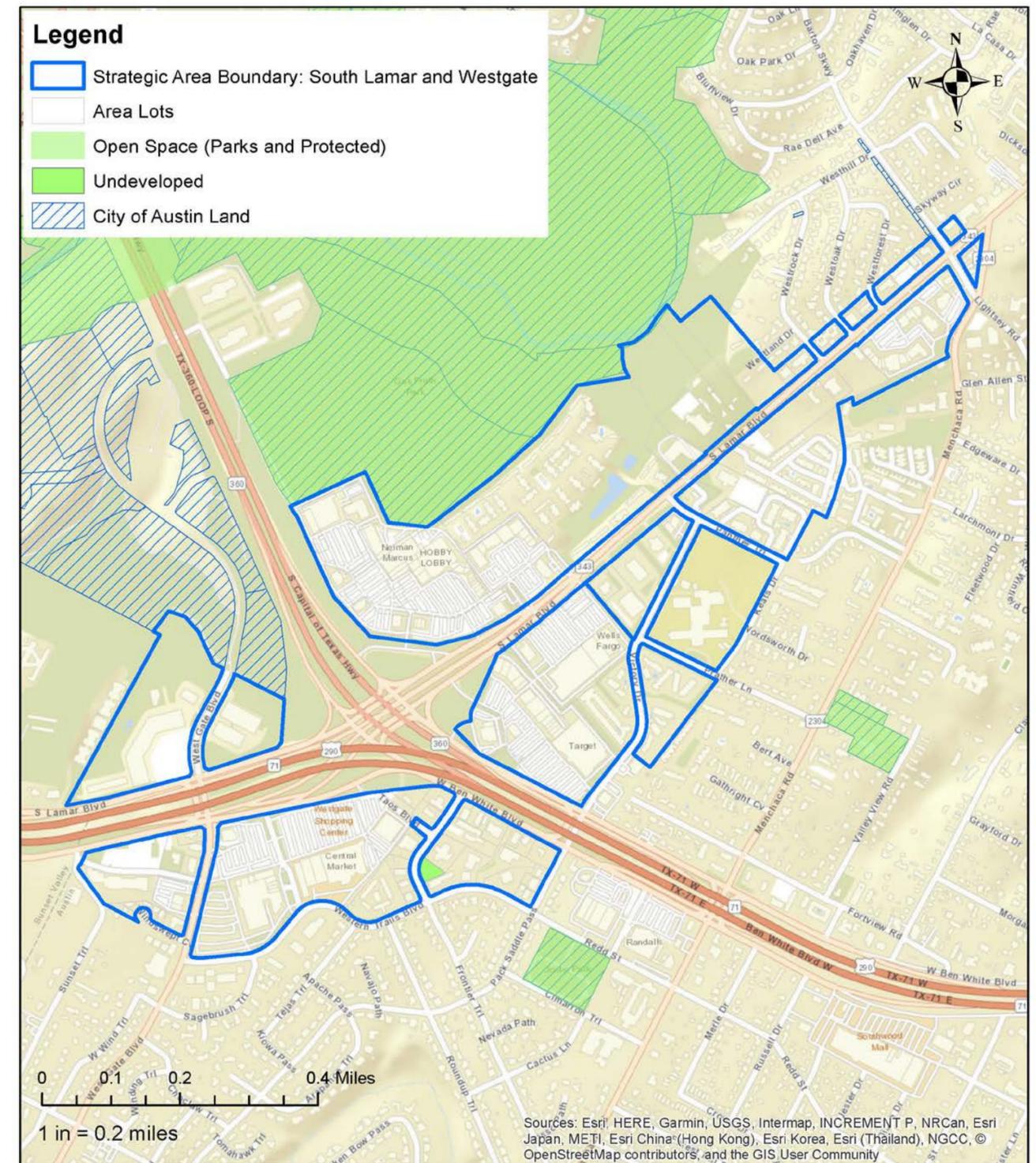


Employment



SOUTH LAMAR STRATEGIC AREA

The South Lamar Strategic Area includes properties on both sides of the South Lamar Boulevard Corridor near the intersection of State Highways 360 and 71. This Area is dominated by aging commercial centers with a substantial degree of underutilized property, as well as parcels owned by the City of Austin in the southwest quadrant of the aforementioned intersection. This indicates an area likely to continue experiencing redevelopment.



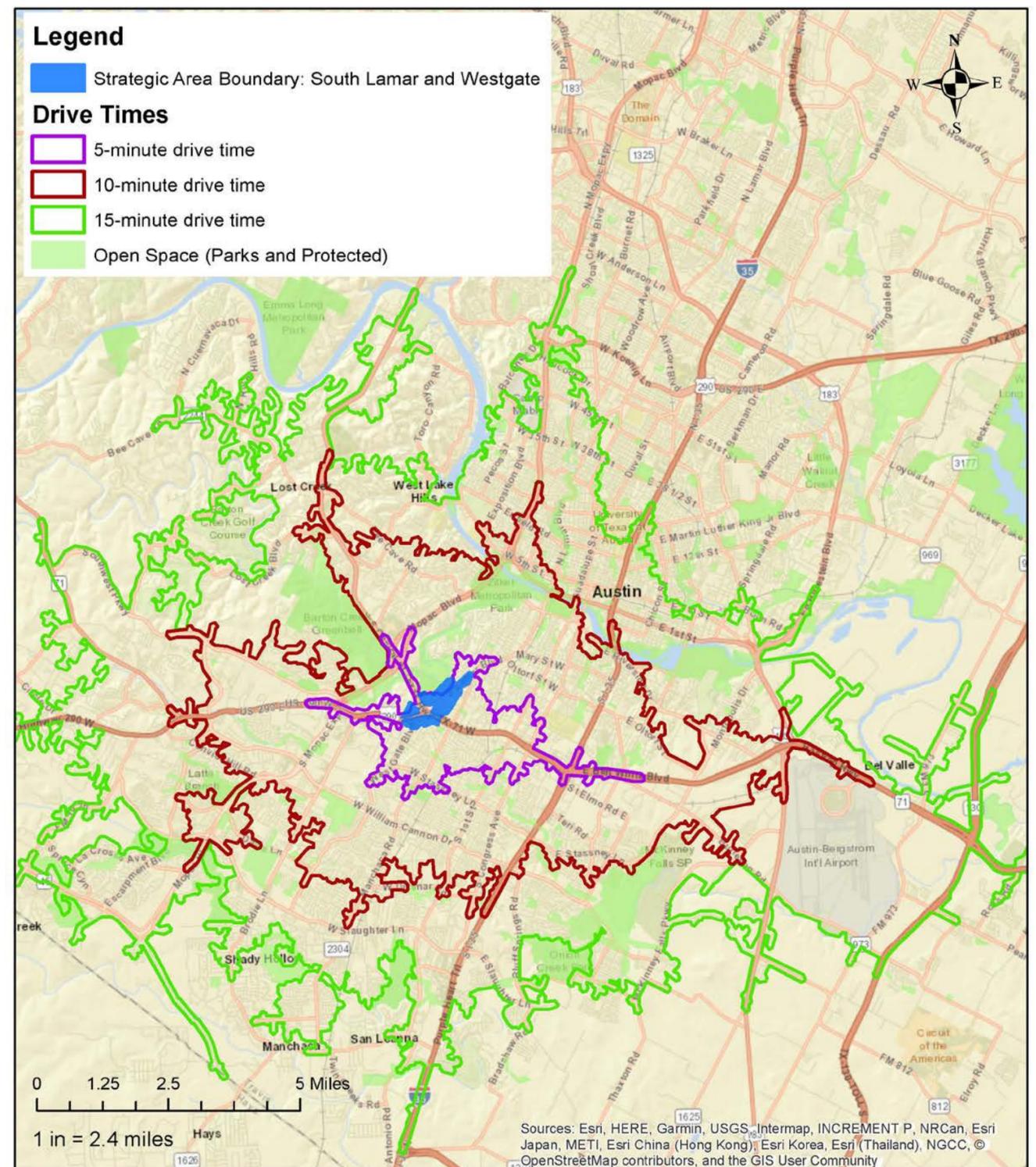
**Strategic Areas:
South Lamar and Westgate**

MARKET TRADE AREA

A trade area is defined as an area from which a project (s) or locale will draw the majority of its residents (housing), patrons (retail), employees (office, industrial, institutional), and visitors (lodging) – and those areas that will likely be a source of competition (supply) and demand. The boundaries of a trade area are often irregular as they are influenced by the following conditions:

- Physical Barriers
- Location of Possible Competition
- Proximity to Population and / or Employment Concentrations
- Zoning
- Market Factors
- Drive Times, Spending and Commuting Patterns
- Others

For the purposes of the South Lamar Strategic Area market analysis, the Trade Area was identified by a 10-minute drive time to/from the center of the Strategic Area.



Strategic Areas: South Lamar and Westgate

DEMOGRAPHIC PROFILE

- The South Lamar Trade Area is projected to grow faster than the City over the next 10 years.
- The Trade Area's lower household size and higher shares of non-family, one- and two-person, and renter households suggest continued demand for a range of higher-density, lower-maintenance housing products (both ownership and rental).
- The Trade Area skews slightly younger and more ethnic than the City, with a similar well-educated, relatively affluent resident base.
- The Trade Area's demographic profile is representative of a diverse, progressive, urban community, attracted to real estate product types that are diverse, innovative, and address a wide range of socioeconomic groups.

2019 Indicator (unless otherwise noted)	South Lamar Trade Area	City of Austin
2010 Population	163,995	790,390
2010 Households	72,146	329,326
2020 Population	198,400	999,991
2020 Households	88,700	414,800
Annual Household Growth Rate (2020 to 2030)	1.8%	1.4%
Average Household Size	2.21	2.36
Percent Non-Family Households	66%	48%
Percent One- and Two-Person Households	69%	67%
Percent Renters	60%	55%
Percent Age 65+	10%	10%
Percent Age 25-44	37%	34%
Median Age	32.4	33.0
Percent With Bachelors Degree	53%	51%
Average Household Income	\$99,500	\$98,500
Percent With Income Below \$25,000	15%	16%
Percent With Income Over \$100,000	34%	34%
Percent Hispanic	41%	36%
Percent Black/African-American	5%	8%
Percent Asian American	4%	8%

Source: U.S. Census; Texas State Demographer; City of Austin; ESRI; and Ricker | Cunningham.



