

Community Development Commission

P.O. Box 1088, Austin, TX 78767

www.cityofaustin.org/housing

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Date: September 26, 2011

To: Mayor and Council Members

From: John Limon, Chair, Community Development Commission

Subject: DAP CURE Recommendations

On September 13, 2011, the Community Development Commission (CDC) met and discussed the recommendation of the Downtown Austin Plan (DAP) to retain, but amend, the CURE combining district as it applies Downtown as a means of obtaining increased height and/or FAR in the context of the DAP's proposed Downtown Density Bonus Program.

The CDC voted to approve the following recommendations to the City Council:

1. That developments seeking CURE zoning would need to meet the affordable housing density program, and any future density bonus programs;
2. If the staff recommendation is adopted by Council to maintain CURE but no affordable housing is produced, or fees in-lieu generated, in the first three projects that the program be sunsetted.

Recommendation #2 is intended to refer to the height and density provisions of CURE and to be applicable within the boundaries of the Downtown Austin Plan.

Earlier in this year, the CDC created a Working Group to bring back recommendations to the full CDC on the DAP, including workforce housing. The Working Group recommendations were adopted by the CDC to forward to Council on April 12, 2011 and are as follows:

1. To assure a more inclusive future for downtown, adopt goals for creating homes affordable to full range of income groups.
2. Strike the sentence referring to developing affordable housing within a two mile radius instead of downtown. Add goals by income level for affordability downtown. As an alternative make development in the areas

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surrounding downtown in addition to affordable development in downtown, but not instead of affordable development in downtown.

3. Support use of areas with height restrictions as opportunity to create affordable housing.
4. Support use of public land to create affordable housing.
5. Funds for development of affordable housing should create additional homes, not replace existing ones.
6. Support Permanent Supportive Housing recommendation.
7. Support housing for low-wage downtown workers including musicians. Limit financial subsidies housing affordable to people below 80 percent of median family income. Use density bonuses to create housing affordable up to 120 percent of median family income.
8. Delete references to changing current density bonus incentive program.
9. The use of CURE zoning should be replaced by the formal, prescribed density bonus system.
10. Transfers of development rights, including rights under density programs need to contribute to affordable housing. Transferring development rights should not be structured so as to sidestep affordability.

We appreciate the opportunity to make recommendations on this important issue. Please let me know if you have any questions or need additional information.

Cc: Anthony Snipes, Chief of Staff
Elizabeth Spencer, Director, NHCD
Rebecca Giello, Assistant Director, NHCD
Greg Guernsey, Director, PDR
George Adams, Assistant Director, PDR
Kevin Johns, Director, EGRSO
Michael Knox, Development Services Coordinator, EGRSO

Attachment

For tomorrow's downtown, learn from yesterday

Racial inequities promoted by 1928 City Plan, IH 35, Urban Renewal remain to this day.

The consultant recites how previous city actions still affect the city today. The consultants state that 1928 City Plan "promoted race segregation of neighborhoods and districts, creating divisions and inequities that still remain today."

Finding: Prior to the 1928 plan people of color lived in many parts of Austin, the northeast area of downtown, the southern area of downtown, Wheatville, Clarksville, Barton's, and South Congress. Local institutions helped carry out the recommendation to segregate the city. For example, the Catholic Church moved Our Lady of Guadalupe Church from downtown to East Austin and the school board closed schools for people of color in all but East Austin.

Construction of IH 35 and Urban Renewal further the effect of the 1928 plan. IH 35 "tore the fabric of the eastern of Downtown, creating economic barriers and racial divisions with East Austin... Shortly after the highway was constructed, urban renewal swept the north and eastern quadrants of Downtown... removing single-family homeownership."

Downtown Urban Renewal projects contributed to the segregation of downtown, as it removed an African American community along Waller Creek near today's Symphony Square. The consultants conclude that the resulting lack of people "left this large part of Downtown with little vitality."

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 11

The City Plan of 1928 was the City's first formalized attempt to guide growth and public investment, establishing zoning and a parks and recreation department. However, on the negative side, the Plan promoted race segregation of neighborhoods and districts, creating divisions and inequities that still exist today.

The construction of the Interstate Highway system of IH 35, cutting through the urban core in the 1960s contributed to the economic development of the city and the nation, but tore the fabric of the eastern edge of Downtown, creating economic barriers and racial divisions with East Austin. The visual and physical effect of the elevated freeway is still strongly felt.

