



## MEMORANDUM

**TO:** Mayor and City Council

**FROM:** Veronica Briseno, Director  
Economic Development Department *VB*

**DATE:** December 13, 2019

**SUBJECT:** **Response to CIUR 2160 – Resolution No. 20190523-029 regarding Fifth Street Mexican American Heritage Center Corridor Cultural District Designation**

As part of the Palm District Master Plan Resolution (No. 20190523-029), Council directed the City Manager to “return to Council by August 1, 2019, with an action to initiate the process for a cultural district designation of the Corridor, the timeline for completing the designation and identifying other actions that will amplify the stories and contributions of the Mexican American community within that corridor and its immediate surroundings.”

Staff response detailed in a memorandum dated July 31, 2019 outlined the timeline and next steps toward district formation ratified through formal local and/or state recognition. The foundational step in the outlined process is the completion of best practice research on district guidelines and criteria with a report to City Council no later than October 30, 2019. This memorandum provides an overview of the City of Austin context, methodology, recommendations that will best give honor and place-based testimony to this area’s rich Mexican American heritage.

Please feel free to contact Nicole Klepadlo, Redevelopment Project Manager at 512-974-7739 if there are additional questions.

xc: Spencer Cronk, City Manager  
Elaine Hart, Chief Financial Officer  
J. Rodney Gonzales, Assistant City Manager

Attachment

## A. Methodology

The August 1, 2019 response from EDD recommended the completion of best practice research on district guidelines and criteria of local designation of cultural districts and other types of districts. Cities explored in-depth included Seattle, San Francisco, Minneapolis, New Orleans, Phoenix, Houston, and New York City. Outreach to these communities was achieved through phone interviews, review of policy documents, and online research. The best practice research is detailed in the following documents included in the appendix:

- *District Development Best Practice Report*
- *Matrix A. Policy Alignments* identifies the City of Austin strategic and policy alignments that support place based economic development through district development.
- *Matrix B. District Typologies and City of Austin Districts*
- *Matrix C. District Tools*

Matrices share specific place-based policy or programs, and specific efforts around cultural district development as requested in Resolution No. 20190523-029.

## B. City of Austin Context

The City of Austin does not have a unified policy framework for place-based economic development, specifically designating, managing, or sustaining a wide variety of districts. Historic districts are the only district type in which corresponding guidelines and criteria are codified in City policy. In the past City Council has named a district through an adopted resolution or ordinance. However, those ordinances did not grant any specific regulatory, financial and or value capture interventions, or enable the deployment of programs or tools to achieve specific goals, needs or community benefits. *Matrix B. District Typologies and City of Austin Districts* inventories the various districts currently and historically active in Austin.

Absent a holistic policy framework, Austin does have a programmatic tool to assist in the development of the organizational capacity and development of a business or merchants association. The Economic Development Department created the Souly Austin Program which provides support to geographic areas, districts, seeking assistance towards the formation of an organizational anchor, often a merchants' association. The program funding and staffing capacity assists two areas annually and is not inclusive of the appropriate tools that best practices in other communities identified. In our research, many communities reported districts self-organizing independently of the City, prior to City resources being deployed. Lessons learned from the Souly Austin program has proved that a more hands-on approach including assistance with community organizing, and education on capacity building and district development has been needed to forge districts and place based economic development initiatives in Austin.

*Matrix A. Policy Alignments* identifies the City of Austin strategic and policy alignments that support place based economic development through district development. Specifically *Imagine Austin* calls for the creation of "complete communities": areas defined by amenities, transportation, services, and opportunities that fulfill all Austinites' material, social, and economic needs. A complete community provides access to employment, shopping, learning, open space, recreation, and other amenities and services. Additionally, complete communities protect our important environmental resources and preservation of identity, culture, and sense of place. This is achieved by fostering within districts a mix of commercial and residential uses within a walkable, bike-able and transit-connected environment. Place-

based economic development at a district scale encourages shared patronage, mutually beneficial initiatives between neighboring businesses and organizations, and the potential to harvest enhanced real estate and commercial value for community benefits. Concurrent with other communities, a critical factor for consideration in a policy framework for place-based economic development is market context. The continued rapid growth of commercial property taxes and rent in Austin demonstrates a strong economic market, challenging Austin's business community specifically iconic small, local businesses and cultural and historical assets with displacement and affordability realities. The Anti-displacement Task Force Report <sup>1</sup>identified several recommendations related to preserving and growing small businesses and cultural assets that align with the many tools that other Cities identified as strategies for district development.