The major forces of globalization, technology, urbanization, and demography are constantly interacting with each other and having a direct impact on the real estate industry.

PSYCHOGRAPHIC PROFILE

Psychographics is a term used to describe the characteristics of people and neighborhoods which, instead of being purely demographic, speak more to attitudes, interests, opinions and lifestyles. The Trade Area's psychographic profile indicates a young, affluent, highly-educated, community.

As with the demographic profile, both the Trade Area and City show young, affluent lifestyle segments. The Trade Area segments also show a higher degree of ethnic diversity (NextWave, the LifeMode group with the highest % Hispanic population), while the City segments include a more established group of young, married couples who are more attracted to the outskirts of the City.

South Lamar Trade Area			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Young and Restless	17,362	19.6%	1,123
Metro Renters	14,994	16.9%	993
Emerald City	13,444	15.2%	1,067
Bright Young Professionals	6,578	7.4%	329
NeWest Residents	5,437	6.1%	799
Total Above Segments	57,815	65.2%	--
LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Middle Ground	23,773	26.8%	248
Midtown Singles	21,099	23.8%	592
Uptown Individuals	20,175	22.8%	275
Next Wave	5,706	6.4%	169
Ethnic Enclaves	4,762	5.4%	75
Total Above Groups	75,515	85.2%	--
Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	38,366	43.3%	239
Principal Urban Center	25,881	29.2%	410
Urban Periphery	14,237	16.1%	97
Suburban Periphery	9,964	11.2%	35
Rural	222	0.3%	1
Total Above Groups	88,670	100.0%	--
Total Trade Area	88,670	100.0%	--

City of Austin			
Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Metro Renters	52,320	13.0%	779
Young and Restless	46,974	11.7%	671
Emerald City	34,087	8.5%	594
NeWest Residents	31,700	7.9%	1,016
Bright Young Professionals	28,529	7.1%	315
Total Above Segments	193,610	48.0%	--
LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Middle Ground	73,019	18.1%	167
Uptown Individuals	66,381	16.5%	431
Midtown Singles	61,639	15.3%	248
Affluent Estates	38,588	9.6%	96
Ethnic Enclaves	36,165	9.0%	126
Total Above Groups	275,792	68.4%	--
Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	128,367	31.8%	175
Suburban Periphery	108,900	27.0%	85
Principal Urban Center	101,538	25.2%	353
Urban Periphery	62,226	15.4%	93
Semirural	1,370	0.3%	4
Total Above Groups	402,401	99.8%	--
Total Trade Area	403,065	100.0%	--

* Indicates concentration of this segment relative to U.S. average. A segment index of 200 would mean that this group contains 2 times the concentration of households compared to the average U.S. neighborhood.

Source: ESRI and Ricker | Cunningham.

TRADE AREA HOUSING MARKET

South Lamar Trade Area Multifamily Housing Conditions

Indicator	
Total Units	25,051
Under Construction	562
12-month Absorption	6
Vacancy Rate	8.2%
Market Rent per Unit	\$1,342
Market Rent per Sq Ft	\$1.66

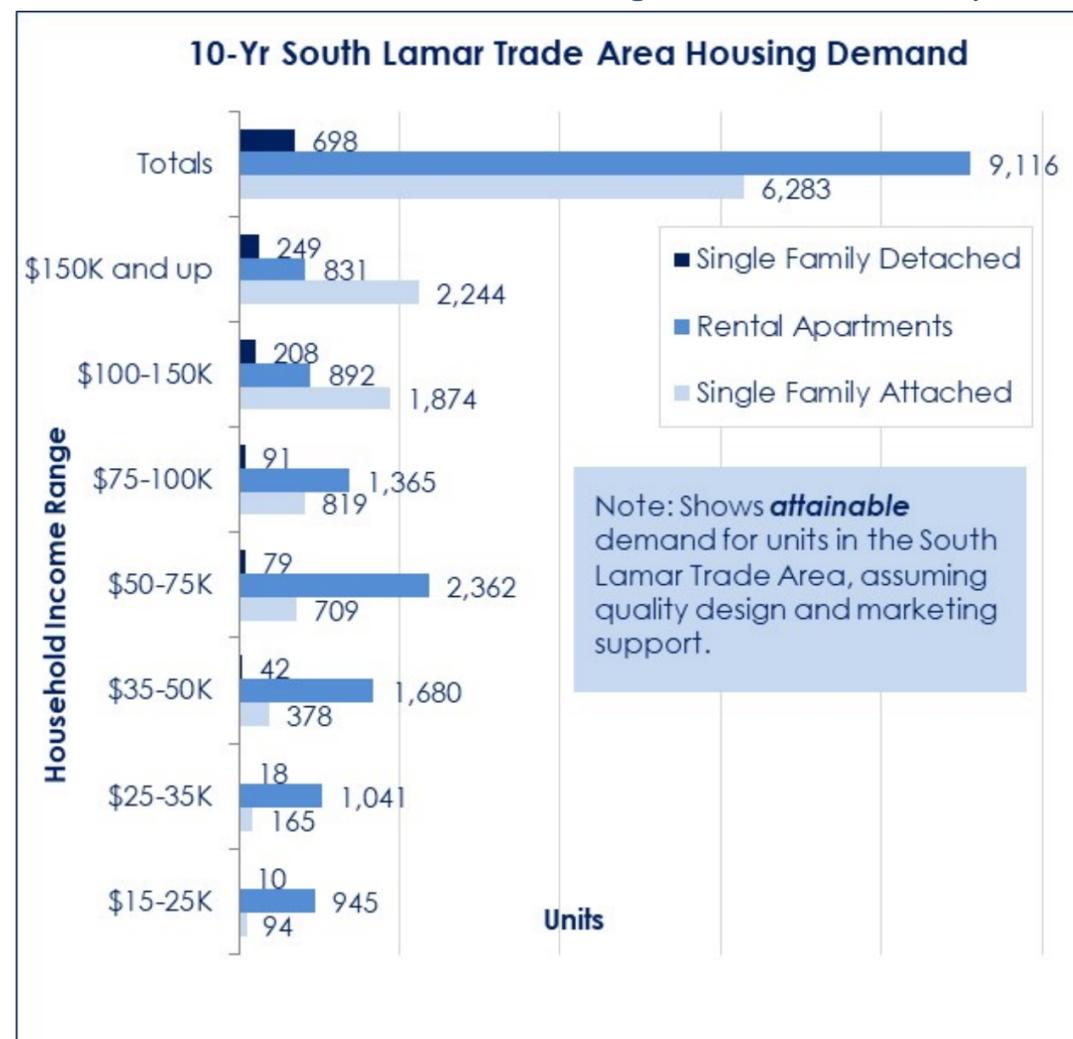
Source: CoStar and Ricker | Cunningham.

The South Lamar Trade Area multifamily submarket is a high growth submarket, with nearly 40% of units built after 2000. As such, rent levels tend to be higher than the City as whole and vacancy rates are similar. Less than a quarter of units in this submarket are rent-restricted units, so there may be additional demand for affordable units.



The Trade Area shows healthy demand for both attached ownership and rental apartment units over the next 10 years. Recent national studies have shown that nearly half of the population is looking for a different residential lifestyle than is presently available in their respective market. People care less about space and more about how space is used. The South Lamar Strategic Area is an ideal environment for these types of higher-density, lower-maintenance housing products.

South Lamar Trade Area Housing Demand Summary



TRADE AREA RETAIL MARKET

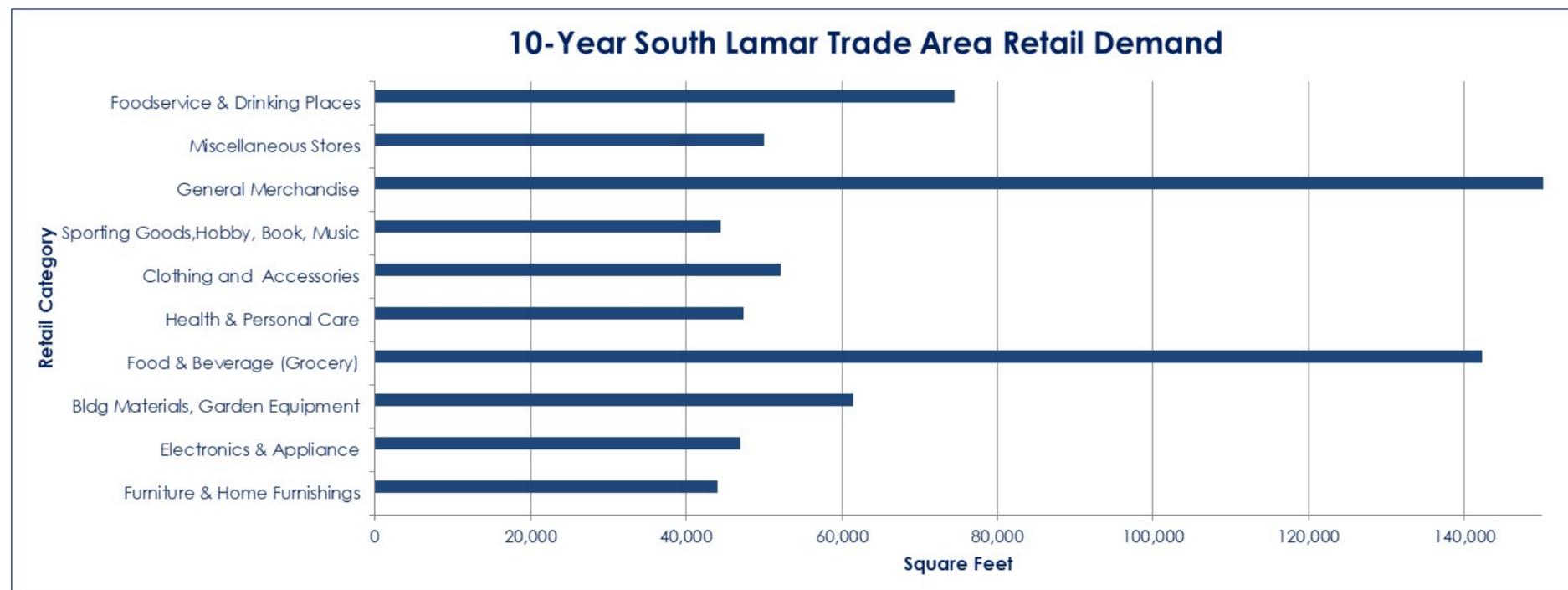
South Lamar Trade Area Retail Market Conditions

Indicator	
Net Rentable Sq Ft	9,200,000
Under Construction (sq ft)	49,200
12-month Absorption (sq ft)	(28,200)
Vacancy Rate	3.8%
Market Rent per Sq Ft	\$26.99

The South Lamar Trade Area is a higher growth retail submarket, with low vacancy rates and rental rates at the higher end of the overall Austin market. With healthy household growth and steady new construction, the Trade Area should continue to show strong demand for all retail types.