Shortly after the highway was constructed, urban renewal swept the northern and eastern quadrants of Downtown, where the State and UT considerably expanded their holdings, removing single-family neighborhoods. Single institutional uses, such as the Federal Courthouse and State office buildings and their parking garages followed along with university facilities. While many of these uses are positive, the lack of residential and commercial uses nearby or within, has left this large part of Downtown with little vitality.



CDC Recommendation: To assure a more inclusive future for downtown, adopt goals for creating homes affordable to full range of income groups.

Downtown is everyone's neighborhood

The first sentence of the draft Downtown Austin Plan declares that downtown is for everyone.

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 1

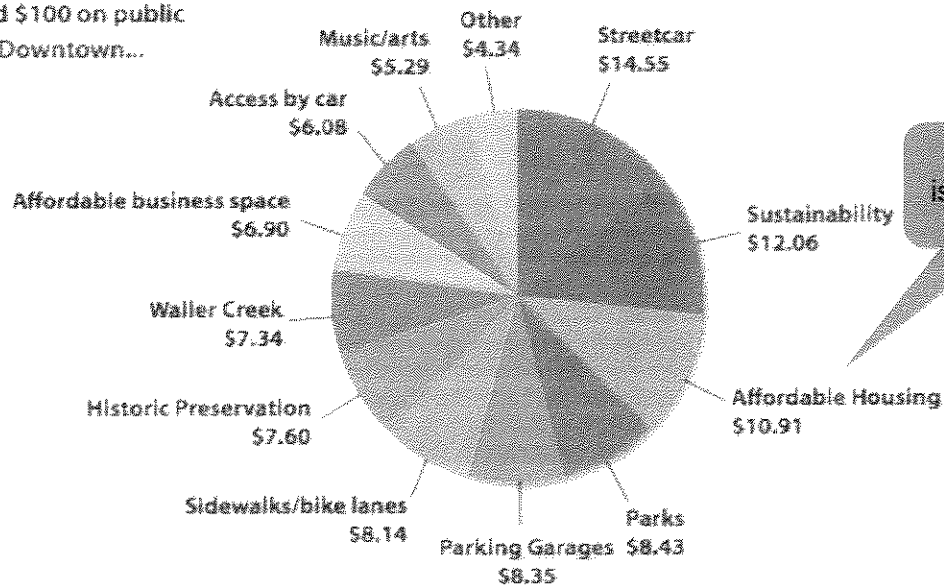
Executive Summary

Downtown Austin is everyone's neighborhood. It is the place where people gather for special events and celebrations, the place where we exercise our most basic American freedom of public speech, and the place we come to meet one another - both by plan and by chance. It is a place where we make that vital connection with one another as part of the larger community. Downtown conveys our values and aspirations, both to ourselves and to the outside world. As a place, Downtown is perhaps the most vivid and authentic expression of our history and culture - it is the "soul" of our region, a place like no other.

The public supports affordable housing downtown

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 17

If I had to spend \$100 on public improvements Downtown...

