



# Preventing Commercial Displacement Near Transit in Austin

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- Austin's Commercial Context
- Project Connect Transit System + ETOD Policy Framework
- Equitable TOD Zoning
- Place-Based Enhancement Program



# Commercial Context in Austin, TX



# Affordable Small Business Space Needs

- Austin's local small businesses and creative spaces depend heavily on the retail real estate sector
- Vacancy rate is hovering around 3%, one of the lowest in the nation
- *"Retailers eager to enter or expand within the market... find it challenging to find a suitable space, tilting negotiating power in favor of landlords."* - CoStar
- Retail construction market experienced a substantial 50% decline in construction starts over the past year; supply scarcity not improving



### South Congress

- Over 107 businesses, with high portion of local and legacy businesses
- \$37.35/SF + Additional charges in rent (anecdotal reports of \$150/SF or more); 1.7% vacancy
- Facing rapid closure of long-time businesses and replacement with chains



### South First Street

- Over 85 businesses, with high portion of local and creative sector businesses
- \$37.57/SF in retail market; 0% vacancy
- Already facing substantial displacement pressure from property sales and redevelopment



### Guadalupe / The Drag

- Long-established primary retail corridor serving UT-Austin campus
- \$40.74/SF in retail market; 5% vacancy
- Many small businesses face precarity due to loss of student customer base during summers and holidays