Source: CoStar and Ricker | Cunningham.

South Lamar Trade Area Retail Demand Summary



Including no demand from retail “leakage” and new household growth, the South Lamar Trade Area could support an additional 700,000 square feet of retail/restaurant/service space over the next 10 years. The highest demand categories are general merchandise, food and beverage (grocery), and foodservice and drinking places.



TRADE AREA EMPLOYMENT MARKET

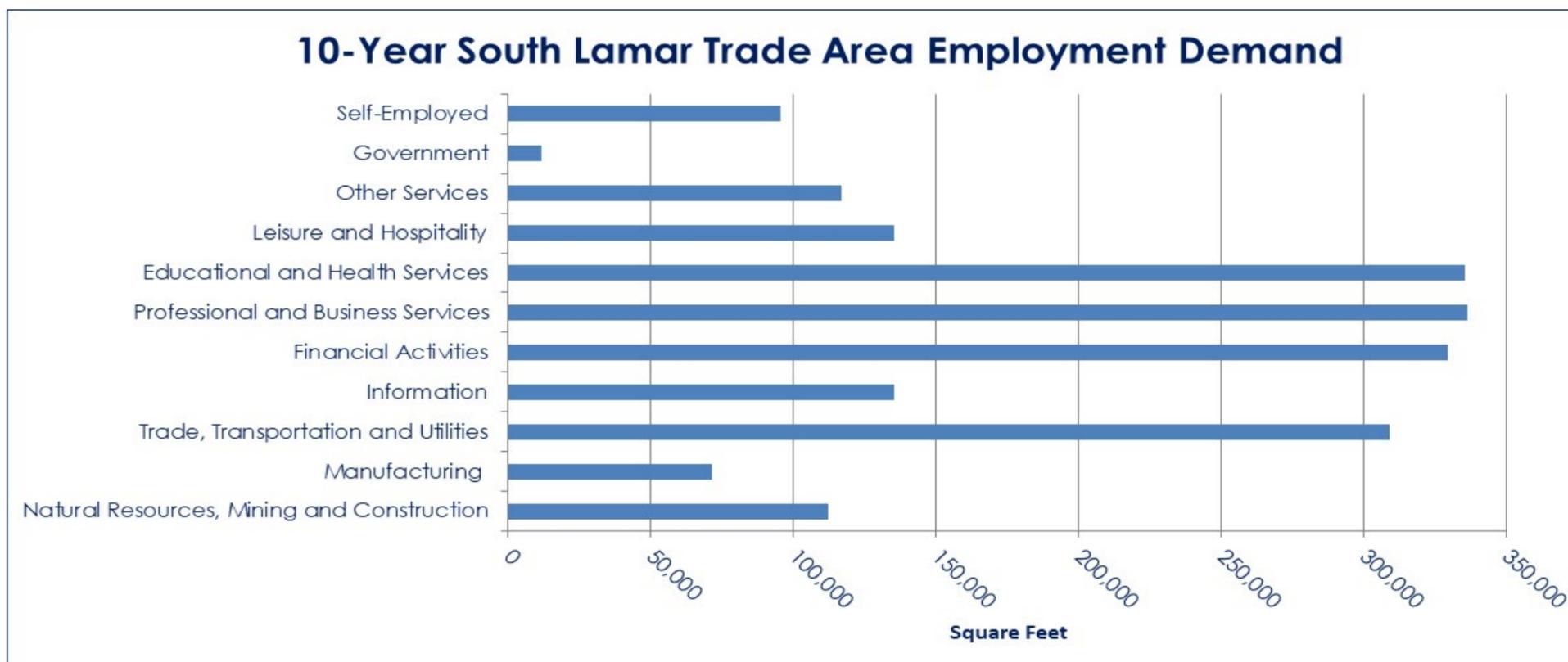
South Lamar Trade Area Employment Market Conditions

Indicator	Office	Industrial
Net Rentable Sq Ft	8,100,000	2,700,000
Under Construction (sq ft)	843,000	0
12-month Absorption (sq ft)	(214,000)	(84,700)
Vacancy Rate	10.5%	6.2%
Market Rent per Sq Ft	\$41.71	\$12.46

Source: CoStar and Ricker | Cunningham.

The South Lamar Trade Area is a growing office submarket, with steady new construction, stable vacancy rates and rents at the higher end of the Austin market. The industrial submarket is more established, with no new construction, lower vacancy rates and rental rates at the higher end of the overall Austin market.

South Lamar Trade Area Employment Demand Summary



Support for employment space is derived from two sources – growth / expansion among existing users in the Trade Area and the relocation of new companies into the market. Based on overall annual employment growth of 1.5%, the South Lamar Trade Area could support an additional 1.9 million square feet of new employment (office and industrial) space over the next 10 years.



SOUTH LAMAR MARKET OPPORTUNITIES

Residential

- Single Family Attached Units (Townhouses, Rowhouses, Condominiums)
- Rental Apartments targeted to “middle income” renters (80% to 120% of Area Median Income)
- Rental Apartments / Lofts – market rate and affordable

Retail

- Neighborhood retail / service space
- Restaurant and entertainment venues
- Specialty food and grocery

Employment

- Neighborhood / Local Service Office space
- Light industrial space
- Manufacturing space
- Live / Work “Maker” space
- Business campus

South Lamar Strategic Area Opportunity Summary

Real Estate Product Type	Market Opportunity	
	Short-Term	Long-Term
Residential		
Single Family Detached		
Cottages (small lot SFD)		
Patio homes		X
Duplex / Townhome	X	X
Condominiums	X	X
Apartments / Lofts	X	X
Retail		
Neighborhood retail / service	X	X
Restaurant / Bar	X	X
Entertainment	X	X
Specialty Food / Grocery		X
Boutique Retail		X
Lodging / Hotel		X
Employment		
Class A office		X
Medical office		X
Neighborhood / Local Service office	X	X
Light industrial	X	X
Live / Work "Maker" space	X	X
Manufacturing	X	X

Short-Term = 1 to 5 years; Long-Term = 5+ years

Source: Ricker | Cunningham.

