ERA

Economics Research Associates

Final Report

Downtown Austin Retail Market Strategy

For

The Downtown Austin Alliance and the City of Austin

Submitted by

Economics Research Associates

April 2005

ERA Project No. 15373

1101 Connecticut Avenue, NW Suite 750
Washington, DC 20036
202.496.9870 FAX 202.496.9877 www.econres.com
Los Angeles San Francisco San Diego
Chicago Washington DC London New York

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BLACK + VERNOOY
ARCHITECTURE AND URBAN DESIGN

1101 Connecticut Avenue, NW Suite 750
Washington, DC 20036
202.496.9870 FAX 202.496.9877 www.econres.com
Los Angeles San Francisco San Diego
Chicago Washington DC London New York

General & Limiting Conditions

Every reasonable effort has been made to ensure that the data utilized in this study reflect the most accurate and timely information possible. This study is based on estimates, assumptions and other information developed by ERA from its independent research effort, general knowledge of the market and the industry, and consultations with the Downtown Austin Alliance and its representatives. No responsibility is assumed for inaccuracies in reporting by the DAA, its agent and representatives or any other data source used in preparing or presenting this study.

No warranty or representation is made by Economics Research Associates that any of the projected demand estimates or results contained in this study will actually be achieved.

This report is intended to provide the client and the City of Austin with guidance for preparing an informed retail marketing strategy for Downtown Austin. It should not be used for purposes other than that for which it is prepared or for which prior written consent has first been obtained from ERA.

This study is qualified in its entirety by, and should be considered in light of, these limitations, conditions and considerations.

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EXECUTIVE SUMMARY

Downtown Austin Retail Market Strategy

Downtown Austin is known throughout Texas and across the United States as a thriving destination for live music, dining and entertainment; many other cities envy the active streets and sidewalks, the positive reputation that the city enjoys as a visitor destination and the quality of life that sets Austin apart from less exciting downtown areas. In addition to its reputation for dining and entertainment, Austin has thousands of new downtown residents who have chosen to live in the heart of the city in mid-rise condominiums, urban apartments and lofts. Almost 67,000 downtown office workers sustain the weekday market (and up to 90,000 in the larger trade area), and the expanded convention center, downtown hotels and museums draw visitors from the region and across the country. With a growing regional population and an extraordinary range of activities, downtown Austin remains at the heart of the region and frames Congress Avenue, one of America's greatest streets and the "Main Street of Texas." The City has demonstrated its commitment to downtown through the Second Street Project, the expanded convention center, the new City Hall and future development plans for the Seaholm Power Plant and Tom Green Water Treatment Plant, among other sites. Whole Foods has opened its national flagship store in downtown Austin, simultaneously providing for a critical resident market need and a state of the art retail store that will be a model for other cities. All of these elements have combined to create Austin's success to date, but the opportunity is there to add the final piece of the puzzle—downtown as a retail destination for the region. Perhaps the greatest opportunity is represented by close-in residents on all sides of the central business district who want to shop downtown but cannot find the products and services they want today. Almost all of the other pieces are already in place to provide locations for new retail businesses – the market is present, shoppers are motivated, and retail space is increasingly available. What is missing is a distribution of the right mix of stores and the process to attract them downtown. In ERA's experience, this is an opportunity that most cities want, but few can realistically achieve. Downtown Austin is the rare example that can actually achieve it.

In order to capitalize on this opportunity, the Downtown Austin Alliance (DAA) and the City of Austin retained Economics Research Associates (ERA) to conduct a Retail Development Strategy Study for downtown Austin. ERA was charged with creating a demand model based on demographics and spending patterns of three primary markets—downtown and nearby residents, downtown employees, and visitors (including convention center visitors, business visitors and tourists) —to determine how much retail downtown Austin can support. ERA also analyzed existing retail patterns and current development trends in the 587-acre study area, which was divided into nine subdistricts (the map and subdistricts are shown on page 3 of this Executive Summary), to determine the primary corridors and districts in which the DAA and City should focus their initial recruiting efforts.

The study was comprised of five tasks:

- Infrastructure Inventory
- Retail Inventory
- Retail Demand Analysis
- Market Strategy
- Barriers to Entry and Recommended Implementation Strategy

The findings and recommendations of each of these tasks are summarized in the following report.

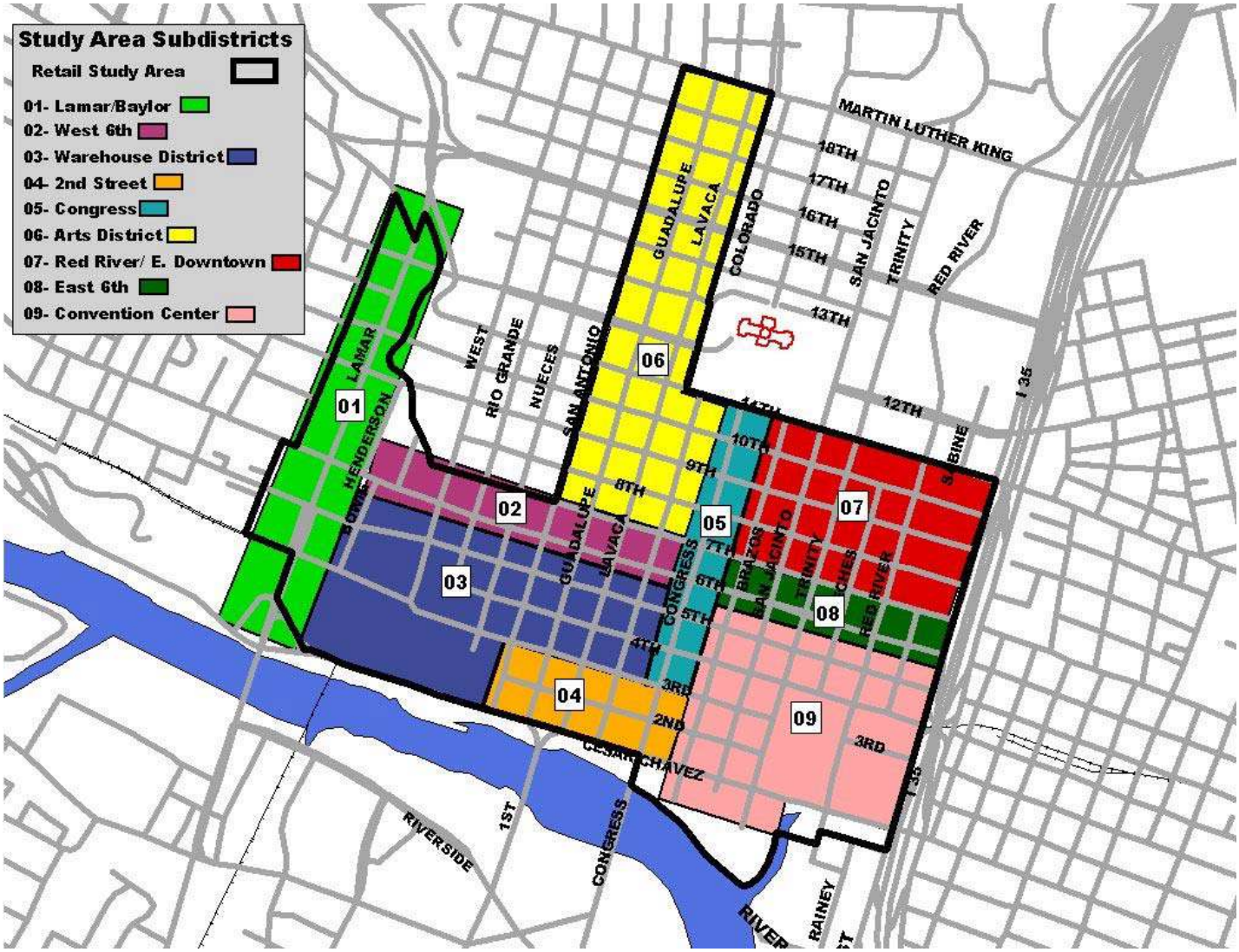
The Downtown Austin Retail Market Strategy was completed over a sixteen month period beginning in December 2003 and also included a number of public meetings, presentations, and coordination meetings with special committees of the DAA and the City at benchmark points in the study. The findings of the analysis are summarized in this document with a focus on implementation and sustainability and are intended to provide a framework for development of a strong retail component in downtown Austin, strengthening the existing retail base and adding complementary new development.

Project Area Boundaries

The project study area included nine distinct shown on the map (please see following page); study area subdistricts include:

- Lamar Boulevard/Baylor Street area
- West Sixth Street
- The Warehouse District
- Second Street
- Congress Avenue
- The Arts District
- Red River/East Downtown
- East Sixth Street
- Convention Center

The study also incorporated the market influence of other consumer markets and retail areas in central Austin including the State Capitol complex, the University of Texas campus, the West End, Barton Springs Road, and the South Congress Avenue area known as SoCo. Resident areas included neighborhoods east, south, west and north of the downtown area as well.


Study Area Subdistricts
Retail Study Area
01- Lamar/Baylor
02- West 6th
03- Warehouse District
04- 2nd Street
05- Congress
06- Arts District
07- Red River/ E. Downtown
08- East 6th
09- Convention Center
MARTIN LUTHER KING
18TH
17TH
16TH
15TH
13TH
12TH
10TH
9TH
8TH
7TH
6TH
5TH
4TH
3RD
2ND
1ST
GUADALUPE
LAVACA
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RED RIVER
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LAMAR
HENDERSON
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RIO GRANDE
NUECES
SAN ANTONIO
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Task 1—Infrastructure Inventory

As demonstrated by the City staff's cooperation with Black + Vernooy on the Infrastructure Analysis developed under Task 1 of this Scope of Work, there are many positive aspects to the City's role in encouraging downtown development. In our experience, the infrastructure analysis mapping (produced by City staff in several departments and Black + Vernooy) is a powerful planning tool that will enable the City to make informed decisions on public infrastructure and capital investment for many years to come. The Austin model is the best we have seen in our national work, and we wish to credit the City on its role in assembling data and assisting in production of the layered database.

To analyze and document these conditions, Black + Vernooy, Architecture + Urban led the first task under the retail market strategy, which included a Geographic Information Systems (GIS) based inventory of downtown Austin's infrastructure. The resulting analysis and mapping provides a 'geography of capacity' for downtown Austin's infrastructure. Several departments of the City of Austin provided critical assistance to Black + Vernooy in compiling and assessing infrastructure systems, including a needs assessment of storm water drainage, water supply, wastewater, electrical supply, parking, public transportation, streets and sidewalks and telecommunications. With the cooperation of the City, a GIS inventory of selected utilities was combined into one database and made accessible at the City's website; the link to the infrastructure inventory can be found at the following web address:

http://coagis1.ci.austin.tx.us/website/COAViewer_downtown/viewer.htm.

Key findings from each section of the infrastructure inventory and analysis are described below:

Storm Drainage

- Because of seasonal weather patterns and the physical geography of the area, Central Texas and downtown Austin are susceptible to flash flooding. Downtown Austin is surrounded by Shoal Creek to the west, Waller Creek to the east, and Town Lake to the south. In addition to the natural creek and river drainage system, a secondary man-made system conveys storm water to the creeks and lakes. Development is constrained by the 25- and 100-year floodplains, as well as by localized drainage limitations.

- Recommendations
    - Find resources to fund and build the Waller Creek Tunnel.
    - Complete GIS database for storm drainage.
    - Complete Capital Improvement Projects for localized flood control.
    - Investigate solutions for flood control along Shoal Creek.

Water

- Downtown Austin is served by two of the City's three water treatment plants, Green and Ullrich. Though most downtown districts are well served, development is constrained in certain areas where water service is supplied solely through the alleys. This occurs primarily in historic districts and has resulted in severely limited fire flow capacity. In addition, the aging and less efficient Green Water Treatment Plant sits on a prime waterfront site and could be developed for a higher public use or tax base-generating purpose.

- Recommendations
    - Close or downsize Green Water Treatment Plant.
    - Identify and upgrade locally constrained areas for fire flow.

Wastewater

- Downtown Austin is served by a system of north-south gravity lines, a 42" cross-town main along Town Lake, and a lift station at Shoal Creek and Cesar Chavez. Some downtown areas do not have adequate mains to support new development because they historically contained single family or warehouse uses. The Wastewater Utility expects that demand will soon exceed capacity in the North and South Austin outfall lines. In addition, the Shoal Creek lift station, which serves west downtown and upper West Campus, is currently operating at full capacity and cannot support new residential development.

- Recommendations
    - Elevate the funding priority of the Shoal Creek Lift Station and North/South Austin Outfall Relief Projects, currently planned for 2010 at the earliest.
    - Identify and upgrade locally constrained areas for wastewater service.

Electric

- Most of the Downtown study area is part of a redundant network for electrical service. This is not true, however, for the areas west of West Avenue. Though Austin Energy is required to provide service when it is requested, customers requiring more than 300 kilowatts of power must provide space for a transformer vault. Allowing space for this vault inside a building means that less floor space is available for the building's primary use; this is especially an issue in small, historic buildings. Austin Energy's newest project is District Cooling. Two chiller plants form the beginnings of a Downtown District Cooling chilled water loop, though the loop has not yet been extended north of 4th Street.

- Recommendations
    - Create electrical vaults every two blocks as needed in downtown historic districts.
    - Expand downtown "Underground Distribution Network Area" west of West Avenue.

- Complete District Cooling loop. Encourage Austin Energy to market service to existing buildings with aging on-site chillers.

Parking

- A City of Austin-conducted parking study in 2000—and City and DAA updates made since that time—indicate that there is an adequate inventory of on- and off-street parking in downtown Austin. There is not, however, an overall parking strategy designed with retail sensitivities in mind.

- Recommendations
  - Continually update parking inventory as new supply is added and as all or part of existing private parking structures open to public use.
  - Implement a coordinated parking management plan.
  - Create a Parking Authority.

Public Transportation

- Capital Metropolitan Transit Authority (Capital Metro) operates an extensive bus system and is planning a commuter rail line that will terminate in downtown. At this time, 45% of all bus routes run through downtown.

- Recommendations
  - Create intermodal transfer center(s) to relocate some bus routes off Congress Avenue.
  - Design transit routes near, but not on, selected primary transit corridors.
  - Implement the "All Systems Go" Rail proposal.
  - Improve connectivity between downtown, the State Capitol Complex, and the University of Texas as suggested in the Capital Metro connector study.
  - Support creation of HOV or managed lanes on MoPac and I35.
  - Support relocation of Union Pacific freight rail to the SH-130 right-of-way to free up MoPac for urban passenger rail uses.

Streets and Sidewalks

- Retail is best supported by a system of two-way streets that support pedestrians, bicycles, and automobiles. Sidewalks should be shaded by trees and/or awnings.

- Recommendations
  - Provide walkable sidewalks for every street in downtown.
  - Overhaul City of Austin License Agreement Process, which hinders locating balconies, awnings, and sidewalk cafes in the City's right-of-way.
  - Reconsider downtown's one-way street system to convert to two-way streets, which provide for more flexibility, traffic calming and more pedestrian-friendly environments; this will be particularly important in priority retail streets/zones.
  - Commit to building all reconstructed streets to Great Streets standards, even if Great Streets-style amenities cannot be funded at the time.

Telecommunications

- Downtown Austin is served by many telecommunications companies providing traditional, fiber optic, broadband, cellular, and Wi-Fi services.

- Recommendations
    - Support improvement of cellular phone coverage.
    - Support proliferation of Wi-Fi hot spots.

Task 2—Retail Inventory

The retail inventory task consists of an overview analysis of the competitive retail supply in the greater Austin area, a detailed inventory of retail and retail-appropriate space in the downtown study area, retailer interviews to determine typical customers and customer behaviors, and a survey of shopper preferences and behaviors of Austin residents.

- **Competitive Retail Supply**—ERA's analysis of the competitive supply of retail shopping within a 15-minute drive time of downtown Austin indicates approximately 4.7 million square feet of existing retail space in nine malls and shopping centers. Each of these centers includes at least one anchor use and a predominantly tenant mix of national chain retailers.

- **Retail Inventory**—DAA staff collected primary research on nearly 35 percent of the total retail space in the study area. Data was collected and classified by district, and included use type, size, vacancy rates, rental rates, and estimated average sales productivity.

- **Customer Base Survey**—DAA staff conducted a survey of downtown retailers to obtain anecdotal information regarding the characteristics of current downtown shoppers. Data collected included age range, gender, average transaction size, average sales per square foot, likelihood of shoppers to make a purchase, and perceptions regarding parking.

The table on the following page compares the current inventory and retail mix by subdistrict, relevant results of the retailer survey, and aggregated rent levels by subdistrict.

District	Predominant Retail Characteristics based on Inventory	Customer Characteristics based on Retailer Survey	Rental Rate/SF
Convention Center	Full-service restaurants, limited service eating places, drinking places and nights clubs, galleries/art dealers, copy and printing services.	Data limited due to recent completion of Convention Center expansion and need for more time to evaluate results	$18
Lamar/Baylor	Limited service eating places (15%), full service restaurants (8%), and hair salons (8%). At less than 5% each: gifts, novelty and souvenir shops, personal care stores, auto dealers, book stores, gas stations, camera stores, beer, wine and liquor stores, auto repair, galleries and art dealers, supermarkets, and fitness and recreation centers.	A female customer base representing only 45% of shoppers is reflected in the limited soft goods and apparel offerings. Average transaction size $44.	$18 - $21
East Sixth Street	Drinking places and night clubs (55%), full service restaurants (19%), and other categories such as tattoo parlors, gifts, novelty and souvenir stores, convenience stores, and tobacco stores.	Highest proportion of visitors/tourists (43%). Average transaction size $45.	$18
Red River/East Downtown	Drinking places and night clubs (43%), copy and printing services (10%), hair salons (7%). At less than 5% each: a variety of personal services, convenience, and auto repair stores.	Limited information available on customer base.	$16 - $18
Second Street	Full-service restaurants (60%), drinking places and night clubs (20%). Hair salons, general merchandise stores, and furniture and home furnishings total about 25% [Note: this inventory represents 2003 uses and does not include future stores recruited by AMLI/Urban Partners].	Evolving district; will change current limited market presence.	$28 - $32

District	Predominant Retail Characteristics based on Inventory	Customer Characteristics based on Retailer Survey	Rental Rate/SF
West Fifth & Sixth Streets	Full-service restaurants (16%), drinking places and night clubs (14%), furniture and home furnishings (14%), copy and printing services (12%), galleries and art dealers (7%). At less than 5% each: auto repair shops, beer, wine and liquor stores, care rental agencies, construction equipment rental, home repair supply stores, apparel and shoe stores.	Younger market (18-26) with 45% of its customer base drawn from downtown employees. Average transaction size $45.	$18 - $30
Arts District	Full-service restaurants (37%), galleries and dealers (11%). At less than 7% each: drinking places and night clubs, sporting and recreational goods, dry cleaning and laundry services, beer wine and liquor stores, florists, hair salons and auto repair shops.	Customers all ages. Primarily Austin residents (83%). Average transaction size $44.	$10 - $18
Warehouse District	Drinking places and night clubs, full-service restaurants.	Highest average sales per square foot ($298). Average transaction size $36.	$28 - $32
Congress Avenue	Specialty retail (jewelry and gifts), restaurants and bars, theaters and cultural facilities.	Highest average transaction size ($109); highest proportion of employee shoppers 60%.	Wide rent range

- **Shopper Behavior Survey**— In April 2004, M.Crane & Associates conducted 400 telephone interviews of Austin residents living in nine central Austin ZIP codes to collect primary market research regarding their shopping preferences and behaviors. In one-third of the households surveyed, at least one person worked downtown. The survey found that the biggest obstacle to residents' shopping downtown was not parking or traffic, but that there are not enough retail offerings. The table which follows outlines the types of retail that residents would likely patronize downtown, as well as how often they would do so. These percentages held true regardless of residential zip code, travel time between residence and downtown, whether a household member works downtown, number of workers in household, or other demographic factors (age, gender, income, marital status, education, number of children).

Summary of Shopper Behavior Survey

Type of Store	Percent "Very" or "Somewhat" Likely to Patronize Type of Store	Percent Would do "Some," "Most," or "All" of Their Shopping Downtown
Department Store	88%	NA
Casual Clothing	67%	85%
Video Rental	67%	NA
Music	65%	82%
Book	64%	82%
Home Accessories	56%	79%
Cards/Gifts	39%	76%
Grocery Store	NA	57%

Source: M.Crane & Associates, 2004

Task 3—Retail Demand Analysis

Unlike many urban areas seeking downtown retail, the potential market demand for additional retail in downtown Austin is extraordinarily strong. The Retail Demand Analysis identified significant unmet market demand from multiple consumer segments (residents, downtown workers, visitors and students), with total unmet demand equaling the size of a suburban regional mall. This analysis suggests that there is an exceedingly strong market opportunity in downtown Austin, assuming that a critical mass of specialty retail stores and service businesses can be attracted to locate there.

To reach this conclusion, ERA identified and analyzed the key consumer market segments that show the greatest potential to generate sales in downtown Austin in 2003 and projected for 2008. In descending order of market potential, the consumer segments are: downtown and nearby residents, downtown employees, visitors and tourists, and students. Demographics and expenditure patterns were used to calculate spending potential for each market.

- **Target Market Residents**—Two resident trade areas were analyzed as potential target markets for enhanced retail offerings. The primary market area includes nine ZIP codes that currently represent the most likely downtown consumer base (78701, 78703, 78704, 78705, 78731, 78746, 78751, 78756, and 78757). The secondary market area is defined by five ZIP codes east of I-35, that while today are largely underserved, represent a strengthening, potential target market for downtown retailers (78702, 78721, 78722, 78723, and 78741). ERA analyzed demographic characteristics and growth rates as compared to Travis County to determine resident spending potential in 2003 ($2.3 billion from 315,617 residents) and in 2008 ($2.7 billion from 363,062 residents).

- **Downtown Employees**—ERA analyzed private and public setor daytime employees in a primary and secondary market trade area. The primary and secondary market areas for office workers were assumed to be within a one-half mile radius of the corner of Sixth and Congress, and incorporates a total a total of 67,000 employees, not including most of the University of Texas campus area. Based on the number of worker spending days per year and the average 2003 retail expenditure per employee (private sector and public sector), the total retail expenditure potential for the primary employment market is $105,345,828; for the secondary employment market, $45,175,032. By 2008 those numbers are projected to increase to $115,427,973 and $49,366,293.

- **Visitors**—Austin continues to be a top visitor destination in the State of Texas and nationwide. According to the Austin Convention and Visitors Bureau, Austin receives about 7 million visitors per year. ERA analyzed expenditure patterns of convention visitors, overnight leisure visitors, and day-trip visitors to determine the total visitor-based retail expenditure potential of $415,759,050 in 2003 and $441,055,686 in 2008.

- **University of Texas Students living on-campus**—Based on a controlled student enrollment of 51,426 and average estimated student spending patterns, ERA projects a student-based retail expenditure potential of $27,307,206 in 2003 (with 15% housed on campus) and $36,409,608 in 2008 (with 20% housed on campus).

A conservative capture rate was applied to each market segment's expenditure potential to determine how much in each market segment is likely to be spent downtown. Using the calculated captured dollar figure and the average sales productivity levels for commercially viable retail established by the International Council of Shopping Centers (ICSC), ERA estimates that there is market support in 2003 for between 605,000 and 830,000 square feet of retail space in downtown Austin including existing space. It is estimated that there are about 300,000 square feet of existing retail in the study area, but some of this space will transition over time due to higher sales performance requirements. With existing restaurant and bar uses largely meeting the food and beverage demand and the new 85,000 Whole Foods Market Flagship store providing for potential grocery demand, downtown Austin is still significantly undersupplied in a number of retail categories, including apparel and accessories for men and women, shoes and other accessories, gifts and furnishings, and resident- and office-oriented service businesses. Assuming higher sales productivity rates that could be achieved with enhanced offerings, ERA estimates the potential market demand for retail space could increase to between 723,000 and 990,000 square feet by 2008. This is the equivalent of a large regional mall and indicates the strength of the potential downtown retail market.

Incremental Downtown Austin Retail Potential

	Current Offerings		*Enhanced Offerings*	
	Square Feet		*Square Feet*	
	Baseline	**Optimistic**	**Baseline**	**Optimistic**
Supportable SF	2003	2003	2008	2008
GAFO	287,000	419,000	337,000	493,000
Grocery and Conv.	55,000	84,000	73,000	108,000
Food & Beverage	263,000	327,000	313,000	389,000
Total Supportable SF	**605,000**	**830,000**	**723,000**	**990,000**

Source: ERA, 2004

Taking into consideration significant retail projects currently under development in downtown Austin, ERA estimates that downtown Austin has the potential to support a net new increment of between 503,000 and 770,000 square feet as shown on the table on the table below, entitled **Net Supportable Retail.** It should be noted that this total also includes the existing supply of retail in downtown Austin, estimated to total approximately 300,000 square feet of existing space. The greater percentage of today's retail square footage is comprised of restaurants, cafes and bars (the new 85,000 square foot Whole Foods Market Flagship store is also not included in the 300,000 square foot total). However, even if the existing square footage is subtracted from the total incremental supportable retail, the remaining square footage is equivalent to the size and number of retailers in a suburban regional mall. This suggests the magnitude of the retail development opportunity that can be captured downtown if the right mix of stores, food service and consumer service businesses can be recruited.

Net Supportable Retail

2008 Estimate	*Square Feet* **Baseline**	*Square Feet* **Optimistic**
Total Supportable	723,000	990,000
Less 2nd Street Project	220,000	220,000
New Increment	**503,000**	**770,000**

Source: ERA, 2004

Task 4—Market Strategy

The potential market for downtown retail in Austin indicates that shoppers will come if the right offerings are available. The range of potential retail development sites includes surface parking lots, new mixed-use projects, historic buildings and new construction. There is opportunity for all types of retailers to locate downtown at a range of rent levels. In order to draw this range of businesses, specific market strategies were developed for the most likely opportunity locations downtown – those that can create or enhance retail clusters, activity and transportation nodes, tourist/visitor destinations, and concentrations of office workers, for example. Downtown is positioned to achieve retail critical mass over time and can accommodate retailers of different sizes, rent levels and market specialties. Market potential suggests that Austin can become as well known for downtown shopping as it already is recognized as an entertainment and dining destination.

In order to develop a recommended Market Strategy for downtown Austin and to establish retail positioning strategies by area, ERA analyzed the physical character and market attraction of downtown Austin's subdistricts. The walking distance and level of comfort in accessing targeted submarkets for downtown retail was based on a typical 1,200 to 1,500 foot maximum walking radius from the workplace, from parking locations, or to any apparent retail focus areas. The Market Strategy was also influenced by the conclusions drawn by a Retail Developers Panel conducted by the International Downtown Association (IDA) as part of the Downtown Retail Strategy, as well as by interviews with property owners, developers, the Retail Study Steering Committee, City officials, and others.

Because the study area is so large geographically, with subdistricts in varying stages of evolution, ERA recommends concentrating first on four districts as the most immediate priority areas: Congress Avenue, East Sixth Street, West Sixth Street, and the Warehouse District.

Congress Avenue
From the State Capitol to Town Lake

- **Upper Congress above 7th Street** —Office worker-oriented retail and service businesses; cultural uses, such as the Paramount and State Theatres, Austin Museum of Art, and Arthouse at the Jones Center.

- **Lower Congress to Town Lake**—Opportunity to create major retail concentration by changing the tenant mix in existing buildings and by redevelopment of current surface parking lot sites into commercial mixed-use projects. Complementing the transitional retail block between Sixth and Seventh, Lower Congress has both the land area and the market potential to become a new prime retail area of downtown specialty stores and can support comparison shopping for apparel, accessories and gifts, and larger retail stores (books, furniture and home accessories).

East Sixth Street

From the alley between 5th & 6th to the south side of 7th, Congress Avenue to I-35

The markets for East Sixth Street retail will remain younger students and other residents, convention visitors, and tourists who have heard about the Sixth Street "brand." The east end of Sixth should remain edgier, potentially with off-beat apparel and collectibles shops and impulse-oriented retail that could remain open later at night. The area closer to Congress Avenue should become less edgy and more retail oriented.

West Sixth Street

From the alley between 5th & 6th to the south side of 7th, Congress Avenue to Henderson Street

The market for the West Sixth Street area is older, more resident-oriented. It should build on existing restaurants, neighborhood-serving retail, and home furnishings stores in the area.

Warehouse District

From the alley between 5th & 6th to 3rd Street (and south to Cesar Chavez west of San Antonio Street), Congress to just west of Bowie Street

The Warehouse District will cater to various markets: downtown and area residents, convention visitors, and tourists. It is a district that links Congress Avenue, the emerging 2nd Street retail corridor, the Tom Green Water Treatment Plant, the Seaholm District, West Sixth, and the portion of the Lamar/Baylor subdistrict that includes the new Whole Foods Market. Because Whole Foods and the 2nd Street areas have their own concept-driven, dedicated retail recruiting professionals, connecting these areas to the Warehouse District becomes a crucial linkage. Other than building on the strength of the restaurants and bars in the area, new retail types include impulse oriented retailers and resident-serving businesses.

Task 5—Barriers to Entry

A central component of the Retail Development Strategy is definition of and recommendations to identified 'barriers to entry' for retail development and recruitment in downtown Austin. Barriers were analyzed by urban specialists on the team, as well as by Dr. Marie Crane in the consumer surveys. The barriers were classified as *private market issues*, *public sector processes and issues*, and *infrastructure capacity, among others* and were identified from a number of sources:

- M. Crane & Associates' consumer survey (April 2004)
- The International Downtown Association's Retail Developers Panel (June 2004)
- Interviews with retailers, brokers, property owners, developers, development consultants, bankers, City staff, and others to create base list from which to work (throughout the process)
- Focus groups of the same types to build upon/refine base list
- Steering Committee input

Private Market Barriers

Marketing

- The greatest retail challenge for downtown Austin is not discovering its market; it is making the retail industry aware of the strength of the market that is already there. Repositioning downtown will require a consistent, energetic, well-documented marketing campaign that can demonstrate the breadth of market potential to retailers, the willingness of local leaders to encourage retail development, and the range of offerings available to consumers. Shoppers will need to be educated about new shopping opportunities, available parking, coordinated store hours, and downtown events. The marketing campaign will also need to provide information on current and future available spaces, on policies and other incentives that encourage retail development, and how the retail mix can best be achieved. The market is available, but it does not yet understand the potential downtown.

Physical Environment

- Those who provided input to the retail strategy recognized the barriers of parking downtown. While there is an abundant supply throughout the downtown area, there is no coordinated system to make parking a more user friendly amenity. Other issues including wayfinding and unified signage, the one-way street system downtown and the need for a more pedestrian-friendly environment on primary retail streets. The physical character of downtowns are, by their natures, different from the suburbs. To effectively compete, downtowns should focus on better ways to serve the customers with easy circulation, clean and safe streets, convenient available parking and a distinctive mix of businesses that do not just duplicate the malls. Downtown Austin is the rare example that can achieve this outcome.

Financial

- Groups recognized the issues of a disparate property ownership area like downtown. With over 500 property owners, financial issues such as availability of standard Tenant Improvement Allowances, incentive programs and affordable rent structures make it difficult to create a unified environment and a level playing field for retail recruitment.

Public Sector Barriers

Many stakeholders suggested that obstacles incurred at the governmental, or City of Austin, level of development. Though the City's One Stop Shop program has made great progress in streamlining the development and regulatory process, stakeholders identified other public sector issues such as conflicts within the Land Development and Zoning Codes, conflicting code requirements and the amount of time it takes to get a project reviewed. Other issues were also addressed, such as the need to provide better management and regulation of public safety, panhandling and social services downtown.

Infrastructure Barriers

Defined primarily in the infrastructure section of the study, respondents did convey similar issues on infrastructure barriers. Water supply, storm water capacity and management continue to be some of the largest issues affecting future development on the east side of the Central Business District. Transportation and traffic management systems are major barriers to downtown development, and the need for a connector service (trolley-based) was overwhelming conveyed, as well as HOV and/or Managed Lanes on Mopac and IH-35.

Implementation Strategy

Downtown Austin has all the necessary ingredients to become one of the most successful downtown retail districts in the country—a large and growing concentration of downtown workers, new downtown residents, and a vibrant reputation as a thriving entertainment and dining destination. What has been missing is an implementation strategy that will both maintain the momentum that downtown Austin already has, while providing new ways to accelerate the pace of retail development and creation of retail critical mass. Downtown Austin can become one of the major shopping destination alternatives within the region simply by better serving the markets that already exist in and around it.

The Downtown Retail Strategy documented lessons learned from comparable and relevant cities, and applied those lessons to specific recommendations for implementation. The implementation steps were chosen to address and coordinate solutions for the barriers to retail development identified in the preceding section. The implementation program is intended to serve as both an immediate series of actions as well as a longer-term policy framework for sustained downtown retail development. Recommendations included the following:

- Provide for two roles—centralized point of contact and coordination for downtown retail information with partner entities, and retail prospecting to locate and recruit new retailers for downtown. ERA recommended that these roles be undertaken by the DAA in partnership with (and with financial support from) the City. The DAA would serve as the central resource for retail space inventory and maintaining downtown market information and would coordinate with the City to address policy and financial priorities and projects affecting downtown Austin. In addition, a part-time retail prospecting position should be created through the DAA and City partnership to seek and recruit prospective tenants that meet the merchandising profiles for the subdistricts. These prospects would be matched to retail brokers and the property owners they represent.

- Recognize and protect downtown as a priority economic development area. Despite a number of major initiatives (Second Street, the Convention Center, streetscape enhancements, One-Stop Shop and others), many property and business owners do not perceive that downtown Austin is a priority economic development area for City government. This perception will change in response to a recurring City commitment to downtown (among other areas) as a high priority, as well as demonstration of that commitment through consistent administrative procedures, modification of conflicting codes and ordinances, upgrading infrastructure needs, and creation of a single vision for long-range planning.

- As demonstrated necessary, policy and financial incentives should be created to leverage private investment, to redirect projects to greater public benefit (such as inclusion of workforce housing in downtown residential development), or to provide for the financial gap between average and extraordinary development projects. Proven approaches such as special authorities, tax-increment finance (TIF), or Chapter 380 Economic Development Entities can all be used to generate private investments, attract tenants, accelerate the pace of leasing, or redirect a downward development trend (such as too many bars). The City's proposed Bond Elections are a strong step in this direction, potentially helping to fund critical infrastructure improvements.

Conclusion

Austin has a remarkable opportunity to continue the evolution of its beautiful downtown as a retail destination for the city and region. The circumstances are right to create a retail coordination role and to structure a retail recruitment program to assist local brokers and property owners to attract new stores and other retail businesses downtown. Austin's public and private sectors have both committed to further downtown improvements, the potential customer base is willing and able to spend there, and development interests have shown their willingness to create and lease space to exciting tenants. But if Austin is to fully realize its opportunity downtown, the retail strategy requires a call to further action. The Downtown Austin Alliance and the City of Austin have led the effort to create a vision and to develop an implementation process. If properly implemented, new stores will line downtown Austin's shopping streets, new customers will be shopping day and night and the city's reputation as one of Texas' most livable cities will be renewed in a new way. Based on the market potential, the momentum, and the level of public interest, it is clear that the vision is right, the partners are in place, and the time is now.

ERA

Introduction

The Downtown Austin Alliance (DAA) was established to support a range of urban management initiatives related to policy formulation, public investment and enhanced municipal services—and to influence strategic directions for real estate development in Austin's Central Business District. As a result, the DAA has a strategic focus on improving retail retention and recruitment to improve opportunities for retailers, office workers and Austin residents to live, work and play in Downtown Austin.

Economics Research Associates (ERA) was retained by the DAA and the City of Austin to further its retail retention and recruitment efforts by conducting a comprehensive analysis of Austin's retail environment. The primary objectives of assessing the current and near-term market support for retail use in Downtown Austin are to:

- Identify retail districts and nodes for potential redevelopment
- Identify barriers to entry into the downtown retail market and implement strategies for overcoming those barriers
- Effectively market Downtown to key consumers
- Ensure long-term viability of Downtown as a "mixed-use" environment

In order to achieve the objectives of this analysis, ERA evaluated current economic trends in housing and commercial office development affecting the Austin Metropolitan Area and the Downtown. In particular, ERA assessed the competitive characteristics of six identified commercial sub-districts within the 180 blocks comprising the 587-acre study area.

In order to estimate the demand for downtown retail, ERA performed a detailed market segmentation-based analysis of the demographic characteristics of residential populations within downtown Austin and in the surrounding area. The assessment of relevant market segments details the likely consumer expenditure behaviors of householders by income, attributable to a series of key zip codes in the project areas. In addition, ERA profiled the likely retail market demand generated by other key contributing market segments such as daytime employees; hotel and visitor markets; entertainment, civic and cultural facilities; and recreational markets.

In addition to ERA's detailed market segmentation analysis, ERA provides a summary of current downtown retail leasing trends and other key development projects in the pipeline. This analysis is based partially on DAA's inventory of existing retail uses in the study area and adjacent areas and includes profiles of retail leasing and development activities with respect to retail type, rents, lease terms, typical sizing, sales productivity and other indicators.

ERA provides a summary of the Downtown Austin retail inventory characteristics in these preliminary findings as a basis for a market and retail revitalization implementation strategies to be developed in the final phase of this project. These findings are intended to provide a framework for the development of a strong retail component in downtown Austin, strengthening the existing retail base and adding complementary new development.

Methodology & Assumptions

The retail market study commenced in December 2003, concurrent with an infrastructure inventory conducted by Black + Vernooy, Urban Architecture and Design. During this phase of a multi-part study, a market overview was conducted in order to examine the viability of new and infill retail uses in the nine Downtown subdistricts identified by the client/consulting team. As part of this phase, ERA analyzed socio-demographic trends in Downtown Austin and its surrounding region; collected information on repositioning efforts underway in Downtown; and conducted extensive interviews with planners, elected officials, economic development officials, real estate brokers, developers, business owners, and University of Texas staff.

Drawing upon the conclusions from these discussions as bases, ERA then analyzed comprehensive market trends and developed economic models to ascertain the level of market support for retail uses in Downtown. ERA utilized a variety of public, private, and GIS-based data sources to project growth in households, income, and spending potential in Downtown Austin and the surrounding areas to estimate the demand level for retail uses.

The models utilized for this analysis reflect the projected change in demand for retail uses between the years 2003 and 2008. ERA chose this five-year time period because market forecasts over longer periods are limited by diminished accuracy and validity. Typically, extended forecasts are less likely to account for unforeseen changes in economic and demographic trends. This is particularly relevant in an active market like Downtown Austin, where pipeline real estate projects and a constantly evolving economy can alter the results of these forecasts. Shorter-term forecasting therefore provides a more accurate depiction of expected market conditions.

Interpreting the Results

The analysis reflects the projected demand for retail uses in the defined trade area that includes the boundaries that define the Downtown study area, encompassing all nine subdistricts. While Downtown is one of the potential locations for future development in the greater Austin area, the supportable space projections derived from the analyses can potentially be sited at suitable locations outside the study area if the market conditions that form the basis of ERA's assumptions diverge from current forecasts. Furthermore, the available footprints in the nine subdistricts suggest that all of the forecast potential for new development may not be accommodated completely by new building space. It is reasonable to expect that a share of the forecast demand will be accommodated by infill development that replaces underperforming space.

For the purpose of conservative economic analysis, the retail models analyze future demand conditions under two scenarios. The first scenario considers baseline market conditions, in which the respective trade areas for each realize the respective existing capture levels of demand. The second optimistic scenario assumes an induced capture rate, in which underlying market conditions unique to retail uses improve in favor of Downtown Austin.

Project Area Boundaries

The project area is approximately 587 acres, located in the heart of downtown Austin. As detailed by the map on page 6, the study area is comprised of nine distinct subdistricts, including:

1 Lamar/Baylor: Located in and around the corner of Lamar and West Sixth Streets, the Lamar and Baylor subdistrict is the location of Whole Foods Market's new 85,000 square foot flagship store across the street from its former location), a major Book People books retailer, and a cluster of furniture, housewares, men's and women's apparel, and other specialty retailers. This subarea includes the largest concentration of specialty retail in the greater downtown study area.

2 West Sixth Street: West Sixth extends from Congress Avenue west to Henderson Street, adjoining the Warehouse District to the south and the Lamar/Baylor District to the west. The retail mix of West Sixth is characterized by restaurants and clubs serving a slightly older market than East Sixth, as well as a cluster of specialty retailers. West Sixth also has existing and proposed major government buildings including the proposed Federal Courthouse and the US Post Office.

3 Warehouse District: Bordered by Congress Avenue and Bowie Street to the East and West and by West Sixth and West Third Streets to the North and South, this distinctive area offers numerous restaurant and entertainment options to Austin residents, office workers and visitors. The Warehouse District has a diverse tenant base of primarily independent local retailers and restaurateurs; its market is somewhat older and more affluent than East Sixth Street.

4 Second Street Retail District: This emerging retail district and urban neighborhood is located between Town Lake and the Warehouse District, and is the site of the new Austin City Hall, designed by Architect Antoine Predock. The Second Street mixed-use development currently envisioned will further shape the evolution of retail activity in downtown and will include 225,000 square feet of retail, restaurants, and entertainment venues, as well as several hundred dwelling units.

5 Congress Avenue: The Congress Avenue subdistrict begins at the south edge of the State Capitol property and extends eleven blocks to Town Lake. Congress Avenue is the "Main Street" of Texas and is the ceremonial approach to the State Capitol and urban design spine of downtown Austin. The lower two blocks of the Congress Avenue subdistrict overlap with the Second Street subdistrict. Traditionally the retail core of downtown, Congress Avenue today contains limited specialty retail, a number of restaurants and carry-out food locations, museums and cultural institutions, and major office and bank lobbies.

6 Arts District: The Arts District is located west of the State Capitol complex, on the north side of downtown and is home to a number of small art galleries and is proximate to the Bob Bullock Texas History Museum as well as the Guadalupe Arts Center, the Women and Their Work Gallery, and the new art museum under construction at the University of Texas.

7 Red River/ E. Downtown: This sub-area is east of the State Capitol complex in the northeastern part of the CBD paralleling I-35 and is near major hospitals, and the Erwin Events Center. This district contains a series of smaller clubs that have increasingly focused on original music performances. This district also includes a flood plain along Waller Creek.

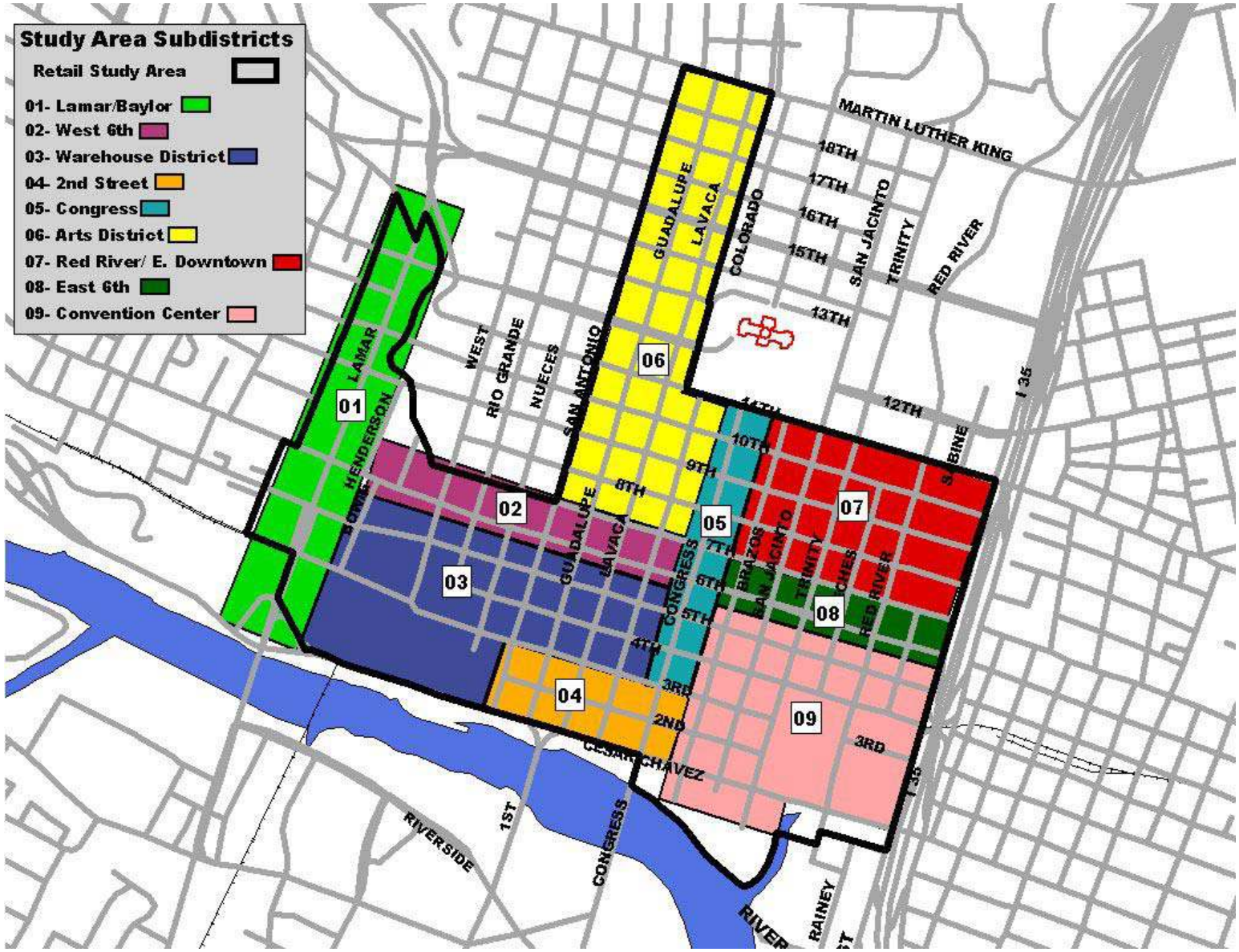
8 East Sixth Street: Located in the heart of downtown, E. Sixth Street is southeast of the Capitol Complex between Congress Avenue and Interstate Highway 35 and is nationally known as the home of Austin's live music scene. The entertainment district offers a variety of uses including numerous nightclubs, bars, tattoo parlors, eclectic cafes and upscale restaurants, and the historic Driskill Hotel. Many of the historic buildings along East Sixth Street date back to late 19th and early 20th centuries. At the eastern end of the district, Waller Creek passes through the tree-lined 700 block just off Interstate 35. Sixth Street has evolved as a district serving younger markets, primarily college age, and is adjacent to the Convention Center.

9 Convention Center: The area surrounding the Convention Center includes the neighborhood east of Brazos Street to I-35 and from César Chávez toward Sixth Street and is framed by several by non-contiguous commercial corridors. The Convention Center expansion was completed in 2003. A new 800 room Hilton Hotel was completed in 2004 and two more hotels are currently under construction.

In addition, Downtown Austin's retailers are supported by—and must compete with—residential and retail activity generated by the following:

- State Capitol Complex: Located to the immediate north of the study area, the State Capitol complex draws approximately 15,000 daytime office workers to the downtown on a daily basis.

- The Barton Springs Road / Lamar Boulevard area southwest of downtown is known as one of Austin's casual "Restaurant Rows," including Chuy's Tex-Mex, several barbeque cafes and other locally-based operations.
- West End: This area is located on the west side of downtown and has a growing base of retail and dining that serves the Old West Austin neighborhood.
- The University of Texas at Austin: This university campus supports more than 50,000 students annually adjacent to the heart of downtown Austin. Paralleling the University along Guadalupe on the West is the 'Drag,' a concentration of student-serving retailers including fast food, bars, apparel, music, gifts, bookstores and other consumer services.
- South Congress Avenue: South Congress Avenue, also known as "SoCo," is an eleven-block long area that has evolved into an eclectic mix of galleries, boutiques, antique stores, restaurants, and music venues adjacent to the popular Travis Heights and Bouldin Creek neighborhoods.