# Austin's Project Connect Transit System & Equitable Transit- Oriented Development





# Earlier TOD Efforts in Austin – Commuter Rail

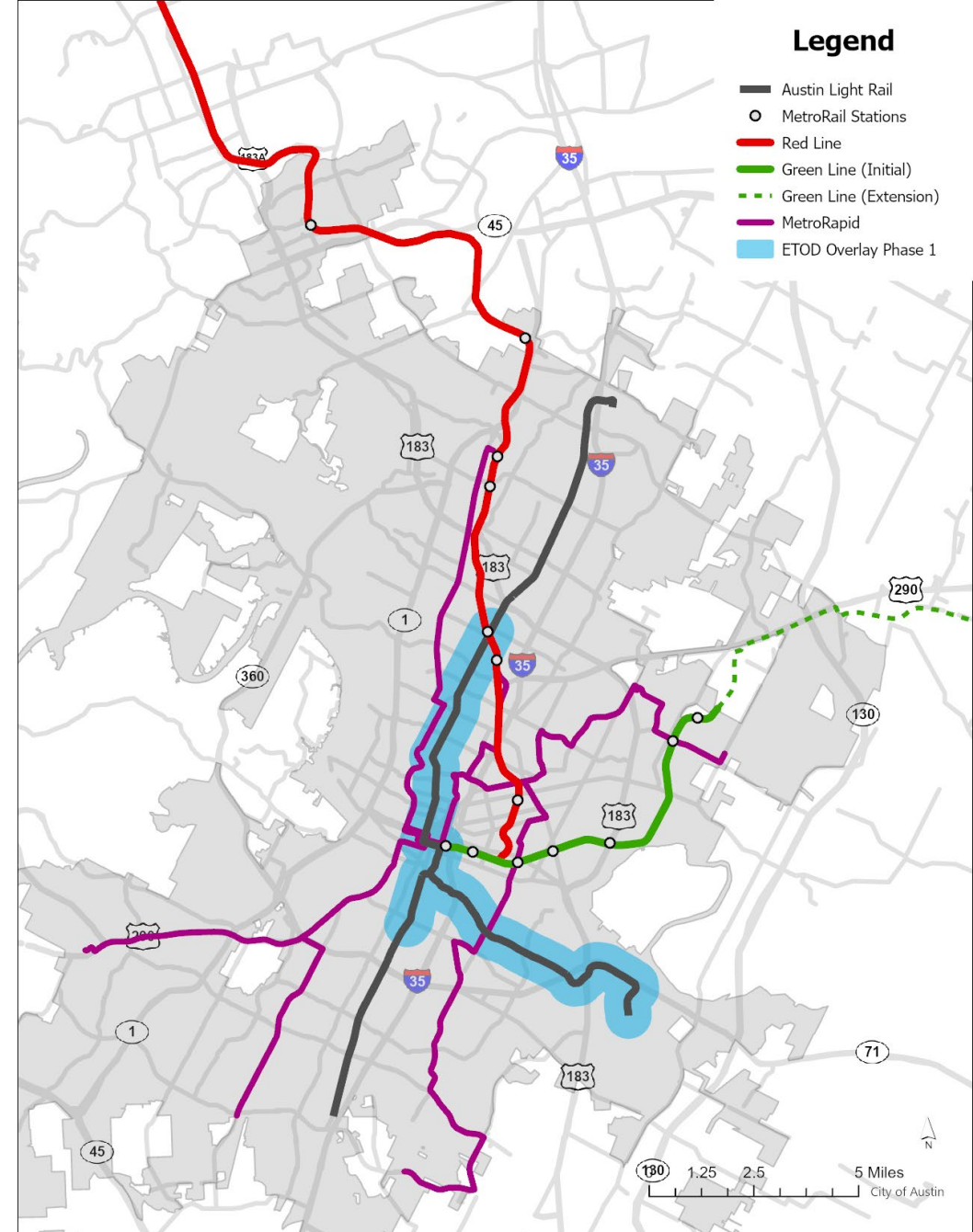






# Project Connect System

- Upgrades to existing Red Line + new Green Line commuter rail
- *\*NEW\** Light Rail Transit
- Four additional MetroRapid bus routes
- \$300 million towards anti-displacement funding
  - Primarily residentially focused