SOUTH LAMAR MARKET OPPORTUNITIES

Supportable Product Images

Residential



Retail

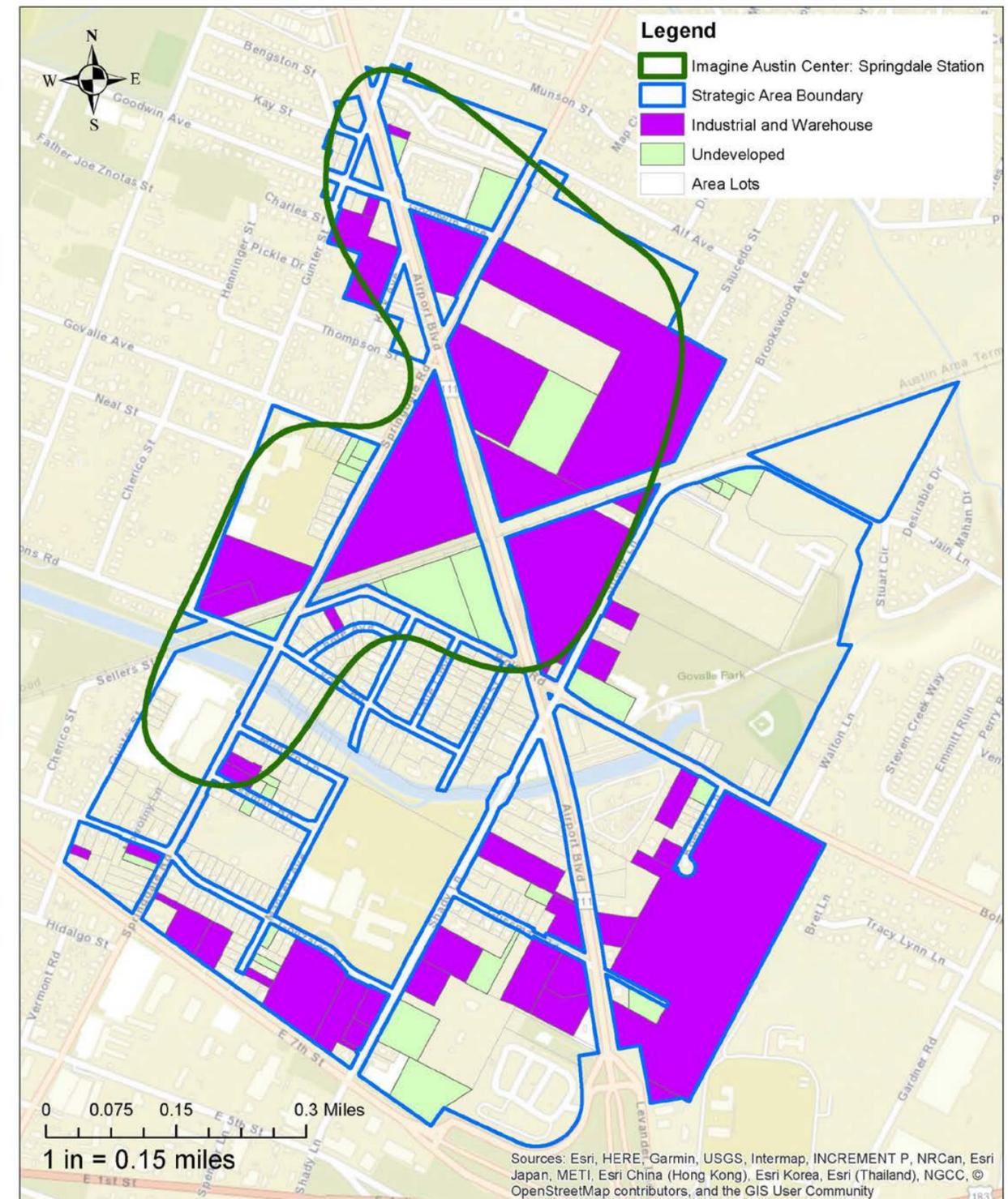


Employment



SPRINGDALE STRATEGIC AREA

The Springdale Strategic Area includes properties surrounding the intersection of Springdale Road and Airport Boulevard. The Area is bounded approximately by Munson Street on the northeast and East 7th Street on the southwest. This map shows the high degree of undeveloped and industrial and warehousing property, indicating an area likely to continue experiencing redevelopment.



**Strategic Areas:
Springdale-Hwy 183-E. 7th St**

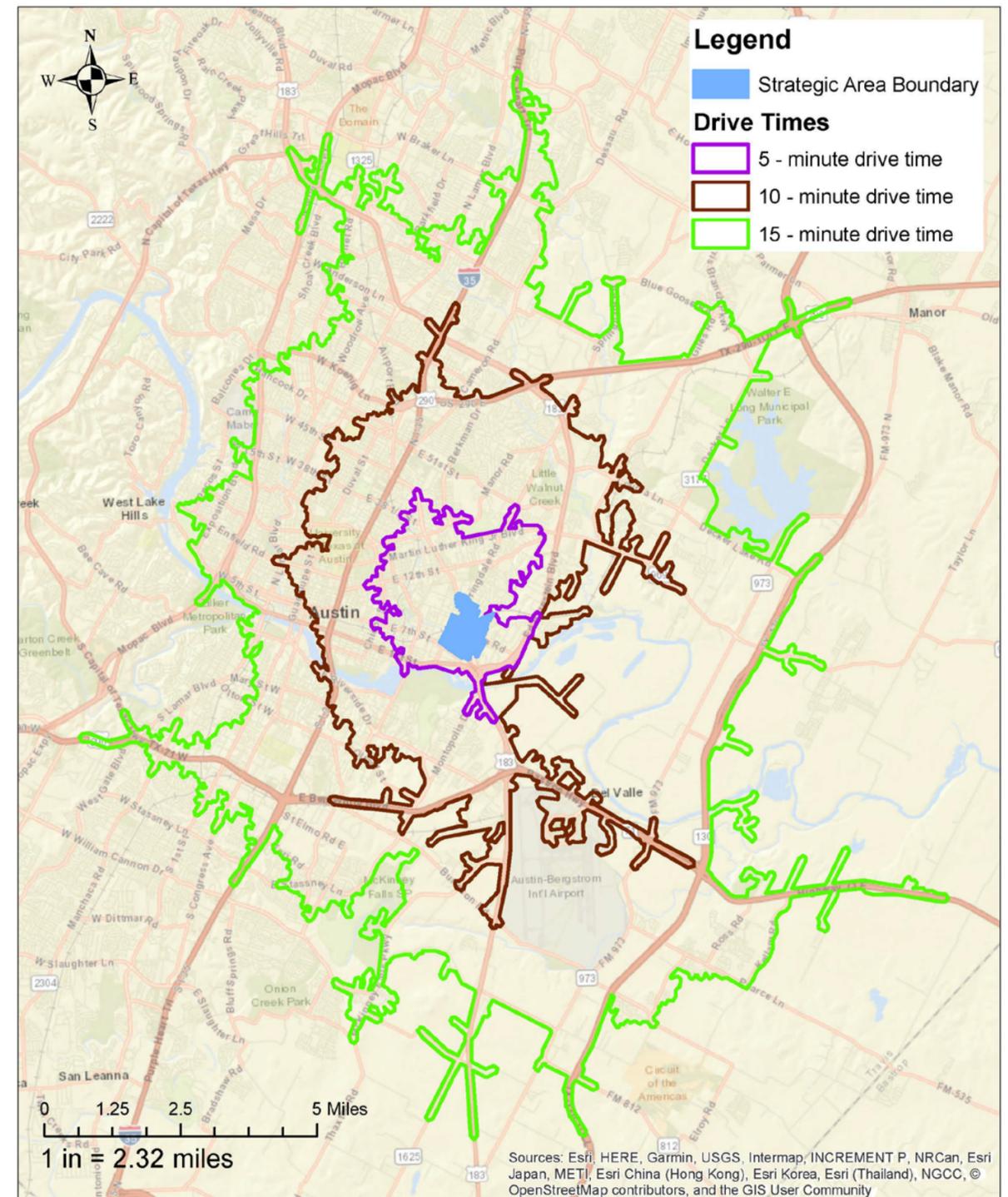
MARKET TRADE AREA

A trade area is defined as an area from which a project (s) or locale will draw the majority of its residents (housing), patrons (retail), employees (office, industrial, institutional), and visitors (lodging) – and those areas that will likely be a source of competition (supply) and demand. The boundaries of a trade area are often irregular as they are influenced by the following conditions:

- Physical Barriers
- Location of Possible Competition
- Proximity to Population and / or Employment Concentrations
- Zoning
- Market Factors
- Drive Times, Spending and Commuting Patterns
- Others

For the purposes of the Springdale Strategic Area market analysis, the Trade Area was identified by a 10-minute drive time to/from the Springdale Road / Airport Boulevard intersection.

Springdale Trade Area



**Strategic Areas:
Springdale-Hwy 183-E. 7th St
Drive Times**

DEMOGRAPHIC PROFILE

- The Springdale Trade Area is projected to grow significantly faster than the City over the next 10 years.
- Despite the Trade Area’s higher average household size and lower shares of non-family and one- and two-person households, its higher share of renter households suggests continued demand for a range of higher-density, lower-maintenance housing products (both ownership and rental).
- The Trade Area skews younger and significantly more ethnic than the City, with lower levels of college graduates and household incomes.
- The Trade Area’s demographic profile is representative of a diverse, progressive, urban community, attracted to real estate product types that are diverse, innovative, and address a wide range of socioeconomic groups.

2019 Indicator (unless otherwise noted)	Springdale Trade Area	City of Austin
2010 Population	136,027	790,390
2010 Households	49,585	329,326
2020 Population	169,700	999,991
2020 Households	63,500	414,800
Annual Household Growth Rate (2020 to 2030)	2.3%	1.4%
Average Household Size	2.50	2.36
Percent Non-Family Households	43%	48%
Percent One- and Two-Person Households	60%	67%
Percent Renters	64%	55%
Percent Age 65+	8%	10%
Percent Age 25-44	32%	34%
Median Age	28.8	33.0
Percent With Bachelors Degree	30%	51%
Average Household Income	\$78,100	\$98,500
Percent With Income Below \$25,000	26%	16%
Percent With Income Over \$100,000	25%	34%
Percent Hispanic	46%	36%
Percent Black/African-American	15%	8%
Percent Asian American	6%	8%

Source: U.S. Census; Texas State Demographer; City of Austin; ESRI; and Ricker | Cunningham.



The major forces of globalization, technology, urbanization, and demography are constantly interacting with each other and having a direct impact on the real estate industry.

PSYCHOGRAPHIC PROFILE

Psychographics is a term used to describe the characteristics of people and neighborhoods which, instead of being purely demographic, speak more to attitudes, interests, opinions and lifestyles. The Trade Area's psychographic profile indicates a young, affluent, highly-educated, community.

As with the demographic profile, both the Trade Area and City show young, affluent lifestyle segments. The Trade Area segments also show a greater impact from the University (College Towns and Dorms to Diplomas), while the City segments include a more established group of young, married couples who are more attracted to the outskirts of the City.

Springdale Trade Area

Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
NeWest Residents	7,892	12.4%	1,619
College Towns	7,824	12.3%	1,291
Dorms to Diplomas	5,601	8.8%	1,737
Metro Renters	5,116	8.1%	473
Young and Restless	4,959	7.8%	448
Total Above Segments	31,392	49.5%	--

LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Scholars and Patriots	13,425	21.2%	1,313
Next Wave	11,595	18.3%	480
Middle Ground	10,399	16.4%	151
Midtown Singles	9,109	14.4%	233
Uptown Individuals	8,963	14.1%	367
Total Above Groups	53,491	84.3%	--

Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	31,003	48.8%	270
Principal Urban Center	20,331	32.0%	450
Urban Periphery	10,094	15.9%	96
Suburban Periphery	1,998	3.1%	10
Semirural	39	0.1%	1
Total Above Groups	63,465	100.0%	--
Total Trade Area	63,475	100.0%	--

City of Austin

Tapestry Segment	2019 Households	% of Total Households	U.S. Index=100*
Metro Renters	52,320	13.0%	779
Young and Restless	46,974	11.7%	671
Emerald City	34,087	8.5%	594
NeWest Residents	31,700	7.9%	1,016
Bright Young Professionals	28,529	7.1%	315
Total Above Segments	193,610	48.0%	--

LifeMode Group	2019 Households	% of Total Households	U.S. Index=100*
Middle Ground	73,019	18.1%	167
Uptown Individuals	66,381	16.5%	431
Midtown Singles	61,639	15.3%	248
Affluent Estates	38,588	9.6%	96
Ethnic Enclaves	36,165	9.0%	126
Total Above Groups	275,792	68.4%	--

Urbanization Group	2019 Households	% of Total Households	U.S. Index=100*
Metro Cities	128,367	31.8%	175
Suburban Periphery	108,900	27.0%	85
Principal Urban Center	101,538	25.2%	353
Urban Periphery	62,226	15.4%	93
Semirural	1,370	0.3%	4
Total Above Groups	402,401	99.8%	--
Total Trade Area	403,065	100.0%	--

* Indicates concentration of this segment relative to U.S. average. A segment index of 200 would mean that this group contains 2 times the concentration of households compared to the average U.S. neighborhood.