Study Area Subdistricts
Retail Study Area
01- Lamar/Baylor
02- West 6th
03- Warehouse District
04- 2nd Street
05- Congress
06- Arts District
07- Red River/ E. Downtown
08- East 6th
09- Convention Center
MARTIN LUTHER KING
18TH
17TH
16TH
15TH
13TH
12TH
10TH
9TH
8TH
7TH
6TH
5TH
4TH
3RD
2ND
1ST
GUADALUPE
LAVACA
COLORADO
SAN JACINTO
TRINITY
RED RIVER
SABINE
I 35
LAMAR
HENDERSON
BOWIE
WEST
RIO GRANDE
NUECES
SAN ANTONIO
BRAZOS
CONGRESS
CESAR CHAVEZ
RIVERSIDE
RAINEY
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Economic Overview

Austin is well-known as one of the most "livable" cities in the nation, frequently ranking high on national lists of Best Cities. According to the City of Austin, the city was ranked:

- Travel & Leisure's list of best loved cities (fourth)
- Forbes' list of Best Cities for Singles (first)
- Hispanic Magazine's list of Best Cities for Hispanics
- Money Magazine's 2002 Top 10 list of Best Places to Live

The primary attributes that Austin has to offer include: cosmopolitan urban opportunities, excellent outdoor recreational attractions, a highly competitive cost of living, and a nationally-known cultural and live music scene. According to Economy.Com, Austin's strengths include:

- Well-educated work force
- Presence of a world-class research university
- Favorable business climate
- Reasonable tax structure
- Outstanding quality of life
- Wide-ranging cultural and recreational opportunities
- Ability to recruit, attract and retain high-quality personnel
- High degree of high-technology industry conglomeration
- Lower cost of doing business: Austin's overall business costs are 6.1 percent below the national average.
- Positive demographics

Although Austin did experience an economic "slump" concurrent with the "Tech Bust" and the national economic recession, the area is exhibiting positive signs of recovery. A review of major economic indicators such as employment growth, unemployment rates, personal income growth, population, single family permits, multifamily permits, existing home prices, and personal bankruptcies all indicate that Austin's economy is improving (see Table 1 on the following page).

Table 1: Austin Metropolitan Area Economic Overview
Major Economic Indicators

Indicators	Historic Trends				
Year	1999	2000	2001	2002	2003
Total Employment (000's)	635.4	672.6	674.1	658.4	652.3
Total Employment (% Change from Prior Year)	5.8	5.9	0.2	-2.3	-0.9
Unemployment Rate	2.2	2	3.8	5.7	5.5
Personal Imcome Growth	12.4	10.5	2.4	0.4	2.3
Single-Family Permits	11,704	13,045	9,174	11,072	10,342
Multifamily Permits	8,193	8,844	8,699	6,160	2,402
Existing Home Price (000's)	129.5	147.5	152.4	156.6	156.6
Personal Bankruptcies	3,860	3,398	4,225	4,669	5,850

Indicators	Forcasted Trends				
Year	2004	2005	2006	2007	2008
Total Employment (000's)	661.1	689.9	720.9	746.2	768.4
Total Employment (% Change from Prior Year)	1.4	4.4	4.5	3.5	3
Unemployment Rate	5	4.7	4.5	4.4	4.2
Personal Imcome Growth	6.3	8.3	8.2	7.4	6.9
Single-Family Permits	9,415	9,349	11,447	12,129	12,307
Multifamily Permits	4,693	6,579	9,025	10,020	10,437
Existing Home Price (000's)	162.6	172.1	179.5	187.2	193.7
Personal Bankruptcies	5,365	4,834	4,672	4,742	4,746

Source: Economy.com; Economics Research Associates, 2004.

Employment Trends

The Austin market experienced significant employment growth from 1997 through 2000 due, substantially, to the expansion of the technology industry. In 2000, Austin's "Boom" employment year, non-farm employment levels reached over 690 million workers (City of Austin Department of Economic Development). From 2002 to 2003, non-farm employment contracted at a rate of -2.3 percent as the "tech bust" and the national recession continued to exert pressures in the region. However, there is much economic stability to be found in the area due to the large governmental sector. In 2003, Economy.com projects that Austin will exhibit positive employment growth at a rate of 1.4 percent over the prior year. The most growth is likely to be in manufacturing, retail trade and business services. Austin is home to many major corporations such as Dell Computer Corporation, Motorola, IBM and other significant employers.

Table 2: Austin Area's Top 40 Employers

Rank	Employer	Number of Employees
1	University of Texas at Austin	20,277
2	Dell Computer Corp.	19,500
3	Motorola, Inc.	10,500
4	City of Austin	10,000
5	Austin ISD	9,417
6	HEB Grocery Co.	7,500
7	Seton Healthcare	6,756
8	IBM Corp.	6,500
9	IRS/Austin Center	5,800
10	Advanced Micro Devices, Inc.	4,600
11	Solectron Texas	4,400
12	Round Rock ISD	4,000
13	Wal-Mart Stores	3,800
14	Travis County Government	3,567
15	Applied Materials	3,149
16	Texas Department of Transportation	3,050
17	United States Postal Service	3,003
18	Austin Community College	3,000
19	Southwest Texas State University	3,000
20	Texas Department of Health	2,817
21	Texas Dept. of Mental Health & Mental Retardation	2,500
22	Texas Department of Public Safety	2,474
23	Southwestern Bell	2,467
24	St. David's Healthcare	2,433
25	Texas Department of Human Services	2,233
26	Texas Natural Resource Conservation Commission	2,232
27	Kent Electronics	2,000
28	Randall's Food and Pharmacy	2,000
29	Faulkner Construction Co.	1,900
30	Texas Attorney General's Office	1,887
31	Texas Comptroller of Public Accounts	1,878
32	Texas Workforce Commission	1,822
33	Girling Health Care	1,800
34	Leander ISD	1,800
35	3M Austin	1,750
36	National Instruments, Inc.	1,658
37	Tivoli Systems, Inc.	1,650
38	Southern Union Gas	1,573
39	MCI Services	1,500
40	McDonald's	1,400
Total		173,593

Source: Greater Austin Chamber of Commerce; Economics Research Associates, 2004.

According to the City of Austin, the electronic goods and equipment sector more than doubled between 1990 and 2000 to 68,000 jobs. The majority of this growth was in computer manufacturing and wholesaling. For example, Dell Computer Corporation is Central Texas' largest private employer with 19,500 employees. The company has been one of the few computer manufacturers worldwide to post growth figures in the recent economic downturn. Dell currently holds 16 percent of the PC market share worldwide.

The support of such quality employers has helped Austin to recover from the national recession more quickly than other US cities. In fact, Austin's unemployment rate decreased significantly during 2004, according to CB Richard Ellis' 3Q 2004 Market Index Brief. The unemployment rate dropped from 5.6 percent to 4.3 percent. Austin's job growth is expected to continue this pace of growth in 2005. Furthermore, Austin continues to remain below the state and national unemployment averages by approximately one percent.

Table 3: Total Workforce & Entry Level Annual Average Wages, 2002
State of Texas

	2002 Average Wages		WDA Wage Rank	
WDA[1]	**Total Workforce**	**Entry Level**	**Total Workforce**	**Entry Level**
Dallas WDA	$37,991	$17,114	1	2
Capital Area WDA	*$37,684*	*$17,407*	*2*	*1*
Gulf Coast WDA	$36,477	$15,923	3	5
Tarrant County WDA	$35,638	$16,664	4	4
Rural Capital WDA	$33,893	$16,785	5	3
North Central WDA	$33,052	$15,385	6	6
South East Texas WDA	$31,150	$14,591	7	11
Alamo WDA	$30,783	$15,017	8	7
Coastal Bend WDA	$30,032	$13,822	9	21
Permian Basin WDA	$29,949	$14,203	10	15
State of Texas	$33,573	$15,231	NA	NA

[1] Workforce Development Area, as defined by the Texas Workforce Commission.

Source: Texas Workforce Commission, Labor Market Information; Economics Research Associates

Table 4: Highest Paid Industry Sectors, Annual Average Wages 2002
Capital Area vs. State of Texas

Highest Paid Industry Sectors, Annual Average Wages 2002
Capital Area vs. State of Texas

		2002 Average Wage		
Industry Group	Industry Sector	Capital Area WDA	Texas	% Difference, Capital Area vs. State
Finance, Insurance, and Real Estate	Security And Commodity Brokers	$64,913	$54,294	19.6%
Mining	Oil And Gas Extraction	$63,247	$46,791	35.2%
Manufacturing	Industrial Machinery And Equipment	$61,849	$42,758	44.6%
FIRE	Holding And Other Investment Offices	$59,530	$50,041	19.0%
Services	Legal Services	$57,085	$58,411	-2.3%
Services	Engineering & Management Services	$51,929	$48,748	6.5%
Wholesale	Wholesale Trade-durable Goods	$49,826	$42,097	18.4%
Manufacturing	Instruments And Related Products	$49,563	$43,245	14.6%
FIRE	Insurance Carriers	$49,357	$44,315	11.4%
Manufacturing	Electronic & Other Electric Equipment	$49,304	$45,566	8.2%
All Industries		**$37,684**	**$33,573**	12.2%

[1] Excludes wages reported for the industry sector, "Manufacturing of Primary Metal" in the Capital Area WDA. Average wages in 2002 in the Capital Area WDA are reported at $70,805, ranking it as the highest paid industry sector. However, the Texas LMC does not report total employment for this industry.
Source: Texas Workforce Commission, Labor Market Information; Economics Research Associates

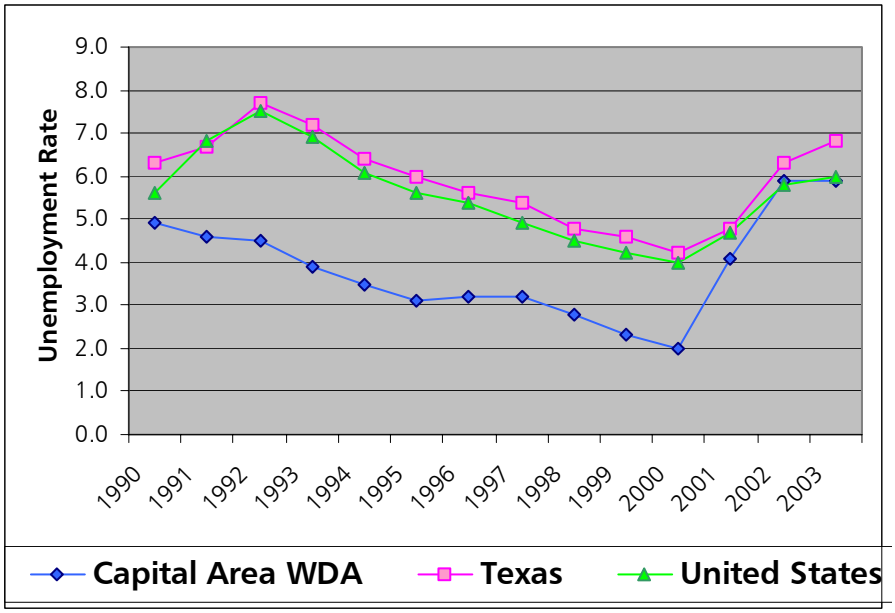
Table 5: Employment Growth Projections by Industry
Capital Area WDA, 2000 to 2010

	Total Employment		2000 to 2010
Industry	2000 Estimate	2010 Projection	CAGR[1]
Agriculture, Forestry, and Fishing	4,700	6,617	3.5%
Mining	780	827	0.6%
Construction	29,510	37,043	2.3%
Manufacturing	72,010	90,893	2.4%
Trans., Comm., and Public Utilities	21,970	27,647	2.3%
Wholesale Trade	24,900	34,705	3.4%
Retail Trade	87,520	112,872	2.6%
Finance, Insurance, and Real Estate	28,510	35,521	2.2%
Services	213,610	288,581	3.1%
Government	62,670	79,314	2.4%
All Industries	**546,180**	**714,021**	**2.7%**

[1] Compound Annual Growth Rate

Source: Texas Workforce Commission, Adjusted Annual Average Wage & Salary Employment 1990-2001, February 2002; The Perryman Economic Forecast, Short-Term Outlook for The Austin-San Marcos MSA, Dec. 11 2002, Economy.com, March 2004; Texas Perspectives, Austin Long Term Forecasts, presented at IREM meeting October 8, 2002, DRI, March 2004; Economics Research Associates, 2004.

Figure 1: Unemployment Trends: 1990 to 2003



Downtown Office Trends

Austin's downtown office market is supported by a well-educated workforce, an overall low cost of business (Economy.com), and affordable commercial space. According to the Greater Austin Chamber of Commerce, the Central Texas economy is supported by technology industries, business services, education, and government sectors that are based in Austin. The metropolitan region is a well-established technology center based on electronic design, computer hardware and semiconductor manufacturing, and software development. Life sciences, film and music, business services and distribution firms are industries that also have a strong presence in the Austin economy. With seven colleges and universities in the area, there are over 110,000 enrolled in academic programs, which make for an immediate source of well-educated employees and allow for continuing education for the existing labor force. Table 6 demonstrates the significant demand for office space generated by Finance, Insurance and Real Estate (FIRE), Services and Government users.

Table 6: Downtown Austin Employment, 2003

Industry	Estimated Total Employees, 2003 Primary	Secondary	Total
Agriculture, Forestry, and Fishing	179	147	326
Mining	67	58	125
Construction	1,070	392	1,462
Manufacturing	2,512	768	3,280
Transportation and Public Utilities	2,100	688	2,788
Wholesale Trade	440	1,697	2,137
Retail Trade	8,184	3,918	12,102
Finance, Insurance, and Real Estate	4,975	1,314	6,289
Services [1]	29,842	11,262	41,104
Government	10,506	8,820	19,326
All Industries	59,875	29,064	88,939

Note: Industries that comprise the "captive" employee consumer market for downtown retail are highlighted.

[1] The Services industry includes lodging and amusement services, which are excluded from the "captive" consumer market.

According to the Greater Austin Chamber of Commerce and CB Richard Ellis, the office market potential is stable, but not rapidly expanding as decisions on development of new office product are pending further improvement in office vacancy rates. Although regional employment is relatively strong, the impact on downtown office demand is more limited due to suburban office growth to the north and west of downtown. For example, the Cousins Properties' 525,000 SF Frost Bank Tower was the last major office development downtown (2004). Office rents in Austin's central business district are the strongest in region, averaging $22 (Class "A") and $19 (Class "B").

However, in ERA's opinion, the Austin area has much to offer for business development. Austin is highly competitive from a site selection perspective due to a number of key characteristics. In addition to the constant flow of educated labor entering the workforce from the University of Texas and other educational institutions in the region, Austin experiences higher than average inflow from out-of-state due to its well-known quality of life offerings. Furthermore, current vacancy rates are high at 21.3 percent (4Q 2003) resulting in competitive office rental rates.

Austin Metro Area Housing Market

In terms of the Austin Metro Area's for-sale and rental housing market, the area has experienced significant value increases over the last five years. Due to population increases, Austin has experienced increasingly high demand for both new and existing housing. Houses in some parts of Austin will sell within days of going on the market. The market is especially tight for existing houses in the $80,000 to $175,000 range.

According to *Capitol Market Research*, the Austin region's apartment market in the fourth quarter of 2004 averaged 91.4 percent occupancy citywide, with rents at 81 cents per square foot. As a reflection of the decrease in apartment demand, only two properties began construction during the fourth quarter; however, construction continues on 2,500 units.

According to the National Association of Realtors and the City of Austin, Austin offers numerous areas of quality for-sale housing stock in residential neighborhoods, and new developments in and around the city have added a variety of accessible and competitively priced neighborhoods. In 1st quarter 2003, the median price for an existing single-family home was $157,700.

Downtown Housing Trends

Austin has successfully targeted increasing its share of downtown housing units over the last several years.

Summary of Downtown Housing Development

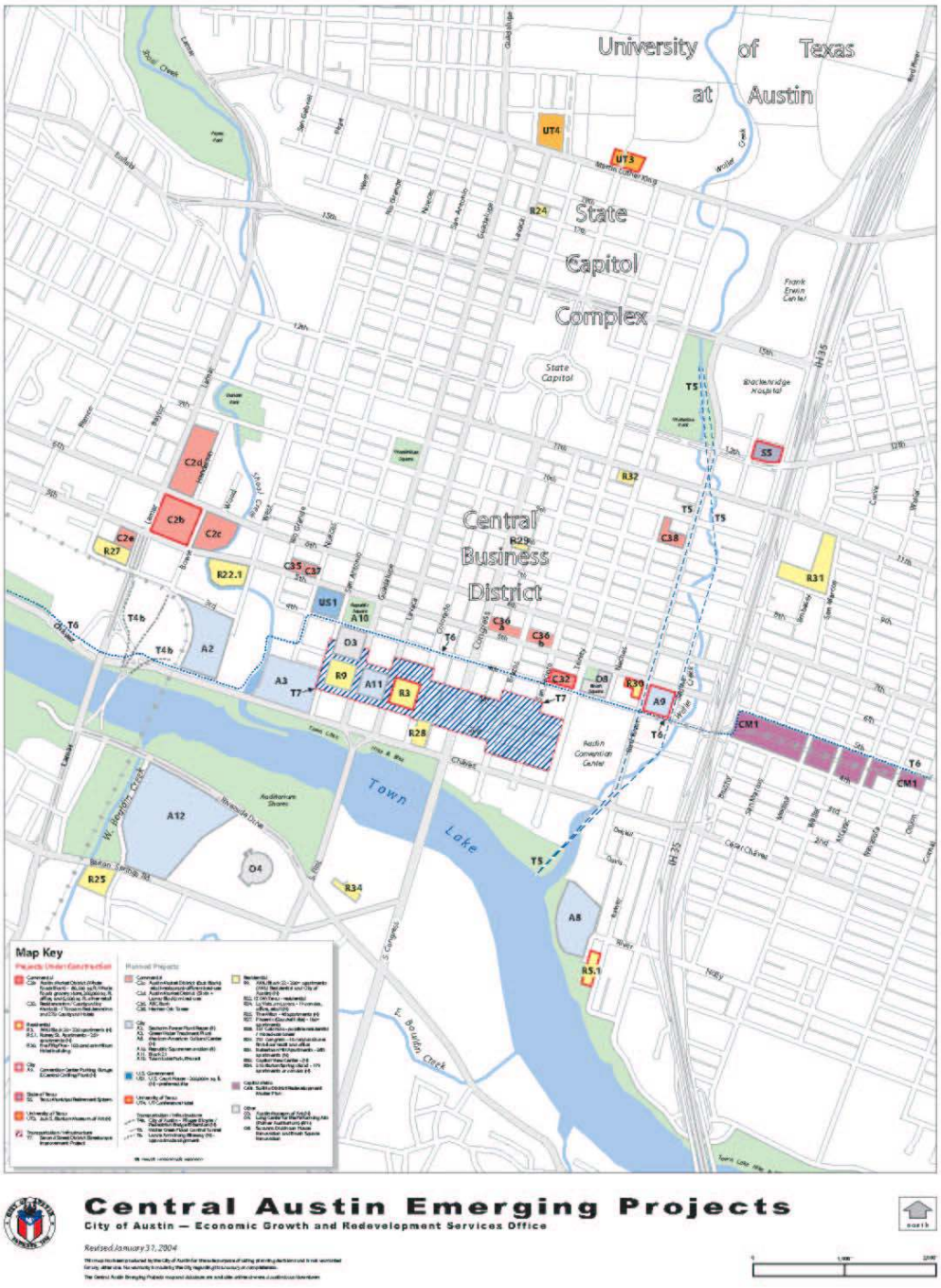
Existing Units	**2,037**
Recently Completed Units	
Post West Avenue (Gables West)	239
Plaza Lofts	60
Nokonah	95
404 Rio Grande	140
Austin City Lofts	82
AMLI Residential: Block 20	220
	836
Units Under Construction	
Five Fifty-Five (4th and Neches)	103
Rainey Street Apartments	249
	352
Units Planned	
303 E. 11th	59
721 Congress mixed-use project	16
101 Colorado/MetLife	175
AMLI Residential: Block 22	220
501 Congress	350
ZOM Texas (805 W. 5th)	300
Goodwill Site/Phoenix Property Co.	160
GrayStar	120
	1,400
TOTAL Existing, New and Planned Units	**4,625**

Source: City of Austin; Economics Research Associates, 2004.

Figure 2 on page 37 demonstrates that the majority of existing residential projects are located in the northern portion of Downtown Austin. However, virtually all major residential projects either under construction or planned are located south of Fifth Street. Notably, the planned projects, such as the Second Street project and Block 21, are components of major mixed-use developments with requirements for street-level retail store-fronts with neighborhood serving mix targets. Although ERA contends that Austin still has not fully realized its potential as a downtown residential market, these current development trends indicate that Austin is moving towards realizing that potential.

Fostering support for downtown residential development is an important element in any downtown retail strategy due to the diversification it lends to its market base. By expanding upon the daytime/weekday foot traffic generated by office workers to evening and weekend activity generated by residents, retailers experience the continuous flows of customers and increased sales productivities.

Figure 2: Downtown Austin's Key Emerging Projects



Source: City of Austin

Downtown Austin Development Trends and Emerging Projects

Analysis of City of Austin Building Permit activity from 2002 to 2003 indicates that approximately half of new development activity tends to be in the office sector. From 2002 to 2003, residential development decreased from over one million square feet to just over 560,000 square feet, likely representing the market's need to take a "wait and see" approach to the new Second Street project and other downtown housing's entrance into the market. During the same period, approximately 64,000 square feet of "Eating and Drinking" restaurant space was either developed or redeveloped in both 2002 and 2003 (a total of 128,000 square feet.), comprising 30 percent of total space in 2002 and 56 percent of total space in 2003.

In terms of retail investment, approximately $4.3 million was invested in retail development in 2002, compared with nearly $6.3 million invested in 2003. The majority of retail development in 2002 and 2003 falls in the eating and drinking (E&D) category indicating that a large part of new development dollars are being used for bars and restaurants. Meanwhile, general merchandise, apparel, furniture and other (GAFO) development has been sparse. Over these eight quarters, an average of 59 percent of the retail development dollars have gone toward eating and drinking establishments while only 10 percent have been spent to develop GAFO retail. During these two years, developers have spent approximately six times more on E&D than GAFO ($6,355,300 vs. $1,106,700).

2002	Downtown Austin Development $			New Sq Ft		
	Development $	% of total	% of Category	New Sq Ft	% of total	% of Category
Total	305,548,968	100.00%		6,809,739	100.00%	
Office	115,075,290	38%		3,498,507	51%	
Residential	62,140,569	20%		1,080,637	16%	
Homeowners	NA			NA		
For Rent/Sale	NA			NA		
Retail	4,309,062	1%		217,116	3%	
GAFO	675,900		16%	130,510		60%
Conv	708,162		16%	19,187		9%
E&D	2,860,700		66%	64,397		30%
Unknown	714,300		17%	10,944		5%
Non-Profit	11,613,141	4%		58,632	1%	
Public	111,041,025	36%		1,919,725	28%	

2003	Downtown Austin Development $			New Sq Ft		
	Development $	% of total	% of Category	New Sq Ft	% of total	% of Category
Total	177,573,047	100.00%		2,909,184	100.00%	
Office	70,830,385	40%		1,584,559	54%	
Residential	26,758,443	15%		560,856	19%	
Homeowners	NA			NA		
For Rent/Sale	NA			NA		
Retail	6,272,409	4%		114,880	4%	
GAFO	430,800		7%	8,851		8%
Conv	2,223,237		35%	37,763		33%
E&D	3,494,600		56%	63,957		56%
Unknown	171,722		3%	4,309		4%
Non-Profit	499,654	0%		21,210	1%	
Public	73,042,676	41%		608,463	21%	

There are a number of key projects emerging in the downtown Austin area:

Second Street District/Block 21

Between Town Lake and downtown Austin, the Second Street District is an emerging urban neighborhood with 225,000 square feet of planned retail, restaurants, and entertainment venues, in addition to the residential units above the street level retail. According to the City of Austin, the Second Street District is supported by the Streetscape Improvement Project. This project is intended to "enhance the identity and image of downtown Austin as a civic and cultural destination for residents, visitors and businesses while preserving and enlivening Austin's sense of place. The area has been and continues to undergo very positive redevelopment, helping to achieve the City's vision of a dense, mixed-use downtown.

Schlosser Development

This project includes an 85,000 square foot Whole Foods grocery store and a seven-story, 200,000 square foot office tower to house Whole Food's corporate and southwest regional offices at Sixth and Bowie.

Seaholm Power Plant Reuse / Seaholm District Master Plan

The City is reviewing responses to a Request for Qualifications issued for redevelopment of the circa 1950 Art Deco Seaholm Power Plant and adjacent property, to create a high quality, mixed-use cultural attraction.

Green Water Treatment Plant

The Water and Wastewater Utility has issued a Request for Qualifications for qualified firms interested in providing services relative to the preliminary engineering, design, and construction support services for a new water treatment plant to be sited at the existing Green Water Treatment Plant (WTP) site or another appropriate site.

Tom Stacy Project at Bank of America Center

The project recently announced by T. Stacy & Associates would convert the Bank of America Center Annex on Congress Avenue (on the south side of the site at Fifth) into a multi-building office/retail/residential/hotel complex, adding a second tower and structured parking. The 350,000 square foot Bank of America Office Tower would be complemented by an adjacent residential/hotel tower, linked at the base by new retail uses.

Convention, Leisure and Arts & Entertainment Overview

The support for retail in the downtown is clearly enhanced by the Austin Convention Center. Located in the southeast portion of downtown, between the shores of Town Lake and historic Sixth Street, the Austin Convention Center facility currently covers six city blocks downtown, bounded by Red River, East César Chávez, Trinity, and East Fourth streets. It has easy access to I-35 and is a short distance from 5,000 downtown hotel rooms.

Notably, the Convention Center recently underwent a $110 million expansion to increase capacity for conventions, trade shows and expos, resulting in a 29 percent increase in new convention business. The building is constructed of native Texas materials, such as limestone and polished granite, and the architecture of the building promotes extensive views of downtown Austin through the liberal use of windows.

According to the Austin Convention and Visitors Bureau, on a daily basis, the average convention visitor spends: $123 on lodging; $34 on hotel food & beverage; $31 on other food and beverages; $5 on tours sightseeing; $3 on museum, theatre and other admission fees; $3 on recreation; $1 on sporting events; $25 at retail stores; $5 on local transportation; $7 on auto rental within city; $8 on gasoline, tolls, and parking; and $20 association spending.

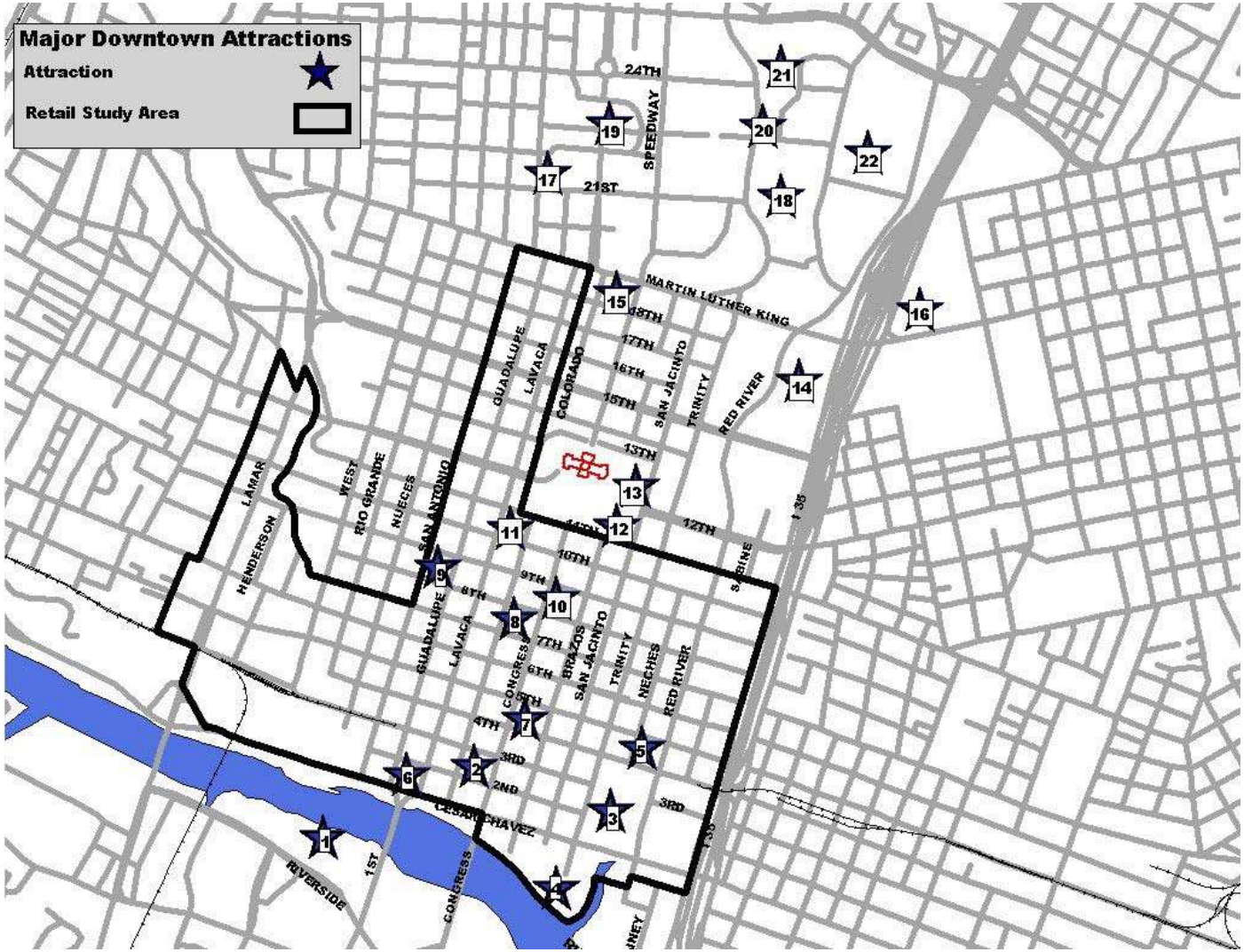
In total, the average convention visitor to Austin is expected to spend approximately $268 per day. The City of Austin projected that more than 225,750 tourists and conventioneers would visit Austin in 2004, generating more than $60.5 million in economic activity by out-of-towners.

In terms of Austin's leisure and entertainment market, the city is one of the most visited in all of Texas. According to the Austin Convention and Visitors' Bureau, Austin has achieved a uniquely diverse support of professional companies in all four major performance disciplines - ballet, opera, symphony, and theater. Austin boasts significant cultural amenities with a local, regional and national draw. In addition to a number of museums, galleries and independent theater companies, a number of facilities are either in the planning, fundraising or construction stages, including the Austin Museum of Art, the Mexican-American Cultural Center and the Long Center for the Performing Arts. A complete listing of Austin's primary visitor attractions is located on the following page (Table 7).

Table 7: Key Austin Visitor Attractions

Attractions	Key	Estimated Annual Attendance
Stevie Ray Vaughan Memorial	1	NA
Austin Childrens Museum	2	118,000
Convention Center	3	225,700
Mexican American Cultural Center	4	
O. Henry Museum	5	7,300
New City Hall	6	
Mexican Arte Museum	7	75,000
Arthouse at the Jones Cnter	8	
Austin History Center	9	
Austin Museumm of Art	10	38,500
Governors Mansion	11	18,000
Capital Visitors Center	12	109,000
Texas State Library and Archives	13	17,000
Frank Erwin Center	14	NA
Texas State History Museum	15	532,942
Disch-Falk Field	16	NA
Harry Ransom Center	17	NA
Royal Museum and Stadium	18	27,000 (Non-Residents per game)
UT Clock Tower	19	NA
J. Blanton Museum of Art	20	65,000
Texas Memorial Museum	21	65,000
Lyndon Baines Johnson Library & Museum	22	260,000

Figure 3: Major Downtown Attractions



Task 1: Infrastructure Inventory

Introduction and Summary Findings

Preface and Acknowledgements

This report summarizes the results of a six-month investigation of the infrastructures enabling retail development in Downtown Austin, Texas. It constitutes Task #1 of a larger project, the Downtown Austin Retail Development Strategy (DARDS), which is charged with formulating a comprehensive approach to bringing retail uses and activities back to Downtown.

The project was undertaken through a partnership between the Downtown Austin Alliance (DAA) and the City of Austin's Economic Growth and Redevelopment Services Office. The DAA is comprised of individuals and businesses devoted to promoting and maintaining a safe, clean, attractive, accessible, and fun Downtown environment, making Downtown the destination for Austin residents and visitors.

The DAA and the City retained the services of a professional consulting team led by Economics Research Associates (ERA) of Washington, DC, with Black + Vernooy (B+V) of Austin, and brought together an "Infrastructure Committee" who generously provided information and consultation concerning their areas of expertise. Guiding and directing the effort was a diverse and dedicated steering committee (identified below), whose comments and critical advice improved the Team's work and are gratefully appreciated. The majority of the technical work for the Infrastructure Inventory was completed in the first Quarter of 2004.

DARDS Steering Committee

Charles Heimsath
Tom Stacy
Chris Riley
Larry Sunderland
John Rosato
Eric DeJernett
Cid Galindo
Gwen Crider
Jody Richardson
Suzanna Caballero
Tom Terkel

City of Austin Staff

Michael Knox
Sue Edwards

Downtown Austin Alliance

Charles Betts
Molly Alexander
Julie Fitch

Consulting Team

Economics Research Associates

Tom Moriarty
Molly McKay
Rob Wolcheski

Black + Vernooy

Sinclair Black
Keenan Smith
Stuart Sampley

Summary Findings

Key findings of the Infrastructure Inventory, "distilled," with summary explanations:

- ***"Fix the Creeks" (Storm Drainage)***

  The future potential of Waller and Shoal Creek corridors depends on taming the creeks and making amenities out of them. Alleviate local flooding.

- ***"Boost the Flows" (Water)***

  Upgrade undersized local mains and re-plumb water supply to Downtown; downsize Green Water Treatment Plant, freeing up new developable land.

- ***"Get Ready to Flush" (Wastewater)***

  Relieve overloaded Shoal Creek Lift Station and North Austin Interceptor; Remove leaky wastewater lines from Shoal and Waller Creeks.

- ***"Rewire the West End" (Electrical)***

  Bury the wires; improve capacity and network reliability by extending the "Downtown Grid" to the area west of West Avenue.

- ***"Park It and They Will Come" (Parking)***

  Implement comprehensive parking solutions for Downtown. Capitalize on existing parking structures and promote public/private partnerships which lead to them creating strategic "reservoirs" of parking for retail.

- ***"Connect the Dots" (Public Transportation)***

  Give Downtown retail a competitive edge by promoting rail connections and re-shaping urban bus and shuttle services, esp. Downtown/State/UT.

- ***"Make Great Streets Happen" (Streets and Sidewalks)***

  Great Cities have Great Streets. Create a cooperative, workable, sustainable implementation plan to transform the "public realm."

- ***"Unplug the Phones" (Telecommunications)***

  Facilitate and accelerate the transformation to the "Wireless City" by supporting construction of a "Wireless Communication" infrastructure.

Method and Approach

The work of the Infrastructure Inventory Task was divided into three sub-tasks:

- Information Gathering and Inventory
- Analysis and Findings
- Report and Presentation

The methodology and approach to each of these tasks is outlined below.

Information Gathering

The DAA and the City of Austin assembled an Infrastructure Inventory team charged with providing strategic infrastructure information, with particular emphasis given to those key urban systems which affect the ability to support new and existing retail uses within the scope of the DARDS study area outlined in Fig. 1 below.

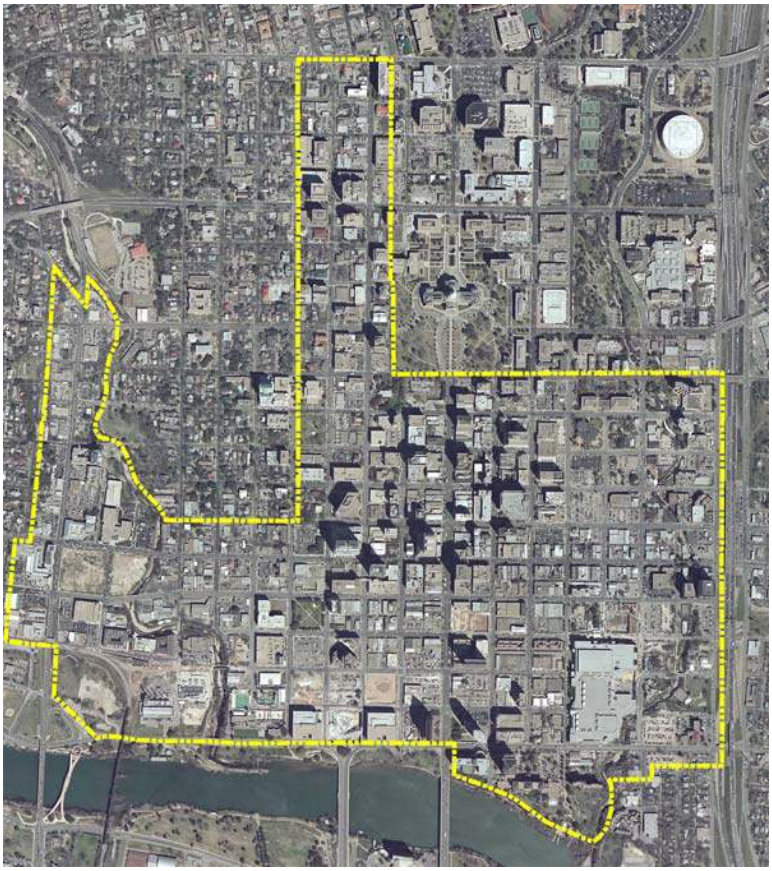


Fig. 1 "DARDS Study Area"

The Infrastructure Inventory Team was comprised largely of principals and key staff members of City utility departments or public infrastructure service providers who are familiar with the engineering, planning, design and useful capacities of their respective systems.

The Consulting Team (led by Black + Vernooy) worked closely with the Infrastructure Inventory Team to direct the purposeful collection of available infrastructure baseline data, including maps, strategic plans, schedules and descriptions of proposed and contemplated Capital Improvement Projects (short and long-term). This collection process constituted the first sub-phase of the Infrastructure Inventory and was accomplished in about 60 days. It is critical to emphasize that the Infrastructure Inventory is based solely on "information available" as provided by the source.

Consistent with the request of the DARDS Steering Committee, most of the information collected was delivered in the form of Geographic Information Systems (GIS) files and maps. Those working with infrastructure issues in Austin, Texas are fortunate in that much of the information about the City's systems has already been captured or "populated" to GIS. This allows planners, developers and policy-makers, etc. to easily browse, access and view whole systems and their individual elements, in context and in detail.

Inventory Organization

As is the case in many such digital information environments, the problem is less the availability of information (in this case, literally hundreds of available files were transmitted), but the ability to narrow down the universe to what's useful and organizing it so it is accessible. This was accomplished as follows:

All information gathered (GIS files, reports, maps, etc.) was reviewed, sorted and organized into the following inventory headings:

- Related and Previous Studies
- General Information
- Overlays, Districts and Corridors
- Zoning and Land Use
- Water and Wastewater
- Electrical Service
- Telecom
- Storm Water
- Streets and Sidewalks
- Transportation
- Public Services
- Parking

A password-protected website is intended to be the permanent residence for the DARDS Infrastructure Inventory.

The website is envisioned as becoming a user friendly "clearinghouse" for background information and a GIS mapping system of the study area's infrastructure, with accessible links from the City's and the DAA's websites. This will enable planners, prospective retail developers, tenants, engineers, design teams, etc. to selectively access, browse and download this valuable database.

The City's GIS resources are constantly being expanded, enhanced and updated. As these changes occur to the database, the old data sets residing on the DARDS Infrastructure Inventory website will need to be periodically refreshed and made current. The GIS project files are set up to allow updates to the base data to occur while maintaining the customized graphics and visual communication features created by this project.

Analysis and Findings

Based on information collected from all infrastructure providers, the consultants evaluated current conditions and summarized short and long-term infrastructure needs for Downtown retail development, incorporating planned public improvement projects. The consultants provided support to the infrastructure inventory team, worked to determine the status of water and wastewater systems, electric utilities, parking, telecommunications, street, sidewalk and streetscape improvements, and storm water management.

Following an initial review of the preliminary infrastructure data collected from each utility or provider, the consulting team met with providers of key infrastructures to clarify approach, seek a better understanding of system design and their unique and critical capacities, and each provider's near and long-term CIP projects.

The findings and recommendations by the infrastructure inventory team and consultants are intended to lead to an infrastructure implementation plan, identifying opportunities and constraints, immediate needs and a short-term and long-term process for overall Downtown infrastructure improvements.

The Geography of Capacity

Each infrastructure system was reviewed with a view toward the opportunities or constraints it creates with respect to the particular needs of Downtown retail development, either within existing or emerging retail districts (see Fig. 2., below).

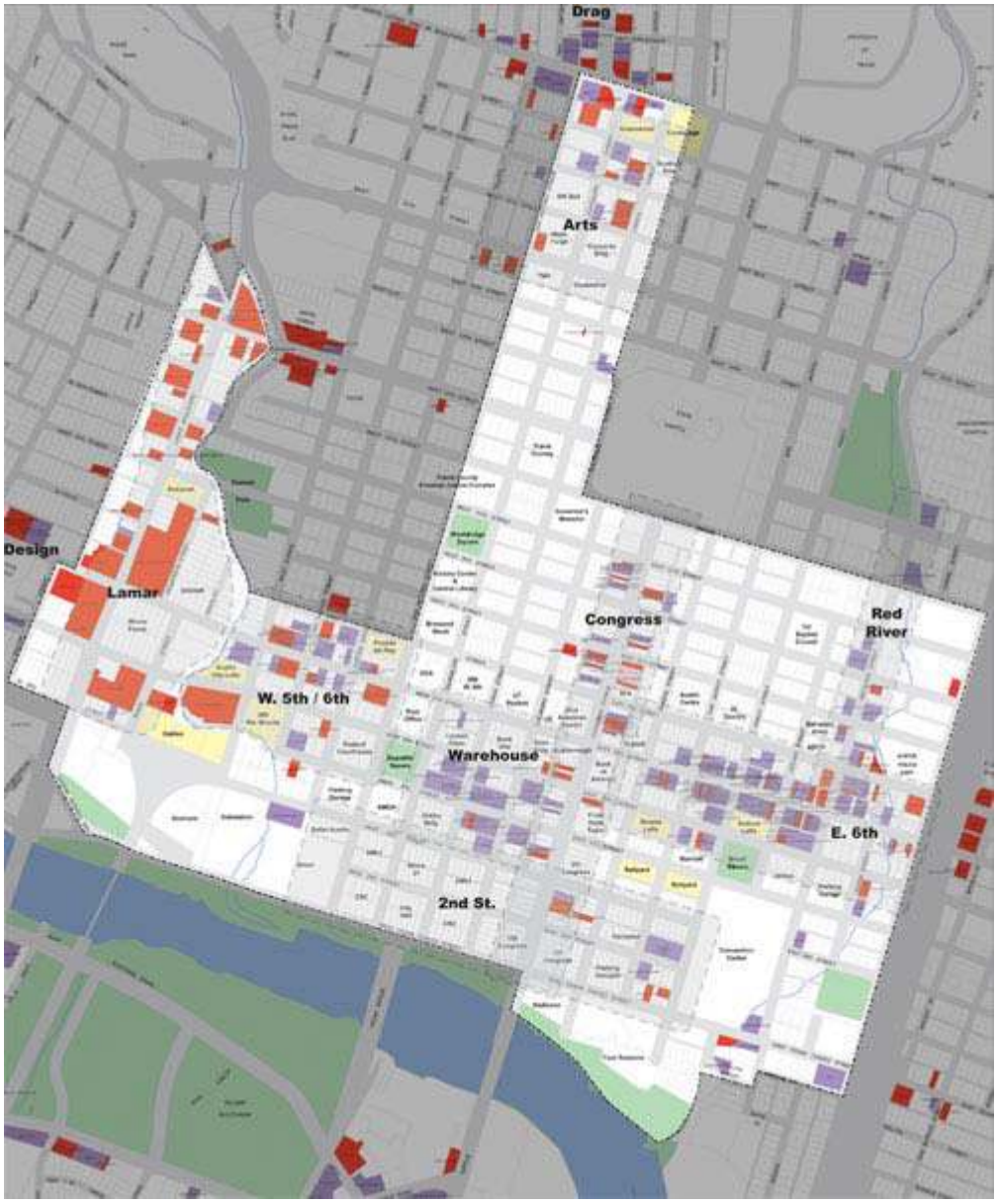


Fig. 2 " DOWNTOWN RETAIL DISTRICTS"

Retail development opportunities can be seen as either enabled or constrained by infrastructure according to the critical availability (or lack of) capacity, relative to locations of new and/or emerging development districts, zones or sites.

Naturally, the relationship between capacity of infrastructure and intensity of developed use varies by location, and in proportion to each variable.

Thus the presence or absence of enabling infrastructure, relative to particulars of use and place, constitute a "Geography of Capacity."

Dependence on infrastructure varies by land use. For example, residential space typically places more burden on public wastewater systems than retail or office space, whereas fully-sprinklered retail space often requires greater water availability for "fire-flow." As each infrastructure system was reviewed, it was considered according to how important it is in facilitating retail.

With this view in mind, the following is a shortlist of priority "utilities and commodities" key to facilitating retail development.

- Water for Fire Protection
- Storm Drainage & 100-year Flood Plain
- Electrical Service
- Parking
- Wastewater Service

The Team's analysis resulted in judgment of each infrastructure system's level of constraint relative to potential retail development. The "restraint levels" assigned to each system are:

- Unconstrained (sufficient)
- Locally Constrained (requiring localized upgrades)
- Systematically Constrained (requiring fundamental systematic improvements)

The chapters that follow give an analytical treatment of each system in the Infrastructure Inventory under the following general headings:

- System Overview
- Focus on the Study Area
- "Geography of Capacity"
- Capital Improvement Projects
- Strategic Plans, Conceptual and Future Initiatives
- Summary Recommendations

The individual analysis' summaries attempt to reveal the relationships between "capacity" and "geography" in a way which illuminate unique opportunities or underscore pressing needs, as viewed through the infrastructure priorities of retail development.

Storm Drainage

System Overview

An overview of the City's storm drainage conditions in the vicinity of Downtown Austin is shown below in Figure 3.