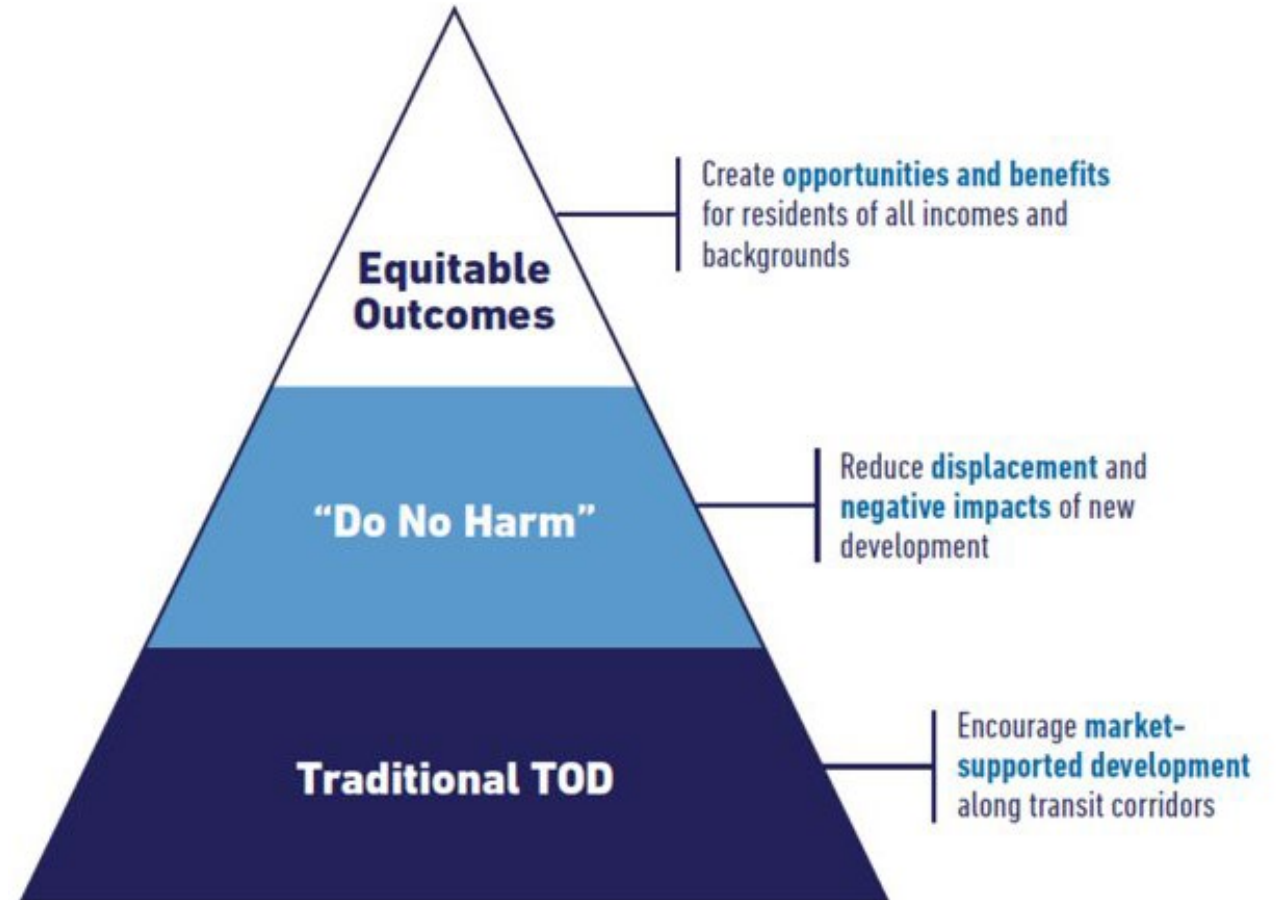






# From Transit-Oriented-Development (TOD) to *Equitable* TOD

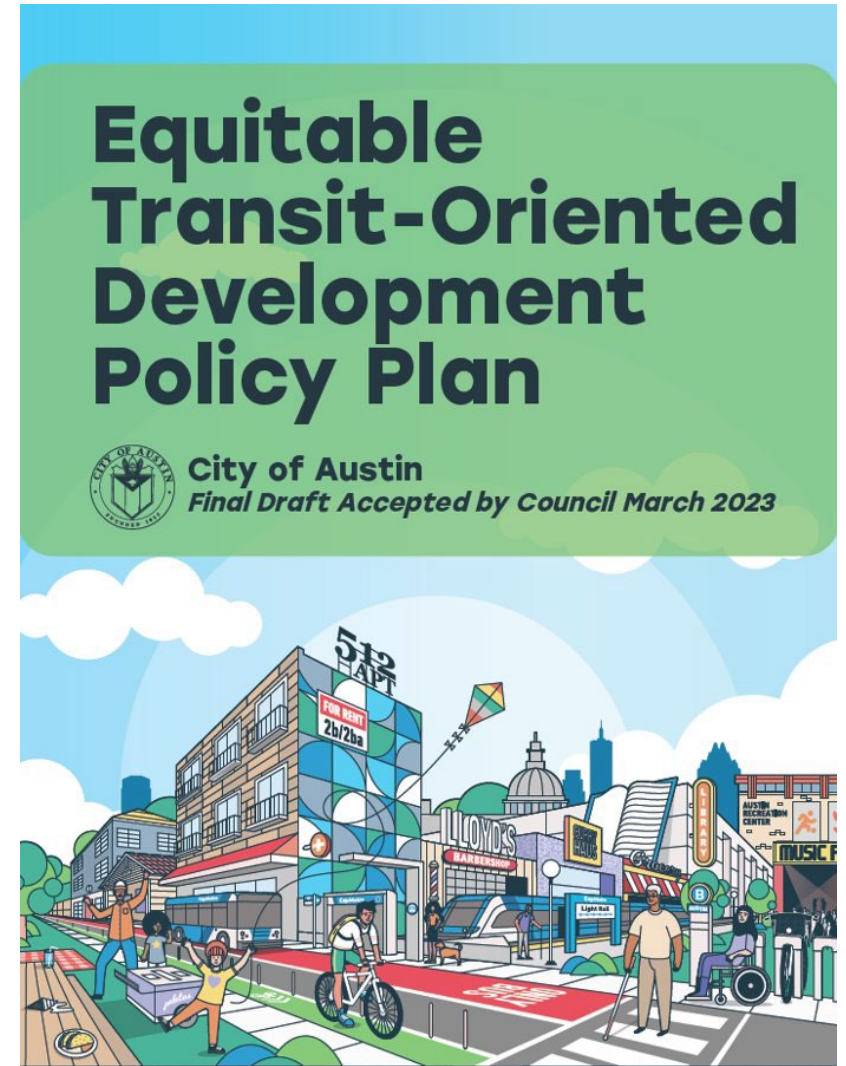
- Equitable TOD works towards **building equitable outcomes through proactive actions** to ensure that everyone, especially historically marginalized communities of color, can benefit from transit connectivity.





