



City of Austin

Recommendation for Action

File #: 26-2808, **Agenda Item #:** 10.

10/22/2026

Posting Language

Authorize negotiation and execution of a Place-Based Enhancement Cultural Preservation economic development agreement with Downtown Grocery LLC, d/b/a Royal Blue Grocery, to support its continued operation as a downtown neighborhood grocery, for a total amount not to exceed \$82,077 over a five-year term to support retention of this local legacy business. Funding: \$15,214 is available in the Fiscal Year 2026-2027 Economic Incentive Reserve Fund. Funding for future award payments will be contingent upon future appropriations to the reserve fund.

Lead Department

Austin Economic Development.

Fiscal Note

Maximum economic development agreement payments to Downtown Grocery LLC, d/b/a Royal Blue Grocery, are estimated at \$82,077 over the course of a five-year term, if all performance and compliance criteria are met. Funding for incentive payments is contingent upon the annual appropriation of funds to the Economic Incentive Reserve Fund. Eligible sources of funding for the Economic Incentive Reserve Fund may include, but are not limited to, sales taxes, property taxes, mixed beverage taxes, and grants and private donations.

For More Information:

Mac Cummins, Director, Austin Economic Development, 512-568-9720; Matthew Schmidt, Division Manager, Austin Economic Development, 512-974-6415.

Additional Backup Information:

Project Summary and Impact

Royal Blue Grocery is a legacy local business with multiple urban grocery stores; the 3rd Street location has been established for 20 years. While this agreement would only be for this one location, the company has established successful urban market groceries and convenience stores throughout the Austin Downtown. Royal Blue serves an average of 3,000 customers per day overall, including visitors, residents, and Downtown workers. Royal Blue also supports local Austin brands through promotional stocking and events, supporting hundreds of local brands to grow their capacity for larger retailers.

Royal Blue has been an active supporter of efforts to improve the pedestrian-oriented retail fabric of Downtown Austin, including helping the City rewrite its Street Patio and Sidewalk Café programs, streamlining the process and lowering the annual fees to encourage restaurants to utilize public space for outdoor seating, and installing the first Street Patio in Austin in 2013, utilizing former parking spaces for outdoor seating and dining.

Royal Blue regularly donates surplus baked goods and groceries to both the St. Davids Church and the Free Food Pantry. Annual donations of unsold food items typically run in the \$50,000 range each year. During local crises, such as recent Hill Country flooding, Royal Blue Grocery locations act as physical drop-off hubs for essential goods like non-perishable food, flashlights, and diapers.

Royal Blue is being negatively impacted by economic conditions in Downtown Austin including high office

vacancy rates and reductions in hotel stays associated with Austin Convention Center re-construction. These financial headwinds make basic capital improvements cost-prohibitive for the company. The proposed incentive would help retain this longstanding local business and preserve the neighborhood-serving retail activity it brings to Downtown Austin. Royal Blue has identified patio rehabilitation or replacement as a priority for reinvesting the financial relief provided by the agreement, building on its history of supporting an active pedestrian environment. This planned reinvestment is an additional benefit of the project; the agreement's primary purpose is cultural preservation and business retention of this local, legacy business.

Fiscal Impact Analysis

Using the Impact Dashboard fiscal impact model, the City is projected to receive \$58,588 in total net benefit from the project over the five-year agreement term. The total net benefit amount is calculated after the total Place-Based Enhancement Program award not to exceed \$82,077.

The project is eligible for consideration under the Place-Based Enhancement Program Cultural Preservation guidelines and received the necessary score for an award equal to 59% of property taxes and sales taxes paid to the City allowed under the Place-Based Enhancement Program guidelines.

Contract compliance and payment award eligibility will be determined annually by the City and an independent third-party to verify that Royal Blue Grocery has performed in accordance with the terms of the contract. Upon confirmation of compliance, the City will provide a Place-Based Enhancement Program award equal to 59% of actual property taxes and sales taxes paid to the City for the award up to the maximum award amount of \$82,077.

Funding for the total award of \$15,214 is available through the Operating Budget of Austin Economic Development's Incentive Reserve Fund. The first payment for this agreement is available from the Fiscal Year 2026-27 budget. Funding for subsequent economic development agreement payments will be requested in Fiscal Year 2027 - 2031 budgets.