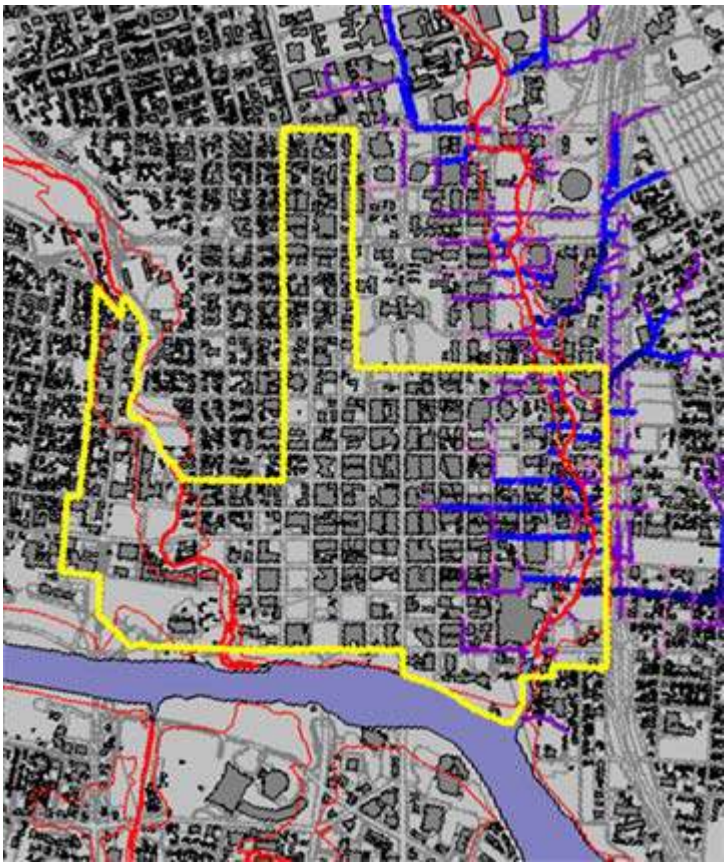


Fig. 3 "Storm Drainage Overview"

The creek and river drainages of Central Texas have a long history of flooding and are particularly susceptible to flash-flooding events which put life and property at risk.[1] This is due to a combination of the unique physical geography of the region (hills and upland valleys of the Texas Hill Country meeting the edge of the Blackland Prairie) plus seasonal weather patterns in which strong frontal systems with potentially violent storms often move slowly or stall over the region. Fueled by ample moisture drawn up from the Gulf of Mexico on prevailing breezes ahead of the front, these storms often result in large amounts

[1] http://www.ci.austin.tx.us/watershed/flashflood.htm

of rain dumped in extremely concentrated areas in a short period of time, creating the classic ingredients of flash-flooding.[2]

While the chronic Colorado River floods of the nineteenth and early twentieth centuries have been ameliorated by the dams creating the Highland Lakes chain (including Longhorn and Tom Miller dams forming Town Lake and Lake Austin, respectively), flooding on Shoal and Waller Creeks have routinely wreaked havoc on properties in their lower reaches.[3]

Notes Regarding Source Data:

The Infrastructure Inventory information reviewed for this project regarding the City's storm drainage is based on of an as-yet partially-completed GIS survey and mapping of the system. In terms of digital data, Watershed Protection and Development Review Department is behind other departments in the acquisition and posting of GIS maps and system inventory. To this end, the department is pursuing a multi-year program to complete the "population" of storm drainage information to GIS, based on available funding. Besides assisting those interested in drainage system configuration and capacity queries, the eventual completion of GIS database will assist the Watershed Engineering Division in its continuing efforts to model the system's capacities and hydrological response to significant storm events.[4]

Infrastructure Provider: City of Austin- Department of Watershed Protection

Basic System Configuration:

The City's primary drainage system is the area's natural creek and river drainages. The "secondary" system is man-made, consisting of approximately 400 miles of pipes and channels, which convey public storm water to the creeks and lakes and include the following components:[5]

- Manholes
- Minor channels
- Roadside ditches
- Culverts
- Over 18,000 curb inlets
- Storm drainpipes (ranging in diameter from 6" to 8')

[2] "Documentary chronicles survivors of "flash flood alley"- Austin American Statesman, 5/24/04 (B1), see also www.floodsafety.com
[3] An anecdotal survey of Austin's most severe floods can be found at http://www.ci.austin.tx.us/watershed/floodhistory.htm, although more recent events, such as that of November 2001 and July of 2002 are excluded.
[4] Infrastructure Team meeting with DWPDR- 4/22/04.
[5] Discussion of the City's generalized drainage systems, as well as a treatment of "public" vs. "private" runoff can be found at http://www.ci.austin.tx.us/watershed/floodlocalized.htm

"Public Runoff" typically flows to the streets and alleys, following their layout and topographical patterns toward lower ground. The water flows on the surface by gravity in gutter sections along curb lines, and is intercepted by inlet structures connected to underground storm drainage pipes and tunnels. The system's branches confluence hierarchically and outfall into the area's natural drainage courses and associated flood plains, ultimately emptying into the Colorado River, thence downstream to the Gulf of Mexico. Individual properties fronting local creek channels or the river are usually drained directly into those watercourses, thereby bypassing the municipal underground system.

The Study Area

The Study Area falls within three drainage basins (Lower Shoal Creek, Town Lake and Lower Waller Creek respectively). In fact, the southern boundary of the Study Area is defined by the North Shore of Town Lake itself, and includes the mouths of both Shoal and Waller Creeks at the lake.

Storm water in the Study area reaches these watercourses either through the centralized system of underground storm drains described above, or directly (as with properties adjoining the creeks and lake). In some meteorological events, some portion of the storm water flow reaches Town Lake directly by sheet-flow via the streets which run north-to-south to the water's edge. This is especially true in the lower reaches of the Central Business District and the riverfront blocks, including portions of the Warehouse and Convention Center Districts.

Geography of Capacity

"Systematically Constrained:" Significant Flood Risk

City ordinances either prohibit or severely limit new building within the 25-year and 100-year flood plains. The extents of these constraints are a direct function of the extent of the flood plains of these creeks. Thus, technically speaking, inhabited buildings of any kind are prohibited at or below the documented flood plain elevations covering significant portions of the Study Area.

The overlay of the 100-year flood plain and the Study Area tells the story clearly:

The flood plains of Lower Shoal Creek cut a broad swath through the study area roughly parallel to Lamar Blvd. and West Avenue, covering a good deal of the Lamar Retail Corridor, significant sections of the emerging "Market District" at Fifth, Sixth and Lamar, and portions of the land behind Seaholm. Shoal's flood plain then narrows considerably before cutting through the north bank of Town Lake between Austin Energy's electric substation and The Water Utility's Tom Green Water Treatment Plant and joining with the larger flood plain of the Colorado River.

Waller Creek's flood plain, while somewhat narrower and more confined than Shoal's, has a similar effect on the Study Area, impacting the Red River Street entertainment corridor, the eastern end of East Sixth Street entertainment district at I35, and nearly the entire sector

of blocks bounded by Sabine Street, I35, Caesar Chavez and 10th streets. After skirting the Convention Center (whose massing and built form actually reflects the curved shape of the flood plain in this area), Waller's flood plain necks-down through the river bank cut in the vicinity of Willow Avenue, finally merging with the perpendicular extents of Colorado River's flood plain as it empties into Town Lake.

Despite historic flooding and the factual constraints of the documented flood plains, development pressure continues to find ways to build projects within these zones, utilizing a variety of protection measures to mitigate potential flood damage and threats to life and safety. Recent examples of such projects include:

- The Nokonah (residential mixed-use)
- GSD & M (commercial)
- Austin City Lofts (residential mixed-use)
- 404 Rio Grande (residential)
- Post Properties (residential mixed-use)

Future retail development, if proposed within the flood plains of Lower Shoal and Waller Creeks will have to meet the public safety and property protection restrictions of the City of Austin Land Development Code (chapter 25-7 "Drainage") to prove feasible. Developments able to meet and comply with regulations will likely require costly measures at the expense of the project (bulkheads, pumps, etc.) to mitigate flooding concerns. Development opportunity within the floodplains of Shoal Creek and Waller Creek are very limited in the absence of large scale flood mitigation projects to reduce flood hazard mitigation projects to reduce floodplain horizontal extent.

Capital Improvement Projects

At the time of data collection (March 2004) there were two (2) documented storm drainage system Capital Improvement Plans currently being tracked within the Study Area:[6]

Key ID: #325	5789.012	Guadalupe Street Storm Drain Improvements Phase 2
Key ID: #570	5789.013	Town Lake- Lavaca Storm Drain Tunnel

These two relatively minor projects will upgrade storm water piping and outfalls to Town Lake and provide localized drainage flood control in the vicinity of the first CSC Building and the new City Hall. Although listed as "active" projects, their status is shown on "hold" as of the report date.

[6] Source: City of Austin- Capital Improvement Projects summary files (CIP.pdf; CIP.xls) 3/1/04

Strategic Plans, Conceptual & Future Initiatives

The "Waller Creek Action Plan" is a comprehensive set of concepts and implementation policies guiding future development along Waller Creek. It includes detailed guideline recommendations for buildings, landscape and creek improvements designed to enhance the natural and scenic beauty of the creek and increase the quality of the public's use and interface with it. The result of an extensive public outreach and planning process spanning a multi-year period, this 68-page document envisions Waller Creek as an amenity to the City of under-realized potential.[7] The Waller Creek Action Plan Study Area is depicted below in Figure 4:

Fig. 4: "WALLER CREEK STUDY AREA"

[7] "Waller Creek Action Plan" (Waller Creek Greenway Partners; 2003)

Specific flood control projects for lower Waller and Shoal creeks include:

Waller Creek Tunnel

The need for flood controls in the area surrounding lower Waller Creek is well documented and has given rise to the project currently under consideration which proposes to divert all (or most) of Waller's 100-year storm flows from Waterloo Park to Town Lake by means of a diversion tunnel. Two alignment options for this tunnel have been studied: the Red River Street Alignment and the Sabine Street Alignment.[8] Diagrammatic illustrations of these two alignments are shown in the Figures 5 and 6 below:

Fig 5: " WALLER CREEK TUNNEL: RED RIVER ALIGNMENT"

The project has been studied enough to determine its engineering design feasibility, but implementation comes with a major price tag (current estimates range from $49.6M - $68.3M). Funding and cost/benefit are the key issues.

On the benefit side is a projected 98 percent reduction of Waller's flood plain in the area from Waterloo Park to Town Lake, resulting in the lifting of floodplain restrictions on approximately 1.225-million sq. ft. of land area available for prime development. This land is in the spine of the emerging "Red River" entertainment district and would become more of an amenity through the presence of the "tamed" creek environment with open space and urban design potential similar (although at a smaller scale) to the River Walk system in San Antonio.

[8] Source: Department of Watershed Protection and Development Review; "Waller Creek Flood-Management and Water Quality Improvements (Waller Creek Tunnel)- updated 4/21/04

Fig 6: " WALLER CREEK TUNNEL: SABINE ALIGNMENT"

There is no question that prospects for a vibrant Red River district (with synergistic implications for E. Sixth Street and Downtown as a whole) would be enabled by such a project. There are two questions that should frame the decision about the project: (1.) What is the economic benefit? (2.) How to pay for the infrastructure improvements?

The current effort by City staff, their consultants and other Downtown advocates to understand the linkage between project funding and the economics of prospective future development should be nurtured and watched closely with an eye for its potential for future retail.

Clearly, if no one entity (either public or private) can afford the proposed improvements, then only a cooperative alliance of both can begin to muster both the will and the means to accomplish it. The most obvious idea to investigate would be the creation of a Tax Increment Finance (TIF) district for the project zone, clearly identifying the benefactor properties and their associated development potential, then ascertain whether a public bond supported by the increased tax-increment could pay for some (or all) of the project. This "coalition approach" to the advocacy of the project is necessary to ensure funding, possibly through the city's future bond issue.

Shoal Creek Tunnel

The flood control issues on Lower Shoal Creek are no less notorious than Waller Creek. Although various projects have been conceived and discussed over the years, there is no active project underway at this time to address them in any substantial and sustaining way. The anecdotal treatment of this history is briefly as follows:

The Army Corps of Engineers conducted a study in the early 1990's focusing on property damage due to flooding along Lower Shoal Creek and floated the idea of a tunnel from Pease Park to Town Lake designed to divert the flows associated with a 10-year storm event. Efforts to improve the cost/benefit ratio of such a project later led to the conceptual

enlargement of the proposed tunnel in order to handle a 100-year storm flow. The estimated cost of that project was on the order of $60M, and this cost magnitude (combined with the diversionary focus on the proposed tunnel for Waller Creek), has put all plans for diverting Shoal Creek's disastrous flows on the "back burner," at least for now.

Future flood events, when they occur, and their potential impacts on recently built projects in Lower Shoal's flood plain, will in all likelihood re-surface and re-focus the debate. This most certainly will become more important as overall property values and investments increase in and around the flood plain. In the meantime, the extent of the flood plain and the City's public safety and property protection flood plain development regulations will significantly limit retail (and all other) economic development opportunities in the Study Area.

Little Shoal Creek Tunnel

The "Little Shoal Creek Tunnel" is a historic, 10' x 10' diversion structure, built in the 30's, which captured the majority of flows from so-called "Little Shoal Creek," whose watershed historically reached from Downtown up toward the West Campus area. Storm drainage maps show the tunnel originating at 18th St. and San Antonio, and then running roughly down Nueces Street to its eventual confluence with Shoal Creek in the vicinity of 4th St. and Rio Grande.

Due to its localized routing, this element constrains the long-term potential of several blocks in the emerging West Fifth/Sixth Street "Market District" corridor. Preliminary discussions with private interests regarding the re-routing of a portion of this tunnel have occurred, but no specific project proposal has emerged at this time.

Summary Recommendations

Immediate:

- Facilitate efforts to expedite completion of the GIS database for the storm drainage system for use by City staff, interested parties and general public.
- Support re-evaluation of "hold" status for Capital Improvements Projects ("Guadalupe Street Storm Drain Improvements Phase 2" and "Town Lake- Lavaca Storm Drain Tunnel") for localized drainage flood control.
- Identify other short-term Capital Improvement Projects in areas where sub-standard drainage facilities inhibit or constrain existing or emerging retail uses.

Short Term:

- Monitor ensuing economic studies associated with the Waller Creek Tunnel with respect to prospects for retail development. Consider implications of TIF or bond financing and formation of a Public/Private "Waller Creek Coalition" to champion the project.

- Promote renewal of discussions leading to long-term solutions for flooding on Lower Shoal Creek, including engineering feasibility and economic development studies. Consider implications of TIF financing and formation of a Public/Private "Shoal Creek Coalition" to champion the project.

Long Term:

- Monitor long-range implications of "Strategic Watershed Protection Master Plan" with respect to strategic retail development potential in the Study Area.

Water

System Overview

An overview of the City's water distribution system in the vicinity of Downtown Austin is shown below in Figure 7.

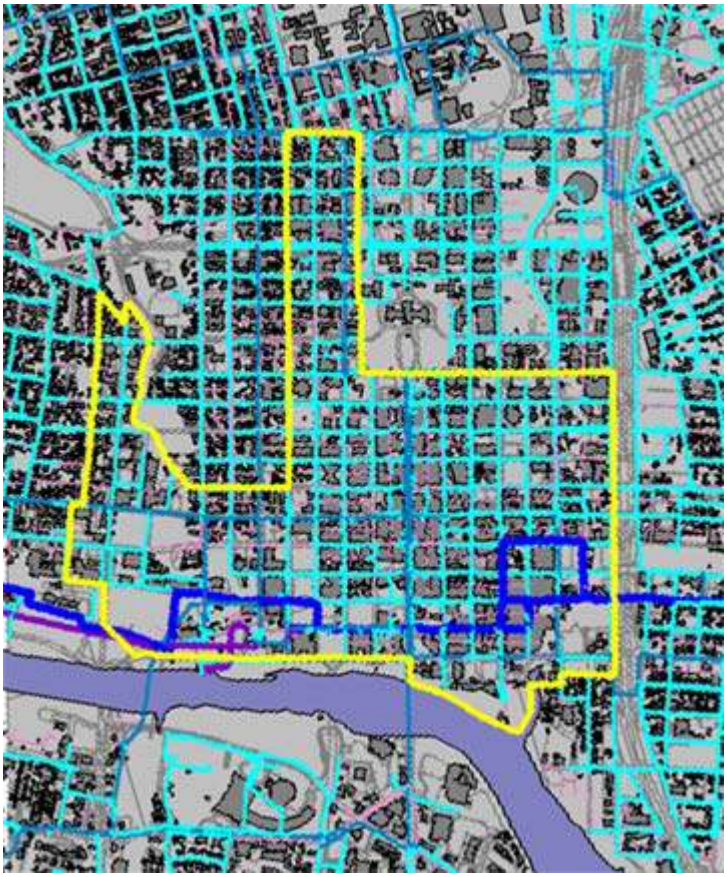


Fig. 7: "Water Distribution Overview"

Infrastructure Provider: City of Austin Water Utility

Basic System Configuration:

The City draws water from the Colorado River into three water treatment plants (Green, Davis and Ullrich, respectively) that have a rated combined maximum capacity of 260 million gallons per day (mgd) and a storage capacity of 260 million gallons.[9]

Treated water is currently delivered from the water treatment plants (WTPs) to ten (10) existing "pressure zones" through a system of networked pressure mains to individual, metered service connections throughout the City.[10]

The Study Area

All of the Downtown Austin Retail Study Area falls within the "Central" Pressure Zone. Historically, Downtown was served primarily by the Green Water Treatment Plant, via the Green Medium Service Pump Station (Caesar Chavez @ San Antonio). Currently, a 72" diameter main also supplies water to Downtown from Ullrich WTP (Redbud Trail).[11]

Geography of Capacity

"Locally Constrained: Fireflow"

The water issue for retail is not so much delivery of domestic, potable water service but the available volume of water for fire protection systems typical to retail space and establishments.

Most districts within the Downtown Austin Retail Study Area are generally well supplied with water for all purposes. With the exception of certain sections of the historical Central Business District, the water system is well networked. Larger, newer lines located in the streets and smaller, generally older lines in the alleys generally characterize the system.

This pattern results in "Locally Constrained" service areas, generally occurring in isolated parts of blocks, entire blocks, (or in rare cases, groups of blocks) where historic buildings water service is supplied solely from the alleys.

This is exemplified by parts of the East Sixth Street entertainment district- (i.e.: 200-500 E. Sixth), where aging, smaller service mains are located in the alleys with no larger trunk lines in the street from which to tap (see Fig 8, below). This results in available flows in some locations of less than 500 gallons per minute (gpm) at 20 pounds per square inch (psi). The rule-of-thumb threshold for fire sprinklers requires an available flow of 1750

[9] http://www.ci.austin.tx.us/water/austinstats.htm
[10] Strategic Water Facilities Plan 2003. Water Resources & Analysis; Austin Water Utility (map dated 10/28/03)
[11] Ibid.

gpm, and full-fledged commercial fire protection systems can require upwards of 2500 gpm or more.[12]

Fig. 8: "Detail of Water System @ Sixth St. and Trinity St."

Other "locally-constrained" locations within the Study Area include particular blocks (or portions of blocks) within the Warehouse District, Arts District, W. Fifth/Sixth "Market" District and Lamar/Baylor District ("West End").[13]

Prospective retail developments in these constrained areas will likely necessitate localized improvements to increase flows for fire protection. Typically, these upgrades occur in conjunction with the "Service Extension Request" process for individual projects and are in most cases privately funded.

Capital Improvement Projects

At the time of data collection (March 2004) there were only three documented Capital Improvement Plans in process related to the water system within the Study Area:[14]

Project # 3353.048 - 524 North Lamar Reimbursement
Project # 3353.037 - Intel Service Extension -
Project # 3353.015 - Austin Marketplace Service Extension

[12] "Available Flow" analysis GIS/.aep files, and focus meetings with Austin Water Utility (4/04).
[13] At the time of this writing (May 2004) water line improvements are underway in conjunction with street improvements in the Lamar/Baylor District, which will likely remove this local constraint.
[14] Source: City of Austin- Capital Improvement Projects summary files (CIP.pdf; CIP.xls) 3/1/04

A review of the Sub-Project Descriptions suggests these are relatively minor projects related to Service Extension Requests upgrading water service to emerging development projects west of the CBD. However, several more significant water system projects currently planned or under consideration merit at least anecdotal discussion due to their potential to shape opportunities within the Study Area:

Strategic Plans, Conceptual & Future Initiatives

The Austin Water Utility's "Strategic Water Facilities Plan 2003" conceptualizes and describes two proposed pipes of the "Long Range Plan" classification within the Study Area (see Fig. 9 below)[15]:

Project #8 – 42" (dia.) – Central Business District TM (Transmission Main) Conceptual
Project #12 – 48" (dia.) – Center Street TM (Transmission Main) Conceptual

Fig. 9: "Austin Water Utility Strategic Water Plan"

Both of these proposed facilities are long-term prospects (2017 at the earliest) and conceptual in nature. Both are transmission lines moving water sub-regionally within sectors of the Central Pressure Zone.

Additionally, the Utility's "Strategic Water Facilities Plan 2003" also mentions two proposed projects of potentially greater significance to the Study Area, for reasons unrelated to utility capacities:[16]

[15] Strategic Water Resources Plan V.2.0 (Nov. 2003) Water Proposed Projects Table

Project #614 – Green Medium Service Pump Station
Project #640 – Green Water Treatment Plant

Both prospective projects are listed without a defined time line, and the pump station project lacks any description or functional definition (presumably, they are related).

The physical downsizing of the aging Tom Green Water Treatment Plant, strategically located on the waterfront at San Antonio and Caesar Chavez, has been a topic of discussion with City planners and those interested in downtown's public affairs for some time.

As discussions about the linked futures of Seaholm Power Plant, Block 21 in the form of a new "Cultural Arts District" intensify, so too will discussions of the role of retail development as a vital element of this idea, especially when tied to the real-time efforts to launch the Second Street Retail District.

The Tom Green WTP is located proximate to Seaholm at the current terminus of Second Street, giving it strategic status to both areas. Plans to reduce the size of the Green WTP should be defined in more detail and carefully reviewed with an eye towards the planning and urban design implications to the adjacent districts and the potential for connecting downtown retail to both.

Summary Recommendations

Immediate:
Work with Austin Water Utility to further identify "locally constrained" areas for fire flow. Develop a program to rectify local capacity issues (i.e.: public private partnerships). Consider assistance programs to mitigate costs of service upgrades in constrained areas for targeted retail development.

Short Term:
Support Austin Water Utility in efforts to set the stage for the closing and/or downsizing of Tom Green WTP, and prepare for any necessary "contingent" projects which must occur as preconditions to those changes. Consider planning and design assistance to facilitate long-term urban design and economic development goals.

Long Term:
Monitor updates to Austin Water Utility Strategic Water Plan, ensuring Downtown's water needs are met.

[16] Ibid.

Wastewater

System Overview

An overview of the City's wastewater system in the vicinity of Downtown Austin is shown below in Figure 10.

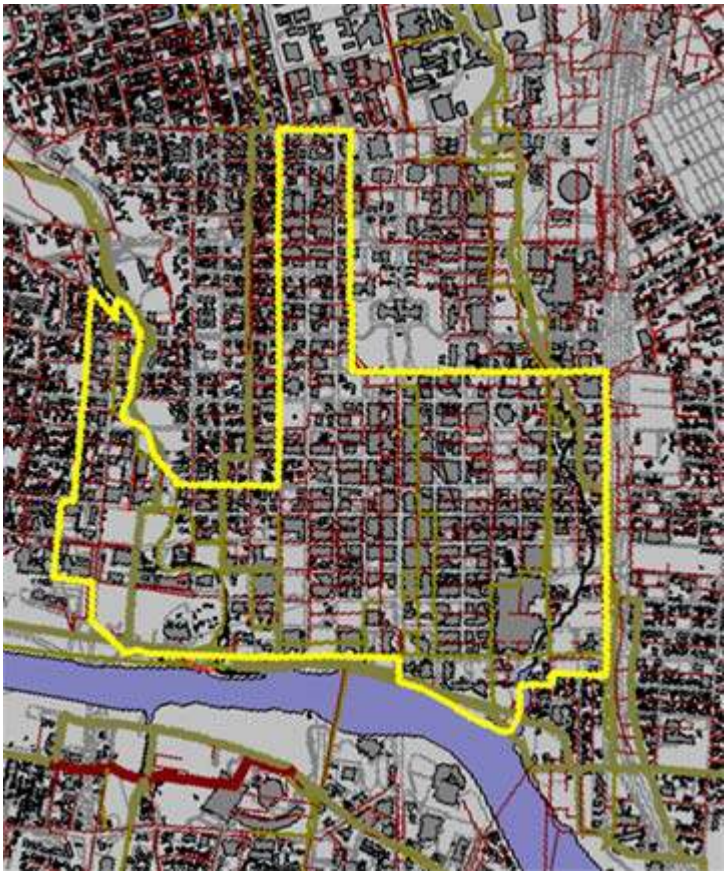


Fig. 10: "Wastewater System Overview"

Infrastructure Provider: City of Austin Water Utility

Basic System Configuration:

Wastewater originating from individual service connections is collected in local service mains and then transmitted by a system of 2,243 miles of gravity sewer mains, 73 miles of pressurized forced mains and 104 lift stations to 3 municipal treatment plants on the Colorado River, downstream of the City. In 2003, wastewater flow handled by the City's

system totaled roughly 32 million gallons/day, with an ultimate treatment capacity of 130 million gallons/day[17].

Three major wastewater treatment plants (Govalle, Walnut Creek and South Austin Regional) receive wastewater flow from the City's sewers and treat it before returning it to the Colorado River. In addition, a separate biosolids facility at Hornsby Bend creates compost from sludge generated by the treatment processes at the City's wastewater plants.[18]

The Study Area

The Downtown Austin Retail Study Area falls within portions of the Shoal Creek, Town Lake and Waller Creek drainage basins. Downtown wastewater service lines flow by gravity into trunk lines roughly parallel with the major creek channels, the north/south "Rivers of Texas" Downtown streets and Congress Avenue. These flow into a much larger (42") cross-town wastewater main running along Town Lake's north shore, heading down-river to the treatment plants at Govalle and South Austin Regional. Besides gravity lines, the system utilizes one lift station in the Study Area, located at Shoal Creek and Caesar Chavez, which serves to re-elevate gravity flows in the 42" cross-town line along the North Shore of Town Lake.[19]

Geography of Capacity

"Locally Constrained: Service Availability"

Although sanitary sewer connections are essential to any project, retail developments do not typically place extraordinary demands on municipal wastewater systems.

The review of wastewater infrastructure therefore focused on the patterns of service within the City, and looked for places where wastewater service appeared to be absent or under-served.

Most blocks of Downtown, including the existing and emerging districts within the Study Area, are generally well-served by the wastewater system. The system follows the drainage patterns of the City's hilly topography, diverted by the imposed order of its orthogonal blocks with main lines running downhill in zigzag routes either in streets or alleys according to the dictums of gravity flow.

[17] http://www.ci.austin.tx.us/water/wwstatistics.htm; http://www.ci.austin.tx.us/water/flowww.htm
[18] Strategic Wastewater Facilities Plan 2003. Water Resources & Analysis; Austin Water Utility (map dated 10/28/03); http://www.ci.austin.tx.us/water/wwfacilities.htm
[19] Ibid.

As wastewater mains travel down from the City's hilltops to the larger trunk lines in the stream courses, they pick up multiple branch lines along the way, flows increase, pipe sizes become larger and relative system capacities improve accordingly.

Thus, the areas of local constraint for the wastewater system occur most commonly around the underdeveloped blocks (or portions of blocks) outside the CBD corresponding to higher ground. A typical example of such is the Northeast quadrant of Downtown (i.e. Trinity >> Neches, 8th >> 10th) see Fig. 11 below. Since land use in these areas was historically confined primarily to single-family residential lots or, in some cases, large warehouses, the scarcity and relatively small size of many of these lines is understandable.

Fig. 11: "Detail of Wastewater System @ 9th St. and Neches St."

Other "locally-constrained" parts of the Study Area include (or parts of blocks in the Warehouse District, Arts District, W. Fifth/Sixth District and Lamar/Baylor District).

Despite these exceptions, however, wastewater service lines can be found along at least one edge of most blocks within the Study Area.

Prospective retail developments in these constrained areas will likely require project-specific extensions or upgrades to the wastewater system. Under the current process, these improvements occur as the result of a "Service Extension Request" submitted in association with individual projects and are usually privately funded with the developer.

Capital Improvement Projects

At the time of data collection (March 2004) there was one (1) documented wastewater system Capital Improvement Plan currently being processed within the Study Area[20]:

Project ID: #570 5481.001 North Austin Wastewater Interceptor

According to the Subproject Summary Report, the North Austin Wastewater Interceptor projects seeks to evaluate the existing interceptor (which receives and transmits the majority of Downtown's wastewater) in light of the anticipated growing demand for service due to the intensification and expansion of Downtown development. At this writing, the status of this project is listed as "Reviewing option of restarting design process."[21]

Strategic Plans, Conceptual & Future Initiatives

The Austin Water Utility's "Strategic Wastewater Utilities Plan 2003" describes two related "long range" projects within the Study Area (see Fig. 12 below):

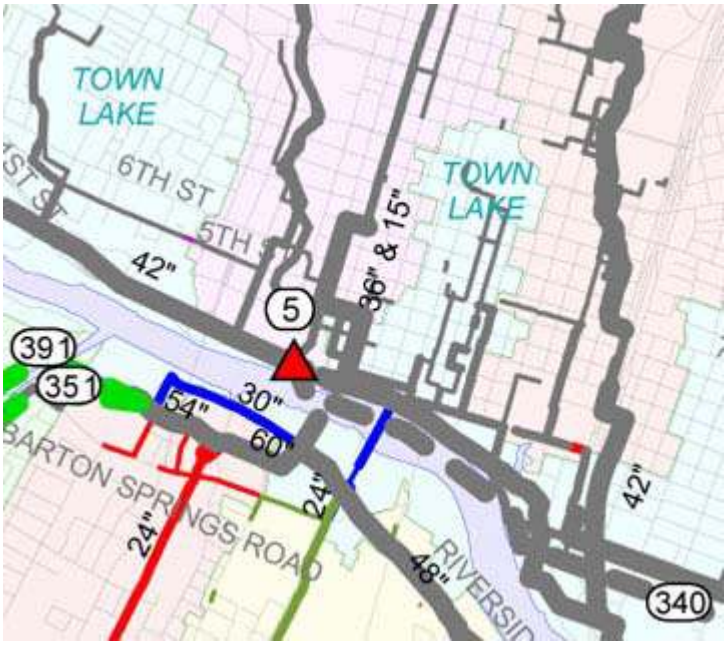


Fig. 12: "Strategic Wastewater Plan."

[20] Source: City of Austin- Capital Improvement Projects summary files (CIP.pdf; CIP.xls) 3/1/04.
[21] Suproject Report, Parent Project #5481 "North Austin Wastewater Interceptor" 5/24/04.

Project #5	Shoal Creek CIP	Lift Station	c. 2010
Project #340	North and South Austin Outfall Relief	84" Int. CIP	c. 2010 - $42.6M

The Project Description related to the North and South Austin Outfall Relief Project is as follows:

> "84" (dia.) tunnel relieving Shoal Creek Lift Station's Govalle Tunnel is (in the) long range plan for time(s) (when) demand exceeds capacity of lift station and downstream 42" North Austin Outfall, and/or capacity of the 54" South Austin Outfall. Preliminary engineering in progress to study lift station tunnel options for dealing with near-term capacity issues. Timing a function of I35 lowering schedule. $25M in 10 yr CIP spending plan."[22]

Austin Water and Wastewater Utility indicates that the existing Shoal Creek Lift Station is at (or nearing) capacity.[23] Continued growth in the Downtown area, prospective future development in the West Campus area, or a combination of both could trigger the need for this upgrade to the wastewater system's "backbone" infrastructure. The I35 Lowering Project is mentioned as an independent corollary trigger because the tunnel's route takes it under the freeway enroute to its outfall at the Govalle Wastewater Treatment Plant and thus would be a precursor to the work on the Interstate.

More study is needed by the Austin Water Utility to ascertain and quantify the risks of failure to the current system and the amount of additional capacity available to support identifiable levels of future retail development.

Summary Recommendations

Immediate:
Work with Austin Water Utility to further identify "locally constrained" blocks or zones of wastewater service, especially within the emerging retail districts of the Study Area. Consider formulation of assistance programs to mitigate costs of service upgrades necessitated in constrained areas for beneficial projects.

Short-Term:
Raise priority of study of Shoal Creek Lift Station and North/South Austin Outfall Relief Projects, with an eye toward improving understanding of remaining capacities for Study Area, mitigating risks of systematic or component failure, etc. Seek a better understanding of how the wastewater tunnel project and the I35 Lowering Projects are linked, and how (if possible) they can be strategically de-linked.

[22] Strategic Water Resources Plan V.2.0 (Nov. 2003) Wastewater Proposed Projects Table
[23] Project Team discussions with Water & Wastewater Utility- Systems Planning (4/19/04)

Long-Term:
Monitor projects and pending updates to the Austin Water Utility's "Strategic Wastewater Utilities Plan 2003;" encourage and nurture systematic wastewater infrastructure improvements that provide future capacity to Downtown.

Electric Utilities

System Overview

An overview of the City's electrical service network coverage in the vicinity of Downtown Austin is shown below in Figure 13.

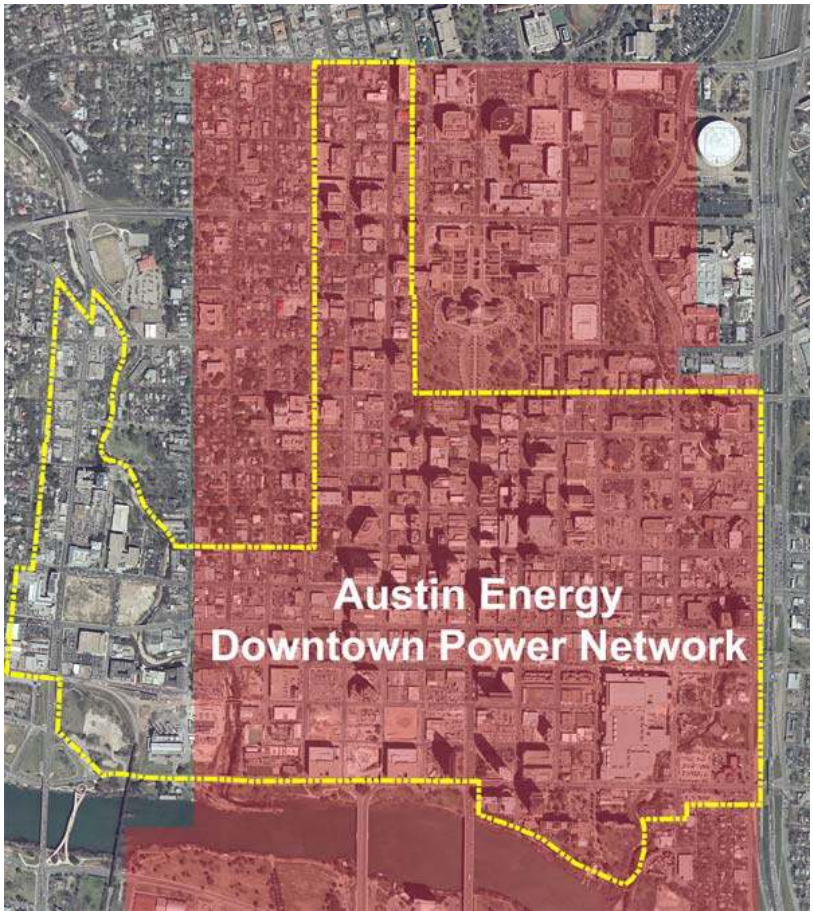


Fig. 13: "Downtown Power Network."

Infrastructure Provider: Austin Energy (City of Austin)

Austin Energy (AE) is a municipal utility whose core business is supplying the City with electrical power.

AE also recently began generation and sale of centralized chilled water for building air conditioning purposes within the Downtown District Cooling area.

Notes Regarding Source Data:

The Infrastructure Inventory information regarding the City's electrical utility and Downtown District Cooling is based on paper maps made available from Austin Energy especially for this project. The utility's GIS data and system mapping are classified as proprietary, and digital data and files are not made available in GIS format to outside parties.

Basic System Configuration: (Electrical Power)

The distribution system in the Downtown area (bounded roughly by Town Lake, Martin Luther King Blvd., West Ave. and I-35) is designed as a "redundant network" to provide a higher level of service (i.e.: reliable electrical power) even if portions of the network are disabled.[24]

Basic System Configuration: (Downtown District Cooling)

Chiller plants are integrated within two public parking garages located on the eastern and western edges of the CBD respectively. Chiller Plant #1 is located in the State-owned garage southwest of Republic Square (4th St. and San Antonio). A second Chiller Plant, currently under construction, is part of the new Convention Center parking structure immediately east of the Hilton Hotel (4th at Red River). The diagrammatic system configuration is shown below in Figure 14.

[24] Project Team discussions with Austin Energy @ DAA offices (1/11/04)

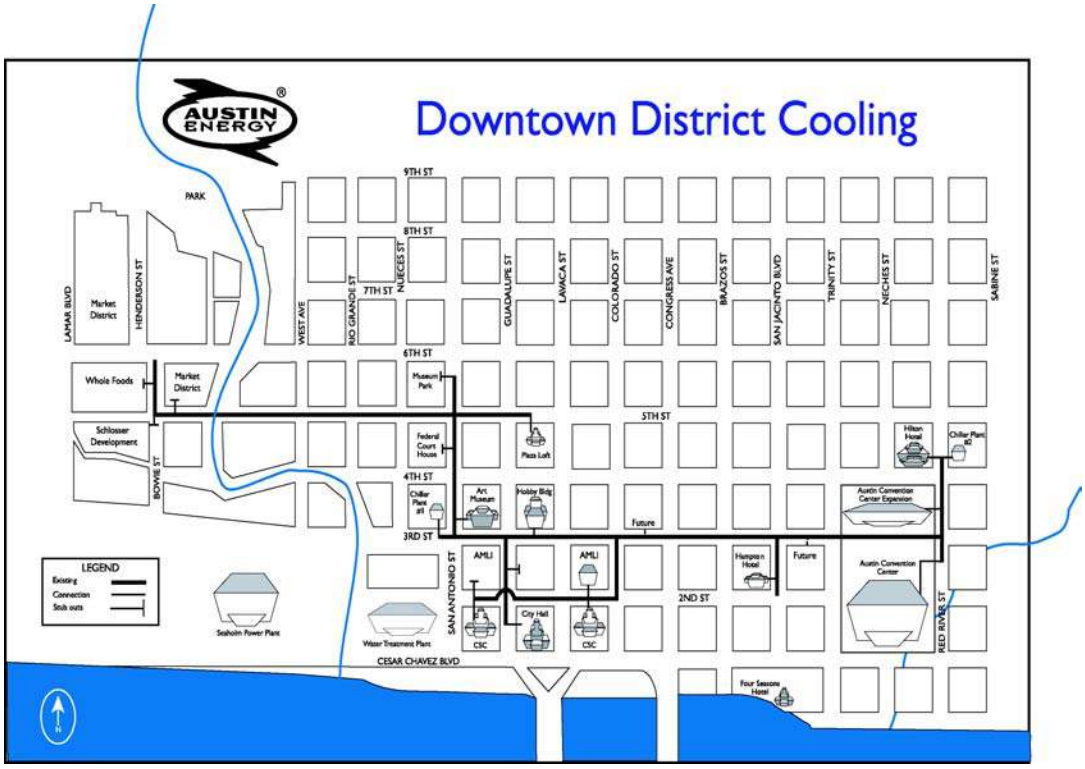


Fig. 14: "DOWNTOWN COOLING LOOP"

These plants generate, pump and circulate chilled water to and from what ultimately will become a continuous Downtown District Cooling chilled-water loop system, the boundaries of which are 3rd, 8th, San Antonio and Red River Streets. Service can be (and is) extended outside this central loop, enabling the ultimate system to potentially serve a very large portion of the Study Area.[25]

At the time of data collection, the following Downtown projects were hooked up and utilizing the Downtown District Cooling capability:

- Austin Convention Center
- Hilton Hotel
- Hampton Inn & Suites
- Hobby Building
- CSC Buildings #1 and #2
- City Hall
- Plaza Lofts
- Whole Foods Headquarters

[25] A sub-loop feeding chilled-water to the existing CSC buildings, the future AMLI property and Block 21, as well as existing extensions to Schlosser Development and Whole Foods Headquarters in Market District @ Fifth/Sixth and Lamar is already in place.

In addition to these users, future service is planned or "stubbed-out" in preparation for the following projects:

- Four Seasons Hotel
- Federal Courthouse
- Market District (Schlosser Development)
- AMLI Phase II
- Austin Art Museum site

Geography of Capacity

"Unconstrained" for Electrical Service

Austin Energy stated that they are bound by law to satisfy any and all service requests for electrical power. This statement means that, for all practical purposes, sufficient electrical power can be provided and distributed in any reasonable amount to any site in the Study Area (or in the City, for that matter).[26]

Although Austin Energy has an obligation to provide electrical power to a project site, larger use customers requiring an excess of 300 kilowatts (KW) of power must provide adequate space on-site for AE's transformers, switchgear and meters. For a whole-block urban project, the typical space requirement for the Electrical Service Equipment Room is approximately 20' x 30' exclusive of the project's internal electrical switchgear and distribution panel space.[27] This space requirement is an important planning and design consideration of any significant project, especially historic buildings (i.e. those with extensive lot coverage and limited sites), which are being retrofitted to retail and which also have large power needs.

Capital Improvement Projects

At the time of data collection (March 2004) there were two (2) electrical utility system Capital Improvement Plans currently being tracked within the Study Area:

Chiller Plant #2

Chiller Plant #2 will provide significant improvements to capacity and systematic redundancy for the Downtown District Cooling loop (see discussion above).

Strategic Plans, Conceptual & Future Initiatives

Austin Energy sustainable energy plan.

[26] Project Team discussions with Austin Energy (1/11/04), Op. Cit.
[27] Ibid.

Summary Recommendations

Immediate:

- Advocate for the creation of electrical vaults every two blocks (as necessary) in the downtown historic districts.

Short Term:

- Support expansion of Downtown "Underground Distribution Network Area" to the emerging districts west of West Avenue in order to improve level of service (network redundancies, underground vs. overhead service).
- Advocate for the marketing, planning and benefits of the chilled water loop and extension of the partially finished loop throughout the downtown area.

Long Term:

- Monitor long-range implications of AES' "Silver In The Mine Plan" with respect to strategic retail development potential in the Study Area and Downtown as a whole.

Parking

An overview of the City's parking supply in the vicinity of Downtown Austin is shown below in Figure 15.

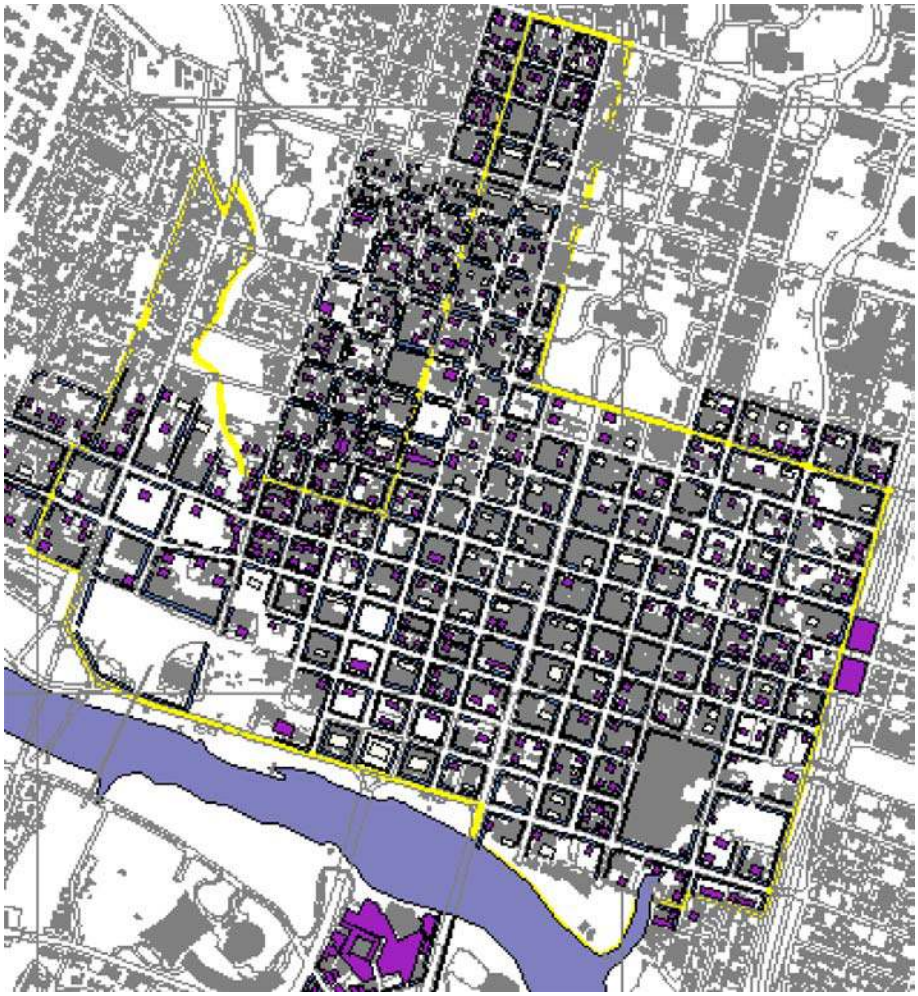


Fig. 15: "PARKING SUPPLY"

Though not truly an "infrastructure" in the sense of a traditional municipal utility (such as water, wastewater and electrical service), the supply and management of parking is critical to the success of retail uses, and therefore can be thought of as a kind of infrastructural commodity enabling successful retail.

Parking and parking issues are extremely complex and are rightly the realm of experts in transportation, public policy, and planning. The substantial treatment of parking in this

Infrastructure Inventory is necessarily limited to an inventory and brief summary of the available data and a qualitative analysis of it with respect to the role of parking in retail development, as applied to the conditions of the emerging retail districts within the Study Area.

System Overview

Parking space types:

Public vs. Private

On-Street vs. Off-Street

Structured vs. Surface

Notes Regarding Source Data:

The Infrastructure Inventory information regarding the City's parking supply and management is based on the following data collected and made available especially from The City of Austin's Transportation, Planning and Sustainability Department:

- "Downtown Austin Comprehensive Parking Study" Wilbur Smith & Associates (2000)
- Austin Parking Study 2000 (GIS map- filename "austinparking")

The City's GIS map and data comprehensively documents the best available (most current) quantitative information about the number and location of parking spaces. The boundaries for this data set are co-terminus with the study area established for the Wilbur Smith study discussed below. It is worth mentioning that the study areas for the Parking Study do not match those of this project (DARDS), although they are close. In most cases, the sector boundaries for the Parking Study overlay and overextend those of DARDS, yielding useful if not precisely analogous data. An exception is the portion of the Lamar retail sub district north of 9th St. to the Shoal Creek bridge, which lacks parking inventory data in both of the sources listed above.

The Wilbur Smith study was commissioned by the City in an effort to "address the current and future parking needs in central Austin and to recommend a parking management program for implementation by the City and other agencies."[28] Completed in late 2000, this study is the result of an extensive public process.

A summary of pertinent contents of this study includes:

- "Parking Space Inventory(for) Downtown" tabulated by parking type, with aggregated totals and percentages.

[28] "Downtown Austin Comprehensive Parking Study" Wilbur Smith & Associates (2000), p. S-1.

- "Core Area 2000 Parking Surpluses & Deficiencies by Sector" mapped and tabulated by sector.
- "Cost/Revenue Summary for Proposed Downtown Parking Garage" pro forma analysis.
- "Core Area Physical Parking Improvement Recommendations" mapped by block.
- "Parking Management Actions" to reduce need of parking and encourage alternative modes of transportation; summarized by category:

    - On-Street Parking Supply Improvements
    - Off-Street Parking Supply Improvements
    - Parking and Transit Coordination
    - Parking Pricing
    - Enforcement and Adjudication
    - Marketing and Public Information

The Study Area

An detail of the City's parking supply in the vicinity of Downtown Core is shown below in Figure 16.

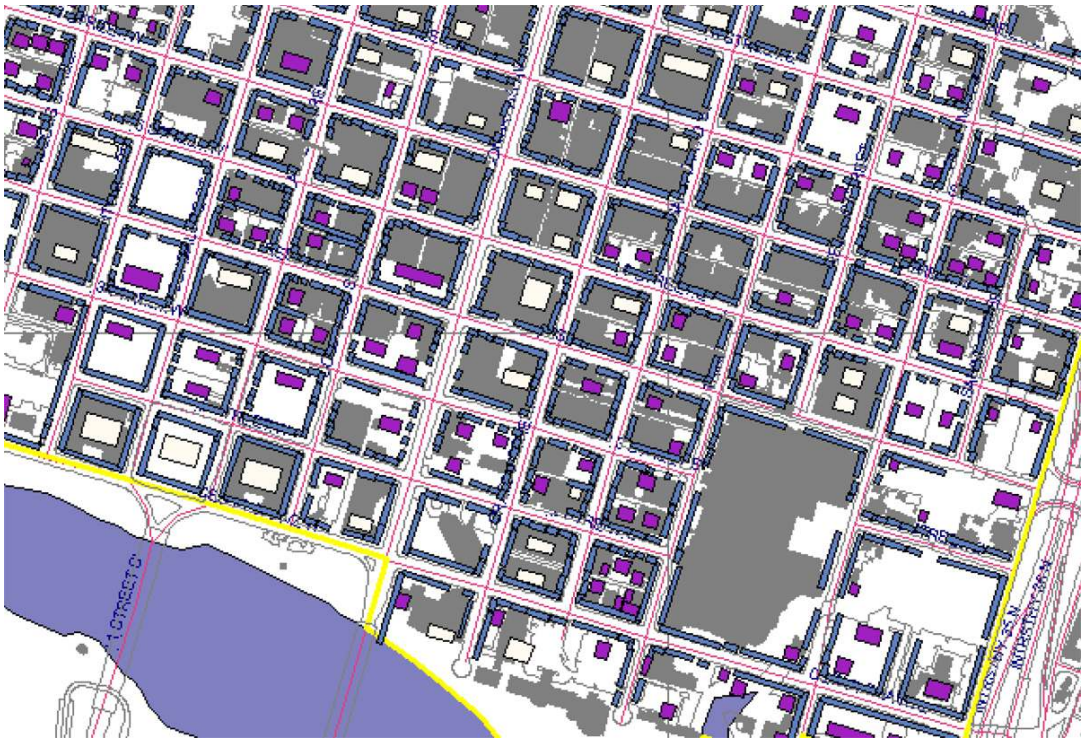


Fig. 16: "PARKING SUPPLY: DOWNTOWN CORE"

The following table summarizes the total available parking in Downtown Austin including a breakdown of off street parking available in various times of the day:[29]

Downtown Austin Parking Inventory

Primary Parking	Total	% of Total
Tenants	1,749	5.9%
Public	2,626	8.8%
Tenants and Public	16,113	54.0%
State Employees Only	9,329	31.3%
	29,817	100.0%

Hourly/Daily Public Parking Capacity	Total Parking Spaces	% of Total
As Available	12,539	42.1%
Evenings and Weekends	10,553	35.4%
Public Use	2,458	8.2%
Private Use (Reserved)	4,267	14.3%
	29,817	100.0% during the day

Source: Downtown Austin Alliance; Economics Research Associates, 2004.