Source: ESRI and Ricker | Cunningham.

TRADE AREA HOUSING MARKET

Springdale Trade Area Multifamily Housing Conditions

Indicator	
Total Units	6,730
Under Construction	1,780
12-month Absorption	109
Vacancy Rate	12.7%
Market Rent per Unit	\$1,428
Market Rent per Sq Ft	\$1.76

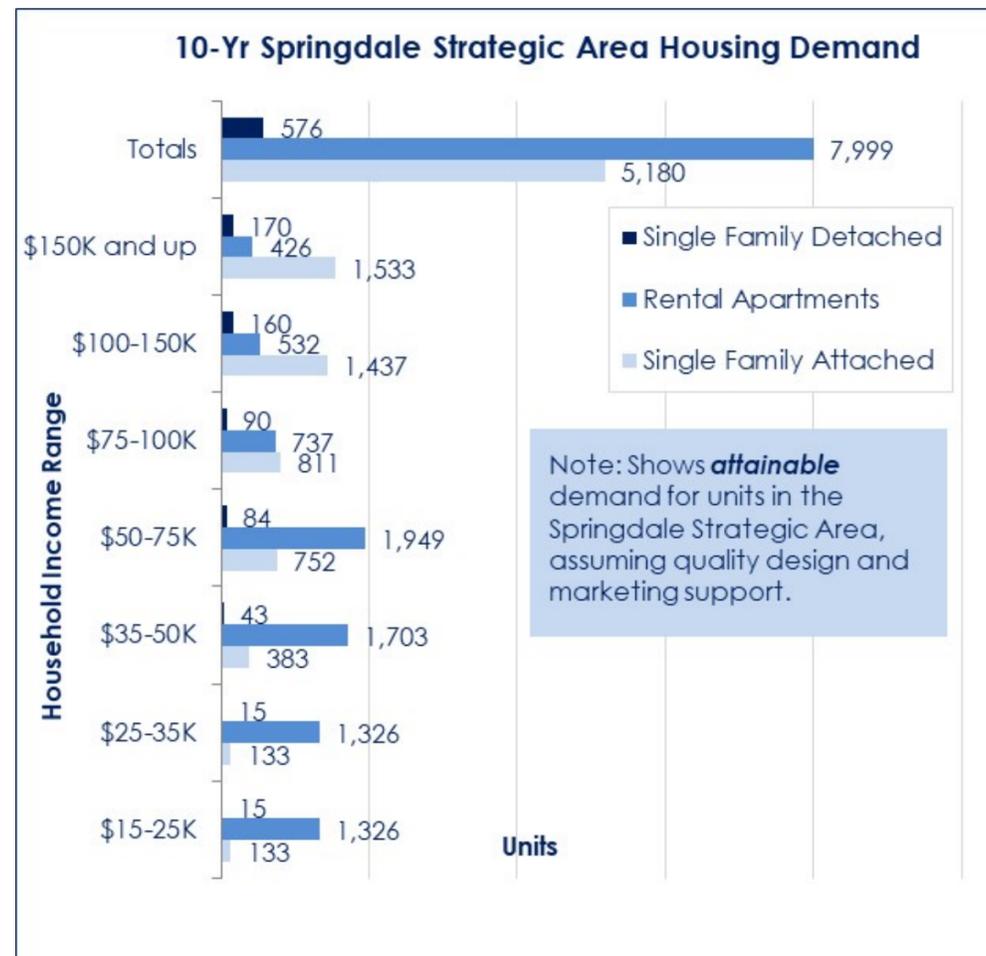
Source: CoStar and Ricker | Cunningham.

The Springdale Trade Area multifamily submarket is one of the most active in the City of Austin, with 1,780 units under construction. However, a declining absorption rate and stable market rental rates make this submarket susceptible to increasing vacancy rates and possible rent decreases. Approximately 3/4 of submarket units were built after 2000 and over 60% include affordable or rent-restricted units. There appears to be demand for both affordable and market rate units.



The Trade Area shows healthy demand for both attached ownership and rental apartment units over the next 10 years. Recent national studies have shown that nearly half of the population is looking for a different residential lifestyle than is presently available in their respective market. People care less about space and more about how space is used. The Springdale Strategic Area is an ideal environment for these types of higher-density, lower-maintenance housing products.

Springdale Trade Area Housing Demand Summary



TRADE AREA RETAIL MARKET

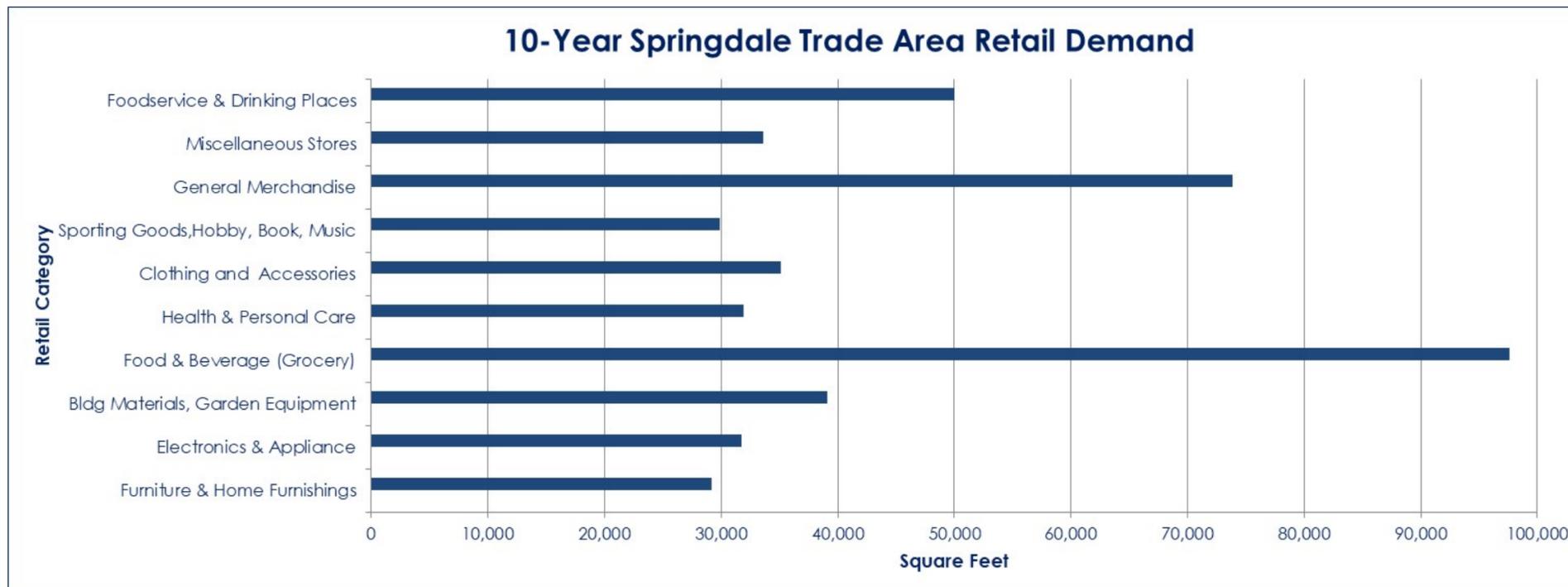
Springdale Trade Area Retail Market Conditions

Indicator	
Net Rentable Sq Ft	2,200,000
Under Construction (sq ft)	0
12-month Absorption (sq ft)	44,400
Vacancy Rate	4.0%
Market Rent per Sq Ft	\$27.67

The Springdale Trade Area is an older, established retail submarket, with low vacancy rates and rental rates at the lower end of the overall Austin market. Even with healthy household growth, the Trade Area should continue to show moderate demand for household goods and services and food and beverage-related businesses

Source: CoStar and Ricker | Cunningham.

Springdale Trade Area Retail Demand Summary



Including no demand from retail “leakage” and new household growth (~450,000 sq ft), the Springdale Trade Area could support an additional 450,000 square feet of retail/restaurant/service space over the next 10 years. The highest demand categories are food and beverage (grocery), general merchandise and foodservice and drinking places.