# ETOD Policy Plan

- Provides a comprehensive framework to guide future development around transit.
- It helps the Austin community ensure that Project Connect supports residents of **all incomes and backgrounds, especially those that have been disproportionately burdened** by transportation and land use decisions.
- Includes tools for supporting small businesses and for workforce development.





# Austin's ETOD Goals



## **Transportation**

Enable all residents to benefit from safe, sustainable, and accessible transportation



## **Racial Health and Wealth**

Help to close the racial health and wealth gaps



## **Affordable Housing**

Preserve and increase housing opportunities that are affordable and attainable



## **Access to High-Quality Jobs**

Expand access to high-quality jobs and career opportunities



## **Healthy Neighborhoods**

Support healthy neighborhoods that meet daily needs



## **Cultural and Economic Diversity**

Expand Austin's diverse cultural heritage and small, BIPOC-owned and legacy businesses



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# Regulations to Prevent Business Displacement Near Transit

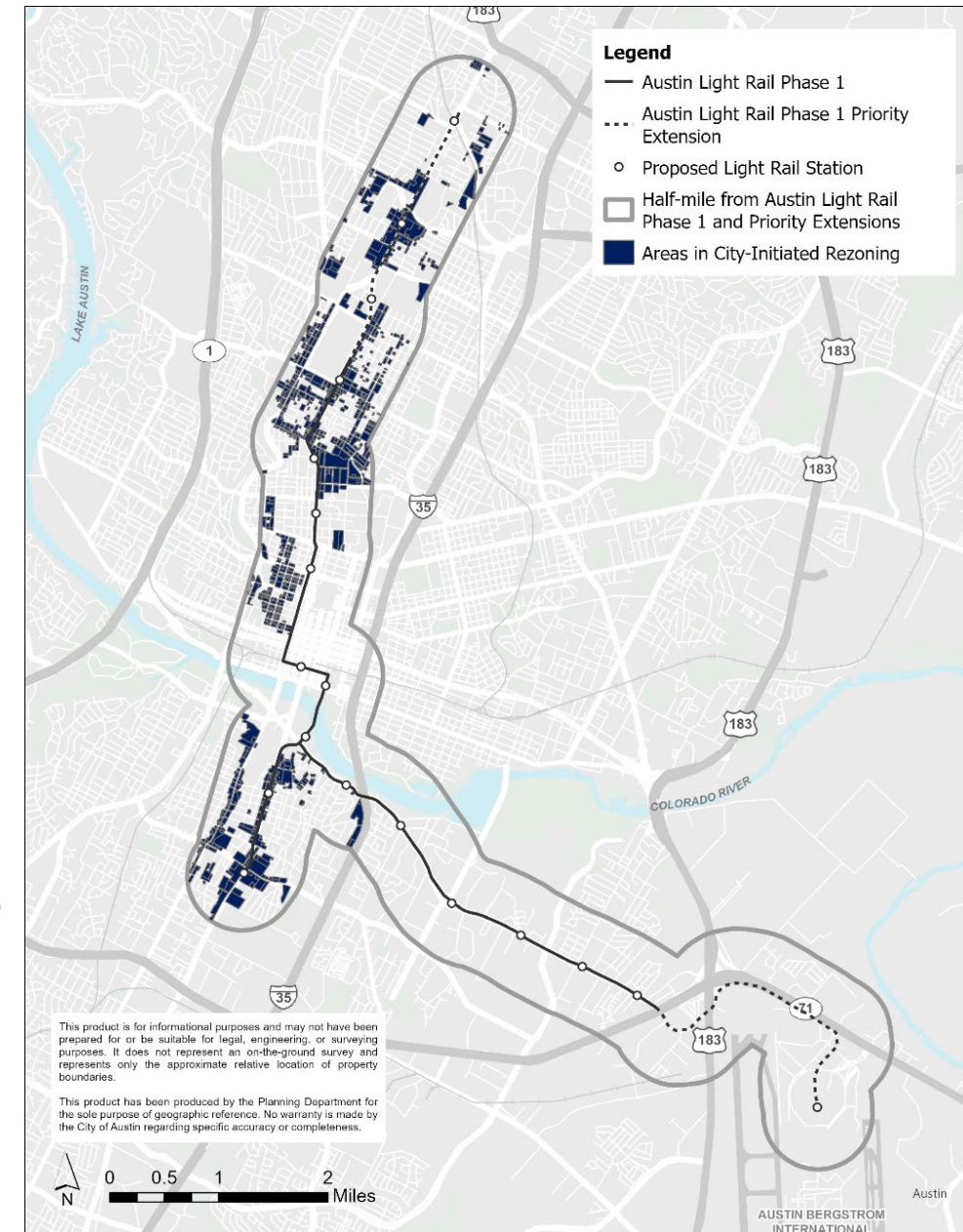


How do we use regulations to preserve existing *space* and support businesses during redevelopment?



# ETOD Overlay Phase 1

- ETOD Overlay Combining District (-ETOD):
  - Restricts some uses that are not transit-supportive
- ETOD Density Bonus District (-DBETOD):
  - A [density bonus program](#) that offers additional entitlements + modified site development standards in exchange for affordable housing + redevelopment protections
- Roughly 850 acres proactively rezoned
  - [Primarily multifamily and commercial properties](#)





# ETOD Overlay Combining District (-ETOD)

- The ETOD combining district **restricts some land uses** by making them **prohibited or conditional**
  - Austin's code generally **allows existing uses to continue as nonconforming uses without impacts to operators** (even allowing for expansion in some cases)
- Focused on restricting non-transit-supportive uses
  - Examples: Basic Industry, Crop Production, Stables, Vehicle Storage, Automotive Sales, etc.
- **Does not prevent these uses from being accessory uses**, if they meet code





# ETOD Density Bonus Combining District (-DBETOD)

- Grants:
  - **Additional building height** (either +30' or +60' beyond base zone's maximum)
  - Modifications to site development standards and “compatibility” standards
  - Residential uses for sites that do not otherwise allow for residential
- In exchange for:
  - Income-restricted housing (different set-aside % based on building height)
  - Preservation of certain existing residential and non-residential uses, **plus support for relocating and a right of first refusal for existing tenants**