Capital Improvements

New/emerging public or private projects, which include public parking (courtesy or pay-for-use), which were completed since Downtown Austin Comprehensive Parking Study (2000) within the DARDS Study Area include the following:

Recently-Completed Garages (with partial public access):

- AMLI
- Frost Bank Tower
- Hilton Hotel
- City Hall
- Whole Foods/Market District

[29] Data Source: Downtown Austin Alliance and Economics Research Associates (2004).

Strategic Plans, Conceptual & Future Initiatives

Emerging Projects (w/ public parking):

- T. Stacy Project; 5th/6th at Congress (1000-car garage)
- AMLI Block 22
- Austin Convention Center Garage

Summary Recommendations

Immediate:

- Support continued update of Parking Inventory for Study Area, including adjustment of data to Study Area boundaries and additional parking supply due to emerging projects

Short Term:

- Implement "best practices" parking management strategies and key changes to public policy recommended by Wilbur Smith report to support existing and emerging retail.
- Initiate discussions with State of Texas regarding "split-use" partnerships for existing State lots and garages.
- Increase the combined uses of existing garages for retail-serving valet facilities.

Long Term:

- Move to implement a Downtown Parking Plan, including economic elements for creating strategic public parking supporting both existing and future retail.
- Create a Parking Authority for Downtown, supported by Business Improvement or possibly Tax Increment District Financing, to pool and manage parking supply, demand in Downtown.

Public Transportation

An overview of the City's public transportation in the vicinity of Downtown Austin is shown below in Figure 17.

Fig. 17: "PUBLIC TRANSPORTATION"

Public Transportation and Downtown Retail

Downtown Austin's economic development future is intimately linked with its public transportation future. Public transportation systems have historically played a critical role in shaping urban planning and urban design, providing a framework for desired urban growth. Public transportation also responds to urban planning goals by providing mobility options for those heading into town. At this juncture, for America's most notable cities, the presence of a workable, efficient public transportation system, with balanced and mutually-supportive service to the city and the surrounding region, stands as an effective and visible measure of its relative urbanity, and also serves as a gauge of its practical ability to sustain a lively, vibrant downtown.

As the site of the State Capitol and a focal point for Central Texas commerce, culture and politics, Downtown Austin provides multiple destinations for public transportation. Public transportation system planners and providers have long recognized this and have responded with a wide range of transit services and routes running through, connecting to, or otherwise serving the downtown area. As a result, Downtown Austin is already uniquely served by public transportation within the region.

One could argue this status represents a unique potential advantage for Downtown over less urban commercial/retail venues. Providing shoppers with the ability to get Downtown by means of public transportation represents a potential strategic advantage to Downtown retail over suburban locations by giving customers mobility options other than private vehicles to bring them in contact with the diverse range of Downtown retail markets, goods and services.

The proximity of public transportation services (particular rail and especially light rail) to commercial/retail properties can, in some cases, benefit the potential economic viability of some types of downtown stores or businesses, working to effectively expanding their trade area and broadening their market base. Additionally, since the customer base for downtown urban retail establishments includes both pedestrians and transit riders, off-street parking requirements for some businesses can be reduced. This factor can help offset the traditionally-higher cost of construction for urban retail, driven at least in part by higher costs of land and the expense of above or below-grade parking structures.

System Overview

As centers for their respective regions, most downtowns are traditionally well served by public transportation, and Austin is no exception.

At present, Austin's public transportation services are provided by Capital Metropolitan Transportation Authority (CMTA).

Capital Metro provides a wide range of bus transit services throughout the City of Austin and the surrounding area. At this time, these services are conveyed by rubber-tired vehicles (primarily buses) running fixed, flexible or special routes on the public street and road network of the City and region.

An outline summary of CMTA's current service to (and within) Downtown Austin follows: [30]

Fixed-Route Bus Service

- "Metro Routes"

Local, full-sized (bus) service to downtown Austin, the University of Texas (UT) campus, plus cross-town and feeder routes serving key destinations.

- Flyer Routes

Faster/limited-stop services from various neighborhoods to Downtown and UT.

- 'Dillo Routes

[30] Data Source: Capital Metro Schedule Book, May 30, 2004.

The 'Dillos are a free circulator service using rubber-tired trolley replications, operating between UT, the Capitol complex, Downtown destinations, and two free Park & Ride lots.

- Express Park & Ride Routes

Express service from free Park & Ride lots to Downtown and UT campus.

- University of Texas Shuttle Routes

This limited-stop service for students to and from campus runs several routes through Downtown.

Other Transit Services

- Special Transit Services

An advance reservation, transport service is provided for qualified mobility-impaired individuals unable to ride other services.

- Vanpool Services

Van-type vehicles are provided by CMTA to groups of 5-12 employees with similar live/work destinations and work schedules for a monthly membership and fare.

- Carpool Services

Commuter-facilitated match-ups are provided by CMTA to identify mutually-compatible commuters. This service links individuals interested in carpooling with like individuals with similar work destinations and schedules.

The Study Area

Bus Routes and Downtown Retail

Downtown Austin is an active crossroads for Capital Metro's fixed-route bus system, as illustrated in Figure 18 by their Downtown System bus route map:

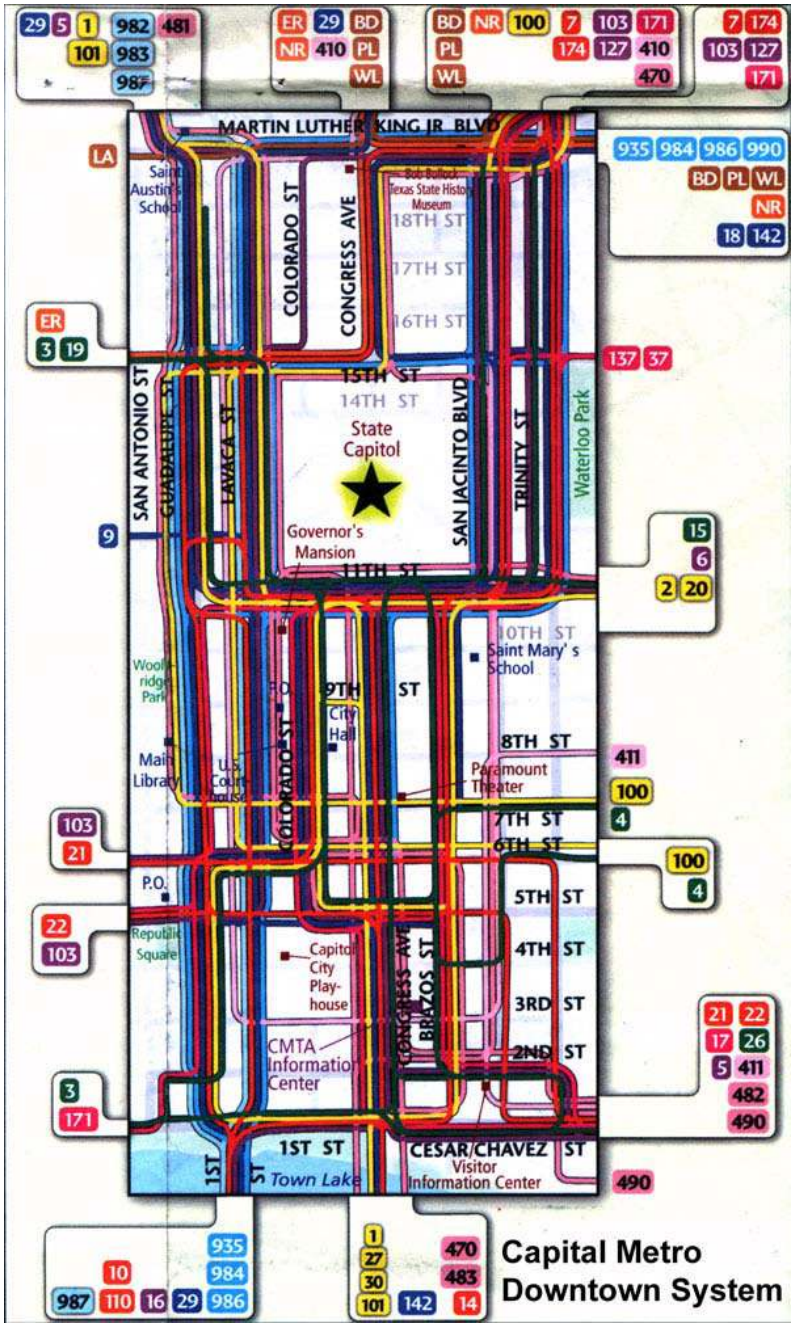


Fig. 18: "DOWNTOWN BUS ROUTES"

Downtown is clearly well-served by CMTA buses running on this "armature" of routes, with 20 percent of all CMTA bus routes running down Congress Avenue and an additional 25 percent running through other parts of downtown Austin.[31] Frequent bus service is also provided on several other heavily-traveled transit corridors in Downtown, including (in the north/south direction) Brazos St., Colorado St., Lavaca and Guadalupe Streets and Caesar Chavez St, 5th/6th Sts., 11th St., and Martin Luther King Blvd. in the east/west direction.

Public Policy and Capital Improvement Initiatives

Buses and Downtown Retail

As already discussed, public transportation has the potential to provide Downtown retail with a strategic advantage over suburban retail venues. However, the proximity of retail businesses to heavily-traveled conventional bus routes requires careful consideration and planning to ensure mutual compatibility between the transportation system and nearby retail.

One specific issue for downtown retail in Austin is the concentration of buses on Congress Avenue. Although a majority of downtown destinations (including existing and future retail) are well served in this regard, traffic congestion due to the preponderance of buses is a business access issue, and the congregation of homeless and indigent populations at bus stops (already a problem in Austin) tends to be exacerbated by such heavy concentrations of affordable public transportation.

While urban retailers welcome foot traffic and transit riders as a beneficial and strategically part of their unique customer base, congestion, noise and other issues can contribute to a negative image for the shopping district.

The promotion of viable urban retail in downtown Austin bears more careful consideration and requires the continued attention. City officials, CMTA and business leaders alike should share the goal of balancing the overall benefits of efficient and affordable public transportation with the economic development interests of Downtown. From a specific transportation planning perspective, this may require a reexamination of bus routes downtown, redirecting some routes so as to provide comparable service to downtown destinations while relieving some of the bus-related issues on retail-oriented streets.

Transportation and Regional Planning

Two recent regional policy initiatives with far-reaching implications on Downtown Austin (and downtown retail) are the "Envision Central Texas" regional growth planning process and CMTA's "All Systems Go" transit system vision. Taken both separately and together, each has the potential to strongly shape growth in the region and greatly increase Downtown's economic development potential, including retail.

[31] Source: DAA and CMTA officials.

"Envision Central Texas" attempts to develop a consensus vision for the region's desired growth patterns (and Downtown's role within it), while "All Systems Go" lays-out a long-range vision for an integrated transit system addressing the community and regional issues of population growth, traffic problems and air quality. Both have public transportation elements which affect Downtown and its prospects for growth and development.

"Envision Central Texas"

Envision Central Texas (ECT) is a nonprofit organization comprised of concerned citizens from Bastrop, Caldwell, Hays, Travis and Williamson counties dedicated to the goal of addressing the region's growth issues by considering the interests of its existing and future citizens. ECT's mission is to help guide the region toward a common growth vision, in cooperation with all entities and individuals. As such, ECT represents an unprecedented public endeavor, and its recent activities and accomplishments constitute a landmark effort to arrive at a consensus about the critical issues surrounding the future growth of Central Texas. [32]

The recently-completed Envision Central Texas visioning process concluded that the majority of public survey respondents preferred a regional growth scenario (Scenario "D") in which most future growth would occur in existing towns and communities. In this scenario, the preferred regional transportation options include a mix of roadways, toll roads and extensive commuter rail, light rail and express bus networks. [33]

If jurisdictional policy efforts are indeed diligently directed and coordinated on a local and regional basis toward making ECT's preferred growth scenario a reality, then, as the largest and most established "existing town and community" in the region, Downtown Austin would experience substantial and sustained new growth.

This new growth would be stimulated, aided and abetted by regional transportation options much more heavily biased toward public transportation. With an increase in jobs and housing, demand for Downtown retail can only be expected to rise in equal proportion, as employment and residences provide both the markets and disposable income that support vital retail.

"All Systems Go"

Recently approved by voter referendum in November 2004, "All Systems Go" (ASG) is CMTA's proposed, long-range transit system vision for Austin and the region.

ASG was developed by CMTA in close cooperation with local and state transportation organizations, and came about through a public participation process which included open

[32] Source: www.envisioncentraltexas.org
[33] Ibid.

houses and workshops designed to gather community input on investment priorities, new technology choices, frequency of service and station locations.[34]

The elements of Capital Metro's "All System's Go" Regional Transit Vision are shown below in Figure 19.

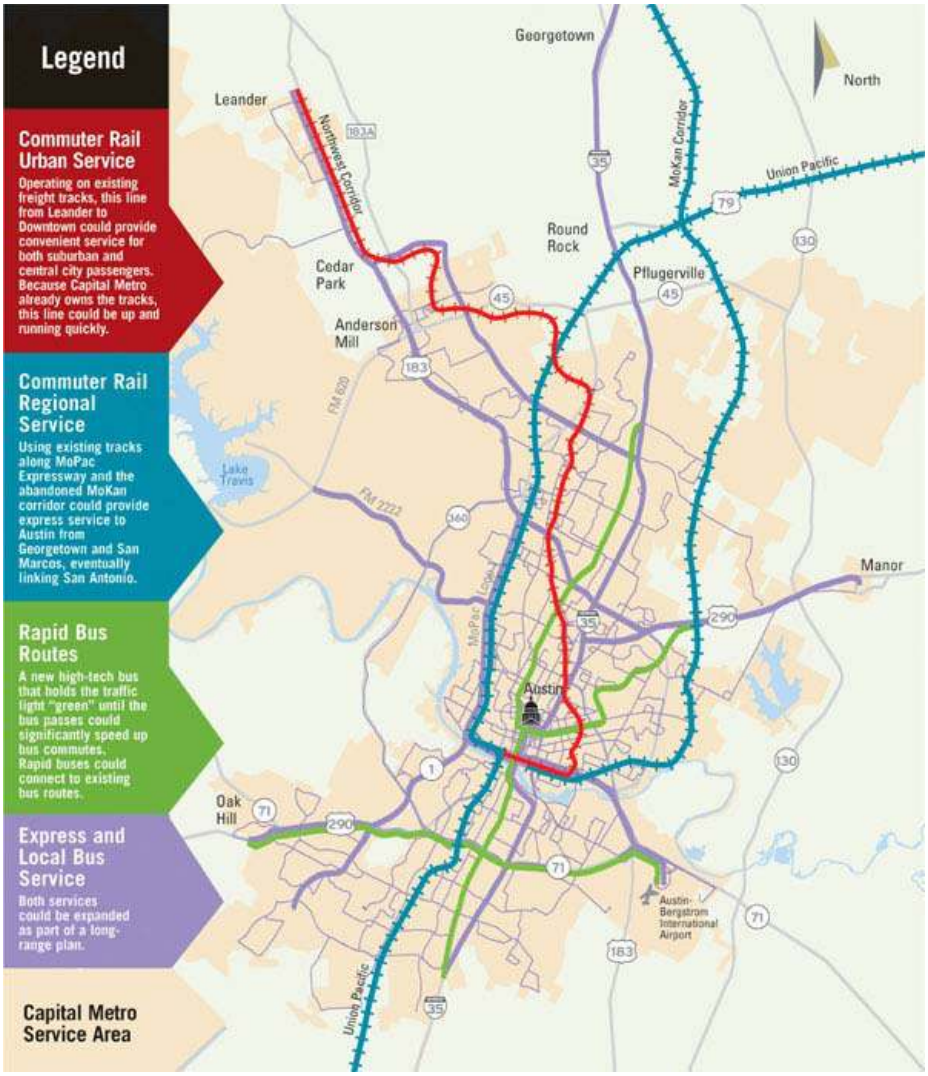


Fig. 19: "REGIONAL TRANSPORTATION VISION"

[34] Source: www.capmetro.org

The "All Systems Go" vision combines and integrates services from a variety of regional and local public transportation options. These systems are briefly outlined below:

- Commuter Rail: Urban Service

This new rail service will operate from Leander to Downtown, serving both suburban and central city passengers, and would utilize existing freight rail tracks.

- Commuter Rail: Regional Service

Also utilizing existing tracks along MoPac expressway and the abandoned MoKan corridor, this new rail service would eventually provide express service from Georgetown to Downtown Austin, and southward to San Marcos and San Antonio. Implementation depends upon the successful relocation of existing Southern Pacific rail freight operations from tracks along MoPac.

- Rapid Bus Routes

Employing new technologies giving buses preferential traffic-signal status, this service would provide faster commuting possibilities along, and connecting to, existing commuter bus routes.

- Express and Local Bus Service

ASG's vision proposes expansion of existing Express Bus and Local (Metro) bus services as part of a long-range plan. Routes would complement and be integrated with all new transportation services. It should be noted that concentrating too much bus traffic along primary retail streets can interrupt pedestrian and vehicular flow and clustering too many bus shelters along retail zones can interfere with storefront visibility and creation of a pedestrian-friendly retail environment. The key is to serve transit needs balanced against the elements that create great pedestrian shopping streets.

Public Transportation and "Connectivity"

Of all these proposed services the two Commuter Rail services ("Urban Service" and "Regional Service") hold the most significance for Downtown and urban retail.

As planned, the first phase of the "Commuter Rail: Urban Service" (Leander to Downtown) would feed passengers from the growing northwest US 183 corridor to the Austin Convention Center, on Downtown's eastern edge, terminating at the Convention Center. In a future phase, this line is to be extended across Downtown to a terminus at the Seaholm Power Plant, the site of a future mixed-use development of significant size and scope, including major civic and cultural uses.

Completing this "cross-town" rail connection alone would have significant economic development implications to Downtown. To better serve downtown and provide enhanced connectivity between its different commercial areas, a connection is needed between the

Convention Center East of Congress and the Second Street Project and Warehouse District to the West. Ridership would be boosted, convenience improved and the value of districts served by the line enhanced, including the emerging Second Street Retail District. Extending the line to Seaholm will likely precipitate a more rapid build-out of that site (as well as other sites along the route), hastening the generation of needed property tax-base revenue supporting the City. Also, Seaholm is a designated hub for the "Commuter Rail: Regional Service," and connecting the "Urban" service to it will generate even more ridership for both, create systematic efficiencies and further leverage the public investment in both systems.

Any discussion of public transportation systems in Downtown Austin cannot fail to mention the importance for systematic "connectivity," or the need for each system to fully connect to, and be fully integrated with, each other and to the land uses they serve.

As commuter rail (urban and regional) is planned and implemented Downtown, attention to the inter-modal connections between the rail stops and various types of surface transportation gain paramount importance. Indeed, transportation planners know that the success of most rail systems depends on the proximity of stations to key urban destinations and the practical ease of passenger transfers to other modes of transportation, such as buses and trolleys.

Austin's three major centers of population and employment are: Downtown, the State of Texas and the Capitol complex, and The University of Texas at Austin. Connectivity among and between these centers is currently provided by CMTA through the routing of local buses and by the 'Dillo routes. Connecting CMTA's rail lines to and from these key populations is critical to ensuring the success of these lines, As CMTA brings rail to Downtown, the need for a fully-integrated, efficient and effective Intermodal Transfer Stations should be expanded to consider the service effects of the proposed rail routes and station locations on local land uses and the effectiveness of the existing 'Dillos in providing critical connections within the city. Experience in other cities has shown that fixed rail trolley systems have an even more positive effect on retail streets. Advocacy of fixed rail trolleys should also be continued.

Beyond the traditional public transportation systems of bus and rail, Austin's roadways play an important role in bringing people (and thus potential retail customers) to Downtown. A study by the City of Austin assessing the feasibility of connecting, enhancing or extending High Occupancy Vehicle (HOV) and/or Managed Lanes to Downtown is currently being launched. Provided that a vision for the present and future character of downtown streets can be nurtured, protected and matured (see discussion of "Great Streets" in the Streets and Sidewalks section), it makes sense to promote such limited vehicular connections to Downtown, for the sake of enhancing and easing access between the region and the City which represents it.

Connectivity between and among all the public transportation elements (roadways, HOV and managed lanes, rail and bus) and systems is a necessity for ensuring the success of those systems and stimulating economic (and retail) development in Downtown. The City and CMTA should give full and careful thought to the planning, design and

implementation of each system, with an eye to how they all connect, so as to ensure a fully functional, convenient public transportation system that supports the maturation of Downtown Austin as the symbolic, cultural, political and economic focus of urbanity for Central Texas.

Summary Recommendations

Immediate:

- Review 'Dillo and Shuttle routes to improve "connectivity" between Austin's three main population centers (UT, State of Texas and Downtown) to leverage improved mobility among these combined consumer groups in support of existing and future retail.

Short Term:

- Support reexamination of concentrated bus routes on Congress Avenue in order to balance efficient and affordable bus service with the promotion of Downtown retail.
- Facilitate CMTA efforts to extend rail connections through downtown, in accordance with the voter-approved "All Systems Go" Regional Transit Vision.
- Advocate planning, design and implementation of a "Downtown Circulator" system (i.e. Trolley or similar technology) to facilitate frequent, easy Downtown "mode" changes for CMTA's Commuter Rail Urban Service passengers with final destinations at the Capitol Complex, South Congress Ave. and The University of Texas at Austin.
- Support the City's feasibility study for reversible HOV/Managed Lanes (on MOPAC & I-35) to improve access to Downtown and its retail venues.
- Advocate for one or more Intermodal Transfer Stations downtown.

Long Term:

- Support relocation of Union Pacific freight rail to free-up MOPAC for regional and/or urban rail uses.
- Support implementation of the "All Systems Go" long-range plan and vision.

Street and Sidewalk Improvements

An overview of the City's street and sidewalk improvements in the vicinity of Downtown Austin is shown below in Figure 20.

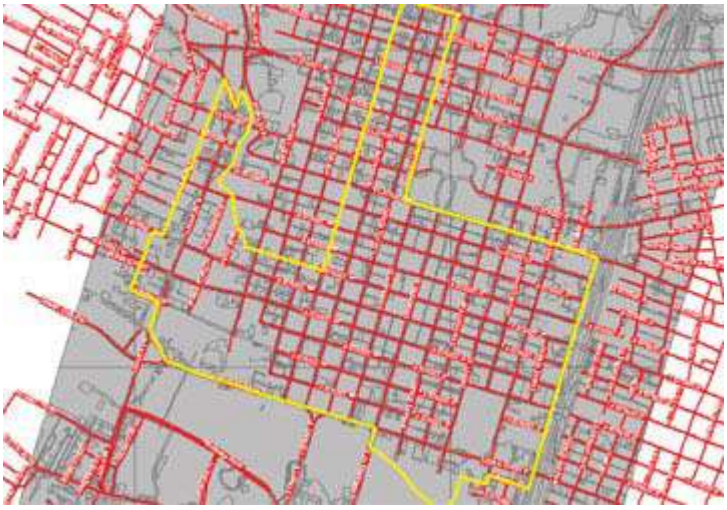


Fig. 20: "STREET AND SIDEWALK NETWORK"

Streets, Retail and the "Public Realm"

Streets and sidewalks serve as the backbone of the "Public Realm" of a city; that is, its interactive zone of social space within which all civic interchange and public interaction takes place.

From an urban retail and commercial perspective, street traffic and a business's visual presence on the street (storefronts, signage, and visible signs business activity) are critical to economic success. If the public street and sidewalk system inhibits customers from accessing, finding, easily identify and grasping the fundamental nature of a business, then its potential for commercial success is greatly reduced.

While this is true for all types of development settings, from Suburbia to Downtown, urban retail development characteristically relies much more heavily on the quality, nature and character of streets and sidewalks.

This is because urban land values, codes, and historic development densities and patterns typically push buildings right up to the sidewalk or edge of right-of-way. Commercial and retail properties take full advantage of this intimate relationship by placing primary emphasis on street and sidewalk frontages in the orientation of entries, business identification signage, window displays and other measures to attract the attention of passing pedestrians and motorists.

Urban retail businesses often push their relationships with the street a step further, "spilling-out" into the sidewalk zone just outside their storefront. Familiar examples are sidewalk restaurants and cafes, greengrocers, street vendors or even the occasional "sidewalk sale" mounted by apparel and soft goods retailers. Thus urban retail has evolved in a way that recognizes and leverages its unique conditions and the opportunity to attract pedestrians, motorists and even transit riders to their stores.

Part of that evolution has involved the interaction between differing philosophies about movement. Transportation engineers support the principle that one-way street systems move traffic more efficiently through urban street grids; it was this approach that resulted in Austin's (and many other cities') adoption of one-way couplets throughout the urban center. But urban design professionals have increasingly realized that two-way streets provide a safer, more pedestrian-friendly shopping environment. While two-way streets may somewhat slow flows of through-traffic, the benefits to primary retail streets suggest that they should be re-considered for downtown Austin.

These sorts of limited "appropriations" of the "Public Realm" for private commerce are a long-standing and accepted use of "urban" street and sidewalk conditions and are a characteristic indicator of urbanity. Traffic engineers have begun to understand that traffic calming and balanced pedestrian/automobile environments can work better for both types of movement. As contemporary cities compete for comparative economic advantage, the quality of a city's Public Realm, and specifically the quality of its commercial street and sidewalk network, has a great effect on its ability to attract, develop and hold quality businesses.

System Overview

Downtown Austin, like many other historically-platted cities, is organized into a grid pattern of streets and sidewalks. This grid defines the city's urban structure and helps shape development opportunities while providing vital public access to blocks of Downtown real estate (see Figure 20).

Currently a typical Downtown Austin street has an 80' wide right-of-way (R.O.W.) usually comprised of a 60' wide street flanked by two 10' wide sidewalks on either side. Certain streets of special symbolic and commercial importance (including Congress Avenue, East Sixth Street and, more recently, West Second Street) have been improved with wider sidewalks, enhanced pedestrian paving, street trees and other features which re-balance the public use of the R.O.W. in favor of the pedestrian. Interestingly, these streets have evolved to become multi-functional commercial districts whose images are synonymous with a public perception of Austin's identity, vibrancy and urbanity.

Important public utilities (including many of the traditional utility infrastructures surveyed for this study) also utilize the street ROW for the routing and distribution of the plethora of below-ground and above-ground utilities which service and sustain downtown properties, while the streets and sidewalks themselves provide travel surfaces for the conveyance of all

forms of surface transportation, from pedestrians to buses and transit, bicycles, cars and trucks.

In Austin as with all cities, there is an inherent competition for the use of the public street and sidewalk R.O.W. Pedestrians, transit, bicycles, automobiles and utilities all lay claim to partial use of the R.O.W. The problem is to find the best balance between all these uses which serves the highest public good, and to establish long-term public policies which guide and govern the making, use and care of streets and sidewalks according to this goal.

Public Policy and Capital Improvements

Great Cities need Great Streets

The City of Austin has taken steps to establish broad public policy goals for the use of its streets and sidewalks by adopting the principles of the Downtown Great Streets Master Plan (Great Streets). This plan establishes the following user hierarchy, which is consistent with the Downtown Austin Design Guidelines, adopted by the City Council in 2000:

- Pedestrians
- Transit
- Bicycles
- Automobiles (and other vehicles)

This hierarchy revises the existing bias of use by private vehicles (currently using 75% of the R.O.W.), favoring pedestrians, transit and bicycles instead. As proposed by Great Streets, the typical downtown street would have wider sidewalks, with street trees, canopies, waste and recycling receptacles, lighting, furnishings and other pedestrian amenities, taking-up 36' (or 45%) of the R.O.W., leaving 44' (or 55%) dedicated to autos and other motor vehicles. [35]

Such pedestrian-friendly features have a very positive effect on urban retail uses, as seen and demonstrated in many other cities, as well as on the streets in Austin where these improvements and amenities already exist (such as on Congress Avenue).

Moreover, the Great Streets Master Plan lays out objectives which specifically accommodate and promoting retail activities within the public R.O.W. of downtown streets:

- "Allow space for private sector initiatives to occupy and animate the street scene with sidewalk cafes, kiosks and newsstands." [36]

However, in Austin, any private use of the R.O.W., such as a canopy, sidewalk café or kiosk, requires securing a License Agreement, which insures issues of public safety, upkeep and maintenance of the improvement be properly addressed by the applicant. At

[35] Downtown Great Streets Master Plan; November 30, 2001, p. 1-2
[36] Ibid, p. 1-3

this time, the process for applying for and receiving a License Agreement from the City for such retail-promoting uses is complicated, expensive and time-consuming, thereby discouraging (for the time being) the proliferation of these types of uses.

Nevertheless, the concepts, policy goals and objectives of Great Streets are clearly a boon to downtown retail and have received support from the current City administration. However, long-range planning and prioritization of improvements remain unclear, and sustainable, economically viable funding mechanisms for the implementation of Great Streets programs and improvements have yet to be defined.

Downtown Austin's streets and sidewalks represent a physical framework for the growth and maturation of the city, both culturally and economically. Great Streets are a critical ingredient in promoting Downtown retail and creating a vibrant city. The transformation of Downtown Austin's Public Realm will require the concerted efforts of the City of Austin, business and property owners and the general public to ensure the future livability, safety and aesthetics of Austin's downtown streets.

Capital Improvement Projects for streets and sidewalks normally include:

- Build Better Austin Projects (City of Austin + Capital Metro)
- Street Paving and Reconstruction Projects
- Sidewalk Improvement Projects
- Special Streetscape Improvement Projects

As all of these types of projects in the Study Area become identified and move forward through the scoping, planning, engineering and design phases, their potential to encourage, promote and enhance Downtown retail should be considered. Specifically, all projects should be designed to incorporate the principles, goals and objectives outlined in the Great Streets Master Plan.

Due to funding considerations, implementation of Great Streets improvements may be necessarily phased or implemented in increments. The definition of increments may vary: they could include increments of time (i.e.: different phasing schedules), increments of scope (i.e.: prioritizing use of some, but not all of the Great Streets "kit of parts" design elements, such as constructing wider sidewalks and adding street trees but deferring benches or other street furniture), or increments of geography (i.e., focusing on priority retail streets and blocks for implementation of Great Streets, with plans to implement similar improvements on secondary streets at a later date).

Planning and improvement strategies for candidate street and sidewalk improvements should be done at the largest possible scale, referencing the Great Streets Master Plan, and with full participation and cooperation of all stakeholders and interest groups.

Summary Recommendations

Immediate:

- Promote a sidewalk Capital Improvement Project initiative to provide walkable sidewalks for every street in Downtown.
- As new projects are constructed, all streets and sidewalks must be constructed to applicable Great Streets standards; roadway engineering and urban design must be concurrent street improvement goals of the City of Austin.

Short Term:

- Overhaul Right-Of-Way License Agreement process, which inhibits use of streets and sidewalks as social space by retail establishments.
- Reconsider downtown's one-way street system to convert to two-way streets, which provide for more flexibility, traffic calming and more pedestrian-friendly environments; this will be particularly important in priority retail streets/zones.

Long Term:

- Create a cooperative, workable, equitable, economically-sustainable implementation plan to transform the "public realm" through the Great Streets Master Plan.

Telecommunications

An overview of the City's telecommunications network in the vicinity of Downtown Austin is shown below in Figure 21.

Fig. 21: "TELECOMMUNICATIONS"

Telecommunications does not rely simply on a network of copper wires anymore. Increasingly, a broad range of telecom services and signals provide communications with an exploding array of business and personal devices. These devices utilize a wide variety of transmission media, a partial list of which includes:

- Copper Wire System (SBC-traditional)
- Fiber Optic Cables
- Broadband, High-Speed Internet (T-1, DSL, etc.)
- Cell Phone Networks (many providers, types)
- Wi-Fi "Wireless City"
- Microwave voice and data

System Overview

Notes Regarding Source Data:

The Infrastructure Inventory data collected for this project is limited to available information on the locations of traditional Southwestern Bell Communications (SBC) major underground telecom trunk lines.[37] These files were acquired from The City of Austin's Transportation, Planning and Sustainability Department's archives.

More data may exist but may not yet be "populated" to GIS or GIS-supportable formats, making a comprehensive inventory of telecommunications systems difficult. Another difficulty is the presence of competing and proprietary telecom systems of both the wired and wireless variety (Verizon, Cingular, etc.).

Infrastructure Provider(s):

Southwestern Bell Communications (SBC) and a host of competing, private telecom companies.

Basic System Configuration:

Underground and overhead voice and data cabling (copper and fiber optics) running in protected duct banks from centralized call exchanges to local switching centers and service terminal boxes.

The Study Area

The central call exchange for the SBC telecom network is located at 16th and Guadalupe, in the Arts District portion of the Study Area.

According to the maps received, several major telecom trunks run through downtown:

- Martin Luther King Blvd east to Trinity St.; Trinity south to 13th near the State Capitol; jogging to Red River south toward the Convention Center and multiple connection points in the SE quadrant of Downtown.
- San Antonio south to W. 11th St. in the vicinity of the Travis County Criminal Justice Complex; east on 11th to Colorado; Colorado south to alley just south of Sixth St., jogging west in alley (Fifth-1/2 St.) to Lavaca; Lavaca south to Second St.; Second St. west to San Antonio; San Antonio north to 8th St. then west out of the Study Area.
- Re-entering the Study at 7th St./West Ave; West Ave. south to Fifth; Fifth west past Lamar to boundary of Study Area.

These major trunk lines provide the basic framework for telecom service in the Downtown area.

[37] source: GIS filenames: "a2n; srn; srs; d1n; srn(2)"

Geography of Capacity

Retail uses rely on phone lines for voice and data transmissions critical to sales and operations, particularly for the purpose of credit card validation for purchases.

The Study Area appears reasonably well served for traditional (wired) telecom service. It is presumed that since the Study Area contains the Central Business District, which typically sees the highest concentration of need for telecom services, sufficient supply of phone lines is available (or planned) to accommodate foreseeable growth, including retail uses.

However, retail uses have another, ancillary sensitivity to telecom services which is related to the ever-growing use of cell phones and wireless devices (laptops, PDA's, text-messaging pagers, etc.). As retail environments represent "quasi-public" realm (typically privately-owned property open to the public for the purpose of enticing and consummating commercial sales) customers more and more come to expect uninterrupted wireless service within these realms.

Although our culture still struggles with the ethics, manners and protocols surrounding the use of these devices, the expectation to continuity of use exists and is growing. This has led to the market-driven proliferation of cell service "repeater" antennae in large shopping malls and commercial buildings, to ensure flawless signal availability within these large structures.

More recently due to the more and more commonplace use and reliance on the Internet and Internet access retailers, such as Starbuck's, Schlotzsky's and others, have begun providing wired or wireless ports, to customers frequenting their establishments. For example, the DAA partnered with the City of Austin, Austin Wireless City, Schlotzsky's® and the Austin Parks Foundation to provide free wireless access in downtown parks. Since it is known that retail sales (in terms of dollars per customer visit) rise in relation to length of stay within a retail center or individual store, then the provision of such infrastructures can be seen to aid and abet (if not support outright) certain types of retail establishments.

While currently most commonly seen in food and beverage uses (McDonald's Corp. recently announced the large-scale roll-out of wireless Internet access in their stores), the pressure is on to provide wireless Internet access (Wi-Fi) in other types of stores and, most importantly, in the public or "Common Areas" of larger retail centers.

Capital Improvement Projects

Austin, with its high-tech image and reputation, is on the forefront of telecom and wireless industries and services.

Already, many coffeehouses and restaurants provide Wi-Fi access. As the trends toward the "Wireless City" continue and accelerate, one can only expect (and hope) that these pioneering installations prove to be successful lures to customers in retail spaces and provide another dimension of use to the "public realms" they adjoin.

A map of Wireless locations in Downtown as of June 2004 is shown below in Fig. 22:

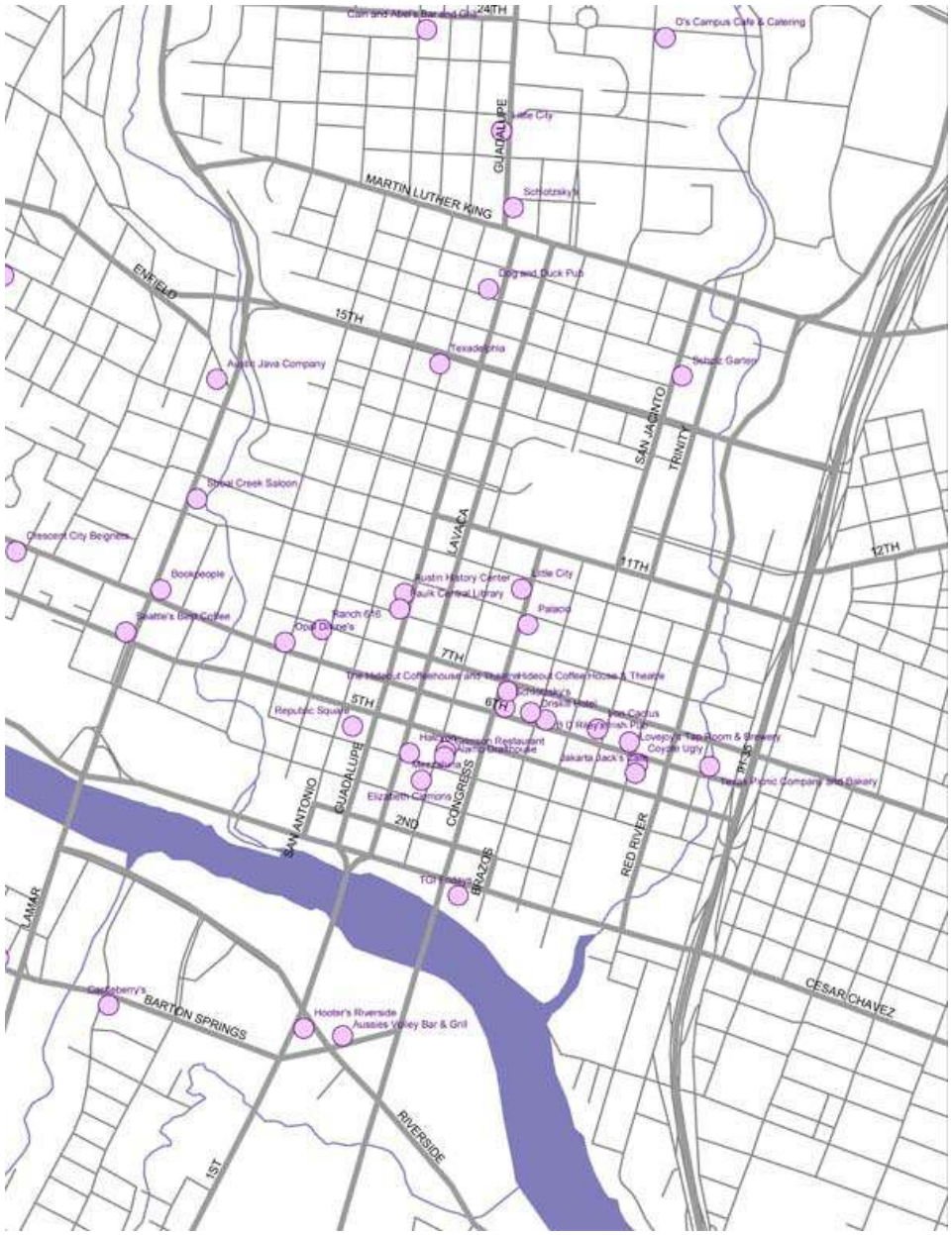


Fig. 22: "WIRELESS HOT-SPOTS"

Summary Recommendations

Immediate:

Continue to support the general improvement of cell-phone coverage and the proliferation of Wi-Fi "hot-spots" as a kind of strategic infrastructure within existing and supporting emerging retail districts and public spaces throughout the city.

Short Term:

Commission and conduct a more comprehensive survey and inventory of the array of telecom services and facilities available in the Study Area (wireless and wired). Populate information to GIS or GIS supportable data sets, and then map the results for analysis.

Long Term:

Create partnerships of providers, user groups, business owners and the City for the purpose of developing a long-range plan to further Austin's transformation to the "Wireless City."

ERA

Task 2: Retail Inventory

Introduction and Summary of Findings

ERA evaluated current trends in the Downtown Austin retail market by collecting key demographic and market information in collaboration with the Downtown Austin Alliance and the subconsultant team. Primary and secondary research included:

- Inventory of Competitive Retail Supply in the Austin Metropolitan Area
- Downtown Austin retail inventory
- Austin MSA shopper behavior survey (M. Crane & Associates)
- Downtown Austin Retailer Survey, Downtown Austin Alliance
- Interviews with property owners, developers, retailers, City of Austin staff (Planning, Economic Development, and Mayor Wynn), DAA Steering Committee Members, University of Texas representatives, and other stakeholders in the Downtown Austin retail market.

Based upon our research, ERA's findings and analysis regarding the available retail inventory and market demand indicates the following:

- Downtown Austin has lost its retail competitive edge due to the development of suburban alternatives and office development patterns that have resulted in discontinuous storefronts and limited opportunities to provide for retail store concentrations. Unlike the restaurant and entertainment uses clustered in the Warehouse District and East Sixth Street areas, much of the remainder of the downtown area does not currently offer enough retail clustering opportunities to create a destination shopping district. The two exceptions within the downtown study area are the Second Street development, which will introduce the newest cluster of retail shoppers goods uses (potentially including both local/regional and selected national tenants), and the Sixth and Lamar/Baylor district, which has attracted a concentration of apparel, gifts and household accessories businesses, and which will be further enhanced by completion of the new 85,000 square foot Whole Foods flagship store. The lack of contiguous street-level store fronts along primary shopping streets such as Congress Avenue has prevented the ability of property owners to create synergy between retailers. Similar to other urban office centers, Austin's downtown office worker market is more likely to spend on food and beverage purchases than on retail goods, in large part because of the limited retail shopper's goods offerings, such as apparel, accessories and gifts. Stability in the downtown office market currently provides nearly 67,000 downtown office workers who are available to spend five days per week, but the offerings are not available in sufficient supply to meet their needs.
- The International Council of Shopping Centers recently released an updated national survey of office worker spending behaviors (the new survey was released in August 2004). The report indicated that the average office worker is likely to spend nearly $3,000 annually in their immediate market area on general retail, apparel and other

comparison goods ($1,583), and eating and drinking establishments (lunch: $1,219; dinner/drinks: $152). However, this figure assumes that the appropriate mix, depth and range of products are available nearby the office workers to attract their expenditures. If the offerings in the retail category are not present, the expenditures will not happen. Based on a conservative estimate, this translates into $4.5 million in lost sales. ERA suggests that this is one area of market opportunity to be presented to potential soft goods, apparel, accessories and gift retailers who might consider a location in downtown Austin.

- Downtown Austin remains the dominant entertainment and dining district destination for almost all market segments in the metropolitan area (students, young professionals, nearby residents, and visitors/conventioneers). Although the majority of residents are more likely to make general apparel, furniture and other retail purchases at competing suburban malls, in large part, ERA considers this shopping behavior as a result of the lack of competitive offerings (a conclusion supported by the M. Crane & Associates Behavioral Survey) as much as that of the effects of suburbanization. If the appropriate offerings were available downtown in sufficient critical mass and concentrated blocks, we believe that the suburban shopping pattern could be modified to capture a greater portion of expenditure potentials downtown. Building upon the entertainment and dining base, addition of new retail offerings clustered in priority retail areas (Lower Congress Avenue, along East Sixth and West Sixth, Second Street and, in the future, in the Market District, an area connecting West Second with the Whole Foods/West Sixth area through the redeveloped Tom Green Plant and Seaholm Power Plant sites), downtown can become a more viable shopping alternative to suburban malls. Area residents and downtown visitors/conventioneers who support downtown's entertainment and dining districts also represent future market potential, assuming that downtown's retail offerings are expanded to include competitive comparison shoppers goods.

- Downtown Austin is poised to benefit from growth in the downtown residential market. This market segment increases street-level activity levels and extends street activity into all parts of the day. In ERA's opinion, the Second Street project should provide a turning point in downtown's retail presence, and the development will potentially alter retail industry perceptions about downtown Austin, supporting the potential for retail recruitment initiatives. City policies supporting downtown housing have resulted 4,625 existing, recently completed and planned dwelling units in the pipeline in the downtown core, and represent an underserved, 'built-in' market for pedestrian-based shoppers who will patronize downtown stores and businesses. Future development policies should be structured to also provide viable incentives for affordable workforce housing units as well as additional market rate rental and for-sale units. As a general goal, ERA would encourage the City to increase downtown housing density to double the number of existing and planned downtown residential units. New residents provide disposable income for retail sales, urban dwellers who have sought out the downtown lifestyle, and a new level of activity for downtown streets.

- The market analysis (including residents, downtown workers, and visitors/ conventioneers) demonstrates that there is substantial unmet market potential for new and redeveloped retail in downtown Austin. As a percentage of lost sales, the greatest opportunity for increasing downtown retail activity will result from recapturing a greater share of close-in resident-market sales, currently being lost to non-downtown locations. While downtown Austin will never be the dominant retail zone that it was before regional suburban growth, it will be strategically important to recapture a higher percentage of the total retail sales that are either going to outlying malls, to other cities, or which are not being spent in the area at all. If this can be accomplished, ERA's analysis suggests that approximately 503,000 to 770,000 square feet of new and redeveloped retail space would be supportable in downtown Austin today. In ERA's opinion, established suburban shopping patterns and behaviors can gradually shift over time as the Second Street project attracts the first increment of new retail sales downtown. The momentum created by Second Street represents an opportunity to continue downtown retail growth in Austin, adding new shopping clusters nearby, including redevelopment of Seaholm, the Tom Green Plant site and infill in critical areas such as Lower Congress, the Arts/Performance uses on Upper Congress and along Sixth Street. Adding new critical mass of supportable retail in downtown Austin roughly equivalent to the amount of space in the Arboretum and Gateway centers combined will draw back a share of the lost sales that have migrated to the suburbs because there is not enough retail downtown to create an alternative shopping destination.

ERA provides a summary of the primary and secondary research conducted in developing these findings in the following section.

Competitive Retail Supply

ERA conducted a comprehensive analysis of the competitive supply of retail shopping malls within a 15-minute drive-time of Downtown Austin. The inventory of 4.7 million square feet of competitive shopping centers indicates that the area surrounding downtown Austin offers ample supply anchored by national chains in virtually every major retail category. In comparison, Downtown Austin is lacking in apparel, furniture and other comparison goods.

Competing Mall Square Footage Total

Project Name	*GLA in SF*
The Arboretum	212,000
Arboretum Market	105,190
Gateway Courtyard/Market	290,262
Northcross Mall	302,000
Capital Plaza	477,102
Barton Creek Square	1,403,769
Highland Mall	1,806,000
Dobie Mall	100,000
Total	*4,696,323*

Source: Shopping Center Directory; Economics Research Associates, 2004.

