



# City of Austin

## Recommendation for Action

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**File #:** 24-4870, **Agenda Item #:** 6.

9/12/2024

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### **Posting Language**

Approve an ordinance establishing a new program under Chapter 380, Texas Local Government Code, entitled the Place-Based Enhancement Program, in compliance with Council's approved Chapter 380 Policy, that will provide financing to fill funding gaps in projects that deliver high levels of community benefits.

### **Lead Department**

Economic Development.

### **Fiscal Note**

There is no fiscal impact.

### **Prior Council Action:**

August 30, 2018 - Council passed Resolution No. 20180830-056, adopting the Economic Development Guiding Principles.

August 30, 2018 - Council passed Ordinance No. 20180830-058, directing the City Manager to develop a locational enhancement program to address commercial affordability for local small businesses, including the creative sector, to develop vibrant commercial corridors, and to increase access to goods and services in communities that are traditionally underinvested.

January 23, 2020 - Council authorized negotiation and execution of a contract with Ricker-Cunningham to provide real estate consulting services for the development of a location enhancement program.

July 28, 2022 - Council passed Resolution No. 20220728-094, directing the City Manager to develop a Live Music Venue Bonus and Incentive Program, including expanded facilitation of affordable commercial space in new construction for music venues.

September 1, 2022 - Council passed Resolution No. 20220901-089, directing the City Manager to develop a Creative Space Bonus and Incentive Program including "expanded facilitation of affordable commercial space ... in new construction," incentivization of "lower cost/long term leases" including "potential property tax relief for owners," and the use of Chapter 380 agreements for this.

September 21, 2023 - Council passed Ordinance No. 20230921-103, adopting the Palm District Plan as an element of the Imagine Austin Comprehensive Plan, including direction to revise the Chapter 380 policy to incorporate tools and mechanisms for small businesses and creative space preservation and to bring a location enhancement program ordinance to Council for adoption.

May 16, 2024 - Council passed Ordinance No. 20240516-005, establishing the Equitable Transit-Oriented Development (ETOD) Density Bonus Overlay following the adopted ETOD Policy Plan, which includes direction to develop incentives for affordable and favorable ground-floor lease terms for small businesses, non-profits, and community-supporting space in ETOD zones.

**For More Information:**

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**Additional Backup Information:**

The Economic Development Department (Department) requests Council consideration of an ordinance to establish the Place-Based Enhancement Program (Program) under the Chapter 380 Policy and Guiding Principles. The initial Program direction was based on extensive community outreach and consultation, including eight Community Conversations with 160 unique attendees, in which affordability was identified as a top concern for Creative Sector and Small Business participants.

Staff engaged the consultant Ricker-Cunningham to conduct further stakeholder engagement, economic analysis, best practice research, and program recommendations. Nine distinct focus groups were engaged to obtain specialized input on the real estate needs of small businesses, creative sector businesses and nonprofits, and developers. Additional focus groups and stakeholder conversations have been held to review Program recommendations. Annual surveying and regular engagement by the Department supports the need for affordable commercial space options for the creative sector, local small and legacy businesses, and investments in economic, cultural, and community infrastructure in underserved areas.

Staff is requesting approval of the Place-Based Enhancement Program Guidelines under the Chapter 380 Policy and Guiding Principles. The Program will address the following goals articulated through Ordinance No. 20180830-058:

- Commercial affordability for tenants of commercial space with particular focus on small, local, heritage businesses, non-profits, cooperatives, and those in the creative sector;
- 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;
- 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;
- 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;
- 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,
- Opportunities for alleviating and offsetting burdens of the City regulatory environment as it relates to business growth and development.

To accomplish these goals, the Program will provide financing to fill gaps for projects that deliver high levels of community benefits, in particular affordable commercial space and community infrastructure to target needs. Categories of incentives to be provided to program participants are as follows:

- Category 1: Affordable Space - To support the inclusion of affordable commercial tenant space in mixed-use and commercial developments.
- Category 2: Community Impact - To support the delivery of high-impact community development projects.

Category 3: Cultural Preservation - To support the retention and enhancement of existing creative spaces, music venues, and legacy local businesses.