  - Mixed use design and site standards
- Governs over more restrictive conflicting provisions
- Does not require rezoning in many cases, unlike other Austin bonus programs



# DBETOD Redevelopment Requirements

## Businesses that trigger redevelopment requirements:

| Use  | Required Tenure  | Required Size       |
|--|------------------|---------------------|
| Adult care/Childcare services (general or limited) | $\geq 12$ months | -                   |
| Creative spaces                                    | $\geq 3$ years   | -                   |
| Cocktail lounges                                   | $\geq 10$ years  | -                   |
| General retail sales                               | $\geq 10$ years  | $\leq 5,000$ sq ft  |
| Personal services                                  | $\geq 10$ years  | $\leq 5,000$ sq ft  |
| Restaurant (general or limited)                    | $\geq 10$ years  | $\leq 5,000$ sq ft  |
| Food sales   | $\geq 10$ years  | $\leq 20,000$ sq ft |

## Business protections offered when requirements are triggered

### Developer must:

- Replace all existing non-residential space with comparable sized space for a period of 5 years
- Notify operator about redevelopment
- Provide operator with relocation benefits (6 months average rent)
- Offer operator lease of comparably sized space in new development



Okay, but how do we make sure businesses  
*can continue to afford to operate* near transit  
in the future?

What financial incentives can help?



# Tax Incentives to Prevent Business Displacement





# Place-Based Enhancement Program: Background

- Program Authority: State of Texas Local Government Code Chapter 380
- In 2018 EDD Staff utilized feedback from an extensive engagement process in development of the current Chapter 380 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 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 policies, 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



# Program Proposal

## Place-Based Enhancement Program

### What is it?

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

### What is the incentive based on?

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

### What community benefits are prioritized?

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



# Program Proposal (continued)

## Place-Based Enhancement Program

**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



# Targeted Geographies and Community Benefits

## 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.

## 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”





# 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 Overlay 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.*



**PLANNING &  
ECONOMIC DEVELOPMENT**

# Thank You!

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