Competitive Mall Anchors

Barton Creek Square Mall

- AMC Theaters (GLA: 55,405 square feet)
- Dillard's (283,035 square feet)
- Foley's Department Store (218,191 square feet)
- JCPenney (152,423 square feet)
- Sears (142,367 square feet)
- Nordstrom

Arboretum/Arboretum Market

- Cheesecake Factory
- Barnes and Noble (GLA: 35,773)
- Saks Fifth Avenue
- Pottery Barn
- Talbots
- Ann Taylor
- Harold's
- Williams-Sonoma
- Sephora

Highland Mall

- Dillard's (GLA: 190,000 square feet)
- Foley's Department Store (GLA: 213,000 square feet)
- JCPenney (235,000 square feet)

Capital Plaza

- Bank One (GLA: 39,399 square feet)
- Beall's Department Store (GLA: 26,000 square feet))
- Conn's Appliances & Electronics (GLA: 25,273 square feet)
- Fashion Bug (GLA: 39,13,600 square feet)
- Jo-Ann Fabrics (GLA: 12,600 square feet)
- OfficeMax (GLA: 25,269 square feet)
- Target
- Toys "R" Us (GLA: 47,700 square feet)
- Walgreens (GLA: 14,000 square feet)

Gateway Market/Gateway Square/Gateway Courtyard

- Crate & Barrel
- REI (GLA: 34,000 square feet)
- Best Buy
- The Container Store
- Linens N Things
- Old Navy Clothing Co.
- Whole Foods Market
- CompUSA

North Cross Mall

- Beall's Department Store (GLA: 55,000 square feet),
- Furr's Cafeteria (GLA: 13,175 square feet)
- Oshman's Sporting Goods (GLA: 80,000 square feet)
- Regal Cinema

Brodie Oaks

- Mervyn's (GLA: 76,500 square feet)
- Neiman Marcus Last Call Clearance (GLA: 33,205 square feet)
- Sun Harvest Farms (GLA: 20,300 square feet)
- Toys "R" Us (GLA: 32,532 square feet)

Dobie Mall

- Bevo's Department Store (GLA: 4,155 square feet),
- Dobie Theater (GLA: 9,500 square feet)
- University Credit Union (GLA: 6,262 square feet)

Competitive Context - Austin MSA Regional Shopping Centers

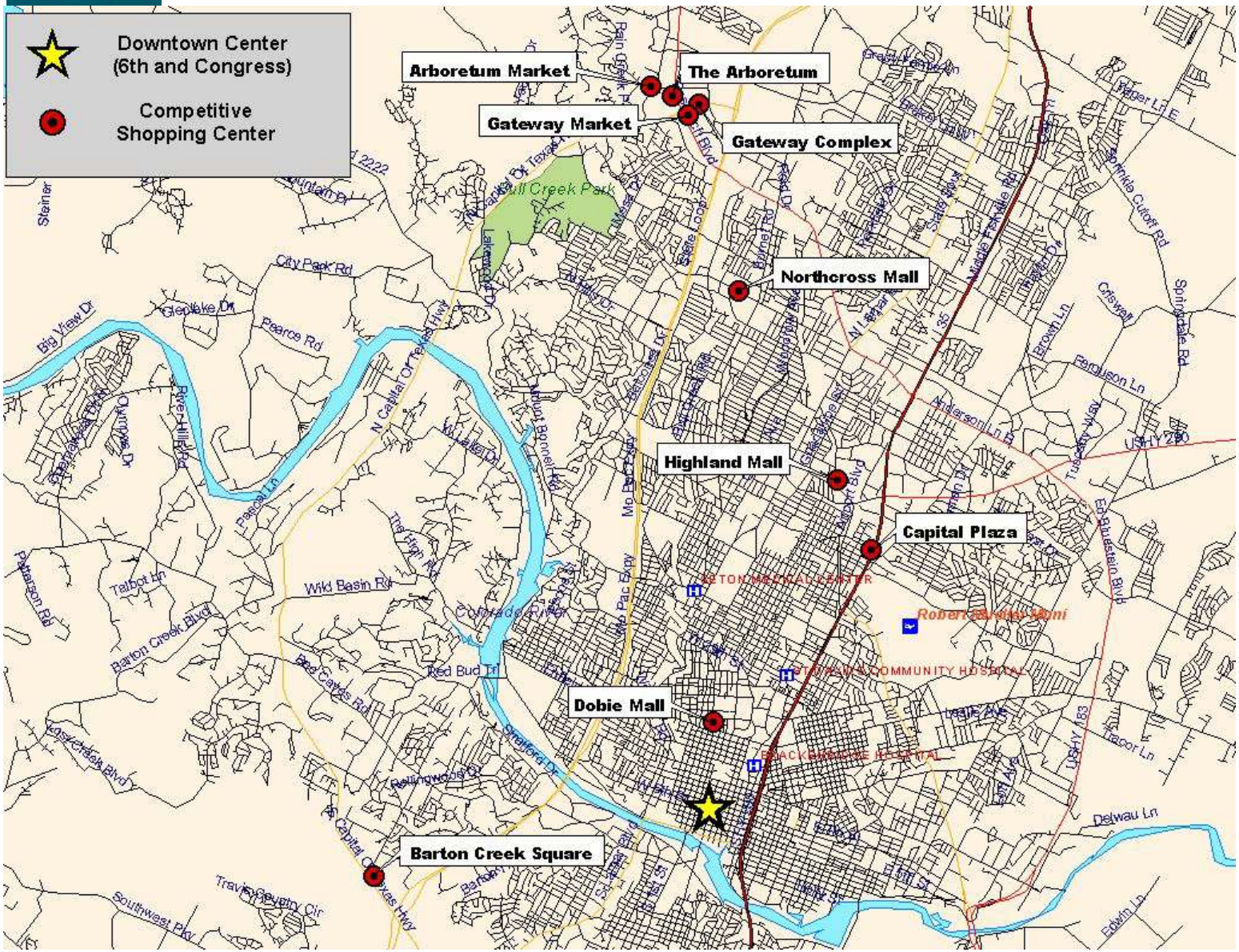
Name	Address	Distance from Downtown Austin	Year Opened	Retail Type	Market Strategy	GLA/ Occupancy/ Rents
The Arboretum	10000 Research Blvd., Austin, TX 78759	11. 5 miles	1985	Community	Lifestyle	GLA: 212,000 square feet; 98% occupancy.
Arboretum Market	9722 Great Hills Trail (adjacent to Arboretum)	11.7 miles	1987	Community	Traditional tenant mix	GLA: 105,190 square feet; 100% occupancy.
Gateway Courtyard	9901 N Capital of Texas Hwy, Austin, TX 78759	11. 5 miles	1996	Neighborhood	Traditional tenant mix	GLA: 77,262 square feet; 15 stores.
Gateway Market	9607 Research Rd, Austin, TX 78759	11 miles	1994	Community	Traditional tenant mix	GLA: 213,000 square feet; 16 stores.
Gateway Square	9607 Research Rd, Austin, TX 78759	10.7 miles	1993	Community	Traditional tenant mix	GLA: 140,376 square feet
Northcross Mall	2525 W Anderson Ln, Austin, TX 78757	9 miles	Constructed 1975; Expanded 1983; Renovated 1998.	Regional shopping center	Specialty tenant mix	GLA: 14,000 square feet; 91% occupancy; average lease rate: $15-20 per square foot; retail sales per square foot:$300.

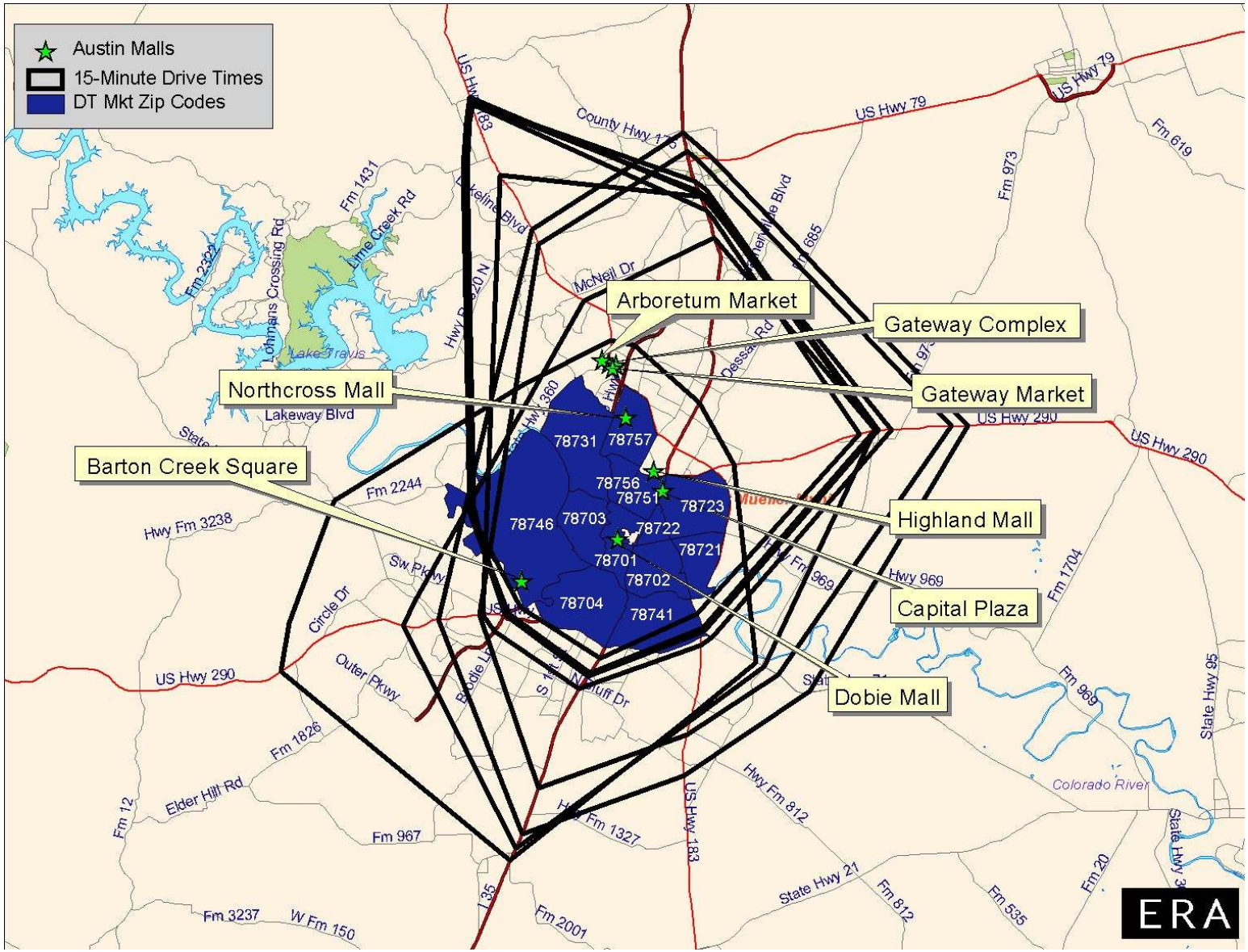
Source: Shopping Center Directory; Economics Research Associates, 2004.

Competitive Context - Austin MSA Regional Shopping Centers

Name	Address	Distance from Downtown Austin	Year Opened	Retail Type	Market Strategy	GLA/ Occupancy/ Rents
Capital Plaza	5400 N. I-35, Austin, TX 78723	5.8 miles	Constructed 1960; Expanded/ Renovated 1985.	Regional Shopping Center	A traditional tenant mix strategy is incorporated.	GLA: 477,102 square feet; 39 acres; 70% occupancy; rents: $12.50 per square foot
Barton Creek Square	2901 Capital of Texas Hwy., Austin, TX 78746	5.5 miles	Constructed 1975; Expanded 1995; Renovated 1995.	Regional shopping center	Traditional tenant mix	GLA of 1,403,769 square feet; 120 acres.
Highland Mall	6001 Airport Blvd, Austin, TX 78752	5.3 miles	Constructed 1971; Expanded 1971; Renovated 1988.	Super regional center	Traditional tenant mix	GLA: 1,086,000 square feet; 75 acres.
Brodie Oaks	4032 S Lamar Blvd, Austin, TX 78746	3.2 miles	1983	Regional shopping center		GLA: 363,901 square feet; 97% occupancy.
Dobie Mall	2021 Guadalupe, Austin, TX 78705	1.4 miles	Constructed 1970; Renovated 1995	Community	Convenience Center	GLA: 100,000 square feet; 84% occupancy; sales per square foot, $140.

Source: Shopping Center Directory; Economics Research Associates, 2004.


Downtown Center
(6th and Congress)
Competitive
Shopping Center
Arboretum Market
The Arboretum
Gateway Market
Gateway Complex
Northcross Mall
Highland Mall
Capital Plaza
Dobie Mall
Barton Creek Square


Austin Malls
15-Minute Drive Times
DT Mkt Zip Codes
Arboretum Market
Gateway Complex
Gateway Market
Northcross Mall
Barton Creek Square
Highland Mall
Capital Plaza
Dobie Mall
78731
78757
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78751
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78746
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78702
78704
78741
US Hwy 79
US Hwy 290
Fm 1431
Lime Creek Rd
Lohmans Crossing Rd
Lake Travis
McNeil Dr
Dessau Rd
Lakeway Blvd
Fm 2244
Hwy Fm 3238
Sw Pkwy
Circle Dr
Outer Pkwy
Fm 1826
Elder Hill Rd
Fm 12
Fm 967
Fm 3237
W Fm 150
Fm 2001
Hwy Fm 1327
US Hwy 183
Hwy Fm 812
State Hwy 21
Fm 812
Fm 535
Fm 20
Colorado River
State Hwy 95
Fm 969
Fm 1704
Hwy 969
Fm 973
Fm 619
ERA

Summary of Downtown Austin Retail Inventory

The Downtown Austin Retail Strategy is based, in part, on significant efforts by the DAA and members of the Retail Strategy Steering Committee to develop a comprehensive retail inventory of existing retail uses in the nine subdistricts of the study area and adjacent areas. To this end, the DAA dedicated staff to collecting primary research on more nearly 35 percent of the total retail space in study area. Primary data collected included:

- Use type
- Square feet
- Vacancy rates
- Rental rates
- Sales productivity rates

Analysis of these data provides the following summary of predominant retail characteristics of each of the subdistricts under consideration:

- Congress Avenue: The Congress Avenue District includes full-service and casual dining restaurants, a limited number of specialty retailers and jewelers, museums and theaters, business-serving uses such as banks and office lobbies. Congress Avenue also includes several blocks of historic structures that establish part of the character of the "Main Street of Texas," as well as potential redevelopment sites on existing surface parking lots

- Convention Center District: The Convention Center District indicates equal representations of full-service restaurants, limited service eating places, drinking places and night clubs, and galleries and art dealers. In addition, there are ample business support services, such as copy and printing services.

- Lamar/Baylor District: This District is characterized by a wide variety of retail establishments, from limited service eating places (15 percent), full service restaurants (8 percent), and hair salons (8 percent). Categories representing less than five percent of the total retail offerings include home furnishings and apparel, gifts, novelty and souvenir shops, personal care stores, auto dealers, book stores, gas stations, camera stores, beer, wine and liquor stores, auto repair, galleries and art dealers, supermarkets, and fitness and recreation centers.

- East Sixth District: Unsurprisingly, the large majority of East Sixth's retail offerings are drinking places and night clubs (55 percent); full service restaurants (19 percent), and a number of other categories such as tattoo parlors, gifts, novelty and souvenir stores, convenience stores, and tobacco stores.

- Red River/East Downtown District: The Red River/East Downtown District is largely home to drinking places and night clubs (43 percent); copy and printing services (10 percent) and hair salons (7 percent). The area is also home to a small number of a variety of personal services, convenience and auto repair stores (5 percent or less).

- Second Street District: Although Second Street is undergoing a significant transformation due to the mixed-use development currently underway, the area is currently characterized by full service restaurants (60 percent) and drinking places and night clubs (20 percent). In addition, hair salons, general merchandise stores and furniture and home furnishings represent nearly 25 percent of the total retail space in this district.

- West Fifth & Sixth Streets District: No single retail category dominates this district, which includes a variety of full service restaurants (16 percent), drinking places and night clubs (14 percent), furniture and home furnishings (14 percent), copy and printing services (12 percent), galleries and art dealers (7 percent). Retailers comprising less than five percent of the total space in this district include auto repair shops, beer, wine and liquor stores, car rental agencies, construction equipment rental, home repair supply stores, apparel stores and shoe stores.

- The Arts District: Full service restaurants comprise the majority of retail activities in the Arts District (37 percent). The balance of the retail space in this district is comprised of diverse businesses such as drinking places and night clubs, sporting and recreational goods, dry cleaning and laundry services, beer wine and liquor stores, florists, hair salons and auto repair shops (each comprising less than 7 percent total retail space). Notably, galleries and dealers currently comprise only 11 percent of total retail space in the Arts District, indicating that an expansion of these types of space users would serve to further solidify the identity of this subdistrict as a destination for cultural and arts offerings.

- Warehouse District: As with the Second Street and East Sixth Districts, drinking places and night clubs represent 51 percent, and full/limited service restaurants represent another 44 percent of retail activity in the Warehouse District. The balance of the space includes a single hair salon and movie theater.

A summary of the combined study area subdistricts is provided in Table 8. Detailed tables providing data for each of the subdistricts individually are provided in the Appendix.

Table 8: Summary of Retail Inventory by Retail Category

Combined Study Area Districts

Type of Establishment	No. of Establishments	Share of Total Establishments
Drinking Places & Night Clubs	104	27.4%
Full Service Restaurants	71	18.7%
Limited Service Eating Places	47	12.4%
Copy & Printing Services	15	4.0%
Hair Salon	15	4.0%
Galleries & Art Dealers	13	3.4%
Gift, Novelty, & Souvenier Shops	13	3.4%
Furniture & Home Furnishings	12	3.2%
Dry Cleaning & Laundry Services	8	2.1%
Auto Repair Shops	6	1.6%
Beer, Wine, & Liqour Stores	6	1.6%
Gas Station w/ Convenience Stores	6	1.6%
Apparel Stores	5	1.3%
Jewelery Stores	5	1.3%
Car Rental	4	1.1%
Convenience Stores	4	1.1%
Tattoo Parlors	4	1.1%
Auto Dealers	3	0.8%
Camera Stores	3	0.8%
Music Stores	3	0.8%
Personal Care Stores	3	0.8%
Photographic Services	3	0.8%
Sporting & Recreational Goods	3	0.8%
Tobacco Stores	3	0.8%
Book Stores	2	0.5%
Caterers	2	0.5%
Fitness & Recreation Centers	2	0.5%
Check Cashing Centers	1	0.3%
Construction Equipment Rental	1	0.3%
Florists	1	0.3%
General Merchandise	1	0.3%
Home Repair Supply Stores	1	0.3%
Locksmith	1	0.3%
Movie Theater	1	0.3%
Office Supply Stores	1	0.3%
Optometrists	1	0.3%
Other Personal Care Services	1	0.3%
Pharmacy & Drug Stores	1	0.3%
Shoe Repair	1	0.3%
Shoe Store	1	0.3%
Supermarket	1	0.3%
Total Retail Establishments	379	100%

Source: Downtown Austin Alliance; Economics Research Associates

Downtown Austin Retail Rental Rates

According to the Downtown Austin Alliance, retail rental rates and sales productivity rates struggle to compete with other areas in Austin. For example, when comparing lease rates in the Warehouse District, Congress Avenue and SOCO, Sixth Street is performing below the rest of the market. Below are rates for new leases based on information provided in 2003.

A group of Sixth Street property owners retained a consultant, Nichols Gilstrap, to conduct research and analysis on the potential impact of diversifying the retail on Sixth Street to include comparison goods in addition to the existing eating and drinking establishments. The analysis concluded that $150 million in potential annual sales are likely lost due to the lack of diversity in downtown Austin's retail core.

According to the analysis, a repositioning or diversification of retail mix on Sixth Street would likely result in increases in property values. The incremental valuation difference holds tremendous potential economic benefit to the City, County, School District and State through gains in sales and property taxes.

Analysis of prevailing rental rates in Downtown Austin indicates that no particular District stands out as garnering particularly high rents. The Second Street project has the potential for setting a precedent for higher value rents, a trend that will result in convincing national retailers that the Downtown Austin market has the spending power to support higher rental values.

Downtown Austin District	2003 Rental Rate (per square foot, triple net)
▪ Convention Center District:	$18
▪ Lamar/Baylor District:	$18 to $28
▪ East Sixth District:	$15 to $18
▪ Red River/East Downtown District:	$12 to $15
▪ Second Street District:	$28 to $32
▪ Warehouse District:	$28 to $32
▪ West Fifth & Sixth Streets District:	$18 to $30
▪ The Arts District:	$10 to $18

Sales Productivity Rates

The Downtown Austin Alliance conducted a detailed retail inventory of retail businesses in each of the nine subdistricts. Data collected included sales productivity, occupied space, description of physical space, typical customer base, and other factors. Tables 9 and 10 provide a summary of the results of this data collection, presented in a range of low, high, and median values. Note that the median values presented here do not necessarily indicate that the businesses participating in the survey are achieving sales productivity rates at the levels indicated. ERA's analysis of the low and high ends of each of the categories points to widely variable performance within subdistricts. In other words, some businesses are achieving the productivity levels that would be required by a national chain operator considering expansion to a downtown Austin location.

Table 9

Retail Inventory- Sales Samples
General Merchandise Establishments

Type of Establishment	District	Average Space	Estimated Sales Productivity Low	High	Midpoint	National Chain Comparables (avg. sales psf)[1]
Galleries & Art Dealers	The Arts District	1,600	$63	$156	**$109**	dna
	East Sixth Street District	2,000	$13	$25	**$19**	
Convenience Stores	East Sixth Street District	3,400	$74	$147	**$110**	$201
Furniture & Home Furnishings	West 5th & 6th District	2,200	$227	$455	**$341**	$226
General Merchandise Stores	Second Street	4,000	$125	$250	**$187**	$200
Gift, Novelty, & Souvenir Shops	East Sixth Street District	550	$8	$909	**$459**	$194
Hair Salons	East Sixth Street District	1,300	$38	$77	**$58**	$354
Tattoo Parlors	East Sixth Street District	1,380	$72	$181	**$127**	dna
Copy & Printing Services	Red River/East Downtown	4,080	$245	$613	**$429**	$225
Apparel & Accessories	West 5th & 6th District	850	$294	$588	**$441**	$245

Source: Downtown Austin Alliance; US Business Reporter Retail Report; ULI Dollars & Cents of Shopping Centers; Economics Research Associates, 2005.

Drinking places and night clubs in the Second Street and East Sixth Street subdistricts reported the highest median sales productivity rates overall – performance that is consistent with Austin's image as a destination for evening entertainment activities.

Table 10
Retail Inventory- Sales Samples
Eating & Drinking Establishments

Type of Establishment	District	Total Occupied Space	Estimated Sales Productivity Low	High	Midpoint	National Chain Comparables (avg. sales psf)[1]
Drinking Places & Night Clubs	Second Street	1,200	$833	$2,083	**$1,458**	$328
	East Sixth Street District	7,600	$33	$1,786	**$909**	
	Warehouse District	180	$139	$625	**$382**	
	Red River/East Downtown	2,418	$207	$414	**$310**	
	Congress	6,290	$159	$397	**$278**	
	West 5th & 6th District	14,610	$68	$171	**$120**	
Limited Service Eating Places	The Arts District	1,568	$319	$638	**$478**	$554
	Warehouse District	1,000	$250	$500	**$375**	
	Congress	1,800	$139	$278	**$208**	
	The Arts District	1,200	$83	$208	**$146**	
	East Sixth Street District	2,300	$43	$109	**$76**	
	Red River/East Downtown	2,800	$36	$89	**$62**	
Full Service Restaurants	The Arts District	2,800	$357	$893	**$625**	$427
	Warehouse District	2,800	$75	$893	**$484**	
	East Sixth Street District	1,793	$24	$558	**$291**	

Source: Downtown Austin Alliance; US Business Reporter Retail Report; ULI Dollars & Cents of Shopping Centers; Economics Research Associates, 2005.

Notably, the analysis of this data will form the basis for guiding the recommendations for implementation of the downtown Austin retail strategy. The DAA has taken a significant step in establishing a retail inventory of the downtown area; and that initial inventory represents approximately one-third of the locations in the study area. Just as in a suburban mall, access to a current and accurate retail space inventory data is a fundamental tool needed to document occupancy trends and available space, sales productivity (to the extent that sales information is made available) and rental rates. Because this tool is central to implementation of the longer term repositioning strategy for downtown Austin, it is strongly recommended that the DAA and its partners place a high priority on maintaining the retail inventory database on an ongoing basis. In our view, this should be a primary task of the new Downtown Retail Coordinator's position. Through use of the inventory, downtown Austin's retail environment can be 'managed' in a manner similar to a regional mall.

Downtown Austin Shopper Behavior Survey

M. Crane & Associates, an Austin-based professional survey firm, conducted more than 400 telephone interviews in April of 2003 to collect primary market research regarding the shopping preferences and behaviors of Austin residents as related to shopping in the downtown area. The survey was based on a random sampling of households in areas near downtown Austin (including the 78701, 78703, 78704, 78705, 78731, 78746, 78751, 78756, 78757 zip codes corresponding to ERA's market segmentation-based demographic analysis). The factors considered by the survey included how often the shoppers represented by the zip code distribution would shop in downtown Austin.

Just over half (54 percent) of the respondents were female; 46 percent were male. The respondents' ages were evenly distributed among a range of age brackets. One third (32 percent) were between 18 and 34; one third (32 percent) were between 35 and 44; and one third (36 percent) were 45 or older. Nearly half of the respondents (45 percent) had at least a college degree. In one third (32.5 percent) of the households surveyed, at least one person works in the downtown area. It should also be noted that the opinions about downtown shopping expressed by the subgroups surveyed were consistent, regardless of the specific demographic characteristics – whether based on distance from downtown, whether or not the respondent works downtown, and across age, income and educational levels. Respondents were interested in shopping in downtown Austin ***if more stores were available.***

Analysis of the survey results indicates that downtown shoppers are likely to exhibit the following behaviors:

- If the stores were located downtown respondents are most likely to shop at:
  - Regular department stores (like Foley's or Dillard's)
  - Casual clothing stores (like The Gap or J. Crew)
  - Music stores (like Tower Records or Waterloo Records)
  - Video stores (like Blockbuster or I Love Video)
  - Book stores (like Bookstop, BookPeople, or Half-Price Books)

- If these types of stores were available downtown, most area residents would do at least some of their regular shopping there:
  - Clothing stores
  - Books / Music stores
  - Home Accessories stores
  - Cards / Gifts stores
  - Grocery stores

- When shopping for men's / boy's clothing, area residents shop most frequently at:

- General merchandise stores (like Target or Wal-Mart)
- Department stores (like Foley's or Dillard's)
- Discount department stores (like Kohl's or Mervyn's)
- Casual clothing stores (like The Gap or J. Crew)
- Discount clothing stores (like Ross, T.J. Maxx, Old Navy, or Men's Wearhouse)

- When shopping for women's / girl's clothing, area residents shop most frequently at:
  - General merchandise stores like Target or Wal-Mart
  - Department stores like Foley's or Dillard's
  - Discount department stores like Kohl's or Mervyn's

- People who live downtown also shop fairly frequently at:
  - Casual clothing stores (like The Gap or J. Crew)
  - Discount clothing stores (like Ross, T.J. Maxx, or Old Navy)
  - Upscale clothing stores (like Ann Taylor, Talbots, or Banana Republic)
  - Boutiques (like Sue Patrick, The Garden Room, Jezebel, or By George)

In summary, market area shoppers tend to seek large format discount retailers for the majority of their apparel purchases. Although shoppers do not currently seek home accessories, cards and gifts, and grocery items in Downtown Austin retail stores, shoppers would make at least some of these types of purchases in the downtown if the offerings were available.

Table 11: Summary of Shopper Behavior Telephone Survey

Type of Store	Percent "Very" or "Somewhat" Likely to Patronize Type of Store	Percent Would do "Some", "Most", or "All" of Their Shopping Downtown
Department Store	88%	NA
Casual Clothing	67%	85%
Video Rental	67%	NA
Music	65%	82%
Book	64%	82%
Home Accessories	56%	79%
Cards / Gifts	39%	76%
Grocery Stores	NA	57%

Source: M. Crane & Associates, 2004.

Downtown Austin Customer Base Survey

In order to assess the characteristics of Downtown Austin's existing customer base, the DAA conducted a survey of existing stores selling retail products downtown. The overall purpose of the survey was to obtain "anecdotal" information regarding the characteristics of downtown shoppers. The survey targeted a selected sampling of the ten leading retail businesses in each downtown subdistrict where there was an appropriate concentration of retail businesses, including: restaurants, night clubs, service businesses (salons, dry cleaners, banks, etc.), retail apparel stores, and hotels. Data collected included: age range, gender, average transaction size, average sales per square foot, likelihood of shoppers to actually make a purchase, and perceptions regarding parking. A detailed summary of the surveys findings is provided in Table 12. An analysis of responses to the survey indicate the following:

- Congress Avenue: This shopping district reported the highest average transaction size at $109, supported by the highest proportion of downtown employee shoppers (60 percent of total).
- Lamar/Baylor District: This district is characterized by a wide variety of rent levels which provide opportunities for both entry-level and more established local and area retailers. A female customer base representing only 45 percent of shoppers reflects limited soft goods and apparel offerings (female shoppers spend about 80 percent of disposable household income on shopper's goods).
- East Sixth District: East Sixth remains a major visitor destination (43 percent of total customers are from outside Austin, a rate two to thee time that of other districts).
- **West Fifth & Sixth Streets District**: This area is characterized by a wider ranging market (20 to 60 years old), and attracts 45 percent of its customer base from the downtown office worker segment.
- **The Arts District**: This district attracts customers of all ages (8 to 75 years old) and primarily Austin residents (83 percent). With average sales productivities reported by some businesses in the range of $75 per square foot, this district also represents an opportunity for new independent retailers seeking below-market rents. Also similar to the Lamar/Baylor district, only 45 percent of the shoppers are female, reflecting limited soft goods and apparel offerings.

- Warehouse District: This district reported the highest average sales per square foot ($298), an average that includes a wide range of very low and very high producers (from $75 to $625 per square foot) generated by a majority of night clubs and eating and drinking establishments. In short, the property owners renting space to night clubs and eating and drinking places are accustomed to sales that support rental rates that are generally higher than other use types in the downtown. As a result, property owners may not recognize the economic benefits of diversifying the retail mix to include comparison shopper's goods.

Table 12: Downtown Austin Retailer Customer Base Survey Results

SubDistrict	Warehouse	Arts District	Lamar	E. 6th St.	Congress Ave.	W. 6th
Customers' Age Range:	20-76	8 to 75	13 to 80	8 to 75	16-55	20 to 60
Gender Breakdown:						
a) Female	56%	45%	45%	47%	57%	47%
b) Male	49%	55%	55%	53%	43%	53%
Avg. Transaction Size:	$ 36	$ 44	$ 44	$ 45	$ 109	$ 45
Avg. Sales per SF	$ 298	$ 75	$ 75	$ 203	$ 282	$ 414
Customer Breakdown:[1]						
a) DT Employees	37%	55%	55%	28%	60%	45%
b) Students	16%	21%	21%	22%	5%	12%
c) Other	54%	30%	30%	50%	8%	12%
TOTAL						
a) Residents of Austin	83%	88%	88%	57%	30%	62%
b) Visitor/Tourists	18%	12%	12%	43%	20%	18%
TOTAL						
Business Type Survey Sampling	Bar, Restaurant, Salon	Restaurants, Misc. Retail Goods	Restaurants, Misc. Retail Goods	Restaurants, Night Clubs & Bars, Tatoo/Piercings, Novelties	Restaurants, Misc. Retail, Business Services	Restaurant, Bar, Home Furnishings

[1] Totals represent average of all retailers and may not total 100% in each district.

Source: Downtown Austin Alliance; Economics Research Associates, 2004.

Task 3 – Retail Demand Analysis

Introduction

In analyzing the potential to develop a concentration of retail uses in the nine study area subdistricts, ERA considered the potential support for additional retail space and the redevelopment of existing space in the entire downtown.

The retail market analysis is based upon an identification of the key markets that will likely generate sales in the study area subdistricts discussed above. In turn, the total spending potential of these markets is calculated based on a variety of resources, such as: consumer expenditure patterns for the local resident market; surveys detailing spending patterns of downtown employees; visitor spending characteristics provided by the Austin CVB; qualitative aspects of the competitive context; and the appropriateness of the existing retail mix to the tastes and incomes of logical markets. In ERA's analytical model, an estimate was derived for total retail spending potential attributable to each consumer market for three major retail categories general merchandise, apparel, household furnishings, and other types of soft goods (GAFO), groceries and convenience, and food and beverage.

In subsequent phases of this study, the consultant team derived an estimate of the "capture" of sales achieved downtown under two scenarios (for 2003 and 2008). The differences in capture rates are subject to several types of variables; among others, these variables include: (1) proximity and compatibility of each market to Downtown, (2) the size and configuration of Downtown retail, (3) Downtown's proximity and relationship to primary streets, current and future transit stations/stops and pedestrian linkages, (4) adjacency to office concentrations, future residential development, and other uses, (5) access constraints and limitations related to parking, and (6) consumer expenditure patterns inherent to the respective consumer markets for each type of retail. All of these are also affected, as well, by the quantity and quality of the surrounding retail competition. The derivation of capture rates will be formally discussed in subsequent phases of this study.

Expenditure Potential Summary

The combined expenditure potential generated by the consumer market segments discussed above represents the total "pool" of money from which downtown retailers can capture a share to increase total sales, which in turn will generate the potential for downtown to induce existing establishments to relocate downtown or entice new retailers to enter the market for the first time. Each consumer group demonstrates a unique spending behavior, allocating different proportions of their total expenditure across consumer goods (GAFO), groceries and convenience, and bars and restaurants (food and beverage away from home). The distribution of expenditure for each consumer segment is as follows:

- **Residents:** Bureau of Labor Statistics *Consumer Expenditure Survey Data* reveals that GAFO accounts for approximately 40 to 45 percent of total resident expenditure; groceries and convenience represent 30 to 40 percent; and food and beverage account for the remaining 20 to 25 percent. The variation in proportional spending is attributable to differing age and income characteristics in the 14 resident market ZIP Codes.
- **Office Workers:** International Council of Shopping Centers (ICSC) survey data and methodologies developed by ERA and Dr. Steven Fuller of George Mason University suggest that office workers allocate 70 percent of their total expenditure to food and beverage; 20 percent to GAFO; and 10 percent to groceries and convenience.
- **Visitors:** The Austin CVB reports the spilt of visitor expenditure across the three retail categories as 55 percent of total spending going to food and beverage; 35 percent to GAFO items; and 10 percent to convenience goods.
- **Students:** Similar to residents, BLS survey data suggests that approximately 38 percent of UT student expenditure is spent on consumer goods. The proportion of total student expenditure spent on groceries and convenience is slightly less than non-student residents, estimated at only 33 percent. A greater share of total student expenditure is going to bars and restaurants, representing 29 percent of total expenditure.

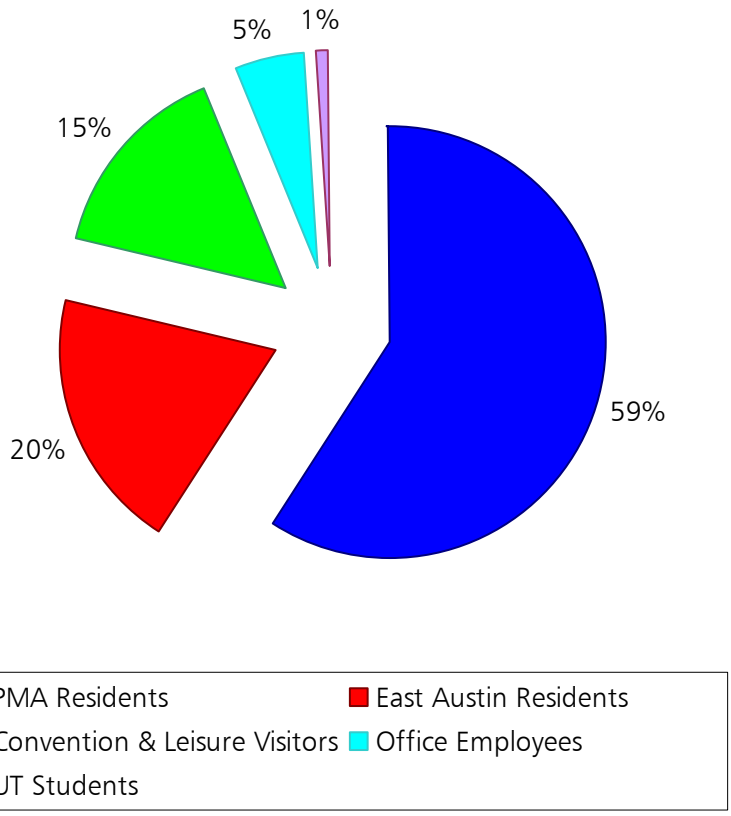
Taking these spending behaviors into consideration, ERA estimates that in 2003, the combined consumer market represents over $2.8 billion in total retail expenditure potential— $1.1 billion allocated to GAFO (40 percent), $818 million to groceries and convenience (29 percent), and $872 million to food and beverage away from home (31 percent). By 2008 it is estimated that growth of the consumer base population, along with changes in spending behavior demonstrated by the respective segments, will result in a $1 billion increase in total expenditure potential to approximately $3.6 billion. The distribution of expenditure across the major retail categories is expected to remain relatively similar to the estimated 2003 proportions. The contribution of the respective consumer markets to the three major retail categories in 2003 and 2008 are shown below in Tables 13. More detailed expenditure tables are provided in the Appendix following the main body of the report. Note that these projections represent total expenditure potential, from which downtown Austin will capture a share, depending on the ultimate mix of available stores.

Table 13: Consumer Segment Share of Total Expenditure by Major Retail Category, 2003 & 2008

	2003		2008	
	Total Expenditure Potential	Share of Category Expenditure	Total Expenditure Potential	Share of Category Expenditure
GAFO				
PMA Residents	$ 727,972,591	64%	$ 885,191,517	65%
East Austin Residents	224,085,657	20%	273,833,400	20%
Convention & Leisure Visitors	152,571,668	13%	160,030,309	12%
Office Employees	28,670,640	3%	31,389,384	2%
UT Students	10,309,179	1%	13,745,573	1%
Subtotal	$ 1,143,609,735	100%	$ 1,364,190,183	100%
Groceries and Convenience				
PMA Residents	$ 540,198,181	66%	$ 643,490,580	66%
East Austin Residents	211,704,378	26%	254,776,309	26%
Convention & Leisure Visitors	43,591,905	5%	45,722,945	5%
Office Employees	14,335,320	2%	15,694,692	2%
UT Students	9,001,837	1%	12,002,450	1%
Subtotal	$ 818,831,621	100%	$ 971,686,975	100%
Food & Beverage				
PMA Residents	$ 397,633,549	46%	$ 488,649,159	48%
East Austin Residents	126,751,161	15%	154,322,313	15%
Convention & Leisure Visitors	239,755,478	27%	251,476,200	25%
Office Employees	100,347,240	12%	109,862,844	11%
UT Students	7,996,189	1%	10,661,586	1%
Subtotal	$ 872,483,617	100%	$ 1,014,972,101	100%

Source: Economics Research Associates

Figure 4: Consumer Segment Share of Total Expenditure, 2003



2003 Total Retail Expenditure= $2,834,924,972

ERA evaluated the likely parameters for capture rates by market segment based on the following variables:

- Competitive Malls
- Role of new 2nd Street retail district
- Retail storefronts and continuity
- Consumer behaviors
- Great Streets and context within which public funding priorities must be established to accomplish key blocks/nodes
- Convention Center and visitors
- Retail mix/offerings
- Discuss investment grade vs. secondary retail rates

These inputs form the basis for the estimate of supportable retail space defined in the following section.

Summary of Supportable Retail Space

Based on average sales productivity rates established by the International Council of Shopping Centers, ERA estimates that there is market support for between 605,000 and 830,000 square feet of retail space in downtown Austin (2003 estimate). Assuming higher sales productivity rates that could be achieved with enhanced offerings, ERA estimates the potential market demand for retail space could increase to between 723,00 and 990,000 square feet.

Table 14:

Incremental Downtown Austin Retail Potential

	Current Offerings		*Enhanced Offerings*	
	Square Feet		*Square Feet*	
	Baseline	**Optimistic**	**Baseline**	**Optimistic**
Supportable SF	2003	2003	2008	2008
GAFO	287,000	419,000	337,000	493,000
Grocery and Conv.	55,000	84,000	73,000	108,000
Food & Beverage	263,000	327,000	313,000	389,000
Total Supportable SF	**605,000**	**830,000**	**723,000**	**990,000**

Source: ERA, 2004

Taking into consideration significant retail projects currently under development in downtown Austin, ERA estimates that downtown Austin has the potential to support a net new increment of between 503,000 and 770,000 square feet (Table 15); this total includes the existing supply of retail in downtown Austin, estimated to total approximately 300,000 square feet of existing space.

Table 15:

Net Supportable Retail

2008 Estimate	*Square Feet* **Baseline**	*Square Feet* **Optimistic**
Total Supportable	723,000	990,000
Less 2nd Street Project	220,000	220,000
New Increment	**503,000**	**770,000**

Source: ERA, 2004

Definition of Key Consumer Markets

The demographic and socioeconomic characteristics of Downtown Austin and its surrounding neighborhoods provide insight about key retail opportunities and voids in the downtown marketplace. These statistics will better inform existing and prospective retail tenants about the types of merchandise that appeal to the broad consumer base, and at the same time, reveal specific opportunities to accommodate underserved markets. ERA has identified three key market segments that comprise the core group of consumers that

generate current and potential demand for goods and services in Downtown. These market segments include: area residents, living both in Downtown and in surrounding neighborhoods; office using employees in the core downtown; and visitors to Austin's many attractions and Convention Center. University of Texas students that are housed in on-campus facilities represent a fourth potential market; however, because of its limited buying power and relatively small size, this market segment is considered secondary to the other three. The following provides an overview of each major market segment.

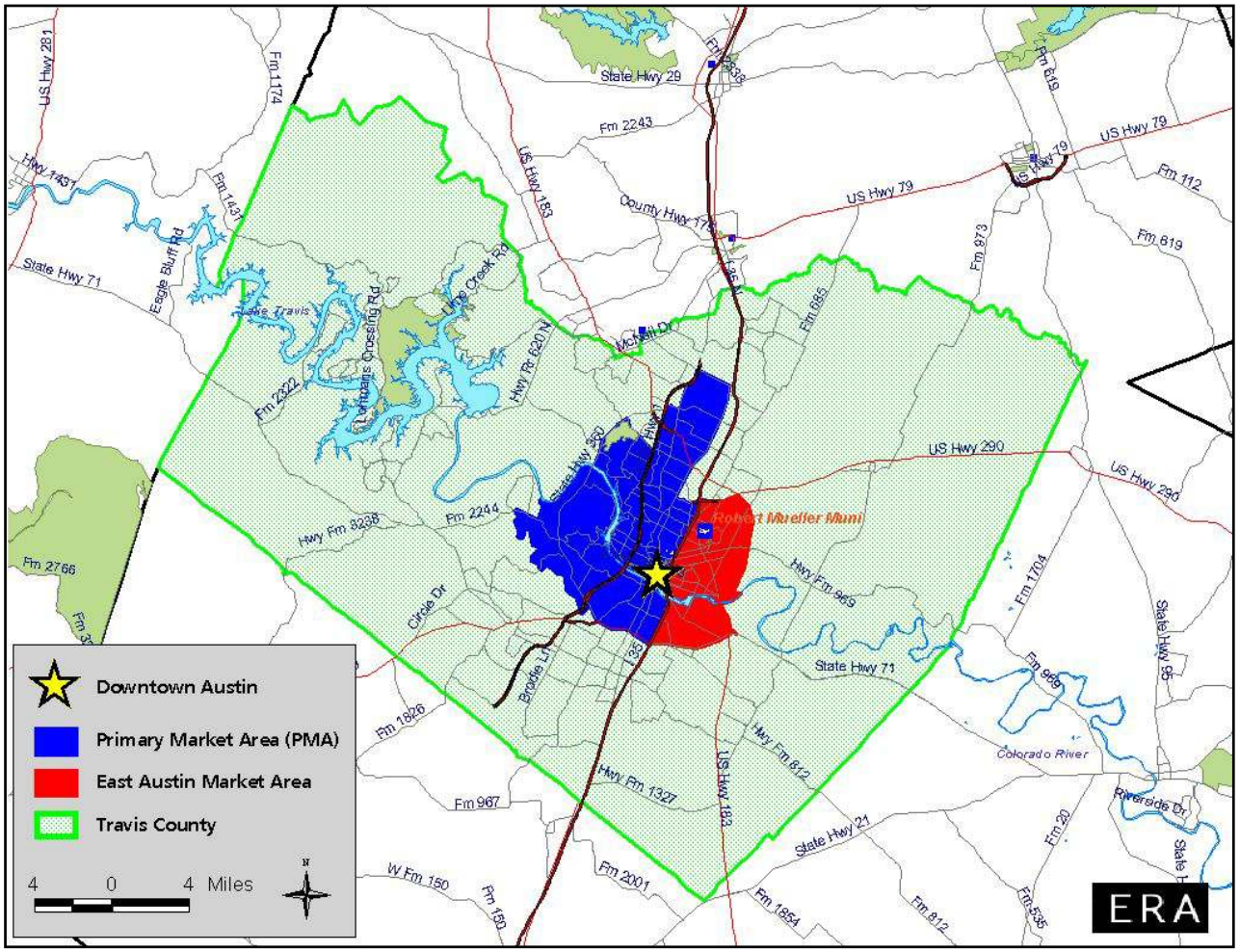
Target Market Residents

This study considers two resident trade areas as potential target markets for enhanced retail offerings; the first is the primary market area ("PMA") that comprises nine ZIP Codes that currently represent the most likely Downtown consumer base as determined by proximity, or a combination of income and demographic qualifications. The secondary market area ("East Austin") is defined by five ZIP Codes east of I-35, that while today are largely underserved, represent a strengthening, potential target market for some Downtown retailers. The ZIP Codes for the two market areas are shown below, and also shown in a geographic context in relation to Downtown Austin in the map on the following page.

It should be noted that while the defined market areas represent the most "captive" group of resident-based consumers, this does not preclude those that reside outside the defined trade areas from spending downtown. Similarly, while these trade areas represent the most "captive" markets, it is reasonable to assume that only a share of their expenditure will be captured downtown, with the remainder flowing to the area's many shopping centers and other suburban retail concentrations. The following presents an overview of select demographic characteristics for each market area relative to the broader Travis County region, between the years 2000 to 2008. Note that historic demographic data is based on 2000 US Census information, while 2003 estimates and 2008 projections are based on information provided by ESRI Business Solutions. ESRI estimates and projections are derived from a GIS database that utilized 2000 US Census information, adjusted for current and expected trends.

Primary Market Area		East Austin Market Area	
78701	78703	78702	78721
78704	78705	78722	78723
78731	78746	78741	
78751	78756		
78757			

Figure 5: Map of PMA & East Austin Market Area



Source: Economics Research Associates

Population & Households

Increasing population density in the target market areas suggests that new types of retail, if positioned correctly, can be supported both downtown and in outlying regions, as the consumer base expands and the volume of retail expenditure increases. Table 16 below shows that the number of residents in the PMA and East Austin increased by 12,637 and 7,042, respectively, between the years 2000 and 2003. These growth estimates translate into average annual growth rates of approximately 2.2 and 2.1 percent. While the populations of the PMA and East Austin grew at a faster rate during this time period than the national population (1.1 percent, based on 2000 US Census national population count, and 2003 US Census national population estimate). Travis County exceeded both target markets, increasing by an average annual rate of 3.1 percent.

Forecasts to 2008 indicate that both the PMA and East Austin will experience increasingly rapid population growth when compared to the previous three-year period, with respective annual rates of 2.8 and 3.0 percent. Compared to Travis County — forecast to continue growing at an average annual rate of 3.1 percent — greater change in the respective rates of growth in East Austin and select PMA ZIP Codes (notably the Downtown ZIP Code of 78701) suggests that these areas are becoming viable residential alternatives to more traditional Austin neighborhoods (Figure 6). As this relative trend continues over time, both the PMA and East Austin will experience a significant increase in population density as residents choose to live closer to the core downtown.

The increase in the number of households in the target market areas relative to Travis County, shown below in Table 16, demonstrates further support for Downtown and East Austin becoming more attractive and increasing dense residential neighborhoods. From 2000 to 2003 the number of households in the PMA increased from 84,845 to 90,677, or an average annual rate of 2.2 percent. Over the same period, the number of East Austin households increased from 40,841 to 42,950, or 1.7 percent annually. Forecasts to 2008 indicate that the PMA and East Austin will add 14,732 and 7,064 households respectively, for a combined total of 21,796 new households.

