

# DRAFT

## CITY OF AUSTIN ECONOMIC DEVELOPMENT GUIDING PRINCIPLES

Securing Equitable Prosperity, Affordability and Opportunity  
In the City of Austin  
Through Strategic Investments and Public-Private Partnerships

City of Austin Economic Development Department

2018 – 2023

# Introduction

## Why Economic Development Matters:

### **Purposeful Economic Development Practices Create Thriving Communities.**

A successful and beneficial Economic Development approach responds to the needs of the community, illustrates agility in the face of dynamic market conditions, utilizes a proactive intervention strategy, and is guided by shared community values.

In the City of Austin, we are fortunate to have such a shared vision for our values. This shared vision is captured in the [Austin Strategic Direction 2023](#), focusing in on equity, economic opportunity, diversity, creativity, sustainability, leadership, and affordability at the forefront of our rapidly changing community. Economic Development practices are a part of the success of this plan because they leverage policies to implement programs that bring together community needs and Council direction.

In this document, the Economic Development Guiding Principles outline the values Economic Development can bring to the Austin community. These Guiding Principles are the lens through which all Economic Development policies and programs should be created in order to achieve the goals identified by the community and Council direction. Further, this document outlines what the City of Austin and the private partner are expected to deliver when entering into economic development agreements.

If our community desires equitable outcomes, such as those outlined in the [Austin Strategic Direction 2023](#), City staff needs to use economic development tools and business services that support those outcomes. This means holding a more proactive investment system accountable in areas of equitable prosperity, opportunity, and affordability.

## How do we achieve these goals?

### **By creating Policies and Programs that adhere to these Guiding Principles:**

Policies created under these overarching Guiding Principles implement programs that achieve those community goals. The policies are the “how,” or the tools we use to create programs that can produce the community outcomes we want. The policies, in separate documents, create the requirements, process, evaluation, and performance measures needed to ensure the programs under them create economic development value for Austin.

## City of Austin Public-Private Partnerships & Strategic Investments

The City of Austin seeks transformative public-private partnerships to strengthen the local economy, sustain economic activity and build resilience against national economic downturns. Proactive programs, strategic partnerships, and public investment in projects that create community value build resilience to the natural ebb and flow of market dynamics and economic conditions.

### Enabling Legislation

Municipal authority to create these partnerships is granted by a variety of statutes. The Economic Development Department has developed these Guiding Principles to govern the overall approach to Economic Development that can be achieved through a wide variety of mechanisms, programs, entities, initiatives, and other activities within this legal framework. Other authorities and programs may exist that are not specifically mentioned in this document, however any such authority that enables the City of Austin to engage for purposes of economic development value is considered a part of this overarching document. For each enabling statute, the City of Austin establishes processes for individual program creation, project selection, program stewardship, and regular reassessment of those programs to retain flexibility through changing economic conditions and community priorities. These enabling statutes include the following:

#### CHAPTER 380 - GRANTS AND LOANS

Local Government Code Title 12. Planning and Development, Subtitle A. Municipal Planning and Development, [Chapter 380](#) Miscellaneous Provisions Relating to Municipal Planning & Development

#### CHAPTER 312 - TAX ABATEMENTS

Tax Code Title 3. Local Taxation Subtitle B. Special Property Tax Provisions [Chapter 312](#). Property Redevelopment and Tax Abatement Act

#### TRANSPORTATION 431 - EXTERNAL CORPORATIONS

Transportation Code Title 6. Roadways Subtitle I. Transportation Corporations [Chapter 431](#). Texas Transportation Corporation Act

#### CHAPTER 378 - NEIGHBORHOOD EMPOWERMENT ZONES

Local Government Code Title 12. Planning and Development Subtitle A. Municipal Planning and Development [Chapter 378](#). Neighborhood Empowerment Zone

#### CHAPTER 372- PUBLIC IMPROVEMENT DISTRICTS

Local Government Code Title 12. Planning and Development Subtitle A. Municipal Planning and Development [Chapter 372](#). Improvement Districts in Municipalities and Counties

#### CHAPTER 311- TAX INCREMENT FINANCING

Tax Code Title 3. Local Taxation Subtitle B. Special Property Tax Provisions [Chapter 311](#). Tax Increment Financing Act

## Economic Development Value Definition

Many of the enabling statutes that allow municipalities to engage for purposes of achieving economic development value, leave it up to the community to define what “economic development value” means. For example, Chapter 380 states that the City of Austin may administer “one or more programs...to promote state or local economic development,” but does not further define the term “economic development.” Chapter 380 must be read in the context of the Texas Constitution which provides a general framework for economic development as follows:

1. City funds must be spent for a City purpose (municipal purpose);
2. The City must get a benefit that is roughly equivalent to what it is spending; and
3. The City must be able to track that the purpose is being achieved;
4. Additionally, the Texas Constitution generally prohibits the use of public funds for a private purpose, and prohibits the City from giving a gift or investing in private entities.
5. The City can spend public funds in a manner that both meets a municipal purpose, and that benefits a private entity if the funds are spent for economic development and in accordance with Article III, Section 52-a of the Texas Constitution, and an adopted program as authorized by Chapter 380 of the Texas Local Government Code.

Within this framework and through the City’s governing policies, the City can create its Economic Development programs to address community need and Council objectives.