Referencing *Matrix C District Tools*, the City of Austin demonstrates gaps in tools that would be essential to place-based economic development and City Council goals around preservation, retention, equity and a government that works for all. The Music Venue Census, Creative Space survey, development of a Heritage Tourism Division, the Creative Ecosystem Omnibus, are all examples of strategic initiatives and policy completed to date that have identified tools consistent with what was found in this best practice research. The current lack of tools would challenge the ability to achieve district policy goals and strategic initiatives identified by City Council.

Through best practice research and the implementation of Souly Austin, both conclude that district development is complex, lengthily, and resource intensive commitment. The following recommendations support the best practice research and existing efforts underway for City Council consideration.

## Recommendations

1. **(New)** Development of a Policy Framework for District Development aligning with national best practices.

A policy framework that provides a market context approach, with a lens of equity and cultural, historic, and industry preservation is recommended to ensure resources deployed by the City are tailored to meet Austin needs, and do not result in unintended consequences.

**Action Needed:** EDD has engaged a subject matter expert to assist in supporting work around a framework for district development. The support of this work was approved by City Council on November 14<sup>th</sup>, with consultant firm QBL to support place-based and location-based work. Items for consideration include the following below. Work completed will be used for supporting the exploratory Fifth Street cultural district discussions and future work around district development.

- Analysis of return on investment and specific community benefits of districts
- Analysis of Austin area economic market context and forecasted conditions to best understand the opportunities and challenges of district development
- Address equity and inclusion across district development framework
- Exploration of the feasibility of the development of a fair and equitable process for district development or if applicable local designation
- Exploration of local designation, criteria or guidelines and the pros and cons of codifying
- Analysis of current City of Austin initiatives, specifically areas of leveraging public and private resources

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<sup>1</sup> Anti-Displacement Task Force Recommendations. Retrieved from <http://www.austintexas.gov/edims/document.cfm?id=310869>

- Direction on conditions or characteristics of when district development is the right solution over small area planning or other approaches
- Review and analysis of regulatory, financial, or programmatic tools, specifically funding mechanisms to support district development both internal and external of the City

## 2. **(Under Development)** Creation of an Incentive Program to Deliver Community Benefits

Catalytic projects in all types of districts, provide important community benefits. These projects require the “patient capital” that stems from public incentives, such as low interest loans, tax incentives, and grants. Offering this type of patient capital drives private investment decisions. Creating a “Location Enhancement Incentive Policy,” in accordance with City Council Resolution 20180830-058, will take into account local market context, the needs of the community and private investment and specific tools to do so. The program development is set to kick off in fall of 2019 and will utilize the expertise of a market economist to shape recommendations. Many of these tools were provided as recommendations in the Thriving in Place<sup>2</sup> completed in 2018.

The following goals would be achieved through the development of this program.

- Support the creation and retention of vibrant centers of commerce, culture and residences.
- 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.
- Increase the availability of diverse affordable commercial spaces.
- Promote projects that strengthen the local economy, sustain economic activity and build resilience against economic downturns.
- Engage an equitable lens in projects and project locations, to ensure inclusion and access to community benefits City-wide.
- Provide basic services and amenities for all communities but particularly those that have been historically underserved.
- Ensure displacement or gentrification are not unintended consequences of specific real estate projects.

**Action Needed:** Future City Council consideration: Spring/ Summer 2020

## 3. **(New)** Explore the development of specific overlays to support District development and preservation

The current draft of the Land Development Code Revision was issued on October 4, 2019. In Division 23-4: General Planning Requirements, it references the preservation of art and music communities and industries. 23-4A-1010-B5: “The purpose of this chapter is to sustain the City’s culture, music, and arts communities and industries.” The Code does not yet include language clarifying this purpose, but its inclusion in the revision signals a clear commitment to further develop supporting policies and guidelines in the future.

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<sup>2</sup> Economic Development Department, City of Austin. (2018). Thriving in Place: Supporting Austin’s Cultural Vitality Through Place-Based Economic Development. Thriving in Place: Supporting Austin’s Cultural Vitality Through Place-Based Economic Development. Retrieved from [http://www.austintexas.gov/sites/default/files/files/EGRSO/ThrivinginPlaceReport\\_1\\_30\\_18.pdf](http://www.austintexas.gov/sites/default/files/files/EGRSO/ThrivinginPlaceReport_1_30_18.pdf)

The rapid growth of commercial property taxes and rent in Austin has applied pressure on the viability of many iconic small, local businesses, cultural and historic uses. Many face the potential of redevelopment that displaces their cultural, entertainment, or niche use. Austin’s current zoning framework supports the replacement of commercial districts with multifamily uses, which often from an economic analysis generate higher returns than small business or cultural districts may maintain. This can be mitigated by ensuring that key cultural and entertainment districts have zoning protections that require some portion of space be maintained for those uses.