Annual growth rates for the target markets have historically been below that of Travis County— with County growth rates reported at 2.7 percent from 2000 to 2003 – however, forecast growth rates suggest that the PMA and East Austin will experience a greater change in the rate of household formation. Assuming that this trend continues into subsequent time periods, the target market areas will demonstrate a more rapid growth than the broader County region.

Table 16: Population Growth, 2000 to 2008
PMA, East Austin, Travis County

	Primary Market Area	East Austin	Travis County
Population			
2000 Actual	186,144	109,794	812,280
2003 Estimate	198,781	116,836	891,220
2008 Forecast	227,913	135,149	1,040,575
CAGR[1]			
2000 to 2003	2.2%	2.1%	3.1%
2003 to 2008	2.8%	3.0%	3.1%

[1] CAGR- compound annual growth rate

Source: ESRI Business Solutions; 2000 US Census; Economics Research Associates

Figure 6: Change in Population Growth Rates, '00-'03 to '03-'08
PMA, East Austin, Travis County

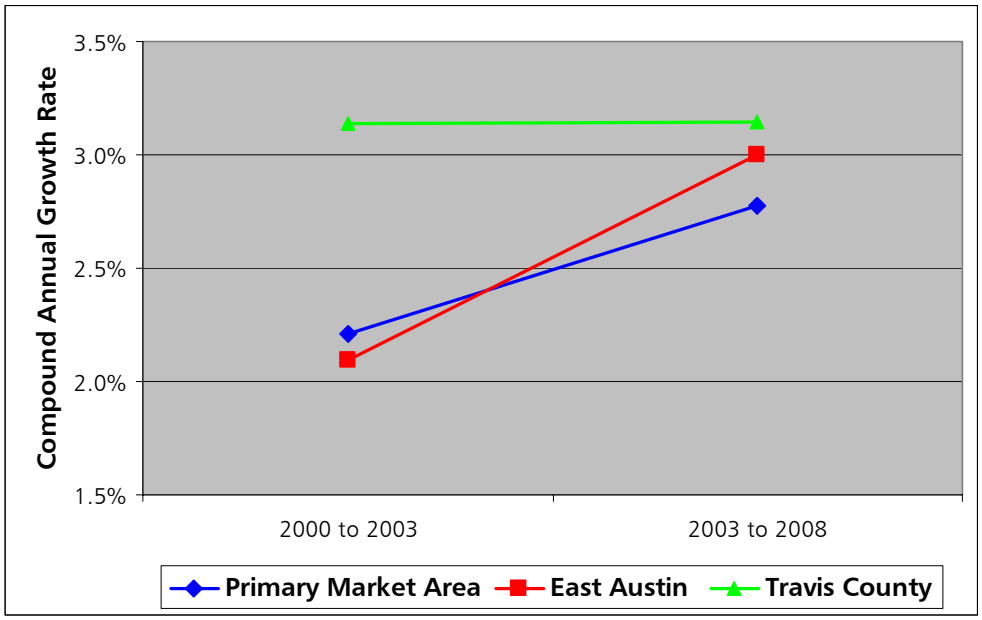


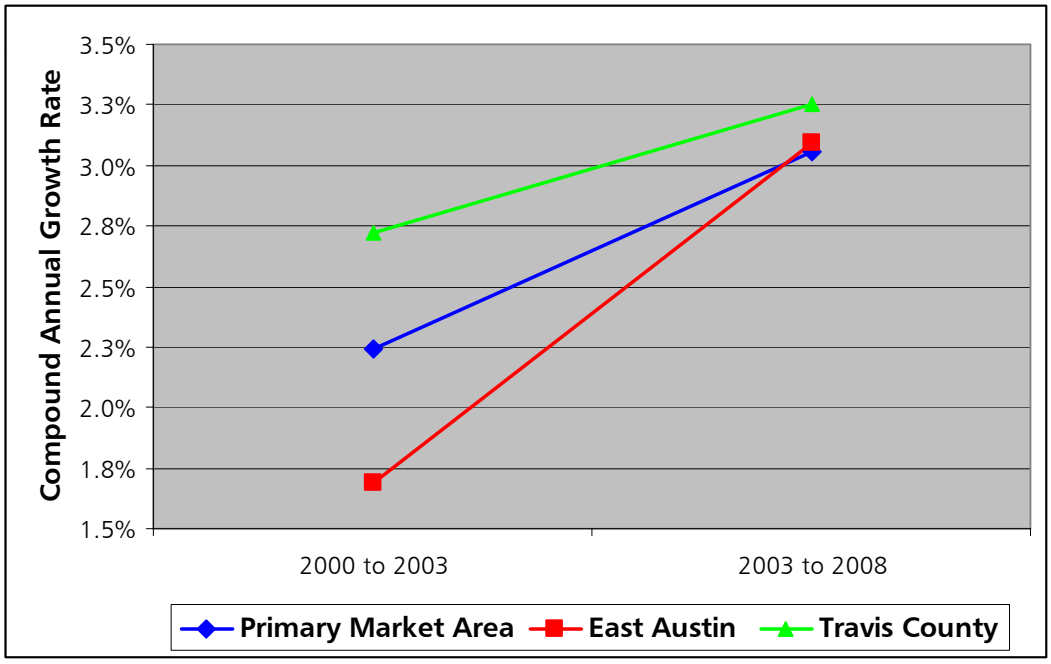
Table 17: Household Growth, 2000 to 2008
PMA, East Austin, Travis County

	Primary Market Area	East Austin	Travis County
Households			
2000 Actual	84,845	40,841	320,766
2003 Estimate	90,677	42,950	347,650
2008 Forecast	105,409	50,014	408,062
CAGR[1]			
2000 to 2003	2.2%	1.7%	2.7%
2003 to 2008	3.1%	3.1%	3.3%

[1] CAGR- compound annual growth rate

Source: ESRI Business Solutions; 2000 US Census; Economics Research Associates

Figure 7: Change in Household Growth Rates, '00-'03 to '03-'08
PMA, East Austin, Travis County



Race & Ethnicity

The relative composition of race and ethnicity has significant implications for retail marketing strategies, as Downtown can broaden its "captive" market by reaching out to an increasingly affluent and underserved population. Table 18 shows that the 2003 PMA population is predominantly White (82 percent) in composition, whereas the East Austin area is predominantly a minority community. In 2003 the concentration of African Americans in East Austin was estimated at 21 percent of the total population, over twice that of Travis County (9 percent), and over seven times greater than the PMA (3 percent). Similarly, in 2003 an estimated 56 percent of East Austin residents report an ethnicity of Hispanic origin; compared to only 32 percent in all of Travis County, and 19 percent in the PMA. While the proportion of Hispanic residents in the PMA is relatively low when compared to East Austin, the Hispanic population has been growing at a faster rate in this predominantly White area, a trend that is forecast to continue between 2003 and 2008.

Table 18: Racial and Ethnic Composition, 2003
PMA, East Austin, Travis County

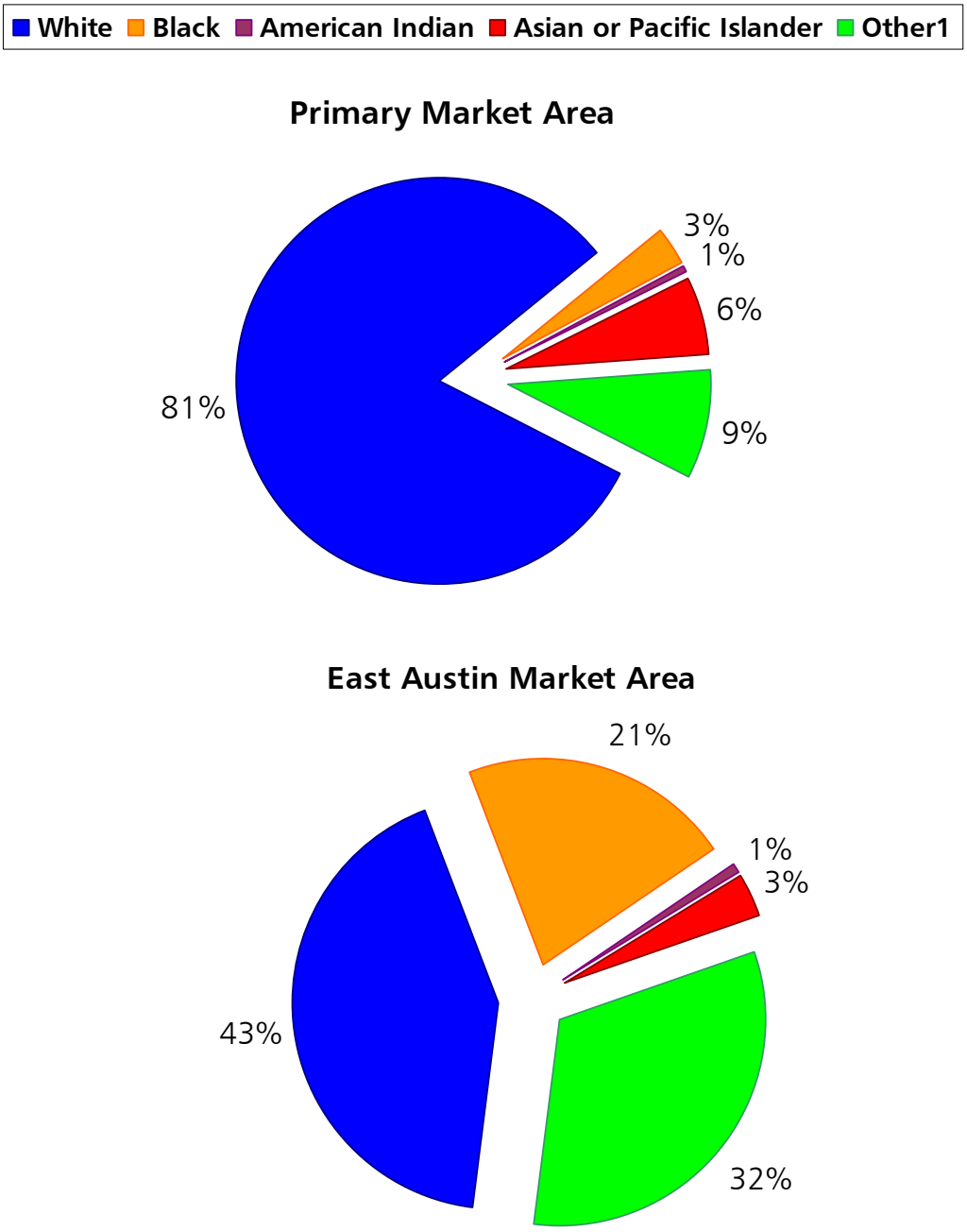
	Primary Market Area			East Austin			Travis County		
	2000	2003	2008	2000	2003	2008	2000	2003	2008
Race/Ethnicity									
White	81%	82%	80%	41%	42%	41%	68%	69%	67%
Black	3%	3%	3%	22%	21%	19%	9%	9%	8%
American Indian	1%	1%	1%	1%	1%	1%	1%	1%	1%
Asian or Pacific Islander	5%	6%	7%	3%	3%	4%	5%	5%	6%
Other[1]	10%	9%	10%	33%	32%	35%	17%	16%	18%
Hispanic[2]	17%	19%	23%	50%	56%	61%	28%	32%	36%

[1] "Other" includes people of any race not mentioned, or a combination or two or more races.

[2] Hispanic population can include people of any race, or combination of races.

Source: ESRI Business Solutions; Economics Research Associates

Table 19: Racial Composition, 2003
Primary Market Area and East Austin



Source: ESRI Business Solutions; Economics Research Associates

Note: The US Census groups the Caucasian and Hispanic races into the "White" category.

Age Distribution

Table 20 below demonstrates that the target market areas are comprised of a youthful population that is often sought after by retailers. According to 2003 estimates, the predominant age group in both the PMA and East Austin is the 25-to-34-year-old segment, representing 20 percent of both of the markets' total populations. This demographic is beginning to receive significant attention from multiple national retailers, specifically in the apparel category, as this segment has been underserved by companies that have traditionally focused on the teen and baby boomer population. (Soriano and Uiberall, "*Tapping the 25-34-Year-Old Consumer"*, ICSC Research Quarterly 10.4, (Winter 2003-04): 1-2.)

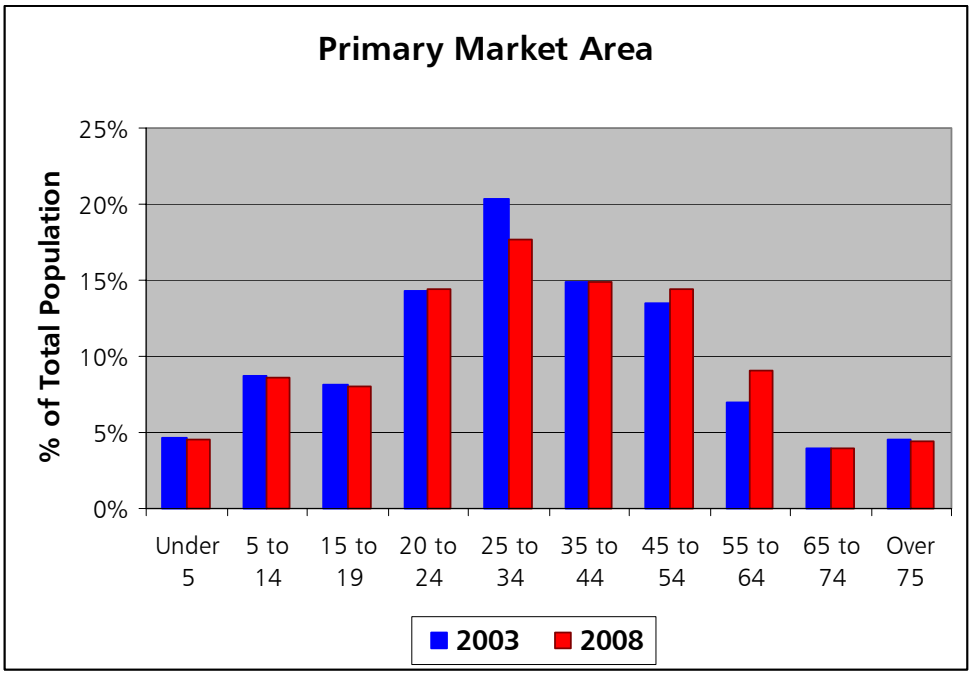
The respective populations of the target market areas are forecast to age only slightly over the five-year period between 2003 and 2008. ESRI data indicates that the median age in the PMA will increase from 33.8 in 2003 to 35.2 in 2008. While the 2008 East Austin median age will increase to approximately 28.3, up from 27.9 in 2003. Figure 8 on the following page shows the change in age distribution between 2003 and 2008 for the PMA and East Austin area.

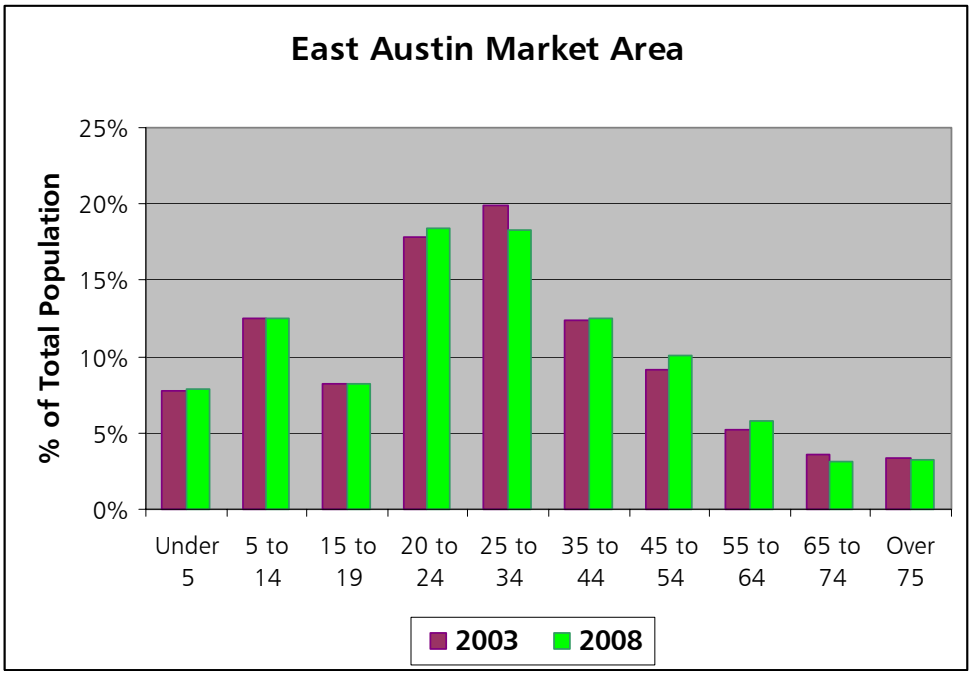
Table 20: Age Characteristics, 2003
PMA, East Austin, Travis County

	Primary Market Area		East Austin		Travis County	
Age Cohort	Population	% of Total	Population	% of Total	Population	% of Total
2003 Distribution						
Under 5	9,188	5%	9,119	8%	63,143	7%
5 to 14	17,431	9%	14,672	13%	115,833	13%
15 to 19	16,282	8%	9,613	8%	63,494	7%
20 to 24	28,502	14%	20,813	18%	92,760	10%
25 to 34	40,351	20%	23,260	20%	170,935	19%
35 to 44	29,540	15%	14,456	12%	145,541	16%
45 to 54	26,907	14%	10,726	9%	117,537	13%
55 to 64	13,780	7%	6,054	5%	61,450	7%
65 to 74	7,799	4%	4,251	4%	32,935	4%
Over 75	9,002	5%	3,871	3%	27,592	3%
Total	198,781	100%	116,836	100%	891,220	100%
Median Age						
2003 Estimate	33.8		27.9		32.5	
2008 Forecast	35.3		28.3		33.9	

Source: ESRI Business Solutions; Economics Research Associates

Figure 8:Age Distribution, 2003 to 2008
Primary Market Area and East Austin





Household Income

Traditional retail market analyses consider the level of household income to be a leading indicator of the spending potential for a target market, assuming that higher incomes are correlated with higher spending, particularly on food away from home and general merchandise categories, such as apparel and household furnishings. Table 21 below shows that PMA residents are as affluent as Travis County residents. While 2003 estimates indicate that the PMA median income ($57,668) is slightly lower than Travis County ($58,301); the PMA reports an average household income that is over $7,000 higher than the County level. This is due to a greater concentration of households with incomes greater than $150,000 residing in the PMA.

East Austin residents fare much worse in terms of affluence when compared to PMA and County residents. In 2003, East Austin median household income is estimated at approximately $30,554, which is almost 90 percent less than the PMA median. With growth in median household income forecast to be greater in the PMA — 4.0 percent versus 2.9 percent — this gap between the two target markets will continue to expand.

Table 21: Household Income, 2003 to 2008
PMA, East Austin, Travis County

	Primary Market Area	East Austin	Travis County
Median HH Income			
2003 Estimate	$57,668	$30,554	$58,301
2008 Forecast	$70,130	$35,215	$68,776
CAGR[1]	4.0%	2.9%	3.4%
Average HH Income			
2003 Estimate	$82,773	$40,767	$75,466
2008 Forecast	$104,651	$49,204	$92,442
CAGR[1]	4.8%	3.8%	4.1%

[1] CAGR- compound annual growth rate

Source: ESRI Business Solutions; Economics Research Associates

Target ZIP Code Characteristics

The models utilized in this analysis to derive resident expenditure potential rely not only on the distribution of households by income, but also by the age of the householder. The level of household income alone provides necessary insight about the overall magnitude of resident-based spending potential, in that more affluent households have higher disposable incomes, and therefore spend more on retail goods and services. However, the relationship between income and expenditure does not provide sufficient detail regarding the distribution of spending across various types of retail categories. Age is a major determining factor in how a consumer allocates his or her disposable income. As a proportion of total spending, a younger consumer may allocate more of his or her expenditure to a certain type of retail category than an older consumer with the same level of disposable income. Their decisions on where to spend on the same type of retail will also differ, with each consumer more likely to shop at a store that targets their respective preferences and lifestyle. The following highlights key findings from a review of national retail expenditure by high-income households across several age ranges, based on data from the 2002 Consumer Expenditure Survey, published by the US Bureau of Labor Statistics [38]:

- Households under the age of 25 spend more at restaurants and bars as a proportion of their total expenditure than any other age bracket;
- Households between the ages of 25 and 34 spend more on GAFO goods, such as apparel and household furnishings, as a proportion of total spending. This is due in large part to many households in this age group that are first-time home buyers and the prevalence of affluent singles and double income couples with no children (DINKs);
- Besides households over the age 65, households between the ages 35 and 44 spend the least on food and beverages away from home, reflecting the fact that many families with young children fall in this age group, and are therefore more likely to spend a greater amount of time at home. It should be noted however, that these households spend the most on GAFO goods in terms of actual dollars;
- In terms of total dollars allocated to retail goods and services, households between the ages of 45 and 54 spend the most of any age bracket;
- Households between the ages of 55 to 64 spend the most on housekeeping supplies, including general household products, and lawn and garden supplies. This can potentially be attributed to the fact that the median age of all second homeowners is 61 years old [39;]
- Households over the age 65 proportionally spend the most on groceries and other types of food at home, as fixed incomes limit total retail expenditure.

[38] High-income households are those that report an annual household income over $75,000; with the exception of households headed by an individual under 25, in which case a high-income household reports an annual household income over $40,000.
[39] Based on 2002 research conducted by the National Association of Realtors.

With the findings from the Consumer Expenditure Survey in mind, Table 22 utilizes 2003 ESRI data to demonstrate the concentration of the population found in different age groups, relative to Travis County, in the fourteen, target market ZIP Codes comprising the PMA and the East Austin market area. Each age group is categorized using descriptions that are common in literature discussing generational differences and utilized in targeted retail marketing strategies. Due to the availability of relevant data, the definition of each age group varies slightly from commonly used age ranges.

The age groups shown on Table 22 below and the relative Travis County benchmark for population concentration are as follows:

Table 22: Travis County Population Concentrations by Age Cluster

Generation Y	15 to 24	Generation Y > 18% of total ZIP Code population
Generation X	25 to 39	Generation X > 27% of total ZIP Code population
Baby Boomers	40 to 59	Baby Boomers > 25% of total ZIP Code population
Almost Retired	60 to 64	Almost Retires > 3% of total ZIP Code population
Retirees	Ages 65 +	Retirees > 7% of total ZIP Code population

Table 23: Resident Generation Characteristics
Primary Market Area and East Austin ZIP Codes

Market Area	Generation Y (Ages 15 to 24)	Generation X (Ages 25 to 39)	Baby Boomers (Ages 40 to 59)	Almost Retired (Ages 60 to 64)	Retirees (Ages 65+)
PMA ZIPs					
78701	X	X		X	X
78703		X	X	X	X
78704		X			X
78705	X				
78731			X	X	X
78746			X	X	X
78751	X	X			
78756		X	X		X
78757		X	X	X	X
East Austin ZIPs					
78702				X	X
78721				X	X
78722	X	X			X
78723	X				X
78741	X	X			

Source: ESRI Business Solutions; Economics Research Associates

Note: A cell marked with an "X" indicates that for the corresponding ZIP Code, there is a greater concentration of the age group relative to the Travis County benchmark.

Table 24 takes this analysis one step further and relates age to relative high levels of household income. With Travis County as a benchmark, 2003 ESRI estimates of median household income across seven age of householder categories are used to identify concentrations of high-income households within the fourteen target market ZIP Codes. The magnitude of a potentially strong consumer segment can be measured by comparing Table 24 with the findings of Table 23. For example, if a particular ZIP Code demonstrates a high concentration of Generation X'ers, in addition to a relatively high level of household income in the 25-to-34-age range, there exists a valuable segment of the market that may be a viable target for an enhanced mix of retail in Downtown.

The householder age segments and the relative Travis County median household income benchmarks are shown on Table 23A, as follows:

Table 23 A: Travis County Median Household Incomes by Age Segment

Age of Householder	Relative Travis County 2003 Med HHI (in 2002 $'s)
Under 25 years of age	$21,597
25 to 34 years of age	$47,009
35 to 44 years of age	$59,949
45 to 54 years of age	$68,614
55 to 64 years of age	$68,254
65 to 74 years of age	$49,190
Over 75 years of age	$37,919

Table 24: High Income Households by Age of Householder
Primary Market Area and East Austin Zip Codes
Note: A cell marked with an "X" indicates that for the corresponding ZIP Code, the householder age segment reports a higher household

Market Area	Age of Householder						
	Under 25	25 to 34	35 to 44	45 to 54	55 to 64	65 to 74	Over 75
PMA ZIPs							
78701		X			X	X	
78703	X	X	X	X	X	X	X
78704	X						
78705						X	
78731		X	X	X	X	X	X
78746	X		X	X	X	X	X
78751							
78756							
78757	X	X					
East Austin ZIPs							
78702	X						
78721	X						
78722							
78723	X						
78741							

Source: ESRI Business Solutions; Economics Research Associates
income than the same age segment for all of Travis County.

This analysis further aims to go beyond a traditional retail market analysis by providing insight about specific resident-based markets at the ZIP Code level in an effort to identify niche target markets. This allows for a finer segmentation of the consumer base within the two target markets, potentially revealing other characteristics, besides income and age, with implications regarding lifestyle preferences that may influence shopping and dining behaviors. The following tables present concentrations of specific population and household segments within the fourteen ZIP Codes that comprise the PMA and East Austin market area, relative to some regional benchmark. This portion of the analysis utilizes 2003 ESRI Business Solutions data when available, and for other variables not measured by ESRI, 2000 US Census data serves as a proxy. Table 24A, which follows considers the concentration of the following resident segments in the fourteen, target market ZIP Codes:

Table 24A

Variable	Relative Region	Benchmark	Data Source
Student Population	None	UT Students comprise > 10% of resident population	UT Admissions Office
Hispanic Population	Travis County	Hispanic population > 31% of total population	ESRI Business Solutions
Black Population	Travis County	Black population > 9% of total population	ESRI Business Solutions
Highly Educated Population	Travis County	Population over 25 with bachelors degree, or higher > 41% of total population over 25	2000 US Census
White Collar Labor Force	Travis County	Resident labor force employed in white collar industries > 53% of total labor force	2000 US Census
Families with Children Under 6 Only	Travis County	Family households with children only under 6 years of age > 16% of total households	2000 US Census
Families with Older Children Only	Travis County	Family HHs with children btwn. 6 and 17 years of age only > 27% of total households	2000 US Census

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ERA analyzed each demographic from a merchandising standpoint; for example, ERA includes the gay population because this demographic is known to have a higher than average disposable income (See Table 25 which follows).

Table 25

Resident & Household Characteristics

Primary Market Area & East Austin ZIP Codes

Market Area	Student Population	Gay Population	Hispanic Population	Black Population	Educated Population	White Collar Labor Force	Families w/ Children Under 6 Only	Families w/ Older Children Only
PMA ZIPs								
78701	X	X		X	X	X		
78703					X	X	X	
78704		X	X		X		X	
78705	X				X	X		
78731					X	X		
78746					X	X		X
78751	X				X	X		
78756					X	X		
78757		X			X	X		
East Austin ZIPs								
78702			X	X				X
78721		X	X	X				
78722		X		X	X	X	X	
78723		X	X	X			X	X
78741	X	X	X				X	

Source: 2000 US Census; University of Texas, Office of Admissions; ESRI Business Solutions; Economics Research Associates

Note: A cell marked with an "X" indicates that for the corresponding ZIP Code, there is a greater concentration of a particular population or household segment in this area relative to the regional benchmark

The preceding analysis identified viable consumer segments within the target area ZIP Codes, qualifying the strongest of these segments by a combination of relatively high age group population density and affluence. Table 25a provides a summary of the resident market segments with the highest market potential at the ZIP Code level. The population and household characteristics that differentiate the target ZIP Codes are also shown in the summary table, providing insight about relative lifestyle characteristics that may influence spending behavior. It should be noted that the market segments shown below were qualified by a limited number of consumer characteristics and only represent a share of the total market potential within each ZIP Code.

Table 25a: Summary of Target ZIP Code Markets

Market Area	Age Groups w/ High Market Potential	Relative Population & Household Characeristics
PMA ZIPs		
78701	25 to 34; 55 to 64; 65 to 74	UT students; gay; Black; educated; white collar
78703	25 to 34; 35 to 44; 45 to 54; 55 to 64; 65 to 74; Over 75	Educated; white collar; families w/ children under 6
78704	Under 25	Gay; Hispanic; educated; familes w/ children under 6
78705	--	UT students; educated; white collar
78731	35 to 44; 45 to 54; 55 to 64; 65 to 74; Over 75	Educated; white collar
78746	35 to 44; 45 to 54; 55 to 64; 65 to 74; Over 75	Educated; white collar; families w/ older children
78751	--	UT students; educated; white collar
78756	--	Educated; white collar
78757	25 to 34	Gay; educated; white collar
East Austin ZIPs		
78702	--	Hispanic; Black; families w/ older children
78721	--	Gay; Hispanic; Black
78722	--	Gay; Black; educated; white collar; families w/ children under 6
78723	Under 25	Gay; Hispanic; Black; families w/ children under 6; families w/ older children
78741	--	UT students; gay; Hispanic; families w/ children under 6

Source: Economics Research Associates

Primary Market Area and East Austin

Resident Spending Potential

Area residents are a key component in the retail analysis given the size of this market segment population and the magnitude of retail expenditure potential. The nine PMA ZIP Codes and the five East Austin ZIP Codes are the trade areas that represent the geographic area from which the majority of customer sales in Downtown can potentially be generated on a sustained basis.

Resident-based expenditure potential is based on an estimate of household spending, which is calculated for each target market ZIP Code by applying national average annual spending patterns from the most current Consumer Expenditure Report (2002) published by the Bureau of Labor Statistics, U.S. Department of Labor. The national average expenditures are adjusted for different age and household income levels for each ZIP Code, and then adjusted again to reflect spending behavior inherent to Dallas-Fort Worth, the most comparable Texas market for which data is available [40]. Furthermore, the level and allocation of household spending will be influenced over time by changes in resident demographic and socioeconomic characteristics, and therefore average household expenditure in 2008 will be different from those reported in 2003, holding constant for inflation. A more thorough discussion of this approach can be found in the Appendix.

Table 26 shows that in 2003 it is estimated that PMA households spent over $1.6 billion on retail. Households located in the East Austin market — comprising 32 percent of the total households in the combined PMA and East Austin market areas – generated $562.5 million in retail expenditure, only 25 percent of the combined markets' spending. Recalling the growth in household formation discussed above, by 2008 total expenditure is forecast to increase by 21 percent in both the PMA and the East Austin area, bringing the total amount that households spend on retail to $2.0 billion and $682.9 million for each respective market area. The two trade areas combined are then expected to generate an additional $471.9 million in total retail spending over the five-year period.

Change in total expenditure is attributable to two primary factors: growth in household formation and changes in demographic and socioeconomic characteristics that affect average household expenditure. The significance of each factor in relation to changing market share for the PMA and East Austin ZIP Codes is shown in Figure 9 on page 147.

[40] The 2002 Consumer Expenditure Survey reports spending behaviors for a select group of metropolitan areas across the country, Dallas-Fort Worth was selected as the most comparable to Austin.

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Table 26: Resident-Based Retail Expenditure Potential
Expenditure Potential by Market Segment

Total Resident Expenditure by ZIP Code, 2003								
Resident Market Segment	Total Households[2]			Avg. HH Retail Expenditure[3]			Total HH Retail Expenditure	
Primary Market Area								
78701 Residents	1,941	x	$	19,822	=	$	38,481,391	
78703 Residents	9,448	x		22,967	=		217,004,456	
78704 Residents	21,680	x		15,937	=		345,526,797	
78705 Residents	9,468	x		12,329	=		116,725,951	
78731 Residents	13,710	x		21,918	=		300,498,866	
78746 Residents	11,035	x		23,468	=		258,970,723	
78751 Residents	7,708	x		14,662	=		113,018,997	
78756 Residents	4,788	x		17,091	=		81,839,248	
78757 Residents	10,896	x		17,780	=		193,737,892	
Total Resident Households	90,677					$	1,665,804,320	
East Austin								
78702 Residents	7,472	x	$	11,569	=	$	86,438,150	
78721 Residents	2,969	x		12,824	=		38,076,665	
78722 Residents	2,226	x		15,069	=		33,538,703	
78723 Residents	11,254	x		15,184	=		170,870,079	
78741 Residents	19,029	x		12,277	=		233,617,599	
Total Resident Households	42,950					$	562,541,196	

Total Resident Expenditure by ZIP Code, 2008								
Resident Market Segment	Total Households[2]			Avg. HH Retail Expenditure[3]			Total HH Retail Expenditure	
Primary Market Area								
78701 Residents	3,060	x	$	22,313	=	$	68,277,767	
78703 Residents	10,935	x		23,145	=		253,084,211	
78704 Residents	24,757	x		16,711	=		413,706,095	
78705 Residents	10,808	x		13,264	=		143,351,078	
78731 Residents	16,008	x		21,943	=		351,266,031	
78746 Residents	13,064	x		23,431	=		306,094,171	
78751 Residents	8,791	x		15,383	=		135,227,901	
78756 Residents	5,554	x		19,664	=		109,211,430	
78757 Residents	12,433	x		19,071	=		237,112,572	
Total Resident Households	105,409					$	2,017,331,255	
East Austin								
78702 Residents	8,492	x	$	13,150	=	$	111,659,094	
78721 Residents	3,351	x		13,277	=		44,491,788	
78722 Residents	2,541	x		15,496	=		39,369,155	
78723 Residents	12,848	x		15,306	=		196,663,529	
78741 Residents	22,782	x		12,762	=		290,748,456	
Total Resident Households	50,014					$	682,932,022	

Notes:

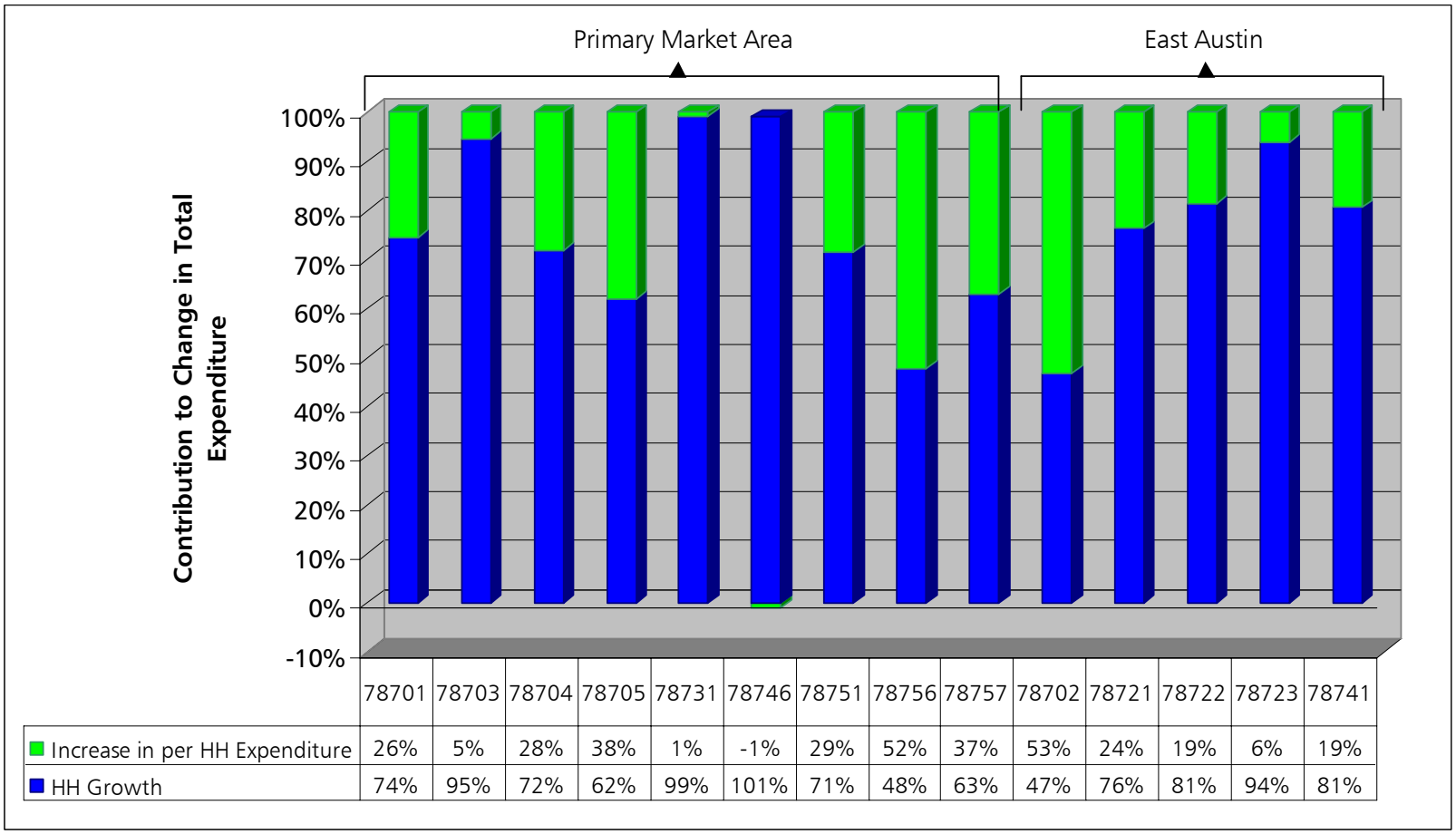
1. In 2003 dollars.

2. 2003 estimates and 2008 projections based on data provided by ESRI Business Solutions; with the exception of ZIP Code 78701, for which 2008 projections are based on an ESRI forecast estimate adjusted for pipeline residential projects in the downtown.

3. Household retail expenditure as a percentage of household income is derived from the latest (2002) Bureau of Labor Statistics, US Department of Labor *Consumer Expenditure Report.* Estimates for each ZIP Code takes into consideration specific spending patterns based on the distribution of households by income level and age of householder, which are then adjusted to reflect spending patterns inherent to the Dallas-Fort Worth metropolitan area. DFW was selected as the most comparable region which the BLS tracks retail expenditures. See Appendix for example of resident methodology.

Source: ESRI Business Information Solutions, Inc; ICSC; Capitol Market Research, Inc.; Economics Research Associates, 2004.

Figure 9: Change in Total Retail Expenditures by Market Segment, 2003 - 2008



	78701	78703	78704	78705	78731	78746	78751	78756	78757	78702	78721	78722	78723	78741
Increase in per HH Expenditure	26%	5%	28%	38%	1%	-1%	29%	52%	37%	53%	24%	19%	6%	19%
HH Growth	74%	95%	72%	62%	99%	101%	71%	48%	63%	47%	76%	81%	94%	81%

As a market share consideration, both the aggregate PMA and East Austin markets are forecast to experience a similar percentage growth in total retail spending, having little to no effect on each market's proportional contribution to the combined expenditure potential. However, an analysis at a finer geographic level reveals that certain ZIP Codes will spend more proportionally to total market expenditure, while other ZIP Codes will lose market share. Four ZIP Codes currently generate half of the total expenditure potential in the combined target market: 78704 (15.3 percent market share), 78731 (13.0 percent), and 78746 (11.3 percent) in the PMA, and 78741 (10.8 percent) in East Austin.

Table 27: Change in Retail Expenditure Market Share

	Total Market Share		
Market Area	2003	2008	% Change in Mrkt Share, '03 to '08
Primary Market Area			
78701 Residents	1.7%	2.5%	*46.4%*
78703 Residents	9.7%	9.4%	*-3.8%*
78704 Residents	15.5%	15.3%	*-1.2%*
78705 Residents	5.2%	5.3%	*1.3%*
78731 Residents	13.5%	13.0%	*-3.5%*
78746 Residents	11.6%	11.3%	*-2.5%*
78751 Residents	5.1%	5.0%	*-1.3%*
78756 Residents	3.7%	4.0%	*10.1%*
78757 Residents	8.7%	8.8%	*1.0%*
East Austin			
78702 Residents	3.9%	4.1%	*6.6%*
78721 Residents	1.7%	1.6%	*-3.6%*
78722 Residents	1.5%	1.5%	*-3.1%*
78723 Residents	7.7%	7.3%	*-5.0%*
78741 Residents	10.5%	10.8%	*2.7%*

Source: Economics Research Associates

PMA & East Austin

Between 2003 and 2008, the ZIP Code comprising most of the downtown residential neighborhood (78701) is expected to experience the greatest increase in market share, with downtown households forecast to contribute approximately 2.5 percent to the combined market expenditure potential, up 46.4 percent from the 2003 estimate of 1.7 percent. Other ZIP Codes that are expected to increase their respective market shares include: 78705, 78756, and 78757 in the PMA, and 78702 and 78741 in the East Austin area. It should be

noted that 78741 is the only one of the four ZIP Codes with over 10 percent market share that is expected to increase its share by 2008.

Downtown Employees

This analysis also takes into consideration the downtown daytime population, which includes both private sector employees and local and state public sector employees. For the private sector, only the population employed in office using industries is considered for the purpose of this analysis.

In order to provide insight about this consumer segment, the following highlights key findings from a 2003 survey of office worker spending behavior, conducted by the International Council of Shopping Centers (excerpted from "*Office Worker Spending Patterns: A first look at the 2003 results"*, ICSC Research Quarterly 2004):

- While 85 percent of downtown employees purchased lunch outside the office at least once during the week, the diminishing "lunch hour" has resulted in delis, grocery stores, sandwich shops and takeout establishments surpassing sit-down restaurants and fast-food in terms of total market share of employee, lunch-related expenditure.
- 60 percent of downtown employees shopped for non-food retail items at least once during the workweek, with the majority (approximately 58 percent) of non-food-related expenditure going to general merchandise items, such as apparel and household furnishings. The remaining 42 percent of non-food expenditure was spent on convenience items, such as groceries and personal care products. The ICSC survey also reveals that employees are more likely to shop after work, rather than during a lunch break. For Austin to capitalize on this emerging trend, the current mix of non-food retail in the downtown should be enhanced in order to extend employee's length of stay beyond the traditional workday.
- Employees driving to work are likely to spend more on non-food retail than those relying on public transportation. Access to a personal vehicle during the workday expands an employee's options of retail outlets, in that the employee is not limited to shopping within reasonable walking distance of the office. Driving to work also increases the "carrying capacity" of an employee, where someone riding public transportation is less inclined to carry cumbersome, big-ticket items, or multiple shopping bags while riding a bus or railcar. While this presents a strong argument for adequate daytime parking capacity in downtown Austin, it should not diminish the significance of an improved transit system that could potentially serve markets that otherwise would not be able to access downtown.
- Over 30 percent of office-using employees report stopping for food and/or drinks after work in order to socialize with colleagues, meet prospective clients or business partners, or catch up with family or friends. The survey suggests, however, that a greater share of this expenditure occurs closer to the employee's home rather than place of employment. Increased residential density closer to the

core downtown is likely to attract the type of resident that values proximity to the workplace and other benefits and amenities associated with an urban lifestyle. Bringing residents closer to the workplace affords the opportunity for downtown to capture an increasing share of after-work expenditure that otherwise would occur in more suburban neighborhoods.

Office Employee Spending Potential

The downtown daytime population, which includes both public and private sector employees, comprises the majority of the office employees that are most likely to spend money on retail goods and services. For the private sector, only the population employed in office-using industries is considered for the purpose of this analysis. Workers employed in retail, service and hospitality industries typically do not have sufficient free time during the workday to shop in Downtown, and therefore their contribution to total sales is considered to be either negligible or captured as inflow expenditure that cannot be allocated otherwise.

In order to derive total retail expenditure potential attributable to Austin office employees, ERA defined both primary and secondary trade areas comprising the most likely downtown consumers. The primary trade area considers the daytime population employed in office space within walking distance of the study area retail subdistricts (defined as the area from Cesar Chavez Street to the south, up to 14th Street to the north, and west from I-35 to Lamar Boulevard). The secondary trade area comprises the daytime population within one mile from the intersection of Sixth Street and Congress, less the employees already accounted for in the primary trade area. The map on the following page shows the relationship between the boundaries of these two areas.

ERA used information from Claritas, a national market research firm, to estimate private sector employment in the primary and secondary trade areas. Public sector employment estimates were derived from a combination of Claritas data and findings from an employment survey conducted by the DAA in 2003. Table 28 shows that in 2003, there were 66,719 office using employees working in the defined trade areas, representing approximately 75 percent of total Downtown employment. It should also be noted that other estimates have suggested that the downtown Austin area could include up to 90,000 employees, with another 9,000 projected to locate downtown by 2008 (though ERA notes that the likely definition of downtown in this projection is larger than the primary and secondary office areas used for our analysis). Even with the more conservative number of approximately 67,000 in 2003, this is a significant concentration of spending power that has limited options to spend today. The majority of office using employees are found in the primary trade area (68 percent of the combined trade areas), suggesting that the majority of this highly captive consumer market is located within walking distance to selected downtown retail subdistricts, in turn generating a share of the necessary foot traffic in the core downtown.

Table 28: Estimated Employment, 2003
Primary & Secondary Office Markets

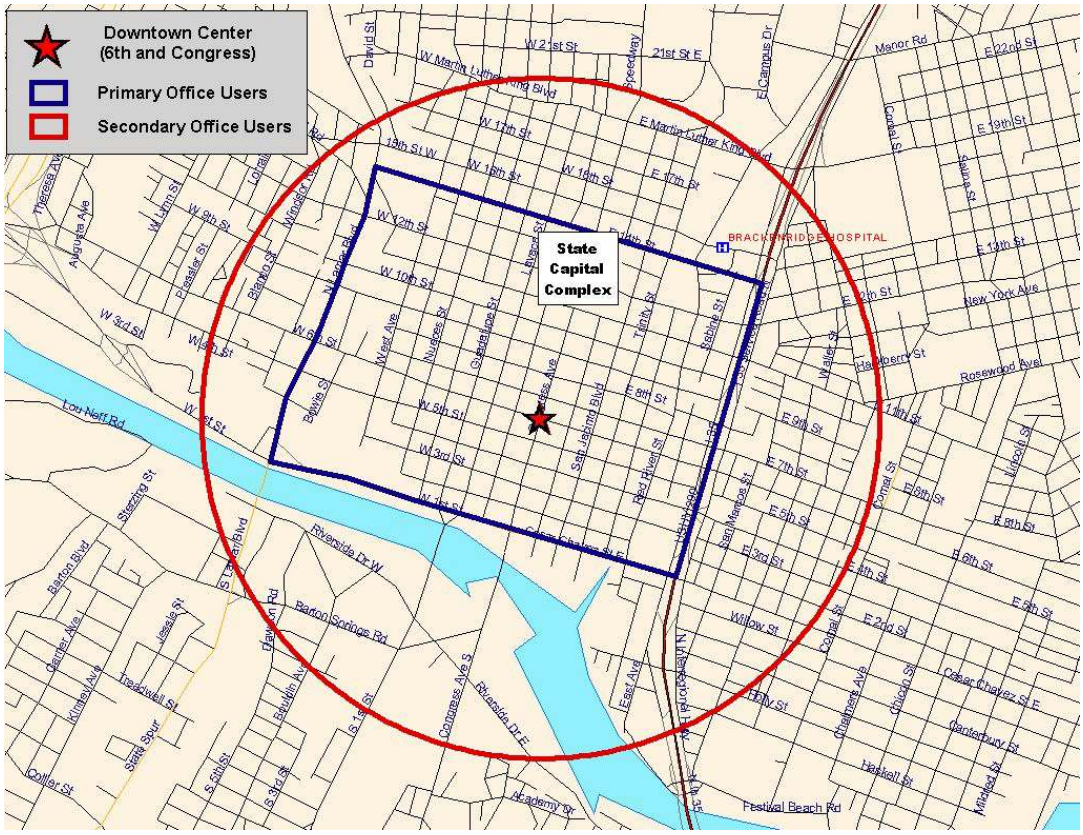
Industry	Estimated Total Employees, 2003 Primary	Secondary	Total
Agriculture, Forestry, and Fishing	179	147	326
Mining	67	58	125
Construction	1,070	392	1,462
Manufacturing	2,512	768	3,280
Transportation and Public Utilities	2,100	688	2,788
Wholesale Trade	440	1,697	2,137
Retail Trade	8,184	3,918	12,102
Subtotal: Non-Office Using Industries	**14,552**	**7,668**	**22,220**
Finance, Insurance, and Real Estate	4,975	1,314	6,289
Services [1]	29,842	11,262	41,104
Government	10,506	8,820	19,326
Subtotal: Office Using Industries	**45,323**	**21,396**	**66,719**
All Industries	**59,875**	**29,064**	**88,939**

Note: Industries that comprise the "captive" employee consumer market for downtown retail are highlighted.