TRADE AREA EMPLOYMENT MARKET

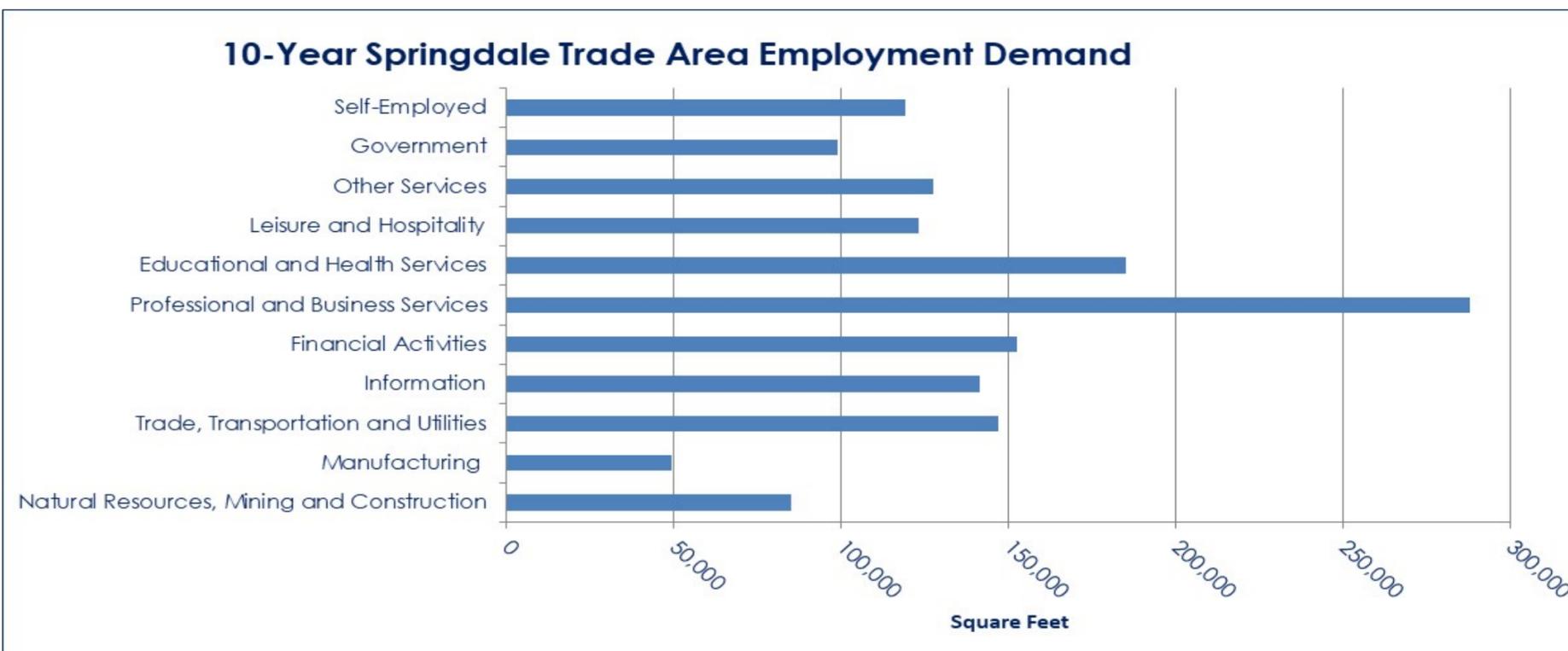
Springdale Trade Area Employment Market Conditions

Indicator	Office	Industrial
Net Rentable Sq Ft	3,100,000	3,100,000
Under Construction (sq ft)	842,000	0
12-month Absorption (sq ft)	195,000	(61,000)
Vacancy Rate	15.2%	10.3%
Market Rent per Sq Ft	\$45.75	\$11.04

Source: CoStar and Ricker | Cunningham.

The Springdale Trade Area is a relatively small office submarket, but is showing healthy new construction, stable vacancy rates and rents at the high end of the Austin market. The industrial submarket is more established, with no new construction, lower vacancy rates and rental rates in the middle of the overall Austin market.

Springdale Trade Area Employment Demand Summary



Support for employment space is derived from two sources – growth / expansion among existing users in the Trade Area and the relocation of new companies into the market. Based on overall annual employment growth of 1.5%, the Springdale Trade Area could support an additional 1.5 million square feet of new employment (office and industrial) space over the next 10 years.



SPRINGDALE MARKET OPPORTUNITIES

Springdale Strategic Area Opportunity Summary

Residential

- Single Family Attached Units (Townhouses, Rowhouses, Condominiums)
- Rental Apartments targeted to “middle income” renters (80% to 120% of Area Median Income)
- Market-rate and affordable rental units

Retail

- Specialty food and grocery
- Restaurant and entertainment venues
- Neighborhood retail / service space

Employment

- Neighborhood / Local Service Office space
- Manufacturing space
- Live / Work “Maker” space
- Light industrial space

Real Estate Product Type	Market Opportunity	
	Short-Term	Long-Term
Residential		
Single Family Detached		
Cottages (small lot SFD)		
Patio homes		
Duplex / Townhome	X	X
Condominiums	X	X
Apartments / Lofts		X
Retail		
Neighborhood retail / service	X	X
Restaurant / Bar	X	X
Entertainment	X	X
Specialty Food / Grocery	X	X
Boutique Retail		X
Lodging / Hotel		X
Employment		
Class A office		X
Medical office		X
Neighborhood / Local Service office	X	X
Light industrial	X	X
Live / Work "Maker" space	X	X
Manufacturing	X	X

Short-Term = 1 to 5 years; Long-Term = 5+ years

Source: Ricker | Cunningham.

SPRINGDALE MARKET OPPORTUNITIES

Supportable Product Images

Residential



Retail



Employment



Appendix v:
Stakeholder Input

Creative Space Assistance Program | Creative Bond

Deployment | Creative Space Needs | Grants

The Cultural Arts Division, part of the Economic Development Department, manages the city's cultural arts programs and provides leadership for the economic development of Austin's creative economy. (website excerpt)

Interview Panel:

- Meghan Wells - Cultural Arts Division, Division Manager
- Kim McCarson - Music and Entertainment Division, Economic and Business Development Liaison
- Anne-Marie McKaskle - Cultural Arts Division, Contract Compliance Specialist
- Jesus Pantel - Cultural Arts Division, Grant Coordinator

Divisional Services | Challenges:

- Funding provided by Creative Space Assistance Program (CSAP) (approximately \$12 million per year) from hotel tax receipts; a source of revenue that is voted on every 3 to 5 years, diminishing any certainty regarding its availability.
- Target audiences include non-profits, arts service organizations, and performing arts venues, sectors largely reliant on visitor and tourism counts (note -- their reliance on a source of income similarly reliant on imported revenue magnifies the impact COVID-19 has had on these groups).
- City team is an intersection of arts, culture, and economics in terms of talent and experience.

- Greatest challenges for industry include finding properties offering long-term leases (3 to 5 years with option to renew); dearth of affordable space; disconnects in land use code; resources for special space (lighting, flooring, air conditioning); racial | cultural issues under the creative umbrella; and linking capital and wealth.
- Corporate and personal philanthropy for the arts in Austin is very "thin"; many blame tech-dominated economy (potential participant Keller Williams Real Estate).
- City is institutionally incomplete, but culturally rich, so needs to define its social equity bottom line.
- No 380 agreements for retail projects and creative spaces are often in or affiliated with commercial businesses.
- When the city moved from an at-large to district system of representation, it left the community vulnerable to project and program biases.

Programmatic Opportunities | Voids:

- In addition to monetary assistance, groups need capacity-building; important in terms of educating artists about real estate transactions, lease terms, negotiating extensions, and planning for land use compatibility.
- Explore use of creative space bonuses (similar to density bonuses) as an incentive outside of downtown.
- Existing need for facilities of 100 to 500 seats, as well as venues catering to intergenerational groups.
- Portion of \$12 million bond program could provide an incentive for developers to make art accessible to the public, unless bond

language too restrictive to have meaningful impact (note – frustration in community regarding how bond program “sold”, since it resulted in few monetary resources).

- Economic impact of including creative and art space in development projects should be quantified and shared with developers and community leaders.
- Blue Star District (San Antonio) may provide case study for using HUD dollars in the context of the LEP.
- Need to research strategies to mobilize fundraising initiatives.
- Establish framework for interface with representatives of small business resources, acquisition of strategic properties, and redevelopment coordination.

Loan Programs | CDBG | Neighborhood Empowerment Zones

This group represented the Neighborhood Housing and Community Development Department, which oversees programs and incentives to encourage affordable housing, targeted primarily to households at 50% and below of Area Median Income (AMI) for rental units and households at 80% and below of AMI for ownership units.

Interview Panel:

- Christine Maguire - Redevelopment Services Division, Division Manager
- Erica Leak – Neighborhood Housing and Community Development, Regulatory and Planning Services Development Officer
- Mandy DeMayo - Neighborhood Housing and Community

Development, Program Delivery and Real Estate Services
Community Development Administrator

- Rebecca Giello - Neighborhood Housing and Community Development, Deputy Director
- Jonathan Tomko - Neighborhood Housing and Community Development, Business Process Consultant

Divisional Services | Challenges:

- Displacement mitigation | gentrification overarching challenge posed by market circumstances.
- Conservative legal department interpretation of state-sanctioned incentive program poses barriers.
- Programing assistance for home repairs seems to be working.
- Inclusionary zoning is illegal in TX, but objectives may be accomplished with resources including density bonuses and transfers of development rights (TDRs).
- Most housing programs address households at 60% area median household income (AMI) and below; void exists for those seeking workforce housing at 80% to 120% of AMI.
- Long-term affordability is the “north star” of departmental representatives, but resources fall short of advancing this objective.
- Lack of sophistication among private sector financiers (some use of historic preservation resources).
- Administer affordable housing (including historic) resources, Community Development Block Grant (CDBG) and other programs including Neighborhood Empowerment Zone (NEZ), density bonus, and TDRs.

- Coordinate with area Community Development Corporations (CDCs) in the delivery of housing projects.

Programmatic Opportunities | Voids:

- Market voids exist for housing at 30%, 50% (rental) and 80% (ownership) of AMI.
- Need to identify or establish organizations addressing the need above 60% AMI including workforce housing.
- Should develop more strategies for mixing public and private uses in a single development (i.e., library).
- Policy preference for reform and resources for groups displaced through gentrification based on lessons learned in Portland and San Francisco.
- Private developers should be incentivized with gap-filling resources to include a range of housing product types (at different price points).
- Solutions provided by Grounded Solutions Network regarding inclusionary housing policies should be expanded.
- Information from the state Go Repair Program (Amy Young) and potential applications available in Austin.
- Size and character of Austin inventory of historically significant commercial properties limited to 7 districts and 600 landmarks.
- Need for strategies and resources to attract developers with LIHTC experience, including national non-profits; opportunities exist for state syndication of tax credits and training local developers.
- Partnership opportunities should be pursued with medical and transit agencies - Ascension Seton Medical Center and others.