Additional considerations for such an overlay through the Land Development Code Revision may include the following:

- Requirement for a minimum percentage of ground-floor uses dedicated to live music, cultural arts, or affordable small business space.
- Requirement for a minimum of total site development square footage to be dedicated to live music, cultural arts, or affordable small business space.
- Density bonus incentives that allow additional entitlement for inclusion of these target spaces in a site, or for dedication of a fee-in-lieu for preserving these spaces off-site but within the specific district.
- Transfers-of-development-rights to support preservation of live music, arts facilities, or legacy businesses.
- Relaxed permissions for site development and code enforcement within designated districts.

**Action Needed:** City Council consideration to support district development through the Land Development Code rewrite.

#### 4. (Existing) Utilization of current programmatic resources of Souly Austin

For the next three years, the Souly Austin Program will undertake a competitive call for applications in the Fall for the formation of new merchants’ associations to anchor a district. For the FY 2019 round, interested business owners and entities had until November 22, 2019 to submit their application for consideration. Information about the program was shared with stakeholders involved in the Fifth Street Mexican American Heritage Corridor initiative. Staff will work with stakeholders participating in the District Plan Initiative (below) to consider application for the FY 2020 round.

**Action Needed:** No Action

#### 5. (Existing) Conduct District Plan Initiative

On May 23, 2019 Austin City Council voted to approve Resolution No. 20190523-09. The resolution covered many topics within the Palm District, including the Palm School, Rainey Street, the Fifth Street Mexican American Heritage Corridor, the Convention Center expansion and a district planning process. On October 10, 2019, a refined work program including modified boundaries for the Palm District Planning Process was provided to Mayor and City Council supporting this recommendation.

With the presence of the Red River Cultural District (2013), East Sixth Street District (2004), Rainy Street Historic District / Business Coalition (1985) and various cultural and historic sites including Barrientos Mexican American Cultural Center (1998), etc. within the planning boundaries it will be critically important to ensure implementable strategies specific to preservation and sustainability are developed.

**Action Needed:** As staff continues to develop the detailed work plan for the Waller Creek / Palm District Planning Initiative include the following to support and leverage future work around a cultural district designation for the Fifth Street Mexican American Heritage Corridor.

- *Matrix B. District Typologies and City of Austin Districts*
  - *Matrix C. District Tools*
- Integration of market analysis including data analysis specific to land ownership, property and rental rates, employment, return on investment including revenue, sales and mixed beverage taxes, HOT Tax, tourism and industry development.
  - Identification of specific strategies to address regulatory, financial and programmatic tools to assist with preservation and sustainability of cultural, historic, local, and community assets.
  - Stakeholder process targeting businesses and entities of the Fifth Street Mexican American Heritage Corridor, for a focused discussion on district development, organizational capacity and interest.
  - Foster and creation of an equitable and transparent process for diverse stakeholder participation that enables trust and leadership development.

#### 6. (Existing/New) Submission of application for State of Texas District Designation

A greater understanding of the current State of Texas Cultural application was achieved by staff through meeting with organization staff, and review of application requirements. Application requirements include at minimum the following:

- Established Cultural District Management Entity
- Resolution or endorsement from local government entity
- Presence and documentation of nonprofit art, nonprofit historical, cultural, and natural heritage organizations within the District
- Five Year Budget for Cultural District
- Cultural District Marketing Plan
- District website
- Calculated Return on Investment of the District
- District Plan, inclusive of detailed planning process and vision

As staff continues to develop the engagement plan for the Waller Creek / Palm District Planning Initiative, including participation from the Fifth Street Mexican Heritage Corridor stakeholders in the Palm District area planning process will be critical. EDD will commit resources in early 2020, post holidays to engage, educate and determine level of interest and leadership of the Fifth Street Mexican Heritage Corridor. This will be undertaken in partnership with PAZ to ensure continuity in sharing information as part of the Waller Creek / Palm District Efforts. EDD will commit to a series of up to five meetings with businesses in the focus area of Fifth Street and will explore necessary first steps to a Cultural District including education on district development, organizational capacity, and Fifth Street assets.

The application and the in-depth requirements are best suited to be completed after a district has been operational and has organizational capacity inclusive of funding toward sustainability. Applications are accepted in June, annually.

**Action Needed:** Consideration of Recommendation #5.

Appendix:

- *District Development Best Practice Report*
- *Matrix A. Policy Alignments* identifies the City of Austin strategic and policy alignments that support place based economic development through district development.
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