[1] The Services industry includes lodging and amusement services, which are excluded from the "captive" consumer market.

Source: Claritas; Downtown Austin Alliance; Economics Research Associates

Figure 10: Primary and Secondary Office Market Trade Area



Source: ESRI Business Solutions; Economics Research Associates

Based on information on employee spending developed by the International Council of Shopping Centers (ICSC) and research conducted by Dr. Steven Fuller of the George Mason University Public Policy Institute, ERA estimated total average workday annual expenditures by private-sector employees at $2,640 per year and $1,440 per year for public-sector employees, respectively. It is also assumed that visitors to corporate and State legislative offices will generate an additional 5 percent of total employee-based expenditure. Recalling the level of employment in the two trade areas discussed above, it is estimated that employees and office visitors spend about $150.5 million on retail. Based on forecasted growth in employment discussed in the Downtown market overview, this figure is forecast to increase to over $164.7 million by 2008, as Downtown continues to attract talented labor from across the country.

These expenditure estimates reflect retail spending that occurs both downtown and in the surrounding neighborhoods closer to the residences of many employees. Considering that many employees driving to work have the option to shop away from their place of employment during and after the workday, it is expected that Downtown retailers will make a concentrated effort to recapture much of this expenditure that is potentially leaking to the surrounding malls and shopping centers.

Table 29: Office Worker-Based Expenditure Potential by Sub-Market

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Total Downtown Employee Expenditure, 2003								
Employee Market Segment	Total Employees		No. of Worker Spending Days per Year[2]		Average Retail Expenditure per Employee[3]			Total Retail Expenditure Potential
Primary Area Employees								
Private Sector	32,273	x	240	x	$11.00	=	$	85,200,720
Public Sector	10,506	x	240	x	$6.00	=		15,128,640
Subtotal, Primary Area	**42,779**						**$**	**100,329,360**
+ 5.0% of total expenditure[4]								5,016,468
Total Primary Area							**$**	**105,345,828**
Secondary Area Employees								
Private Sector	11,486	x	240	x	$11.00	=		30,323,040
Public Sector	8,820	x	240	x	$6.00	=		12,700,800
Subtotal, Secondary Area	**20,306**						**$**	**43,023,840**
+ 5.0% of total expenditure[4]								2,151,192
Total Secondary Area							**$**	**45,175,032**

Total Downtown Employee Expenditure, 2008[5]								
Employee Market Segment	Total Employees		No. of Worker Spending Days per Year[2]		Average Retail Expenditure per Employee[3]			Total Retail Expenditure Potential
Primary Area Employees								
Private Sector	35,502	x	240	x	$11.00	=	$	93,724,692
Public Sector	11,255	x	240	x	$6.00	=		16,206,711
Subtotal, Primary Area	**46,756**						**$**	**109,931,403**
+ 5% of total expenditure[4]								5,496,570
Total Primary Area							**$**	**115,427,973**
Secondary Area Employees								
Private Sector	12,655	x	240	x	$11.00	=		33,409,655
Public Sector	9,449	x	240	x	$6.00	=		13,605,862
Subtotal, Secondary Area	**22,104**						**$**	**47,015,517**
+ 5% of total expenditure[4]								2,350,776
Total Secondary Area							**$**	**49,366,293**

Notes:

1. In 2003 dollars.

2. There are 260 work days per year, assuming a Downtown employee is at work for 92% of those days, there are 240 spending days available. For the remaining 20 days, the worker is either at home, on vacation, or on a business trip.

3. In order to quantify both public and private sector expenditure potential, the average per capita retail spending estimates shown above were derived by Dr. Steven Fuller, George Mason Public Policy Institute, as part of a retail analysis for Arlington County, Virginia. These estimates are based on the 1996 ICSC survey of downtown employee expenditure behavior that is commonly referenced in "downtown" retail demand analysis.

4. Assumes that additional retail expenditure will be generated by visitors to corporate offices and State legislators working Downtown. As a benchmark: according to "*Destination Austin: Tourism's Impact on Austin's Economy*" , published by Angelou Economics for the Austin CVB in 2001, legislative visitors accounted for over $3.7 million in retail expenditure alone.

5. This model shows projected employment in 2008 based on the average employment growth rate for the Austin MSA as provided by Capitol Market Research, adjusted for office using industries.

Visitors

As mentioned in the Downtown Economic Overview, Austin continues to be a top destination in the State of Texas and nationwide with a variety of cultural, entertainment, and business attractions. Downtown Austin visitors represent a significant market for retail— food and entertainment services in particular. The visitor market is broken down into three distinct submarkets, each expected to demonstrate unique consumer behavior in terms of dollars spent, time and length of stay spent downtown, and allocation of expenditure to different types of retail. The three visitor submarkets that this analysis considers are: the convention visitor, the overnight leisure visitor, and the day-tripper. Corporate and legislative visitors are accounted for in the office market analysis.

According to the Austin Convention and Visitors Bureau (CVB), on a daily basis, the average convention attendee spends: $123 on lodging; $34 on hotel food & beverage; $31 on other food and beverages; $5 on tours and sightseeing; $3 on museum, theatre and other admission fees; $3 on recreation; $1 on sporting events; $25 at retail stores; $5 on local transportation; $7 on auto rental within city; $8 on gasoline, tolls, and parking; and $20 association spending.

In total, the average convention visitor to Austin is expected to spend approximately $268 per day. Given that the City of Austin projects that more than 225,750 conventioneers will visit Austin in 2004 [41], more than $90.7 million in economic activity (assuming an average length of stay of 1.5 days) will be generated by out-of-town attendees, of which only $18.2 million (20 percent) will be go directly to non-hotel retail. As bookings for meetings and conventions begin to ramp up, and the new convention center reaches a stabilized utilization, total retail expenditure generated by meeting and event attendees is estimated to increase to $23.2 million by 2008. (Table 30)

Results from the *Austin's Visitors Inquiry* Survey, commissioned by the CVB in 2003, estimates that Austin receives approximately 7 million annual visitors, of which approximately 75 percent are overnight leisure visitors and 12 percent are day-trippers. This translates into approximately 524,000 day-trippers and 5.2 million overnight visitors, for a total of 6 million visitors to Austin for leisure related purposes. The CVB estimates that overnight leisure visitors— a more price-sensitive market as compared to conventioneers— spend $75 per day on total expenditures, with $34 (45 percent) attributable to retail goods and services. ERA assumes that day-trippers will demonstrate similar spending patterns to their overnight counterparts, however, due to a shorter length of stay they will spend less on a daily basis, but with a greater share of their expenditure allocated to retail. As a result, it is estimated that a day-tripper's average retail expenditure is approximately $24 per visit. The combined leisure market is therefore estimated to generate approximately $417.8 million in annual retail expenditure. Assuming a modest one-percent annual increase in visitation, this figure is forecast to reach $441 million by 2008 (Table 30).

[41] ERA's retail demand model utilizes 2004 estimates as a proxy for 2003 convention attendance given insufficient data for that year.

Table 30: Visitor-Based Retail Expenditure Potential by Market Segment

Total Overnight Visitor Expenditure, 2003										
Visitor Market Segment	Total Visitors		Average Length of Stay		Daily Expenditure per Visitor[4]		% of Daily Expenditure Spent on Retail[5]			Total Retail Expenditure Potential
Convention Visitors[2]	225,750	x	1.50	x	$268.00	x	20%	=	$	18,150,300
Overnight Leisure Visitors[3]	5,236,000	x	2.25	x	$75.00	x	45%	=		397,608,750
Day Visitors[3]	840,000	x	1.00	x	$40.00	x	60%	=		20,160,000
Total Visitor Market	**6,301,750**								**$**	**415,759,050**

Total Overnight Visitor Expenditure, 2008										
Employee Market Segment	Total Visitors		Average Length of Stay		Daily Expenditure per Visitor[4]		% of Daily Expenditure Spent on Retail[5]			Total Retail Expenditure Potential
Convention Visitors[2]	288,121	x	1.50	x	$268.00	x	20%	=	$	23,164,893
Overnight Leisure Visitors[3]	5,503,089	x	2.25	x	$75.00	x	45%	=		417,890,792
Day Visitors[3]	882,848	x	1.00	x	$40.00	x	60%	=		21,188,363
Total Visitor Market	**6,674,058**								**$**	**441,055,686**

Notes:

1. In 2003 dollars.

2. Total number of current annual Austin Convention Center visitors, based on information provided by the CVB. 2008 attendance forecasts assumes an annual increase of 5 percent due to a strengthening convention industry nationwide.

3. 2003 overnight and day visitor counts based on an estimated 7,000,000 annual visitors to Austin. The *Austin Visitors Inquiry Survey* suggests that 12% of total visitors are day trippers, and of the remaining 88%, overnight leisure visitors comprise 85%. 2008 projection assumes a negligible annual increase in visitation of one percent.

4. Daily visitor expenditures for convention and leisure visitors are based on information provided by the CVB, accounts for expenditure on all items, including: lodging; entertainment; transportation; admissions to area attractions; etc. Convention visitor expenditures include dollars spent by spouses of convention attendees. Assumes no real growth in visitor expenditure.

5. Percentages of daily expenditure allocated to retail based on information provided by the CVB. Convention visitor retail expenditure includes spending on consumer goods, and food and beverage outside hotels. Assumes no change in visitor expenditure behavior.

Source: Austin Convention & Visitors Bureau; Economics Research Associates, 2004.

University of Texas Students

Enrollment Trends

For the purpose of this analysis, ERA defined the student market as comprised of individuals enrolled in an undergraduate, graduate, or professional programs and living in University-owned housing (including sorority and fraternity houses) in and around ZIP Code 78705. The expenditure potential of students living off-campus, in ZIP Code 78705, or in other PMA and East Austin ZIP Codes, is captured in the resident market analysis.

The University of Texas at Austin, Office of Institutional Growth, *Statistical Handbook, 2003-2004* shows historic growth in enrollment at UT-Austin to be fairly consistent with national population growth trends, increasing at an annual rate of one percent. Table 32 below shows that the level of graduate and law student enrollment has outpaced undergraduate enrollment, increasing at annual rate of 2.4 percent between the years 1999 and 2003, as compared to an annual rate of 0.8 percent for undergraduates. Enrollment figures for 2003 indicate that 51,426 students attend UT-Austin, either as an undergraduate or graduate/law student. It is estimated that 15 percent of the total student body lives either on campus or in Greek housing, translating to approximately 7,714 students.

Table 32: UT-Austin Enrollment Trends, 1999 to 2003
Undergraduate Students vs. Graduate & Law Students

Classification	1999	2000	2001	2002	2003	CAGR[1]
Undergraduate	37,159	38,162	38,609	39,661	38,383	*0.8%*
Graduate & Law School	11,850	11,834	12,007	12,600	13,043	*2.4%*
Total Enrollment	**49,009**	**49,996**	**50,616**	**52,261**	**51,426**	***1.2%***

[1] CAGR- compound annual growth rate

Source: University of Texas, Office of Institutional Research, *Statistical Handbook 2003-2004*; *Twelfth Class Day Enrollment Reports*; Economics Research Associates

Based on ERA's discussion with University admissions representatives, who indicated that the University plans to curb admissions growth, this analysis assumes no growth in total student enrollment. However, University housing representatives suggested that UT-Austin aims to house 20 percent of its student body on-campus in the upcoming years. Assuming that this goal is achieved by 2008, approximately 10,285 students are forecast to live on-campus.

Student Spending Potential

Similar to the resident demand analysis, total student expenditure potential is calculated by utilizing data from the US Consumer Expenditure Report (CEX). The latest CEX survey (1998) provides insight into the spending patterns of the average college student living on campus. The findings of the survey suggest that students – because of greater free time – spend more on food, beverages and entertainment as a proportionate share of their total retail spending than the typical household. Further, student expenditures are seasonal and tend to be compressed during school terms, as other expenditures occur closer to home during intersession and holidays.

ERA estimates that in 2003, UT-Austin students that are housed on-campus spend approximately $27.3 million on retail in the Austin area. By 2008, on-campus students will generate approximately $36.4 million in retail expenditure. Once again, these dollars can be spent in areas outside of Downtown. However, students are more likely than other residents to spend a greater share of total retail expenditure in shops and restaurants close to the University campus.

Table 33: Student-Based Retail Expenditure Potential
Expenditure Potential by Market Segment

Total University of Texas Student Expenditure, 2003												
Student Market Segment	Total Enrollment[2]		% Housed on Campus[3]		Total No. of Students Living on Campus		Quarterly Retail Expenditure per Student[4]		Quarters Spent at UT			Total Retail Expenditure Potential
University of Texas Students	51,426	x	15.0%	=	7,714	x	$1,180	x	3.0	=	$	27,307,206

Total University of Texas Student Expenditure, 2008												
Student Market Segment	Total Enrollment[2]		% Housed on Campus[3]		Total No. of Students Living on Campus		Quarterly Retail Expenditure per Student[4]		Quarters Spent at UT			Total Retail Expenditure Potential
University of Texas Students	51,426	x	20.0%	=	10,285	x	$1,180	x	3.0	=	$	36,409,608

Notes:

1. In 2003 dollars.

2. 2003 enrollment based on actual data from 2003-2004 school year. 2008 projection assumes no increase in enrollment, based on ERA's discussion with Univeristy admissions representatives, whom indicated that the University plans to curb admissions growth.

3. Number of students currently housed on-campus, plus an estimate of students living in sorority and fraternity houses provided by the office of Greek Life and Education, UT Office of the Dean of Students. 2008 projection based on University mandate to ultimately house 20 percent of student body on-campus, assuming that this goal is achieved in the next five years based on pipeline on-campus projects.

4. Average spending on items such as general merchandise, apparel, and food away from home is based on the Bureau of Labor Statistics, US Department of Labor report, *Expenditures of College-Age Students and Nonstudents, 1998* . Note that student expenditure estimates are in addition to room and board that is directly paid to the university.

Source: University of Texas; Economics Research Associates, 2004.

ERA

Task 4: Market Strategy

Introduction

In order to develop a recommended Market Strategy for downtown Austin and to establish retail positioning strategies, ERA analyzed the physical character of downtown Austin's subdistricts, the distance and level of comfort in accessing targeted submarkets based on a typical 1200 to 1500 foot walking radius from the workplace, location of public parking, as well as any apparent retail focus areas (such as the cluster of clubs and restaurants along East Sixth), or other factors that might identify a merchandising opportunity or otherwise address merchandising and recruitment efforts. The first stage in this analysis was to convene a panel structured by the City, DAA and ERA, all of whom participated in an industry outreach workshop conducted by the International Downtown Association (IDA). Based on ERA's participation in the IDA Developer Panel as well as subsequent discussions with property owners, the DAA Steering Committee and others, the following is the recommended Market Strategy for retail development in Downtown Austin.

While the first part of this section includes a summary of the IDA review and assessment, a full description of the IDA Panel is included in the Appendix to this report. It should be noted that, due to the relatively short duration of the IDA Panel's time in downtown Austin, their assessment and recommendations are more oriented toward broad directions and opportunities rather than highly detailed solutions. The panel's conclusions were well received in the public presentation at the end of the process and served as the basis for more detailed analysis and recommendations included in the Task 4 recommendations. A summary of the IDA Panel's observations and conclusions follows:

Retail Positioning – Subdistricts:

The overall study area designated by the City of Austin and the Downtown Austin Alliance is large and spread out. Because of the length and breadth of the study area and the distinct market, mix and development characteristics of the designated sub-districts, ERA recommends:

Downtown Austin should be considered a hierarchy of retail areas under the near-term implementation efforts, rather than one uniform retail district. There are several benefits associated with acceptance of a retail street hierarchy in downtown Austin. First, all retail locations in downtown Austin are not equally valuable (in either potential sales or in potential achieved rents). This suggests that, while some locations will be worth more than others as retail real estate, there is also room in the marketplace for all types of retailers, including those that may have viable businesses, but which cannot generate enough sales to support the top rental locations downtown. It is inevitable in growing areas that some retailers may be displaced by increasing property values, increased competition or new projects. However, by documenting and maintaining an inventory of downtown retail spaces (and their availability and lease rates) – a selected sample selection of the downtown Austin's property inventory was undertaken by the DAA early in this study – it

may be possible to assist displaced downtown retailers to find a more affordable location. There can be a place for everyone downtown.

The recommended market strategies described below reflect a conscious response to existing and potential market support for each of the priority sub-districts. While there is significant market support and 'uncaptured' expenditure potential for downtown Austin retailers, ERA notes that creating a fully realized merchandise mix in the downtown area will take years of sustained effort to complete. This does not mean that progress must be delayed. In fact, the Second Street project, Warehouse District, and Lamar/Baylor areas represent a new retail concentration that attracts expenditures from resident, employee and visitor markets that would have found very little retail just a few years ago. The new stores coming downtown prove the credibility of the market to other retailers as well as expanding the retail base. This will benefit long-standing downtown retailers who have sustained downtown businesses, even as others closed or relocated to the suburbs. A realistic strategy for each priority subdistrict suggests recruiting retail operators that better meet the needs of existing markets, while also building a critical mass of stores that will widen market attraction over time. While each area serves multiple markets, the character and opportunity for each should be differentiated from the others with specific retail niche operations and merchandising concepts. Downtown can, and should, be expected to evolve and change.

Part of that change will occur in the expanded Warehouse District due to potential redevelopment of the Seaholm Power Plant, Block 21 and the Tom Green Water Treatment Plant. Residents, workers and visitors have an understanding of what the Warehouse District is today, but new development on these sites will both extend the area included in an expanded Warehouse District, while also introducing new retail space and other uses that will help the District broaden its geographic area and market appeal. New options for downtown living, new types of work spaces, cultural destinations and retail spaces will extend and modify the character of the Warehouse District as it grows to the south and west.

Market characteristics and opportunities suggest that the top four priority areas are (1) Congress Avenue (especially south of Seventh Street), (2) East Sixth Street, (3) West Sixth Street (4) Second Street/Warehouse District (Recognizing that the AMLI/Urban Partners-controlled leaseholds have their own momentum, emphasis should be placed on the blocks between the Convention Center and Colorado Street. The Warehouse District between 3rd and 6th Streets to the south and north, and Colorado and San Antonio Streets to the west and east, is the priority area for this district.

The expanded Warehouse District beyond San Antonio Street (including the areas at the Tom Green Plant, around the Seaholm Plant, and the Lumberman's site) has its own momentum, as does the Schlosser/Whole Foods development in the Lamar and Baylor Corridor.

The Red River Corridor/Northeast district has limited retail space available due to churches and institutional uses and Waller Creek infrastructure issues that will take time and money

to resolve (although Red River has attracted a number of local music venues featuring live music performances). The Arts District has very little concentration of galleries and other arts-related uses; both areas will take longer to redevelop, in ERA's view.

The suggested merchandising concepts for each subdistrict are a response to current market conditions and retail offerings. Some subdistricts are more established than others (e.g., East Sixth Street as opposed to the proposed Arts District along Guadalupe and Lavaca), so the opportunity is greater now for some areas, while it will take longer for others to be realized.

While some groups may resist the concept of seeking national tenants as retail prospects for downtown Austin, ERA's experience suggests that a judicious blend of national retailers combined with local and regional businesses will go further to strengthen the downtown mix. Seeking only national tenants will take longer to produce results, and the mix would be reminiscent of conventional malls – there would be little differentiated product. But only pursuing local businesses will likely result in lower average achieved rents and a smaller list of prospects. National tenants are also more likely to lease space from established developers (such as the Second Street Development or other major downtown property owners).

As rents have increased on South Congress (SoCo), the Drag and the 36th to 38th Streets retail area, the potential to recruit selected specialty retailers who are being priced out of the market there offer possibilities for downtown spaces.

Because downtown Austin is so large, the implementation program should initially focus on selected downtown sub-districts. Trying to tackle every sub-district at once almost guarantees a situation where no sub-district achieves its potential.

Suggested merchandising focuses, markets served and representative tenants for the four priority areas are described below:

Congress Avenue:

Positioning Strategy: As the traditional retail heart of downtown Austin, Congress Avenue presents the strongest opportunity to add new apparel and shoppers goods stores to the mix. The corner of Sixth and Congress could be called "Main and Main," as it represents the crossroads of two major commercial corridors. This corner is roughly equidistant from Cesar Chavez and Town Lake and the concentration of buildings in the State Capitol complex to the north. This intersection is a natural point of division along Congress, with the blocks between Sixth and Seventh providing an important transition between the upper part of Congress (above Seventh) and the lower part of Congress (below Sixth), and the scale and building/lot sizes are well situated for pedestrian oriented retail uses. The upper part of Congress has two retail roles. Proximity to office employees suggests that this part of the Avenue be positioned to serve the office market for food and beverage products, consumer services and business apparel. The State and Paramount Theaters and Museums also form an informal cultural district that

will help support food service and some specialty shopping. Local retailers should comprise the greater percentage of prospective tenants for Congress Avenue, along with selected national tenants. A strong concentration of locally owned businesses will create a different type of shopping opportunity along Congress, particularly when compared to replicated lists of national tenants in area malls.

Representative Retailers/retail categories: Both Joe Koen & Sons and Krueger's Jewelers are located in this part of Congress and represent long-term commitments to downtown Austin by these retailers. Other retail categories appropriate for this area include café's, lunchtime carry-outs and informal dining gourmet coffee, banks and financial institutions (although with smaller lobbies, reflecting current trends in bank lobby downsizing/ATM's), dry cleaning drops, florists, and card/gifts/stationery (already present). Arthouse at the Jones Center and Mexic-Arte (located in the lower part of Congress) will remain as museum destinations downtown, but as the Austin Museum of Art (AMOA) is eventually relocated, some buildings will be available as retail redevelopment sites and have large enough floor areas for apparel or shoes (Aldo, DSW). Personal care products are also appropriate for office-related areas (Kiehl's, Bath and Body Works). A computer store would be compatible (Dell or Apple Store). Other retained museum destinations will help support nearby food and beverage, coffee, galleries, etc.

On lower Congress (below Sixth), there are opportunity sites for re-tenanting (Bank of America, Scarbrough's first floor, the former Yaring's and CVS Drugs), as well as redevelopment potential in one-story structures and surface parking lots. These opportunities suggest a major retail concentration and repositioning strategy, assuming that sufficient street-level retail frontage can be recaptured/created. In ERA's view, this part of Congress Avenue can be redeveloped as the second apparel/accessories retail area downtown (the other being the Lamar/Baylor area with By George, Chico's and other apparel and accessory stores). Because of its proximity, the proposed specialty retail along Second Street will reinforce this as a pedestrian-oriented retail zone.

Representative Retailers/retail categories: Teo, Memories, The Cadeau, Talbot's, Zara, Ann Taylor Loft, national bookstore/music store such as Barnes & Noble or Border's, Levi's Store, Diesel Jeans, MAC cosmetics, Kiehl's, BCBG/Max Azria, Bebe, Tootsies, Patagonia, The North Face, H&M, J Jill, Benetton, Max Studio, J Crew, Ralph Lauren/Polo, children's apparel, cigars and humidors. Also, selected retailers from the 35th Street/38th Street areas offer prospective local/regional tenants that might be recruited. If the economics can be resolved, Lower Congress would be the preferred location for a resort-sized national Department Store (such as Saks Fifth Avenue).

East Sixth Street

Positioning Strategy: The markets for East Sixth retail will remain younger students, convention visitors and tourists who have heard about 'Sixth Street' and area residents. Turnover, infrastructure and crowd management present a real challenge for East Sixth Street, particularly for property owners at the eastern blocks near I-35, which have not sustained entertainment as well as blocks to the west, and which must deal with infrastructure issues along Waller Creek. The entertainment concentration along East Sixth is part of Austin's national "brand," and should be reinforced and protected with more live performance venues and food service/bars. The east end of East Sixth Street should remain "edgier," potentially with off-beat apparel and collectibles shops and impulse-oriented retailers like Urban Outfitters, which would remain open later at night, and the area closer to Congress Avenue should become less edgy and more retail oriented (men's/women's apparel, accessories and gifts). The Street needs to be cleaned up and managed (both for public safety and leasing opportunities) day and night. The concentration of Social Service facilities near Sixth is also a management challenge.

Representative Retailers/retail categories: House of Blues, musical instrument retailers, West Elm Furniture and Accessories (eastern end space), Modern Classics Furniture, Lucky Brand Jeans, Diesel Jeans, Urban Outfitters, specialty retailers relocated or expanded from South Congress.

West Sixth

Positioning Strategy – The market for West Sixth is older, more resident-oriented. The concentration of food service (mostly near the Warehouse District and by Katz's Deli) draws downtown residents, students and area residents and workers. Existing retail stores featuring housewares, furnishings and imports can be reinforced by introducing selected national and regional retailers selling furniture, tabletop gifts, and antiques.

Representative Retailers/retail categories: More sit-down cafes and restaurants, CB2, Pottery Barn, Williams-Sonoma, Sur la Table, Waterworks, antiques and imports, gourmet coffee and tea, art/photo galleries, educational toy store, children's apparel.

Second Street/Warehouse District

Positioning Strategy – The market segments that Second Street and the Warehouse District will serve include downtown residents, area residents, convention visitors and tourists. These audiences are older and more affluent than the East Sixth Street customers, although East Second should capture some entertainment-oriented uses such as cafes and bars. Second Street is an important downtown 'connector street' linking the Austin Convention Center with Congress Avenue and the west side of Second Street. The market for Second Street (east) is

downtown residents and Convention Center visitors and office workers from lower downtown. The mix of local and regional stores leased into the AMLI development on Second Street will also flavor the mix on the East side of Second. This is an area (east of Congress) that will, until fully developed, likely be of somewhat lower value as retail space. ERA considers a potential location for retailers who may wish to relocate from other, higher rental areas such as the South Congress retail district or the Drag near the University. The Warehouse District is downtown's largest concentration of upscale restaurants and bars catering to the 30's and 40's crowd. The strength of the restaurant mix downtown is potentially vulnerable to a preponderance of bar conversions.

Representative Retailers/retail categories: Movie theaters, relocated specialty retailers from SoCo and the Drag, other local and regional stores selling gifts, music/collectable LP's, regional products and food gifts, gourmet coffee, newsstand, upscale restaurants, jazz club or other upscale steakhouse restaurant.

Local Retail Prospects

In addition to the number of national and regional local tenants described above, Austin also has an exciting assortment of locally owned retail businesses that have identified specific specialty retail niches or audiences through the products selected by their owners. While the additional management burden of opening a second store can be a significant leap for small businesses, the growth of the downtown market provides a new opportunity for these businesses to serve markets they may not see in other parts of the city. As more retail downtown is one of the stated convention visitor needs, ERA suggests that, if properly located and marketed, local retailers should consider a second location (or possible relocation) downtown to better reach visitors, as well as downtown residents and office workers. Among the businesses that should be considered retail prospects are:

Apparel:	The Garden Room, Valentine's Too, Capra & Cavelli, Adelante, Jezebel's, and The Texas Clothier
Home Furnishings:	Urban Living, Copenhagen Imports, Napa Home, Natural Elements, Gage Furniture (potential for an 'urban concept' store downtown)
Hardware/Gifts:	Breed & Company, The Menagerie, Cornerstone Home & Hardware, Zinger Hardware & General Merchandise

The ultimate tenant mix for the priority retail subdistricts will depend upon how retail is to be managed downtown, the amount of cooperation that private property owners provide, availability to offer financial or other incentives, and the ability of downtown Austin to capture quality tenants from other towns and communities. The next section summarizes ERA's research into case study cities and lessons learned from their downtown retail recruitment efforts and techniques.

Downtown Retail Redevelopment – Best Practices Case Studies

ERA conducted primary research on effective programs and methods that have proven successful in bringing retailers to other downtown areas that have similar characteristics to downtown Austin. Several criteria were used to identify the selected cities; the distinguishing characteristics included the following:

- State Capitals
- Significant University Populations
- Similar Downtown Populations (to the extent possible to identify)
- Presence and/or opportunity for Mixed-Use Real Estate projects
- Convention Hosting Capabilities and established/emerging convention and visitor markets
- Downtown or nearby Sports Stadiums and / or Convention Centers

The cities identified that met these criteria were:

- **Madison, WI**
- **Portland, OR**
- **San Diego, CA**
- **Providence, RI**

These cities were selected with respect that they addressed some, or all, of the shared downtown characteristics. Full descriptions of the case studies are included in the Appendix of this report. In addition to these four (which met most of the selection criteria), other cities were also contacted to determine proven best practices for retail recruitment, the methods and strategies implemented to assist downtown retail development efforts and the types of tools and incentives incorporated into retail recruitment programs.

In the case of the additional examples, ERA looked to programs in three other cities that offered specific lessons for Austin. These lessons either represented legal/financial precedents that could be considered for adaptation to conditions in Austin, to private market responses to site-specific incentive programs or to structural approaches that the City of Austin and the DAA might consider in its continuing partnership. It should also be noted that the successful approaches in other cities have been structured as both programs (sometimes directed and financed by the public sector) and as methods (tactical efforts implemented by local BID's or other downtown organizations). This reinforces that notion that 'lessons learned' from other cities provide proven examples, but that the solution for Austin should be crafted to address conditions *specific to Austin*, and should be structured as partnerships between the public and private sectors. The programs and methods in the additional cities are described below.

Additional Cities

ERA also researched downtown retail implementation programs and techniques in Dallas, St. Louis and Ft. Worth. Although these locations differ in several significant ways from Austin (total market population, amount of downtown office, amount and character of existing retail offerings, and other factors), ERA considered them to be relevant. Their experiences in recruiting additional retailers to their downtown areas can provide valuable insights into approaches that Austin may pursue or adapt as implementation is carried out.

As part of this process and in addition to collecting detailed background information, ERA interviewed downtown managers in these communities to learn from their experiences in implementing targeted retail strategies. The focus of ERA's interviews included the nature and characteristics of the following elements as they might affect the case study cities' relevance to Austin:

- Ability to host and attract downtown retail (local independents as well as regional and national stores)
- Size and number of employees (public and private)
- Total city and MSA population and demographic characteristics
- An entertainment district featuring restaurants, bars, sports complexes, museums, and a convention center
- Number of downtown housing units
- Public transportation equipped to carry large numbers of people into downtown
- Retail recruitment financial strategies and policy incentives
- Business generated by the State Capitol
- Presence of a significant student population

More detailed case studies for Madison, Portland, San Diego and Providence are included in the Appendix to this report. Additional research detailed applicable "best practices" from selected other cities, with the primary goal of identifying financial tools and incentives that might be considered or adapted for the special characteristics of downtown Austin. To approach the issue on a broad a basis as possible, ERA contacted the International Downtown Association (IDA), which submitted an e-mail distribution of the following question to its "Brain Trust" members:

"What are the most significant financial incentives or other tools that have generated new retailers in your downtown?"

A summary of the responses to ERA's inquiry is provided in the Appendix of the report. In general, Tax Increment Financing (TIF) appears to be the most favored incentive tool among those cities surveyed, typically used to establish a dedicated pool of funding to assist with "mezzanine" financing for tenant fit-out and other start-up costs that may be out of reach for new retailers or less well-capitalized independent retailers. This approach has

been successfully used in Dallas through the Central Dallas Association's Main Street Development organization. Approaches similar to these have been successfully used in St. Louis and Fort Worth.

Examples of the approaches and the organizations responsible for implementing them are:

- **Central Dallas Association's Main Street District Retail Recruitment Initiative.** The City of Dallas established the Main Street District Initiative Loan and Grant Program to provide start-up capital and to provide personnel and services for local economic development initiatives in the downtown's 'Main Street Retail Core Area.' The program was established by transferring $2.5 million of Tax Increment Financing (TIF) funding structured through a Texas Local Government Code Chapter 380 as an established 'Retail Recruitment Initiative' program. The program was established within nine months of initial inception through a collaborative effort between the Central Dallas Association and the City of Dallas. Program funds are allocated in two ways: provision of funds for financial incentives to retailers and property owners and a monthly stipend to the CDA to cover part of the cost for staffing, marketing materials, and other administrative costs. The retail recruitment incentives include grants for tenant improvements (provided as reimbursements to property owners after the expenditure has been made), rent subsidies/provision of free rent for tenants for a prescribed period, and/or other related start-up costs as determined on a case-by-case basis. Renovation costs for tenant improvements and rent subsidies are negotiated on a point-based system and are capped, with the financial benefits intended to reduce front-end capital risks for both landlords and tenants, and to attract retailers who might otherwise not consider downtown Dallas. All recipients of loan or grant monies are required to enter into/participate in a marketing agreement with the Central Dallas Association. The agreement enables the Central Dallas Association to track available space and to make recommendations/provide strategic incentives regarding tenant mix, strategic retail co-locations and synergies, and other retail strategies. A portion of the Central Dallas Association's operating budget is supported by the Chapter 380 funding, with funding provided for staffing, preparation and distribution of marketing materials, and other operating costs. Additionally, the CDA receives a small commission for every Chapter 380 loan or grant deal approved, creating a performance based program that requires results in order to ensure continued funding. Each deal is negotiated by the Association, and then forwarded to City staff for review and final approval by the City Manager's office. According to sources in Dallas, the average negotiation time for retail deals has been shortened from one to two months to less than thirty days due to a number of logistical simplifications enacted after the first year of program operations. Through the TIF allocation, the program is funded for the next two years. ERA considers the Dallas program to offer potential precedents to Austin in its structure and legal approach through Texas Code Chapter 380. The Appendix of this report includes application forms, ratings

criteria, budget allocations, marketing materials developed by the CDA for the Main Street Retail Core Area and other materials used in the program.

- **St. Louis Development Corporation/Downtown St. Louis Partnership:** St. Louis has a number of programs underway to help further downtown redevelopment. There are Special Business Taxing Districts in the City of St. Louis. These districts have a special tax levied on the assessed valuation of the commercial property and/or on the business licenses for businesses in a designated area. This revenue can be used in a variety of ways to improve the streetscape of the area and make the area more attractive. In some areas this revenue has been used to provide additional security, to install landscaping, to advertise or promote the business activity of the area, to maintain and improve the city owned streets and right of ways, and install additional lighting. In order to further leverage Tax Increment Financing and state and federal Historic Tax Credits that have helped to construct nearly 2,000 housing units in downtown St. Louis over the last two years, the St. Louis Partnership collaborated with the St. Louis Development Corporation to dedicate $250,000 of CDBG monies as seed money to help with the start-up costs of downtown retailers in 2004. The program is active in the Community Improvement District (CID). The program, which has been reauthorized for an additional $125,000 in 2005, was established very quickly by accessing existing loan and grant applications administered by the St. Louis Development Corporation.
- **Fort Worth Downtown Partnership:** With the direct support of major corporate investors in the downtown, such as Bass Brothers in Sundance Square, the Fort Worth Downtown Partnership opted to take the indirect route in supporting downtown retail development. The organization implemented an initiative that enabled the City of Fort Worth to use Tax Increment Financing to buy parking leases to establish dedicated parking spaces for downtown shoppers. The program has helped the downtown to better compete with the ample free parking offered by suburban shopping locations.

The research effort into the case studies and other cities was part of ERA's overall research of relevant comparable locations, methods and programs. In addition to this research, ERA also brought in a panel of downtown retail specialists through the International Downtown Association (IDA). Their analysis and recommendations for the Downtown Austin Retail Strategy are described in the next section.

ERA

THE IDA ADVISORY PANEL RECOMMENDATIONS

In early June of 2004, ERA brought a panel of downtown retail experts to Austin as part of the retail analysis and strategy. The panel was organized by the International Downtown Association (IDA) and led by David Feehan, Executive Director of IDA. The panel spent three days in Austin evaluating the downtown area, competing retail districts, the overall mix of stores and businesses, and meeting with stakeholders representing downtown interests. Part of the IDA Panel's objective was to consider a range of development problems and opportunities as background context for the Barriers to Entry component of Task 5. The panel identified ten development problem areas recommended to be addressed by the Downtown Retail Steering Committee, the City of Austin, by the DAA and other partners in implementing the retail strategy. The panel also recognized four unusually strong opportunity areas: the momentum created by current and pending large-scale projects such as Second Street; the Schlosser project on Lamar including the Whole Foods flagship store; the number and diversity of underserved potential shoppers for downtown stores; and the market characteristics of those shoppers that will attract new retail businesses. The panel also suggested priority redevelopment areas and positioning strategies for key areas of downtown Austin. At the conclusion of the panel's visit, a public presentation was held at the Driskill Hotel; their comments, analysis and recommendations presented at that meeting are summarized below.

Development Problem: Limited Supply of Existing Retailers

Downtown Austin's lack of retail is itself a barrier; because the larger market outgrew downtown, the downtown retail component lacks a sufficiently strong history. Therefore the commitment of the DAA, the City and private stakeholders is essential to vitalize a downtown that lacks a recent history of critical mass.

Development Problem: Scale of Potential Demand

National trends (back-to-the-city residential movement and over-saturation of the suburban mall industry) and recent local development patterns in Austin (continued office/mixed-use developments, introduction of thousands of new downtown residents and more visitors drawn by the Convention Center) promise a unique window of opportunity for downtown Austin retail. But meeting the potential demand is constrained by a lack of retail density/critical mass downtown, as well as a perceived lack of access and parking. Austin can overcome these barriers by supporting and encouraging downtown housing (including more affordable workforce housing), improving access/transit connections and retail-friendly parking facilities, and working to "filling the gaps" between the downtown retail sub-districts.

Development Problem: Creating and Sustaining a Long-Range Vision

In the absence of a clear vision for downtown retail, recent public policy has sometimes been interpreted as supported development in other areas of the city, sometimes at the expense of strengthening retail downtown. Austin's public policy on retail development should be driven by a focused vision on supporting and encouraging downtown retail, and focus on connective strategies that will foster market-based retail opportunities in a coherent approach. The City has made major commitments to downtown development through Second Street, the redevelopment of City-owned properties and efforts to streamline administrative processes. It will be critical that a consistent long-range vision of downtown retail redevelopment be sustained over time to assure a comprehensive approach and consistent results.

Development Problem: Need for Better Transit/Pedestrian Connections

Accelerate the modification/downsizing of the Tom Green Water Treatment Plant. This is a top priority to complete future connections between Second Street (connecting the Convention Center area in the East to the Warehouse District) and the new housing/retail/civic developments toward the West. The Lamar area at the western end of the downtown study area is well established and growing with the new flagship Whole Foods Store. This project, combined with potential future redevelopment of the Seaholm Power Plant site and the Lumberman's site will create new development clusters that need to be connected to the fabric of downtown Austin via roads, transit and inclusion in Great Streets infrastructure improvements over time.

Development Problem: Waterflow Capacity

Provide adequate waterflow to service expanded retail in areas where pressure and capacity are limited. This is a safety, building code and insurance issue; existing sprinkler systems will lack adequate pressure unless this utility/infrastructure issue is adequately addressed.

Development Problem: Requirement for Additional Wastewater Treatment Capacity Constrains Potential Site Redevelopment

There is a real and immediate problem with wastewater capacity because the lift station on the west side of downtown is currently operating at capacity. While it may not have a direct impact on retail recruitment in particular (as retail stores use proportionately less water than larger mixed-use buildings), the capacity limitations will have a significant impact on the ability to create larger scale mixed use residential/retail developments. Because potential additional retail development downtown can prove beneficial for retail recruitment, capacity constraints will have a clear impact on whether or not additional residential can be developed downtown.

Development Problem: Need for 'Retail Friendly' Parking

The City of Austin should explore solutions to the need for more 'retail-friendly' parking downtown. These potential solutions could include better directional signs to available retail parking, improved downtown transit (potentially developing and using a streetcar system and/or an enhanced 'Dillo network, and careful location and placement of bus lanes serving regional commuters. The City may also want to explore the potential to create a parking authority or other parking development/management entity to expand and promote a comprehensive downtown parking system. Over time, this system should join in partnerships to replace existing surface parking lots with structured parking in mixed-use projects and to move 'storage' parkers to peripheral locations. The system should be a customer-oriented, not a system perceived to be consumer unfriendly and violations-oriented. Downtown parking facilities cannot compete with free parking at suburban malls on price, so downtown must position its parking program based on service and providing a positive parking experience.

Development Problem: Inconsistent Public Realm Appearance

Austin's Great Streets Program should be targeted toward the four priority sub-districts (Congress Avenue, East Sixth Street, West Sixth Street, and the 2nd Street/Warehouse districts). There are many locations in downtown Austin (particularly on secondary streets) in which the components comprising public spaces – sidewalks, curbs, streets, and some adjacent private spaces – needs immediate attention. Weed-overgrown lots should be cleaned and maintained, dirty sidewalks need to be regularly power-washed and 'gum-busted,' and broken sidewalks need to be repaired. The funding source for Great Streets will most likely be a combination of public and private funding.

Development Problem: The Regulatory Process

While the City has and is working toward streamlining and improving the regulatory process, there are still significant real and perceived barriers to retailers, developers and property owners. These essential partners find the process burdensome, sometimes illogical, lacking in transparency, and generally user-hostile. A more efficient regulatory process is needed in downtown Austin, and re-engineering current systems with significant private sector involvement could yield significant improvements in both perception and practice. Among the regulatory issues presented were the need for first floor retail requirements to apply only in appropriate districts, the review and approvals process is viewed as onerous in that it delays development and includes too many review steps, and what is perceived as a significant inconsistency in application of incentives and regulatory enforcement that benefit large developments but do not particularly help small businesses.

Development Problem: Transit and Access:

The current Bus-oriented transit system appears to have little positive effect on downtown Austin retail. While the 'Dillo stops frequently and connects downtown to other areas of the city, Capital Metro bus routes, stops and frequency create barriers to retail recruitment. Well-intentioned but misunderstood projects such as the proposed dedicated busways bringing regional commuters to/through downtown are unlikely to genuinely aid retail. The current volume of buses along Congress Avenue is unlikely in the near term to provide retail with a significant boost, and could, in fact, be considered detrimental to retail recruitment if bus stops are poorly located or operated. The system works best to transport downtown workers from outside the downtown area but does not foster ease of movement within the downtown area. Consideration of a trolley/streetcar network linking downtown's office worker/conventioneer/residents markets along the existing street network would better provide flexibility for future shoppers. Generally, people don't use public transportation unless they have no alternatives. An improved and well-connected transit system can indirectly benefit retail by helping to build the downtown office sector. Experience in other locations has also shown that, in areas in which there is a concentration of office workers downtown, enhanced mobility provided through transit can encourage office workers to venture further than one or two blocks for shopping during lunch hours. Workers who understand that they can easily get from one part of downtown Austin to another on the 'Dillo and that transit connections will occur frequently (and predictably) are more likely to use that transit as an urban shopping connection.

Development Opportunity: Demographic Characteristics

Because of a new level of interest in downtowns by national demographic segments such as young professionals and empty-nesters and more mixed-use oriented urban development trends, the timing of Austin's efforts to bring retail downtown is superb. More people are interested in living in downtown areas, and developers are providing new housing product types (lofts, live/work spaces, multifamily towers) that did not exist in Austin ten to twenty years ago. Because of new downtown residents and an oversupply of suburban malls, a number of national specialty retailers have become more interested in downtown locations. National and local independent retailers are open to downtown locations. A downtown resident population that has Austin's demographics can support a significant increase in downtown retail, both in quality and quantity. ERA's projections are discussed in the preceding section.

Development Opportunity: Momentum Created by Major Downtown Projects

Austin's "blank canvas" (in terms of downtown retail) represents is a real opportunity to attract new retail businesses, both local/regional and from selected national tenants. There are limited opportunities to "recapture" space in order to expand and improve retail; for example, there are selected locations along Congress in which improved retail continuity would enhance street activation and pedestrian shopper interest (large office and bank lobbies break up retail continuity). Large projects like Second Street/AMLI and the

Schlosser Project in the Market District/Lamar and West Sixth Street area offer excellent opportunities to recruit new tenants without teardown impediments and will jumpstart this process. The recently announced mixed-use project at Sixth and Congress can both activate the street level at downtown's 100% corner and introduce new tenants into the mix. Future projects in priority subdistricts should be planned to activate the street with pedestrian/shopper activity and strengthen the tenant categories offered.

Development Opportunity: Potential Shoppers

There are two major resident markets for downtown Austin retail – 350,000 persons between the ages 20-34 and additional 170,000 persons who are 55+. These two groups represent potent reservoirs of potential downtown renters/buyers and, therefore downtown *shoppers*. Consumers in these age groups are sometimes described as "household formation" markets, as they each display a higher propensity to purchase furniture, furnishings and home products, groceries, apparel and accessories, convenience goods/consumer services (such as banking, dry cleaning, and other services), books and music and to dine out at all price levels. Downtown Austin's retail potential is represented by the opportunity to bring in new businesses to meet these needs.

Development Opportunity: The Market

Austin has all the requisite market characteristics to recruit new retail businesses to locate downtown – population size, income levels, and a highly educated community. Austin's customers can be great shoppers if appropriate goods and services are made available. New downtown residents and visitors in the key demographics cohorts are not afraid of downtown, and are poised to make downtown Austin a retail success. The size of the age cohorts 20-34 and 55+ bodes well, not only for downtown residential, but also for many categories of retail, dining and entertainment (sophisticated, well-informed, etc.).

Positioning – Subdistricts:

Because downtown Austin is so large, Austin's leaders must be very focused on a few downtown sub-districts initially. Trying to tackle every sub-district simultaneously almost guarantees a situation where no sub-district achieves its potential.

- Panelists concluded that Second Street and the Market District/Lamar and West Sixth Avenue have similar market characteristics, and can be positioned accordingly.

- Congress Avenue can be positioned to serve the office market for products, services and apparel.

- Congress Avenue should become the district serving the downtown office market, retail for office workers and business supplies and services.

- East Sixth Street presents a real challenge, particularly for property owners, but (without losing its national "brand"), East Sixth should be cleaned up.

- East Sixth Street should be cleaned up and carefully fine-tuned, so as not to destroy the brand.

- The east end of East Sixth Street should remain "edgier," and the area closer to Congress Avenue should become less edgy and more retail oriented.

- Other districts, while important, should become focuses only after the four 'opportunity' sub-districts are launched successfully. The success of the four priority districts will put healthy pressure for development on other sub-districts.

- The Market District/Lamar and West Sixth Streets has already demonstrated extraordinary merchandising. Second Street should follow and connect to the market, eventually representing one shopping experience. These districts should contain hip apparel, home furnishings, gifts, food, books, music and other products and services.

- DAA should focus special attention on both Congress and Sixth, the "Main and Main" corner; this important intersection links other priority project areas.

Incentives and Tools:

Panelists agree that the Great Streets Program is a good idea and should be especially targeted to priority sub-districts, particularly the Second Street district.

Other tools should include heat mitigation programs providing cooler walking environments for pedestrians (awnings, street trees, etc.), Tax Increment Financing (TIF)-supported parking facilities and streetscape improvements, and other programs.

IDA Panel Conclusion

Downtown Austin is blessed with a number of essential assets – an effective downtown organization, a city government that is committed to downtown, and willingness by key players in the public, private and nonprofit sectors to work together. Strong anchors can be found throughout downtown – from the nationally known 6th Street entertainment district to the flagship Whole Foods Market, and from the State Capitol to Town Lake. Museums and arts facilities complement these major assets, as do the convention center and new residential projects.

Retail is the missing piece of the puzzle. A growing and thriving retail component will provide downtown with vitality and excitement, will enhance the downtown working and living experience, and will make downtown real estate more valuable, thereby generating more tax revenues for the City and other taxing entities.

There are serious challenges and barriers, however, which must be addressed. Basic infrastructure issues cannot be ignored. Waterflow and wastewater problems must be addressed. Unless addressed, existing flood plain issues will constrain further development along the creeks. Parking is both a real and perceived problem, and it will not be solved without a comprehensive organizational approach. Public transit is needed, but what types of transit, how it is perceived, and what streets it travels are critical issues and should be approached with plenty of public input.

Creating a vibrant retail core in downtown Austin is not only possible – it should be a high priority – because it will allow Austin to complete the puzzle. Choosing the right kinds of retail, the right subdistricts on which to focus, and the right kinds of public participation will determine whether this last piece of the puzzle fits, and creates the vision of a downtown unlike any other in Texas or the region.