- Explore potential for surface parking lots and other remnant or surplus properties (maintain inventory number, size, location).
- Quantify impact of administering NEZ program relative to impact before dismissing its potential independently or in combination with others.
- Opportunities exist for interface with representatives of strategic property coordination and redevelopment.

Strategic Property Coordination | Redevelopment Division

Redevelopment Division

The Redevelopment Division implements Council policy that enlivens commercial districts, strengthens the local economy, and promotes community identity through place-making in the public realm. Projects such as Seaholm District, 2nd Street District, MUELLER Redevelopment, Colony Park, and Souly Austin embody this mission.

Interview Panel:

- Mark Gilbert - Redevelopment Services Division,
- Christine Maguire - Redevelopment Services Division, Division Manager
- Margaret Shaw - Redevelopment Services Division
- Mashell Smith - Real Estate

Divisional Services | Challenges:

- Manage city surplus properties, land, and leases (potential interface with representatives of creative space assistance).

- Select potential property acquisitions and demonstrate public benefit.
- Solicit and review third-party appraisals.
- Monitor market conditions.
- Manage community expectations.
- Solicit development partners.

Programmatic Opportunities | Voids:

- 2018 economic development policy rewrite specified that LEP will target delivery of “community benefits”.
- East Austin is supposed to be the principal target for redevelopment initiatives.
- “Surplus properties” used for affordable housing, but not necessarily for creative spaces or encouraging urban form, and application process ad hoc.
- Parks and Recreation Department is one of biggest recipients of surplus properties.
- City’s Legal Department pushes back on legality of long-term land leases.
- “Very activist” Council.
- Any debt issued has to be approved by the State Attorney General and since fractured relationship, unlikely to result in favorable results.
- Property tax cap cannot be capitalized to support long-term lease.
- Willingness by city to issue developer requests for proposals (RFPs).
- Have had discussions within the city regarding necessity for greater flexibility in strategies to advance commercial and residential affordability strategies.
- Investigate existing municipal surplus property programs for application in Austin.
- To improve the program, must demonstrate the fiscal impact of taking properties off tax rolls, and incorporate into potential guidelines (specificity, yet flexibility).
- Need policy support for activating surplus property as creative spaces.
- Explore Council willingness to use surplus property as project contribution, with a delayed return after project stabilization.
- Prepare guidelines and |or relocation policy to protect displaced tenants among target sectors.
- Understand impact of district, as opposed to at-large representation on Council, on objectives of LEP and similar programs.
- Quantify economic impact of a long-term city lease.
- Explore practicality and application of an economic development corporation (recommendation prior to Council resolution in Fall 2020).
- Prepare mixed-use development concepts that demonstrate a range of roles and their impact.
- Explore opportunities for interface with representatives of creative space assistance, small business, and strategic property coordination.

Music Industry Needs

Music & Entertainment Division (website excerpt)

The Music & Entertainment Division manages programming, services, and funding to diversify and accelerate the growth of Austin's commercial and nonprofit music and entertainment industries. We serve as a central liaison and resource for all music industry stakeholders to promote increased jobs, compensation, sector development, nightlife compatibility, and talent export in Austin.

Interview Panel:

- Erica Shamaly - Music and Entertainment Division, Division Manager
- Stephanie Bergara - Music and Entertainment Division, Music Tourism | Audience Development Program Coordinator
- Kim McCarson - Music and Entertainment Division, Economic & Business Development Liaison
- Brian Block - Music and Entertainment Division, Entertainment Services Manager

Divisional Services | Challenges:

- Business development for music industry.
- Produce events.
- Monitor regulatory compliance.
- Build coalitions.
- Issue permits for certain music venues.
- Coordinate partnerships between music industry

representatives and city's Parks and Recreation Department.

- Assist vendors with real estate negotiations including lease terms and access to gap financing.
- Manage development and venue conflicts.
- Coordinate local and state music business assistance programs.
- Advocate for music industry and businesses along with business associations.
- Target groups – musicians, venues, full range of industry professionals.
- Music industry and creative space landlord education.

Programmatic Opportunities | Voids:

- Affordability is a primary concern – increased costs, rents, etc.
- Roles include regulatory | planning, permitting processes, mediation, compliance, coalition building; administer rent stipend or “gap” financing, moving costs, leasehold improvements; and other forms of assistance.
- Should complete case study research of Nashville and other cities with music industry support programs.
- Cultural overlay district relevance should be explored.
- Need for policy and lease protections from code compliance triggers, as well as streamlining initiatives to benefit tenants.
- Venue operator and developer partnership opportunities exist.
- Revolving loan fund and annual endowment sponsors are a void in delivery system.
- Opportunities to interface with representatives of creative space assistance, and strategic property coordination.
- Opportunity to sustain venues and artists.

- Additional barriers include compatibility with certain land uses, thin operating margins, and sound | density problems.

Chapter 380 | Incentives | Workforce | EDC | O

Interview Panel:

- Kyle Brandon - Global Business Expansion, Business Process Consultant
- David Colligan - Economic Development Department, Acting Assistant Director
- Terry Franz - Administrative and Financial Support, Contract Compliance Spec Sr.

Divisional Services | Challenges:

- Case management and promotion
- 380, other incentives, and workforce assistance program administration

Programmatic Opportunities | Voids:

- Imagine Austin comprehensive plan update included two-year “road show” to educate community.
- Need an umbrella for a variety of “niche” programs (affordable housing, creative space, non-profits, musicians, artists, etc.) that do not exacerbate displacement.
- Public sector led case study for lessons learned is Hudson Yards (NYC).
- Important to educate the Council regarding the findings of this project and the lack of long-term policy support for desired

outcomes.

- Pool of local developers small for types of mixed-use projects that could include creative space component.
- City’s entitlement process is a barrier that translates into additional time and cost.
- Economic Development Department is not “front door” for developers, but rather “wedged” into city process.
- Not enough engagement between the Council and private sector development community.
- Need to formalize application structure and project criteria to include community benefits.
- Past examples of projects that used 380 Program exacerbated displacement problems locally and effectively tainted public perception.
- 380 Program update intended to – “move economic development beyond retention and expansion, eliminate difficulty of delivering projects due to internal processes, and retain space for creative uses”.
- Benchmark (Council memorialize) and monitor 380 Program use, effectiveness, and applicability (or lack thereof) among certain industries (benefits beyond economic benefits).
- Measures by which success and failure will be evaluated should be included in all agreements.
- Necessity that Council understand impact to development community associated with Council priorities (which market conditions drove economic gaps (pre-Covid), how to advance objectives with off-setting resources, role of economic development).

- Development community needs assurance that Council will provide long-term commitment to identifying and mitigating barriers to investment and leveraging professional partnerships.
- Inconsistent program awareness or coordination among city departments (i.e., Parks Department) to advance individual and shared objectives.
- Opportunities for interface with representatives of small businesses and industry groups.

Arts and Creative Space Developers | Initiatives

Interview Panel:

- Zac Traeger - Museum of Human Achievement
- Michael Feferman - Meow Wolf
- Josh Green - Pump Project
- Dan Redman - Mosaic Sound Collective
- Roy Mullin – Dillard Circle, The Stage Austin
- Josh Green – Artus, Co.

Divisional Services | Challenges:

- Buildings continue to be vacant, but landlords want too much upfront and would rather wait for someone willing to pay higher rent.
- City of Austin and Travis County individually own a lot of real estate but belong to departments that will not give them up, and without Council encouragement, they do not have to.
- Largest challenges are money for rent and buildout costs (i.e., one landlord required their tenant to maintain a bank balance

of \$250,000 at all times).

Programmatic Opportunities | Voids:

- Need for large artist warehouse space of 120,000 square feet or more to house multiple vendors (artists collective).
- Also needed, space to grow art-related businesses organically.
- Artists could benefit from assistance negotiating lease terms that are affordable, yet able to help landlord with long-term revenue goals.
- Council policy should be developed to ensure certain types of publicly held properties are made available for creative users.
- City offerings should include a program that “backs leases” or positions themselves as primary lessee, with sublease agreements for target groups at lower rates.
- 380 agreements should require either inclusion of space for creatives or buildout of similar space somewhere else.
- Duplicate program offered at The Arboretum which allows for pop-up operations, but contrary to that program, engage tenants in more than month-to-month leases so they are able to secure long-term programming plans.
- Money needed to provide security, but without sustained political will, not be a sufficient solution.
- Expressed preference for programs that facilitate property ownership by arts organization over having city as landlord.

Real Estate Related Needs of Businesses | District and Association Representatives

Interview Panel:

- Cody Cowan – Red River Cultural District
- Brandon Testa, Jesus Mendoza – East Cesar Chavez Merchants’ Association
- Brandon Hodge, Matt Parkerson - South Congress Merchants’ Association
- Dixie Patrick – Austin Independent Business Alliance

Divisional Services | Challenges:

- Overwhelming majority of small businesses are renters or single location owner / operators.
- 85% of small businesses in Austin have < 25 employees – most have single location.
- As renters, issues are lease payments, lease negotiations, expense pass-throughs.
- Most Covid relief programs are targeted to help employees, not owner-operators.
- Immediate challenges: rent relief, negotiations with landlords and lenders, regulatory requirements.

Programmatic Opportunities | Voids:

- Programs with a monetary impact that are needed include: TIF for financing public improvements, matching grants or low interest loans for landlords (savings could be passed on to tenants), 100% mortgage refinances at long terms, expedited public approvals for small projects, relief from established wage / income thresholds, clear definition of community benefit, and range of strategies for property acquisition and disposition for target audiences.

- Program needs to include construction and maintenance components.