The Economic Development Department regularly analyzes local economic indicators, community input, and national market conditions to determine what “economic development value” means within the current economic context. This definition will be revisited every five years through stakeholder consultation and community engagement in the reassessment phase of programs created under these Guiding Principles. During the most recent review, stakeholders involved in the community engagement process determined what values the City and private entities should deliver to the community. On all sides of the table, partners will be held accountable to deliver what the community has defined as community priority outcomes for economic development.

Given the variety of projects Council is seeking to bring to the community, delivering all of these community priority outcomes in a single agreement for a single project would be next to impossible, therefore neither the City, nor the Partner is expected to provide all, or even most, of these values in one transaction. Instead, each program created under these Guiding Principles is crafted to achieve a different set of goals, such as neighborhood development, jobs, healthy outcomes, or affordable space. At times, some of those outcomes will overlap and multiple goals can be achieved. Criteria to qualify for each of these programs will differ depending on the intended outcomes and beneficiaries, therefore requirements under each will differ as well.

**Following these Guiding Principles will create a portfolio of programs that deliver a diverse set of outcomes that, as a whole, achieves all of the priority outcomes identified by the community as “economic development value.”**

**The City of Austin could contribute any of the following\* to support community outcomes through Economic Development Programs:**

- 1) Government Role: Connector to Investors, Path-Clearer
- 2) Focus on Equity: Employment Opportunities for All
- 3) Unify the Community through Collaboration
- 4) Train, Recruit, and Retain Local Workforce and Talent
- 5) Support Austin's Culture, Creative Sector, and Community Identity
- 6) Incentivize, Support, Provide Staff to Train Small Businesses
- 7) Build Affordable, Livable, and Accessible Development
- 8) Impact Business Growth
- 9) Control Affordability
- 10) Promote Economic Diversity

**The Private Partner could contribute any of the following\*\* to support community outcomes through Economic Development Programs:**

- 1) Locational Enhancements (Place-Making)
- 2) Workforce Development
- 3) Quality Jobs
- 4) Equity & Diversity
- 5) Quality Investment
- 6) Transportation
- 7) COA Revenue (Taxes & Utilities)
- 8) Equitable Hiring Practices

*\*Exchange values are further defined in the [Community Conversations Summary](#)*

*\*\*Exchange values are further defined in the [Community Leaders Session Summary](#)*

## **Equitable Prosperity, Opportunity, and Affordability**

If the Economic Development Guiding Principles are the end-goals for our community, what are the means to those ends? To achieve them, Policies created through the lens of those Guiding Principles must have certain elements that focus on equitable prosperity, opportunity, and affordability, our current areas of emphasis.

Per Council direction, Programs created through the lens of the Guiding Principles may include:

- Creating living or prevailing wage jobs, with equitable benefits;
  - Community benefits identified in the current City economic incentives policy, including the provision of jobs that pay no less than the City's adopted living wage or (if the jobs are construction-related) prevailing wage, domestic partnership benefits provisions, and other provisions that promote the well-being of workers;
- Addressing lack of job opportunities for the traditionally hard-to-employ;
- Incentivizing the creation of middle-skill jobs for existing residents;
  - The creation of middle-skill jobs in targeted occupations identified by the Community Workforce Master Plan (currently Information Technology, Healthcare, and Skilled Trades), support for job training and paid internships or apprenticeships in target occupations, and located within Imagine Austin Activity Centers, Job Centers or Activity Corridors in the Eastern Crescent, or providing better employment opportunities for those in the Eastern Crescent;
- Supporting small, local, creative, cultural, and heritage businesses that suffer from lack of access to affordable space and financial stability;
  - Increased availability of affordable commercial space for local small businesses including the creative arts sector;
  - Retention of local small business employers struggling to survive and stay in Austin;
- Identifying and intervening to respond to specific issues (beyond those outlined above), such as:

- o Increased access to goods and services in communities that are traditionally underinvested, including healthy food options in the Eastern Crescent;
- o Development of vibrant, mixed-use commercial corridors;
- o Leverage of public investments to improve positive public health outcomes for Austinites.

## Strategic Alignment

Public-private partnership agreements focus on the creation of new opportunities for the economically disadvantaged population, secure jobs and investment for the community, and support a diverse business climate. Many other strategic documents within the City identify similar priorities and these Guiding Principles seek to work alongside those documents. Some of those strategic documents include the [Austin Strategic Direction 2023](#), [Priority Programs of the Imagine Austin Comprehensive Plan](#), [Workforce Solutions Capital Area Austin Metro Area Master Community Workforce Plan](#), [Music & Creative Ecosystem Omnibus Resolution](#), [the Music Census](#), [the Age-friendly Austin Action Plan](#), [the Austin Resource Recovery Master Plan](#), [Economic Development Target Market Assessment](#) and other related documents such as [CodeNEXT](#), [Cultural Asset Mapping Project](#) and the [Spirit of East Austin](#). This Guiding Principle document is the main tool that allows the City of Austin to implement programs that produce results on those priorities by engaging in partnerships and transactions with the business community.

## Portfolio Revenue Generation

For the City of Austin to achieve Economic Development Values (as defined above), the Economic Development Department will create an inclusive portfolio of outcome-focused programs for different users, areas and purposes. For example, one program may emphasize the creation of new revenue generation for the City of Austin in order to financially sustain other programs annually or as-needed in the portfolio that focus more on the delivery of community benefits and not impact revenues as significantly as the former. The purpose of this model is to include many different tools within this portfolio to achieve community outcomes and Council objectives while building in a funding model for the creation and sustainment of such programs within the Economic Development Department.