ERA

International Downtown Alliance Brain Trust Survey

"**What are the most significant financial incentives or other tools that have generated new retailers in your downtown?"**

- **Charlotte Center City Partners**: Short-term startup rent subsidies by the landlords has been the most effective tool in Charlotte.
- **Downtown Fort Worth, Inc.:** The Downtown Tax Increment Financing District in Fort Worth provides 2,800 free weekend and evening parking spaces at a number of garages around the core of downtown. Availability of this incentive did not directly generate retail and restaurants, but it makes the recruitment process easier because of the services it provides that complement retail activity.
- **Downtown Denver Partnership**: Tax Increment Financing (TIF) has had the greatest effect.
- **Downtown Cincinnati, Inc.:**
    - Tax Increment Financing (TIFS) - While many including Cincinnati have used property tax based TIF, sales tax based TIF seem more innovative and applicable to retail. In Ohio, there we do not have sales tax based TIF (and they carry some risk).
    - Facade Improvements Funding - generally the amounts available are too small to have great impact.
    - Promise of lots of foot traffic for retail via arts/culture, transportation, convention centers, stadiums, and residential development
    - Observations:
        - Retail rent should almost be considered as an advertising expense. It is a function of the value created by traffic/potential sales.
        - Economic development programs in many states and cities are still based on manufacturing economy. Leveraging a service-based economy is still an opportunity to be realized.
        - "While I support retail incentive packages that can stimulate growth and assist small businesses (minority and women-owned too), it is important to note that retail is an unusually volatile and fragile field. Care must be taken that incentives do not mask underlying weak market economics - and they all-too-often do".
- **Capital City Development Corporation, Boise, ID**: Publicly-funded structured parking downtown, wide sidewalks to invite outside dining and infrastructure of a very

high quality. Downtown has to be perceived by the market both cognitively and subconsciously as a special place (worth paying more for).

Task 5 Barriers to Entry and Recommended Implementation Strategy

In the preceding portions of this report, ERA and Black + Vernooy have identified a number of remarkable opportunities that exist in downtown Austin. These opportunities include urban design sites and urban development patterns that will further enhance Austin's downtown environment, extraordinary market opportunities created by downtown and nearby residents, the office worker population, and a substantial visitor market attracted to downtown hotels, the expanded Austin Convention Center, recreation and entertainment opportunities on Town Lake, Sixth Street and the Warehouse District. Beyond these opportunities, other development initiatives such as the Second Street Project, the Schlosser project and Whole Foods flagship store on Lamar Boulevard, the proposed office/mixed use project by T. Stacy at Sixth and Congress and redevelopment sites such as the Seaholm Power Plant, Tom Green Water Treatment Plant, Block 21 and the Lumbermen's Site are certain to maintain a level of momentum that other U.S. cities will envy. The importance of new downtown residents to the future of downtown retail reflects a major new growth market for retailers, and the concentration of professionals/ office workers in the central business district represents a vital weekday market for retail goods and services as well as for dining and entertainment.

Despite the unusual strength of the conditions which can allow existing and future retail to thrive in downtown Austin, there remain a number of potential elements which might be called "barriers to entry." These are barriers or obstacles which might (a) affect a retailer's decision to locate a business in downtown Austin, (b) constrain the ability of a business to locate downtown, (c) be perceived as a complexity that might discourage consideration of downtown as a place to do business, or (d) constitute a financial limitation caused by conditions particular to downtown areas that might make them less feasible financially than other competitive locations under consideration. The barriers to entry in Austin can generally be organized into three broad categories:

- **Private Market Barriers**
- **Public Process Barriers**
- **Infrastructure Barriers**

During the ERA/Black + Vernooy team's research and interviews in Austin, multiple aspects of each of these categories were mentioned. With regard to the implementation efforts which should result from the recommended strategy, some can be addressed more immediately than others, but ERA suggests that the entire list of issues and barriers should be incorporated into the implementation approach described later in this section. Each of these major categories is represented in the following section.

Private Market Barriers

Private market barriers include those elements which can be addressed by technical assistance, information gathering and distribution, outreach to market-driven partners in the development community, an improved regulatory process (initiated by the City of Austin, but benefiting downtown businesses, developers and property owners), and judicious application of incentives to accelerate or re-direct development decisions. Private market barriers include:

- *Lack of Market Information* – This report documents in a comprehensive way the market potential to attract sales and retail businesses to downtown Austin. This information can be packaged and presented to property owners as a basis for recruitment of local, regional and national retail tenants.
- *Need to Maintain Property Inventory* – The DAA undertook a downtown retail property inventory to identify property locations, sizes, tenancy, least terms and other factors that prospective tenants would need to know. The value of a maintained inventory will come from the ability to move quickly in the future in matching retail tenants with available spaces, *but under a clear merchandising strategy*, not just to fill space.
- *Retail Prospecting for Tenants* – Retail brokers often respond to vacancies by placing a sign in the window of the space. ERA's experience suggests that a more pro-active role is necessary in continually finding good tenant prospects, sharing information with them about available spaces and market opportunities, and then connecting them with brokers and property representatives to structure a deal. Seeking out tenants that fit a particular retail strategy or mix is not cost effective for retail brokers who only earn their fees by completing a lease transaction. A retail prospecting role will provide the missing link between retail operators, property owners and their brokers
- *Cost/Revenue Imbalances* – It is frequently less cost effective to redevelop downtown properties due to higher improvement costs, infrastructure burdens (such as the disproportionate cost to re-connect store utilities from underserved alleys to new street utility locations), higher maintenance costs, etc. This is one of the reasons that some property owners take the course of least resistance, and lease their retail spaces to bars (which generate higher rents at lower improvement costs) rather than more conventional retail stores (which may take longer to become established, may not generate the same rental levels due to lower sales productivity, or may require higher investment by the landlord to ready the space for quality retail occupancy). It is understandable how this happens, but an imbalanced mix of uses can preclude the ability to attract the full market potential downtown.

- *Lack of Small Business Incentives* – While the City of Austin has made incentives available to encourage larger scale development downtown (generating more jobs in the process), it has proven more difficult to provide incentives that directly benefit small businesses in downtown Austin. A number of private-sector representatives suggested that it will be necessary to provide some forms of assistance to smaller businesses (particularly locally-owned small businesses that may not have enough funding to undertake complex building improvements or business expansions).

Public Process Barriers

- *Need to Institutionalize Great Streets* – Austin has adopted Great Streets as a planning tool for further redevelopment, although funding for implementation of Great Streets has not been identified. The risk in adopting a plan as policy but not funding it is that the intent and detail of the policy will likely be compromised as other aspects of development are negotiated. ERA recognizes that the City of Austin does not have sufficient funding to pay for implementation of all of the details incorporated into Great Streets throughout the central business district. However, the City also has a pragmatic policy restricting street reconstruction for twenty years after an initial capital improvement project. The consulting team strongly encourages the City to incorporate design elements of Great Streets into developer requirements that will result in street construction, as well as in publicly funded projects such as reconstruction of Colorado and Brazos Streets. Unless Great Streets standards are included in the initial project, downtown Austin will have to wait twenty years or more to have another chance to make these improvements. Not precluding Great Streets for twenty years is the initial goal; encouraging its implementation as part of committed development projects is the ongoing priority.
- *Public Safety, Panhandling and Social Services* – In Austin, as in other major American cities, it has been proven repeatedly that if downtown is to succeed as a shopping destination, it must be perceived as a safe environment by a broad cross section of potential consumers. This means that public spaces must be carefully and consistently maintained to attract potential retailers and shoppers, and that negative public perceptions created by panhandling and other public safety concerns must be closely managed. The concentration of three major social service providers near East Sixth Street creates both a centralized cluster of facilities to help those in need, as well as a concentration of people on the streets that are in need of assistance. While these services are needed and important, their concentration so close to an area frequented by residents and visitors, as well as the proximity to downtown has created a problem (both perceived and real) for unwanted interactions between those less fortunate and others. While actual crime statistics suggest that negative reactions are frequently more perceived than real,

there are very real issues about the need to manage panhandling enforcement regulations, maintaining cleanliness in public spaces and reinforcing a sense of public order. Panhandling, perceived lack of safety and fear of crime have all been cited in discussions with public and private interests. While the approach toward managing these issues rests with the City, Law Enforcement, Advocacy Groups and organizations like the DAA, the real objective is to balance public concerns and desires with a respectful treatment of people who need social services. Regulating these issues is a major task, but maintaining public order should be considered a priority management requirement so that it does not become a barrier to entry for either potential retailers or shoppers.

- *Bond Elections* – The City of Austin is considering a series of public improvement bond elections to rectify infrastructure and other problems. Given the magnitude of the problems, their costs and the complexity of planning and implementing these types of improvements, the City is to be commended for undertaking a task that may take many years to complete. This is particularly significant because infrastructure is not as visible to the general public as are other types of public capital improvement projects, and they may not be considered as the highest priorities. Marshalling the civic and political will to make these improvements can only happen through the leadership and commitment of the public sector. But it will also require that the public understand that without a sound infrastructure system downtown, both the provision of basic services and the ability to reach development potential will be severely affected.
- *Regulatory Process*es *and Code Inconsistencies* – Recent improvements in One Stop Shop process and other efforts to address regulatory inconsistencies and processes have been recognized by the private sector, but there is still room for significant improvement. Conflicting codes such as the fire and water codes continue to pose problems and need to be resolved. For example, the existing fire code requires one level of water pressure per square inch of pipe (psi), while the water code requires a different psi pressure level. Current permit processes require that projects must meet both of the code requirements, creating confusion, administrative and regulatory conflicts, contradictory decisions and long delays in application processes. This is viewed as a major barrier to redevelopment, both in form and substance.
- *Planning, Zoning and the Land Development Code* – The current planning and zoning requirements downtown are not tailored to 'urban' qualities (such as mode splits for parking, etc.). A new downtown overlay planning/zoning area could be structured to address both the characteristics of and the differences between downtown areas and suburban zones. The existing Land Development Code needs to be revised to correct inconsistencies, inequities and unnecessary impositions on downtown property owners, business owners and investors.

- *Expanding land uses: too many bars?* – Downtown Austin's revival has largely been driven by a significant concentration of entertainment and restaurants. The success of East Sixth Street as an entertainment destination has created an image for Austin that attracts conventioneers, tourists, University of Texas game-day visitors, and regional residents. The subsequent development of the Warehouse District as a dining and entertainment area serving a slightly older and more affluent market has spurred redevelopment of the area west of Congress. But another trend has emerged within the past 18-24 months that may sidetrack the progress that downtown Austin has made and could adversely affect the ability to attract specialty and apparel retailers downtown. The issue is the growing number of liquor bars as a dominant land use.

  Recently, several bars have opened or announced openings along lower Congress Avenue in the blocks below 5th Street. Because the cost of development is relatively lower than other retail categories and the profits are high, property owners have been willing to lease space to bar operators, who can afford to pay higher rents but have lower financial risks than other retail categories because the cost of set-up and operations is reduced. ERA suggests that the growing concentration of bars is not the most desirable retail use for downtown Austin. A concentration of too many bars narrows downtown's market appeal, and generally focuses on evening hours, generating less active streetscapes during the day. By allowing a financially lucrative, but frequently short-lived use to dominate potential retail areas, the ability to recruit other retail categories is precluded, as well.

  ERA does *not* recommend that bars be disallowed or rigidly limited in downtown Austin; in some ways, the bar businesses have helped to re-attract the entertainment patrons back downtown. But allowing too many bars downtown will transform the area downtown into an evenings-only atmosphere and will make it far more difficult to attract other retailers, for whom co-tenancy (a cluster of complementary retail goods stores in a single area) and critical mass of shops and stores are necessities. Because of diverse property ownership and differing investment requirements, downtown Austin property owners will need to be educated as a group on the longer-term benefits of recruiting retail uses other than bars. If downtown Austin is to emerge as a shopping district and to recruit some of the stores described earlier, the clustering and rapid growth in the number of bars must be more carefully managed. ERA recognizes that bringing in longer-term retail uses will likely take longer and be more complex than leasing vacant space to bars but strongly recommends that the growth in the number of bars be restrained long enough to allow other retail categories to be recruited and to succeed.

Infrastructure Barriers

- *Water Supply, Storm Water Management and Water Treatment* – Redevelopment of some areas of downtown Austin is constrained by under pressured water supply, by storm water drainage capacity, by outdated water treatment systems or by inadequate water pumping stations. The detailed infrastructure analysis conducted by Black + Vernooy under Task 1 of the Retail Strategy addressed several critical issues about water in downtown Austin – existing supply lines and restricted water pressure, storm water management constraints along Waller and Shoal Creeks and the need to replace the Tom Green Water Treatment Plant over time. ERA includes this issue in the conclusion of Task 5 because the needs to address these concerns are complex, costly and critical to eliminating constraints to future development. This will be a long-term solution, and will require a long-term strategy to phase, fund and complete the needed improvements.

  The storm water management issues along Waller Creek are serious enough to limit additional development (including retail) until flood plain conditions are mitigated. This will result in lower property tax revenues to the City, lack of incentive to invest for property owners and difficulties in adding new uses along the Creek corridor. A tunnel alignment study has suggested two possible routes along Sabine Street, west of Interstate 35 and east of the Austin Convention Center, but the costs are significant and the City has not yet identified all of the funds to address the issue. Because the Sabine Street route can accommodate the larger tunnel width and capacity, this would allow more development over time. All of the water problems are indicative of a larger characteristic. Austin is transitioning from a small city to a major city. This transition will mean that larger development issues must be addressed if the downtown area is to reach its potential.

  As mentioned earlier, infrastructure improvements are not readily apparent to voters; the expectation is that public infrastructure will be functional and safe without having to think about the condition of the systems that make these types of public improvements possible. Infrastructure improvements and longer-range environmental concerns will require time, technical proficiency and public input to become a real implementation plan. But infrastructure is the connective tissue that links current and future commercial and public development. Committing the funding to resolve these and other infrastructure issues will be necessary if the Red River area and all of the east side of downtown Austin is to be redeveloped over time.

- *Traffic and Transportation Infrastructure* – The number and concentration of bus routes along Congress Avenue is considered a barrier to development by many consumers and property owners. While the need for transit is widely accepted, the enormous number of daily buses on Congress has done little to encourage retail development. Additionally, the one-way street couplets that criss-cross downtown

Austin are considered as barriers by many, both because they can confuse and redirect traffic and because they send vehicles further to reach their destinations, creating more traffic. The width and carrying capacity of downtown Austin's streets deserves another consideration in order to reduce the number of one-way streets.

- *Lack of Parking for Retail* – Merchants, building owners and others cited the lack of available retail parking as a barrier to redevelopment.
  According to the City's most recent parking study, while there is plenty of parking capacity downtown, the available parking is not located where consumers want to park. This issue can be addressed by creation of a comprehensive parking strategy that considers how to gain more capacity out of street spaces, commercial parking lots and structures and transit interfaces to reduce the number of cars.
- *Great Streets and Street Reconstruction Projects* – The need to institutionalize Great Streets standards for both public and private projects is described elsewhere in this report. Unless Great Streets becomes a central part of every public and private project's basic requirements, it will not be implemented consistently or concurrently. As mentioned above, ERA recommends that the Brazos and Colorado Street reconstruction projects should be modified to incorporate Great Streets design standards going forward; otherwise it will be twenty years before the opportunity can be taken again.

Other Development Issues

In addition to the elements described above, there are other development issues that will constrain or affect the potential for downtown retail beyond the benefits of creating the Retail Coordinator's position, the City's ongoing commitment to downtown as a priority development area, and creation of tools and incentives. Some of these issues are current – for example, the overexpansion of bars as a retail use described above – while others like Capital Metro's system expansion will be realized over a significantly longer period of time. The different schedules for implementation do not minimize the need to focus on these concerns, nor the requirement to continue to protect the context for retail downtown.

The remainder of this section addresses these additional downtown retail issues.

Future Implementation of Development Sites

The City of Austin has undertaken a series of visionary initiatives to redevelop City-owned property in the downtown area, and to encourage mixed-use and new residential development. Three pending projects - Block 21, the Seaholm Power Plant and the Tom Green Water Treatment Plant - are all slated for redevelopment, although the Seaholm and Tom Green Plants may take many years to be implemented. The issue for these sites is not whether they should be redeveloped, but rather that the selected redevelopment plans and development partners chosen by the City will need to consistently reinforce retail planning principles that will create good retail spaces and active pedestrian areas. ERA believes

that the three City-owned sites will have a profound effect on the future of the southwestern part of downtown Austin and the Town Lake waterfront.

To date, preliminary planning efforts for these sites have been ambitious and creative. But it will be critical to remember that downtown Austin is a fabric of blocks and streets. Future redevelopment should reflect that pattern, while adding new residential, office, cultural and recreational uses, as well. As a land use, retail has specific planning criteria to allow it to function and to attract customers. These and other critical downtown redevelopment sites should be required to respect the proven design qualities that foster active streets and successful retail environments.

Capital Metro Projects and Implementation Timetables

Over the course of our work on the downtown retail strategy, ERA, Black + Vernooy and the IDA consulting team all met with representatives of Capital Metro to discuss the regional transportation plan and specific elements such as dedicated bus lanes, the volume of buses along Congress Avenue, and potential trolley routes linking different parts of the downtown area. Capital Metro was generally very receptive to these discussions, but the variables of time and funding could affect future planning in ways not currently anticipated. Transit development is a needed improvement in downtown Austin, and it will have a significant effect on the adjoining retail zones, wherever the routes are eventually located. But transit improvements frequently do not incorporate planning principles that will foster successful retail. For example, Capital Metro is considering dedicated busways to bring regional commuters into the heart of the city from the surrounding area. But ERA's experience in other cities suggests that, unless carefully planned, the dedicated busways carrying commuters to downtown Austin will not work effectively to foster successful retail streets, and in fact, should be avoided if retail environments are desired along the route. Similar busways in downtown Portland, Oregon have resulted in underperforming retail spaces, discounted rents and less active public areas along the downtown routes, and proposed busways in downtown Cleveland were not originally designed to allow cross traffic for pedestrians.

Neither of these dedicated busway systems were intended to have negative effects on the adjoining retail streets, but it requires special care in planning and design to ensure that both transit and active streets are enhanced. ERA suggests that sound retail planning and development principles should be consistently incorporated into Capital Metro's plans for downtown transit improvements. Unless maintained as a priority, the needs of retailers and pedestrians may not be fully recognized by transit planners, and a counterproductive end product may inadvertently result. The City and the DAA share the responsibility to work with Capital Metro over many years to assure that the retail character of the street is not sacrificed for transit-only priorities.

Implementation Strategy

Based on the market research, analysis of opportunities and barriers to entry and best practices from other cities, this section of the Task text summarizes the recommended implementation approach for the Downtown Austin Retail Strategy.

The implementation strategy is intended to address a number of barriers to entry facing potential retailers, potential investors and developers and property owners. Issues to be addressed include:

Centralized Contact, Coordination and the Need for Retail Prospecting: There is no central point of contact providing current market information or documentation of available space/merchandising strategies for interested parties who might potentially consider a retail location in downtown Austin. The suburban shopping mall or single-owner project has centralized leasehold control and has the ability to centrally direct store placement and retail mix and can carry out a planned retail strategy. In contrast, downtown areas are comprised of multiple property owners with differing priorities, investment timetables and capacities and strategic interests. Unlike the centrally controlled mall environment, individual property owners may have differing capacities to invest in tenant space improvements and may have different motivations for ownership. (For example, more entrepreneurial owners may aggressively seek tenants, while owners who inherit properties or have properties owned and managed in a trust may only be interested in receiving a monthly rental check. Out of town owners may have little connection with Austin, little understanding of market conditions, or have little incentive to change their ownership or management style). To compete with the mall (for national credit tenants, which are the most appealing to sources of financing), downtowns need central sources of information, market data and coordination of retail recruitment efforts. The Downtown Austin Alliance already provides a number of centralized services such as the Downtown Rangers, litter removal, graffiti cleaning and downtown advocacy. The DAA does not currently have the capacity to fill a gap in the retail development process – ***the need to prospect for potential tenants***. But both the DAA and City of Austin have recognized and focused on the need for retail market information and the opportunity to create better coordination by implementing the conclusions of this study.

Recognize Downtown as a Priority Economic Development Area: Downtown Austin is not perceived as a priority Economic Development Area for the City of Austin by many property owners, small businesses and property developers/investors. While the City has made many commitments to downtown (Streetscape enhancements, construction of the new City Hall along Town Lake and development of the Second Street Project are three examples), others cite limited funding and assistance programs for small businesses and property owners, confusing/contradictory regulatory processes and requirements, and allocation of

City incentives for development in other parts of the city, such as the Domain. While it is clear that the City cannot focus on only one area of Austin and has made improvements in regulatory processes (and has joined with the Downtown Austin Alliance in funding this study), the perception is still there that downtown is not a City priority. Experience in other cities such as Boston, Dallas and Philadelphia suggest that there is a powerful message in simply stating that downtown is a priority area for redevelopment, and then redirecting public policy and processes to back up that commitment, whether through planning initiatives, provision of funding for public and private projects, encouragement of particular uses such as downtown housing or other strategies.

Create Incentives to Encourage Strategic Development: Many cities have determined that financial or other incentives are an appropriate tool to re-direct development trends, counter blight and decline or address downtown vacancies. The City of Chicago considered it strategically critical that the first Nordstrom Department Store in the market should be located on Michigan Avenue, and used public funds to heavily subsidize its construction, interior furnishings and even the cost of inventory. In the Dallas example described earlier in this report, public incentive funds have been committed to attract retail businesses to locate downtown, sometimes ahead of general market forces. In other cases, incentives have been used to mitigate market-driven development patterns; the high cost of housing has limited availability of affordable/workforce housing in rapidly appreciating markets like Manhattan, San Francisco, Washington, D.C. or downtown Austin, for that matter. Housing incentives have been used in some cities to reduce costs to the developer or to subsidize occupancy costs. Downtown Austin is in better economic condition than most middle-sized cities due to the concentration of entertainment and dining that has grown there over the past twenty years. But the balance is fragile, and it can be difficult to recruit retailers selling comparison shoppers goods such as shoes and apparel that will serve office workers as well as nearby residents. It has been argued that market forces will eventually correct these imbalances. But market forces alone cannot accelerate strategic outcomes, and can take years longer than faster changes generated by selective use of development incentives.

While downtown Austin serves the dining and entertainment needs of students, area residents and convention/visitors, moving to the next level of retail evolution will require more. The challenge will be to find creative solutions that are appropriate for the economic and practical climates in downtown Austin and to present them in a way that demonstrates the real benefit of a balanced urban environment over time.

This section describes the recommended Implementation Strategy for downtown Austin, and has three principal recommended actions:

1. **Create a Retail Coordinator Position for Downtown Austin**
2. **Direct Comprehensive Public Policies to Encourage Downtown Development**
3. **Consider How to Structure Selected Incentives and Financing Tools to Catalyze Projects and Leverage Investment Downtown**

To carry out these three components, it should be recognized that they are interdependent and should be recognized as a broad commitment to downtown Austin that will occur over a number of years; creation of a retail coordinator position should be implemented as soon as possible, while focusing comprehensive downtown development policies should be ongoing over many years to come. As the process occurs over time, incremental steps, actions and projects should be executed to reinforce a single-minded purpose: to foster and reinforce retail in downtown Austin as the connective tissue that will provide pedestrian activation during the daytime, at night and on weekends, providing both goods and services to downtown workers and residents as well as attracting expenditures from visitors and tourists. Each of the recommended components is described in detail below, including the ***Purpose of the recommendation/barriers to entry*** it is intended to address, ***Organizational structure/ partnerships*** required to carry it out, and potential ***Sources of funding***.

1. Downtown Retail Coordination and Prospecting

To implement downtown Austin's retail strategy, two roles will be critical: retail coordination and retail prospecting. ERA strongly recommends that these roles be created as an early action item, to be implemented as soon as possible. The positions may be initially addressed in a number of ways, but eventually should evolve into a full-time and a part-time position, each focusing on specific aspects of retail development in downtown Austin. The Retail Coordination position could initially be staffed by reallocating time from one (or more) existing persons within the Downtown Austin Alliance or the City of Austin, or, if funding is available, could be a new position. The Coordinator's role is to focus on partnerships with the City, the County and private sector leaders to address policy, zoning, code and incentives programs that will benefit retail recruitment and sustainability. The Retail Prospector's role is a part-time position (two to three days per week) and should focus on 'cold calling' of retail tenant prospects in Austin and other cities in the region. The Retail Prospector would serve as a link between property owners (who want tenants but don't know where to find them) and commercial brokers (who want transactions but don't have the time to provide comprehensive 'prospecting' services for smaller buildings and projects). The retail prospector role fills the gap between these two interests, but does not replace the broker, whose role in completing the lease transaction is still required.

Because the DAA offers the most directly applicable programs, ERA recommends that DAA be the resident organization for the downtown Retail Coordinator and Retail Prospector positions. Based on salary levels in other cities surveyed, the base salary for the Prospector position should range from $25,000 to $35,000 per year, depending on experience of the person/persons involved. In some locations, this position is considered a part-time contractor, and does not receive benefits. The Retail Coordinator position salary range is typically from $45,000 to $64,000 per year, and is usually full-time with benefits.

Once again, ERA does not recommend that either of these roles be construed as a retail brokerage activity – Austin has a number of very capable brokers who are well positioned to negotiate leases for downtown space. However, the Retail Prospector's role will include frequent contact with brokers and building owners to understand which spaces may be available and to find and direct prospective tenants who may be interested in downtown Austin locations. It should be the prospector's role to make introductions/seek retail prospects through cold-calling and recruitment efforts; the Retail Coordinator should address more comprehensive issues, be the downtown retail advocate in merchandising strategy and development issues and provide a central point of contact and information about downtown Austin as a retail market opportunity.

Purpose: The Retail Coordinator's position has a number of purposes, outlined below:

- To serve as a centralized contact for information on retail in downtown Austin; this will require that the existence of the position be advertised and mentioned in all media stories as the position is established. Property owners, prospective retail tenants and investors and retail brokers should all consider the Retail Coordinator a resource for information and market data, pending development projects and referrals to other public and private sources (City departments, brokers, property owners, etc.)
- The Coordinator's office should also provide a central resource for collection, maintenance and distribution of market data and marketing materials on downtown Austin and its retail opportunities. The initial inventory of retail in downtown Austin collected by the DAA offers a beginning database on properties. As possible (and in cooperation with the City of Austin, property owners, brokers and others) the Retail Coordinator's office should collect and maintain information on the inventory of downtown retail space, including, as possible, lease terms and expiration dates, landlord provisions such as tenant improvement allowances, base building improvements, rent concessions or other leasing incentives).
- As point person for retail outreach, the Prospector should seek prospective tenants that will reinforce the overall positioning strategies for downtown Austin's subdistricts and should distribute marketing materials, meet with retail operators that fit the merchandising program, and could selectively attend local and regional

retail leasing conferences such as those sponsored by the International Council of Shopping Centers (ICSC) to build contacts with downtown-oriented retail store representatives.

- While the Coordinator would not serve in a brokerage capacity, part of the role will be to serve as initiator and/or protector of the approved leasing strategy for downtown's priority subdistricts described in the preceding section (Task 4).
- The Retail Coordinator should serve as the advocate and representative of downtown retail development efforts in public policy discussions, hearings, meetings and presentations, and with the media. The positions represented should be determined in coordination with major downtown retail stakeholders, including the Downtown Austin Alliance, the City of Austin, property owners and other stakeholders. At times, it may be appropriate for the Retail Coordinator to assist in seeking funding for and in structuring financial and other retail development incentives.
- The Coordinator should also monitor use of and availability of incentives (including direct financial incentives, land-use incentives, transit-related or other approaches), as well as an information/referrals resource for inquiries on available funding, technical assistance, or other services supporting retail development.
- The Prospector should lead and/or organize retail recruitment efforts for downtown Austin, including cold calls on local/regional/national retail tenants, networking with brokers/tenant representatives and property owners and developers. Efforts in other cities have generated prospective tenants through persistent cold-calling of prospects as well as visits to retailers in other parts of Austin, and other Texas cities. Austin's downtown consumers will be best served by both national and regional/local specialty retail tenants (many of whom locally are clustered along West 35th/38th Streets, along South Congress, or other areas). These are the most immediately available prospects for consideration of a downtown location. Successful recruitment efforts take both a commitment of time and the ability to assess whether retailers will be successful prospects (fully capitalized, able to manage more than one location, understand the Austin market); other cities have cited a 5-10% success rate in attracting new retailers to their downtown areas, suggesting that it will take dozens of cold call prospects to generate a few new downtown tenants.
- The Coordinator will play a primary role in working with the City of Austin as a partner, policy advocate and problem solver in addressing comprehensive issues such as code conflicts, zoning and planning requirements and helping to structure regulatory streamlining.
- The Coordinator and Prospector should develop a campaign to market downtown Austin as a retail destination, initially to reinforce the downtown area's reputation as an entertainment/music/dining destination, but also announcing new retail

shoppers goods stores that open or are well established in downtown Austin. The campaign should be led by the Coordinator with all of the appropriate outreach agencies/institutions – the Austin Convention and Visitors Bureau, the Greater Austin Chamber of Commerce, Austin-Bergstrom International Airport, Texas Tourism Division, Economic Development Division/Office of the Governor, or other appropriate state agencies. The DAA's efforts to create television and print media visibility for downtown Austin are also a potential tool to communicate the opportunities for downtown retail and the recruitment effort.

- Finally, as part of the downtown retail advocacy role, the Retail Coordinator should monitor and work closely with the City on ongoing planning and development affecting retail. In partnership with the City, the Coordinator should involve those agencies whose projects and planning affect the downtown area, including Travis County, Capital Metro, the State of Texas and others. The goal of this effort is to weigh each proposed plan or program as to its 'fit' with downtown Austin retail. Will the project encourage active, pedestrian-oriented shopping areas? Is the plan compatible with the Great Streets program? Will the project foster critical mass of specialty/food services in downtown Austin? How will transit-related projects affect retail opportunities?

Organizational Structure/Partnerships: In ERA's view, the Downtown Austin Alliance is the most appropriate organization in which to house the downtown Retail Coordinator and Retail Prospector positions. But the need for a clear and productive partnership with the City of Austin is the overriding outcome of this recommendation. The DAA already has the membership network and focus on downtown Austin that makes it the logical location to centralize retail coordination activities. The City of Austin is the steward of public investment in downtown Austin and beyond, and while City government must address city-wide issues, it has much to gain by continuing to support downtown as a development area and focused source of property taxes, sales taxes and other revenue generators. Working closely with the City of Austin, the DAA can also structure partnerships with other entities whose mandates reach beyond just the downtown area (such as the University of Texas, local museums, the Greater Austin Chamber of Commerce, Capital Metro, the Convention and Visitors Bureau, Travis County Government, the State of Texas) as an objective, but downtown-oriented advocacy organization. The services involved could be structured as a contract program funded by a combination of public and private funding provided by those who would benefit from a successful downtown retail program. It will be critical that these types of partnerships be established, both to share in the prioritization of Retail Coordination and Prospecting activities, as well as to attract financial support from all relevant organizations that share an interest in the vitality of downtown Austin. Initially, the City should take the lead in helping fund the Coordinator and Prospector roles. Over the longer term, as these positions become established and evolve it is likely that other funding sources may supplement DAA and City funding.

Budget and Funding Sources: Based on ERA's review of retail recruitment/ assistance programs in other cities, it is estimated that the annual cost of the implementation program would range from $150,000 to $200,000 per year. This budget would include the cost for the full-time Coordinator's position, the part-time Prospector's position (at 24 hours per week), marketing, consulting and travel expenses. Costs for rent and other office costs would be separate from this estimated budget and might be contributed by the DAA as part of its office overhead. Since it will take time to establish the positions and begin to generate results, it is also recommended that the program seek funding (either through assessment commitments/fund-raising or contractual agreement) for a period of at least two to three years, and longer if possible.

2. Direct Comprehensive Public Policies to Encourage Downtown Development

Purpose: The purpose of this recommendation is to address several perceptions and realities about how the City of Austin is believed to consider downtown as a priority economic development area. During the interviews with various stakeholders involved in the downtown retail project (property owners, retailers, developers and investors, and other officials), the comment was repeatedly made that there are strongly held beliefs regarding issues with the City of Austin on application, permitting and review processes affecting downtown properties, particularly for small business owners and smaller project developers/investors. The regulatory/code structure is sometimes conflicting (water/fire codes, are one example) and (One Stop Shop notwithstanding) the regulatory process was described as sometimes contradictory, inefficient or unresponsive. Further, some downtown property owners and businesses see the focus on large projects by the City and assume that downtown is not a priority area for economic development.

Because the City's economic development goals largely focus on job creation and (therefore) larger, single-owner projects, the opinion was expressed that there are not enough opportunities for smaller projects to benefit from a streamlined review and approvals process. The City has taken steps to address this concern; the reorganization of City government has consolidated many permit and review operations under the One Stop Shop program, an improvement noted by many of those interviewed. It was also stated that, while top City officials (elected and appointed) are often viewed as "pro-downtown" in their approaches to economic development, the response at the administrative/bureaucratic level is frequently "less committed," and not as helpful in resolving issues as the implicit commitments of higher level officials would seem to suggest should be in place.

For these reasons, it is recommended that the City work with DAA, downtown property owners and investors and other organizations such as the Chamber of Commerce to coalesce a clearly stated Downtown Development Policy (as well as directed actions at all levels of City government) that makes it plain to stakeholders that downtown Austin is one of the priority economic development areas of the city and that both regulatory and

practical processes will continue to improve. Prospective retailers, investors and property owners need to understand that the City of Austin considers downtown development important to the overall economic development strategy for the region, and that local government is taking steps to improve the application/review and approvals system. The expression of the City's commitment will come in many forms, but improved processes and a consistent approach will prove the point.

As demonstrated by the City staff's cooperation with Black + Vernooy on the Infrastructure Analysis developed under Task 1 of this Scope of Work, there are many positive aspects to the City's role in encouraging downtown development. In our experience, the infrastructure analysis mapping (produced by City staff in several departments and Black + Vernooy) is a powerful planning tool that will enable the City to make informed decisions on public infrastructure and capital investment for many years to come. The Austin model is the best we have seen in our national work, and wish to credit the City for its role in assembling data and assisting in production of the layered database.

In order to address these concerns and opportunities, the following are suggested:

- The City should continue to support (and partner with the Downtown Austin Alliance and other organizations), and foster economic development downtown, and should state that as a matter of planning and development policy, downtown Austin is one of the major priority zones within the City limits.
- The directive to streamline cumbersome policies and regulatory practices should be clearly stated and implemented at every level of City government, not just at the management and Policy levels. A pro-downtown commitment should be stated and then backed-up by improved operations, prioritized decision-making and expenditures of capital investment and assistance to property owners, tenants and investors.
- Long-range planning (public and private facilities, Capital Metro and other governmental entities) should incorporate policies that will foster concentration of retail along downtown's streets and principal shopping areas (East and West Sixth, Lower Congress below 7th, along Second Street from the Convention Center toward the west, and the Lamar/Baylor area, anchored by the new flagship Whole Foods and Schlosser Development.
- The City is the owner of and has ultimate responsibility for all aspects of much of the public realm in downtown Austin: city streets and sidewalks, parking, public safety, infrastructure and City properties. The retail opportunity in downtown is created by the depth and diversity of the markets and the constrained (though improving) supply of retail businesses. But shoppers and retailers will not support an area in which poor/inconsistent maintenance of public spaces results in unattractive environments. They also will not support areas in which public safety is not perceived to be in place. As downtown Austin continues to grow, it will be increasingly important that the City enforce strong ordinances controlling

panhandling and maintain public order. These are basic elements in a welcoming environment and must be managed effectively if a larger share of the general public is to return to downtown Austin to shop.

Organizational Structure/Partnerships: Declaration of (and follow-through on) policy commitments combine a number of forces – a consistent, shared vision, understanding of development economics, political forces, effective management of administrative processes and public outreach. But the follow through and shared partnerships between public and private entities are the results that will matter over time; the policy commitment is just the first step. To resolve problems, mitigate barriers to entry and capitalize on market opportunities, the City will need to take leadership roles in some areas such as police enforcement practices on Sixth Street and public safety/panhandling ordinances, resolution of code conflicts and capital investments in infrastructure. City government is responsible for serving all of Austin, not just the downtown area. But private downtown interests should seek partnership structures to address parking capacity and management (including the Chamber of Commerce, the Downtown Austin Alliance and the development community, among others), accelerate code modifications and seek targeted funding from the City to re-direct or prioritize public projects and public actions. City initiatives to streamline regulatory processes will require training of front-line City employees to be more responsive and to solve problems; public/private teams (such as the DAA's Public Policy Task Subcommittee) can both identify problem areas as well as work as a team with the City to solve them. As City representatives said during ERA's research, "80% of the problems come from 20% of the issues." Partnering between the Chamber, downtown development interests, the DAA, Travis County, local cultural institutions and City staff needs more dimensions and wider efforts. Just as the DAA and the City joined in a partnership to create the downtown retail strategy, the same level of cooperation, shared funding and dedication over time to implementing the strategy will be required if it is to be achieved.

As one example of a successful partnership, City government's commitment to encouraging downtown housing represents both a critical step in downtown Austin's evolution and a realization of good public policy based on private market responses. The new residents will greatly help the retail market as housing growth continues. Beyond housing, there are many other stakeholders in the downtown area as well, and as many interest organizations as possible will need to participate in the process of determining priorities and appropriate approaches. The City sets policy but should do so in response to active, informed and involved private citizens and organizations.

Budget and Funding Sources: On a symbolic level, it will cost very little to demonstrate a commitment to downtown development. Initially, ERA believes that the City can take a partnership role with the Downtown Austin Alliance and others in supporting the modest costs of the Downtown Retail Coordinator's and Prospector's positions. The positive effects of this approach have been proven in cities across Texas and the country. Over time, more substantial financial commitments will be needed, but

will depend on other factors – the City's political and economic capacity to provide financial incentives, for example – and that may take longer to fund and implement. This issue is further discussed in Number 3, below.

3. Consider Examples of Selected Incentives and Programs to Catalyze Projects and Leverage Investment Downtown

The first two recommendations can be implemented relatively easily and at modest costs. The third is more complex, and ERA recognizes that it will take time and careful consideration of how selected incentives and development programs can be best structured to address the unique conditions in downtown Austin. The case-study based methodology used to investigate how other cities have approached incentives to encourage downtown retail development may offer clues and potential directions, but it is simplistic to suggest that a direct transfer of an approach used in Providence, Portland or Dallas to Austin can be easily achieved. The conditions and characteristics of downtown Austin will require a more creative adaptation of proven approaches, tailored to the economic and political support that downtown can justify. For this section, it is suggested that there be two components: (1) a recognition of why incentives should be considered in the first place, and (2) a summary of approaches that have worked in other cities as context for exploration of how appropriate and specifically achievable tools and incentives can be created that are suited for conditions in Austin. After a discussion of the purpose of incentives, a summary of approaches used in other cities follows.

Purpose: There are differing opinions about how and why incentives are offered for retail development and recruitment. The primary purpose is to affect a decision by a retailer and/or property owner to commit to/invest in a downtown location when they might otherwise not have considered downtown or considered improving a retail space. In the case of financial incentives, the recipient's decision is usually determined by the amount of financial risk that it mitigates. That is, if a retailer cannot finance a location or is otherwise viable as an operator but may be undercapitalized to cover initial costs, or has a financial 'gap' between what start-up costs will be versus a ramp-up in sales. From the provider's standpoint, the purpose may be one of the following:

- to attract one or more tenants that provide a leasing attraction for other, non-incentivized operators
- to build momentum or accelerate the pace of leasing, or
- to create enough 'critical mass' of retail to begin to attract new/additional shopping expenditures
- to moderate or redirect a downward development trend

For downtown Austin, each of these could apply to certain kinds of tenants. While there is unmet market demand for apparel, shoes, accessories, furniture and other GAFO (General, Apparel, Furnishings and Other) retail downtown, the central business district has

successfully attracted and sustained a concentration of dining establishments (in all price levels), bars and entertainment venues that other cities envy and would like to duplicate. Unlike St. Louis or Dallas, Austin is not starting with high overall retail vacancy rates or a downtown area that closes down at 5pm. The vibrant nightlife demonstrates that a concentration of desirable uses can attract customers who might not otherwise have come to spend time and money. This concentration of food & beverage and entertainment uses serves all of the critical market segments at different times of day (office workers during lunch/during the week, downtown and area residents, tourists and convention visitors and students at night and on weekends), but downtown Austin does not have many options for other retail goods categories or for comparison shopping. Retail tenants locate near other retail tenants, creating both a critical mass of offerings, attracting shoppers as well as creating a multiplier effect in market generation.

In Chicago, the City determined that it was strategically critical that the first Nordstrom department store in the region should be located downtown on Michigan Avenue. This determination was based on the strategic concept that department stores are shopping destinations and attract other smaller tenants who want to locate near them to share in the shopper traffic they generate. The millions of dollars provided by the City of Chicago to Nordstrom were justified in a larger context; had Nordstrom gone to a suburban mall first, the customer traffic it generates would not come to Michigan Avenue, and other retailers would not have been as interested in leasing space at market rates. The retail subsidy was provided based on anticipated revenues resulting from the other retailers (and the rent and sales tax they would generate) that would follow. The resulting retail character and mix along Michigan Avenue stabilized and expanded the overall market draw. Subsidies on this scale require careful consideration, particularly if the source of funds is public. But the ability to attract non-incentivized retailers and new customers by creating a draw through financial incentives to a key tenant is proven. Whether it is warranted as a 'public investment' is subject to further discussion.

Recent downtown retail development and occupancy trends along some commercial streets in downtown Austin indicate a longer-term issue that should be weighed in considering whether/how to structure tenant inducements. There has been a growing concentration of bars downtown, many serving liquor only and often not providing food service. This is a retail use that is relatively easy to finance (since profits are high), and landlords are not always asked to provide tenant improvements because the cash flow will cover initial investments by the bar operators. However, transition of too much available space into bars will have several results. First, bars are not daytime activities, and do not activate the streets with shoppers. Second, because of frequent turnovers in operators, longer-term retail stores are often not attracted to locate near clusters of bar uses (this has occurred along East Sixth Street and is now taking place near the Warehouse District and Lower Congress Avenue). Because bars pay more rent at a lower investment cost, landlords and building owners lease space to them, but the bar-oriented cluster results in a longer-term opportunity cost by not attracting a balanced mix of consumers. How downtown is

perceived as an area serving all customers affects whether retailers will consider locating there.

The point of this discussion is that pure economic market forces are driven only by the most immediate profit generators, not by a longer term, more broadly appealing mix of retail uses. If downtown Austin's retail mix is left to market forces only, the substantial unmet market demand from downtown and close-in residents will not be met, and it will be both far less likely and will take far longer for a balanced mix to be implemented. The idea supporting use of some types of incentives is to provide reduced financial risk for tenants and landlords and to attract other retail categories that may take longer to become established and draw stabilized customer bases. If the goal is to attract lost retail sales back to the downtown Austin area, experience in other cities suggests that a selected mixture of risk mitigation and time will be necessary to meet the goal of more stores and more shoppers. The proliferation of too many bars will not encourage either retailers or shoppers to come back downtown, and unmet goods and services offerings will not be able to locate close enough to create critical mass of shopping offerings. It is through the use of development incentives (which could be the City's bold infrastructure improvement initiative) that will alter an undesirable trend and provide enough time for higher risk, but viable retail uses to become established.

Examples: ERA suggests the following approaches toward development incentives and recognizes that these may not be fundable at this time (due to funding constraints and/or limited support by public/private partnerships and authorizing entities). ERA was asked to provide a summary of program approaches that have been implemented in other cities. These examples should not be considered recommendations for implementation in Austin, but rather should be considered as efforts used in other locations that may offer a basis for creative strategies and approaches for the downtown area. It should also be noted that it is rare for only one incentive to be used; most of the programs researched have modified and adapted the types of incentives used as market conditions & opportunities and development economics change:

> **Development Density Bonuses:** In many cities, non-cash development incentive tools have been used to encourage developers to include less profitable uses (such as workforce/affordable housing, civic/cultural uses or indirect benefit commercial categories such as department stores) in mixed-use projects. By considering density bonuses that do not violate the downtown view corridors, downtown Austin projects can cover the 'cost' of lower investment returns generated by needed but less profitable land uses. However, ERA also recognizes that the 8:1 FAR in the Central Business District does not present a constraint to density increases, at least for the foreseeable future. This tool may only become useful as overall density is 'filled in' over time, or on particular sites in which an upzoning might offer leverage to encourage inclusion of less economic uses.
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> **Federal Transportation Enhancement Funds (TEA-21):** Madison, Providence and other cities have used transportation enhancement funds for light

rail, multi-modal facilities and/or busway corridors to pay for streetscape improvements, landscaping. Incorporating Great Streets standards (supported by TEA-21 funding) would both improve the quality of transportation projects and foster consistent use of the design standards over time.

Parking Authorities: Parking authorities can use public bonding powers to finance construction and operation of structured parking. As density increases in downtown Austin, the financing gap resulting from the cost of parking will need to be covered by non-commercial sources to justify the level private investment in mixed-use projects and provide off-peak/shared parking for nearby retail uses. Portland OR has used its Parking Authority to finance downtown garages used by shoppers as well as by office workers. Costs of bond financing and garage management are supported by parking fees. As Austin considers a comprehensive parking strategy for downtown, a Parking Authority may be part of a long-term solution.

Chapter 380 Economic Development Entity: Texas Code economic development structure used by City of Dallas and Central Dallas Association to channel City TIF funding for management/administration and funding for rental subsidies and tenant improvement costs for selected downtown retail tenants and property owners. The City of Austin used this approach in helping support development of The Domain lifestyle shopping center, which might otherwise not have brought its potential benefits within city limits.

TIF (Tax Increment Financing): Among the cities surveyed, TIF was the most commonly used financing source for downtown retail development incentives. TIF funds have been used in other cities to finance façade improvement grants and subsidized loans, public improvement programs (such as Great Streets), cost of Management and Coordination (Dallas), rental subsidies and tenant improvement costs, public space improvements, etc. In Austin, a downtown TIF would most likely require participation by both the City of Austin and Travis County to be acceptable politically.

Fee Waivers and Tax Freezes: A number of cities have developed programs to allow waiver of development and other fees as an incentive to develop particular uses or densities. While not substantial enough to redirect a development decision, fee waivers provide financial benefits against front-end costs. In Austin, tax reimbursements could potentially be used to benefit property owners.

CDBG Funding: St. Louis has used local CDBG funds, combined with lucrative State and Federal rehabilitation tax credits, to leverage private investment and retail incentives in the downtown area. CDBG fund availability in Austin is limited.

Based on discussions with local leaders, the potential sources and uses of funds and/or programs which might be considered for downtown Austin's Retail Strategy will require

careful consideration, development of partnerships and coalitions supporting particular approaches, and reasonable, low-cost impacts and other stakeholder concerns. Establishment of the Retail Coordinator position, articulation of a pro-downtown development policy by City officials and exploration of the most appropriate and achievable economic development tools will require time to build support among many partners, specific analysis of the impact of development incentives addressing selected problem areas (such as needed infrastructure improvements or specific needs of small businesses and small property owners) will be necessary in subsequent stages of the Downtown Retail Strategy. The potential structure for implementation will be shaped by a combination of market opportunities, resolution of Land Development Code issues over time, and response to prioritized public and private development issues.

Additional supporting information is included in the Appendix, a separate document.

Conclusion

Austin has a remarkable opportunity to continue the evolution of its beautiful downtown as a retail destination for the city and region. The circumstances are right to create a retail coordination role and to structure a retail recruitment program to assist local brokers and property owners to attract new stores and other retail businesses downtown. Austin's public and private sectors have both committed to further downtown improvements, the potential customer base is willing and able to spend there, and development interests have shown their willingness to create and lease space to exciting tenants. But if Austin is to fully realize its opportunity downtown, the retail strategy requires a call to further action. The Downtown Austin Alliance and the City of Austin have led the effort to create a vision and to develop an implementation process. If properly implemented, new stores will line downtown Austin's shopping streets, new customers will be shopping day and night and the city's reputation as one of Texas' most livable cities will be renewed in a new way. Based on the market potential, the momentum and the level of public interest, it is clear that the vision is right, the partners are in place, and the time is now.