Real Estate Development

Interview Panel:

- Terek Morshed - Sotheby’s
- Marcel Garza - RBJ The Hatchery Seaholm (SW Strategies)
- Daryl Kunik - Springdale General, Canopy
- Greg Anderson - Habitat for Humanity

Divisional Services | Challenges:

- Projects involving Austin Energy are among the most difficult, given an overall lack of consistency in building requirements and recent requests to change approved site plans.
- Lack of experience and authority among staff within certain public agencies.
- Connectivity requirements in the current code do not universally make sense and should be considered with some flexibility until the code is officially updated.
- Protracted timeframe for entitlements, complicated approval processes, energy monopoly by Austin Energy all contribute to costly project delays.
- Developers pass along extraordinary expenses associated with the above items in the form of high rents.
- LEP proposal is a positive sign that the city is progressive and moving forward, but this is somewhat offset by challenges associated with current code that leaves too much room for

interpretation.

- Lack of public infrastructure to facilitate public-private partnerships (within city hall).
- Lack of “gap financing” (taken away by Council with amendment to 380 program) and reluctance to provide upfront financial assistance.
- Fragmented program of property acquisition, positioning, and disposition by city.
- Neighborhood opposition to projects and their influence over Council (expectation that developer complete negotiations with neighborhood before approach city for approvals). Note: Neighborhood voice described as “outsized” and unfair to remaining residents they may or may not represent.
- Resident “representation,” but not business representation in new project discussions.
- Businesses cannot keep up with annual reassessment increases.

Programmatic Opportunities | Voids:

- Expedite permitting processes for simple, small, and desired projects, rather than continually increasing fees.
- Fee waivers would help, but more so dedication program for affordable art studios (i.e., similar to inclusionary housing requirements).
- Investigate best practices of similar communities and implement relevant programs and projects.
- Land Development Code (LDC) overhaul essential, as are greater predictability around fee structure and other requirements.

- Meaningful incentives to attract market developers to participate.
- Demonstrate value of desired LEP outcomes in attracting and retaining creative class.
- City refinance debt at 1% (for example) interest, pass along savings to tenants.
- Willingness to include space for artists and other creatives may necessitate bump in density which will inevitably be opposed by neighbors.
- Overlay district established in targeted locations that correspondingly provides reduction in taxes for inclusion of creative space.
- Demonstration projects to prove up market opportunity and return on community investment (direct and indirect).
- Stronger citywide growth management limitations on the fringe.

Private | Public Sector Lenders

The mission of the Small Business Program is to foster job creation and support the growth of new and existing businesses by providing capacity-building information, tools, and resources. Services provided include counseling and assistance to small businesses to strengthen their capability and survivability [sic]. (website excerpt)

Interview Panel:

- Xavier Zarate - Economic Development Department, Program Manager

- Sylnovia Holt-Rabb - Economic Development Department, Deputy Director
- Lance McNeill - Small Business Division, Program Manager
- Vicky Valdez - Small Business Division, Division Manager
- Joy Miller - Small Business Division, Program Manager
- Dusty McCormick - Economic and Business Development Liaison

Divisional Services | Challenges:

- Assist new start-ups and co-packaging (not growing) in the food industry.
- Negotiate financing for tenant improvements and rent discounts.
- Support the “fashion” ecosystem.
- Small business services – education (classes), training, Challenge Studio, CoStar data, financial projections, help find seed funding.
- Respond to small business questions regarding raising revenue, accessing donation funds, training, and business planning.
- Oversee and administer city lending programs (bridge program).
- Extension of Small Business Association (SBA) program, coordinate with local representatives.
- Assist with real estate inquiries – location of available space, lease negotiations, tenant improvements, property acquisition, construction and generally securing space for vulnerable groups.

Programmatic Opportunities | Voids:

- Emulate efforts of other communities to use 380 and relocation programs to assist small community development-oriented groups, rather than just large economic development projects, which has been the practice to-date.
- Need to differentiate between outcomes of economic versus community development initiatives (not necessarily growth and | or increase in jobs, instead performance measures, for monitoring indices, as well).
- Micro-funding sources such as Fundrise and In My Backyard (IMB) have potential to provide modest levels of support.
- Opportunities exist to grow “challenge studio” and “public benefit program” offerings.
- Corporate partnerships once thought ideal could face legal challenges, so efforts should be made on strategies to overcome obstacles.
- Investigate alternative strategies to capping property taxes (considered unlawful in Texas) in order to protect tenants from relocation due to gentrification.
- Foster opportunities for better interface with representatives of creative space assistance, strategic property coordination, and redevelopment.

Global Business Expansion Division | Heritage Tourism | Food Sector

Global Business Expansion Division (website excerpt)

The Global Business Expansion Division works to facilitate

international expansion, manage city-issued incentives, define, and manage workforce contracts, and empower more businesses to reduce and reuse waste through a unique partnership with Austin Resource Recovery.

Heritage Tourism (website excerpt)

The Heritage Tourism Division provides leadership and management for the city's heritage tourism programs aimed to attract tourists and convention delegates and to derive economic, business, and community benefits associated with honoring and preserving Austin as a place of personal heritage.

Interview Panel:

- Melissa Alvarado - Heritage Tourism Division, Division Manager
- TJ Owens – African American Cultural & Heritage Facility, Facility Director & Program Manager
- Chris Schreck - Global Business Expansion, Program Manager II
- Christine Freundl - Redevelopment Services Division, Project Manager
- Cara Bertron - Planning and Zoning Department, Senior Planner | Deputy Historic Preservation Officer

Divisional Services | Challenges:

- Provide land development code review.
- Interpret regulations impacting special businesses under a specific umbrella.
- Administer heritage grant program.
- Assist with historic preservation designations and resource

identification.

- Support food sector including expansion of grocery stores, fresh and local food sector production (supply chain) and facilitate partnerships supporting “farm to table” local producers and wholesale terminals.

Programmatic Opportunities | Voids:

- Food sector voids in grocery, fresh food, and local food supply chains.
- Value-added local “farm to table” opportunities for local producers, along with wholesale terminals.
- Absence of locations able to host food businesses – start-ups, cold storage, value-added.
- Investigate examples of approaches to address community and neighborhood food deserts, including co-op partnerships supporting community gardens and sustainability.
- Should definitively define “legacy businesses” with an emphasis on those established 30+ years.
- Affordable housing | commercial development projects are needed.
- Mueller Municipal Airport demonstration project for use of historic resources, approach to public-private partnerships, and adaptive reuse concepts.
- Most if not all economic development incentives are tied to job creation when community benefits might be more appropriate.
- Food industry businesses often employ fewer employees, making them viable targets for existing resources.
- Barrier to historic preservation and increasing building stories,

potential for TDRs to fill feasibility void.

- Strategies needed to diversify use of historic preservation resources by commercial property owners and other non-city owned facility restoration projects.
- Should quantify citywide implications of commercial – housing inventory balance and policies to address inequities.
- Need to provide greater access to capital and streamlined permitting, along with complementary city infrastructure.
- Opportunities for interface with representatives of creative space assistance, small business, and strategic property coordination.
- Develop possible building reuse concepts to support Parks Department charge relative to certain property acquisitions.

Private | Public Sector Lenders

Interview Panel:

- Charles Colley, Ryan Bennett - Frost Bank
- David Dinoff, Rosa Rios Valdez - Business and Community Lenders of Texas
- Jason Qunell - University Federal Credit Union

Divisional Services | Challenges:

- Non-profit lenders (i.e., Community Development Financial

Institutions (CDFIs)¹ are different than for-profit institutions since they do not have original grantor, more easily loan at lower amounts (\$25K), and do not readily use traditional scoring model.

- No clear roadmap of rules to provide greater certainty for developers.
- Complex projects will always make underwriting harder and less likely to qualify for funding.
- No credit given to 380 contributions to financing since based on tenancy and sales tax unknown.
- 380 resources considered “gravy” but not basis for leveraging additional funding.

Programmatic Opportunities | Voids:

- City should assume meaningful role such as donating land or writing down the cost of the same, and work with lenders particularly community development entities to provide financing.
- Public sector entities should play to their core competencies, rather than try and be all things to all people; as such, provide monetary resources to lending entities who can make its impact multiplicative.
- Public sector assistance can have monetary value such as taking

¹ Community development financial institutions (CDFIs) are private financial institutions that are 100% dedicated to delivering responsible, affordable lending to help low-income, low-wealth, and other disadvantaged people and communities join the economic mainstream. By financing community businesses—including small businesses, microenterprises, nonprofit

organizations, commercial real estate, and affordable housing—CDFIs spark job growth and retention in hard-to-serve markets across the nation. Source: Opportunity Finance Network.

a subordinate position on a business or development loan.

- More streamlining of program administration and entitlement reviews would provide greater certainty and grow the city's credibility as a public sector partner.
- Location within an opportunity zone is considered a favorable supplement to private financing.
- Some lenders make a distinction between small and micro businesses, city should do so, as well.
- Contributions with monetary value include forgivable loans, underwriting capital contribution, bridge to collections, lines of credit, others.

City Perspective Regarding Assistance (based on participation in discussions associated with amendments to the 380 Policy):

- Median income does not equal median rent.
- Focus of city to-date has been on assisting businesses and corporations, but not necessarily of all sizes and types, nor along continuum of need.
- 380 amendment largely corporate attraction emphasis; Small business not hard to attract as they grow more naturally, independent of the city initiatives, so questioned the logic of redirecting resources to these groups.
- Did not want to lose corporate attraction benefits, so end-product less applicable to smaller entities.
- Acknowledge that minimum wage requirements high standard for non- and not-for-profit entities.
- Lack of sufficient attention on workforce housing, primarily

affordable housing.

- Private sector reluctance to use current public sector resources, potentially because of costly application processes and compliance requirements.
- Trust has become fractured between public and private sectors fueled by perceived lack of equity.
- Philosophy that actively attracting businesses (small) increases competition for existing operators, and ultimately a “slippery slope” of ongoing giving.
- Belief that if giving versus lending, the attitude will be to take all rather than what is needed, and the city wishes to build a bridge to a bridge, rather than be the only bridge.

Appendix vi:

Miscellaneous Information