



Place-Based Enhancement Program

Economic Development Department

September 2024



**Economic
Development**
CITY OF AUSTIN

Program Background

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



Program Development Activity

Consultant Study

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

Initial Stakeholder Focus Groups

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

Program Stakeholder Presentation

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

Place-Based Enhancement Program

PROGRAM PROPOSAL

What is it?

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

What is the incentive based on?

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

What community benefits are prioritized?

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



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PROGRAM PROPOSAL

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

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

Category III – Cultural Preservation: Tax reimbursements and potentially other programs to support retention and improvement of existing music venues, creative spaces, and legacy businesses, nonprofits, and co-ops

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



Community Benefits and Geographic Targeting

COMMUNITY BENEFIT TARGETS

Music Venues and Creative Spaces

Small, Local Businesses, Nonprofits, and Co-ops

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

TARGET AREAS

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

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

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

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



Affordability Standards and Example

Commercial Affordability

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

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

Category I: Affordable Space Example

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



Thank you! Questions?



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