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Quality of Life for All of Austin

LIVEABLE CITY RECOMMENDATIONS ON THE PROPOSED DEVELOPMENT AT 6TH AND LAMAR

BACKGROUND

Liveable City has conducted an economic analysis and solicited community input on the proposed Sixth and Lamar development. Specifically, Liveable City has:

a) Commissioned an economic study (attached) that reviewed the likely impact of the proposed Borders. The study established:

- That the net negative impact to Book People and Waterloo would be more than $11 million dollars over five years and
- That local businesses contribute more than three times as much to the local economy compared to chains such as Borders.

Based on figures in this study, incentives granted to this project by the City will profoundly harm local businesses, possibly leading to their demise. While Smart Growth has sometimes suffered from "unintended consequences," in this case the negative economic impact is clearly understood. Thus, if the development does go forward as planned, the negative consequences cannot be viewed as unexpected.

b) Conducted a town hall meeting that was widely publicized. 207 citizens signed in and Liveable City received more than 100 written comments. The meeting participants, which included neighborhood residents, other local business owners and citizens of all ages, conveyed a clear consensus that the presence of Borders and the potential use of City incentives for the current development were not perceived favorably. The written comments are available for review at www.liveablecity.org. The number of attendees and the intensity of their comments is evidence that this project is important from both an economic and symbolic standpoint.

c) Conducted informal discussions with leading members of the business and real estate community. These interviews underscored the need for new and creative thinking about the balance between chain stores and local businesses in Austin. Several of our recommendations are based on feedback from the development community (see Recommendations 8 and 9 below).

RECOMMENDATIONS TO THE COUNCIL

Incentives, based on the Smart Growth Matrix, have been requested for the proposed development at 6th and Lamar. Because these incentives are derived from public funds (either directly or through lost revenue), the community has an interest in the degree to which incentives are offered to a project. The current proposal bears no resemblance to the earlier project proposed for 6th and Lamar; consequently, incentives for the project need to be completely reevaluated.

Liveable City is not opposed to incentives in general, to development on this site, to chains, to Borders or to Whole Foods. Liveable City supports responsible development at 6th and Lamar. The vitality of downtown and the viability of the Desired Development Zone could be greatly enhanced if this showcase corner of Austin is intelligently built. Unfortunately, the current plan fails these goals for reasons of economic impact, design and transportation.

Liveable City believes that Austin must preserve the existing business base while exploring ways to attract new jobs and new businesses, particularly given the current economic uncertainties. The City's goal of increasing jobs and the tax base will be facilitated not only by attracting new businesses, but also by strengthening our existing portfolio of businesses.

Given the importance of local businesses to Austin's economic health, the negative economic impact of this development is deeply troubling. <u>The use of public funds for a development that will damage local businesses is short-sighted and poor public policy</u>.

Moreover, the current plan is inconsistent with many of the goals of "smart growth." It is problematic from a transportation standpoint and is a clear departure from what was originally promised as a "new urbanist" design.

Liveable City recommends that the Council deny incentives to all aspects of the current project and offers the following observations for consideration:

1. The project originally was granted incentives as one large project. The current version is described as two projects – one containing Whole Foods and one containing Borders. The developer now is requesting incentives only for the "Whole Foods" portion of the development, as if the other half were not part of the overall project.

   The reality, of course, is that the incentives being requested will benefit all the tenants. Dividing the project in this way circumvents the intent of the incentives policies. Its transparency may undermine the credibility of the City's incentive program and set an undesirable precedent for other developers to follow.

   Liveable City understands the importance of and fully supports Whole Foods retaining its headquarters in Austin and, under other circumstances, would support incentives for a project containing Whole Foods. However, the positive aspects of Whole Foods' participation in this project do not outweigh the negative impact of Borders on other local businesses. Liveable City specifically asks that the Council not grant incentives to any portion of the project until and unless the negative economic and design impacts of the whole project are resolved.

2. Incentives are an important tool for steering growth to the desired development zone, including downtown. However, incentives should not be given to projects that will demonstrably harm independent local businesses that return a comparatively greater degree of their profits to the local economy and serve to differentiate Austin's local culture from other cities.

   Incentives should not be given to any aspect of this project as long as Borders is part of it. Non-local chain businesses have a place in the Austin area, but they should not receive the benefit of incentives if the result creates a major hardship on otherwise thriving local businesses.

3. Because no public value has yet been achieved from the incentives already granted to the project, those incentives should be returned to the City if Borders remains in the project. The City must protect the integrity of its incentive program by preventing incentives that were awarded for one project from being applied to a radically changed project. If the City chooses to award some incentives to the project, the amount of incentives obtained to date should be subtracted from the value of any new incentives.

4. Numerous concerns about traffic congestion resulting from the project and pedestrian and bicycle access also need to be addressed. The City should conduct a full review of the traffic implications of the current design before making any further decisions about the project.

5. Concerns about the design of the project also need to be addressed before any incentives are considered for the project. The project lacks important features associated with the "New Urbanist" style of development that the Smart Growth Matrix is intended to promote. For example, a parking lot along Lamar stands in sharp contrast to the new urbanist goal of encouraging pedestrian traffic by activating the street. Although the current design has some attractive features, it is in essence a "suburban style" mini-mall that is inappropriate for this location.

6. Incentives could be offered to the project if representatives of each of the stakeholder groups (i.e., the developer, the independent businesses that will be affected directly, the adjacent neighborhoods, the City) meet and devise a solution that all parties view as fair.

7. The Smart Growth Matrix was created during an unprecedented economic "boom" when jobs were plentiful and the City budget was flush. The Matrix should be amended to ensure that (a) the economic impact of developments to pre-existing local businesses is taken into account; (b) stronger preference is given to local businesses; and c) <u>the focus of what few incentives the City can afford to offer is on quality jobs. Although environmental and design issues are still very important, the primary intent of incentives in the Desired Development Zone should now be realigned to stimulate the economy.</u> In particular, they should be used to maintain and enhance our existing base of local businesses.

   Liveable City recommends that the Smart Growth Matrix be re-evaluated by the City Staff and a team of citizen volunteers. Further, Liveable City asks that all incentive requests be sent to the Planning Commission for review and comments prior to Council action.

8. The City and its economic development task force should explore opportunities to "level the playing field" for local businesses, including enhancing the credit-worthiness of their leases and otherwise improving their desirability as tenants.

9. If Austin's independent business community is to thrive, affordable small and medium-sized spaces must be retained. Developers are motivated to seek large leaseholders, in part because having committed tenants for a sizable proportion of a development's square footage is valuable for obtaining funding. To help resolve the tension between these goals, the City should explore partnerships or alliances with entities that can aggregate a set of smaller spaces into large-scale leases. These partners might be banks, universities, other developers or private interests.

Liveable City appreciates the Council's consideration of these recommendations and we are available to answer questions or talk further about this issue on request.

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