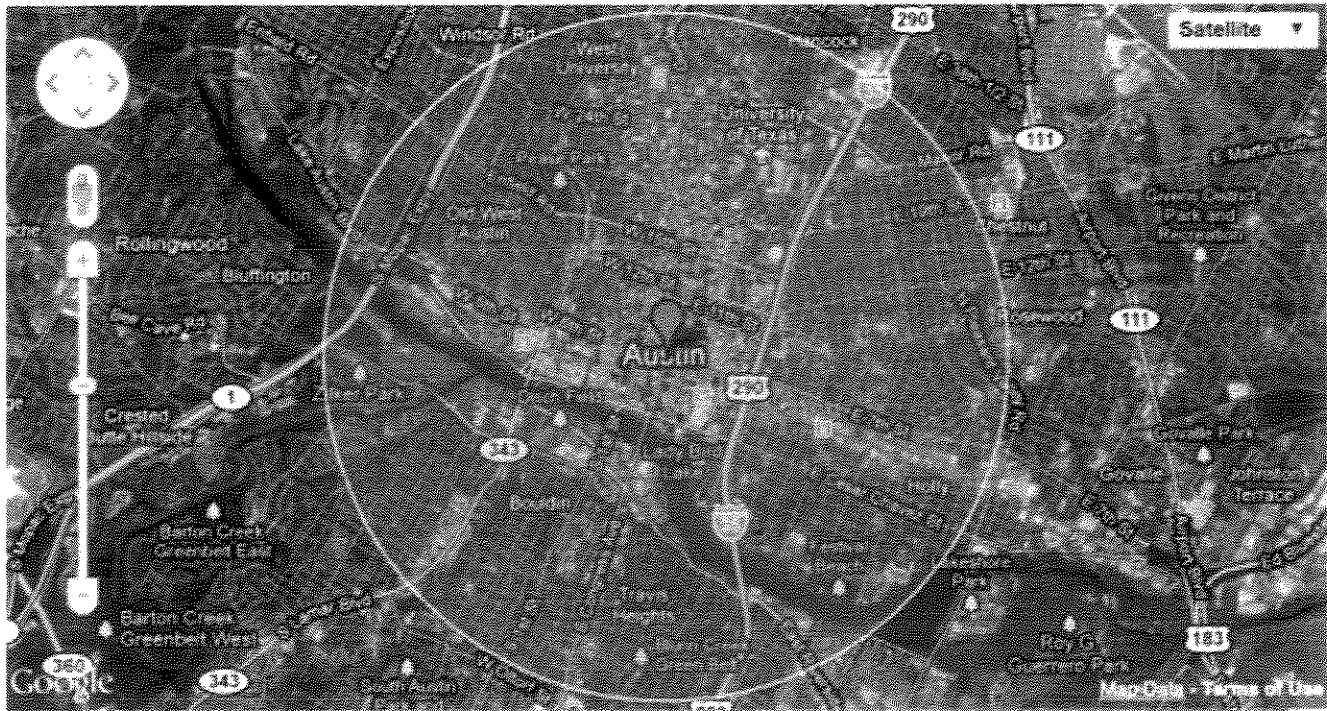


Affordability is high priority

Two miles from downtown is not the same as downtown.

The consultants' fiscally "prudent" alternative to downtown is a two-mile radius from downtown, which the consultant assumes has good public transit. However, in Austin's hub and spoke transit system, the most accessible transit location is the hub, that is in downtown. Residents of downtown's most affordable downtown housing, Lakeside, value the accessibility provided by Capital Metro's downtown service..

Radius Around Point Map



ONLINE SPECIAL

In contrast to statements about segregation, downtown being everyone's neighborhood, and public support for affordable downtown housing, the draft *recommends pursuing affordable housing outside of downtown.*

"The lower cost of creating affordable housing in the areas surrounding Downtown, coupled with its transit accessibility, make it a fiscally prudent alternative."

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 82

- The City should support the production of very low, low, and moderate-income units in and within reach of Downtown, including rental units affordable to families earning below 60% of MFI (median family income) and ownership units affordable to families earning below 80% of MFI. The lower cost of creating affordable housing in the areas surrounding Downtown, coupled with its transit accessibility, makes it a fiscally-prudent alternative to meeting some of Downtown's affordable housing needs. Specifically, creating affordable housing options in neighborhood planning areas within a two-mile radius of 6th Street and Congress Avenue can provide cost efficient, transit-accessible units in close proximity to Downtown.



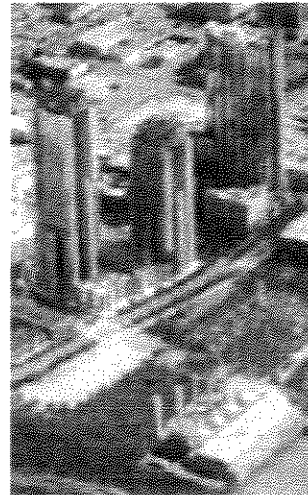
Finding: This plan is about downtown. Achieving affordability needs to be addressed specifically within the downtown plan.

CDC Recommendation: Strike the sentence highlighted above from the final plan. Add goals by income level for affordability downtown. As an alternative make development in the areas surrounding downtown in addition to affordable development in downtown, but not instead of affordable development in downtown.

Include affordable housing in redeveloped public land.

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 83

- Opportunities for achieving very low, low and moderate income housing within Downtown should also be maximized in areas where height limits result in lower costs of construction, and where affordable unit construction can be required as part of the redevelopment of government-owned land. (See AU 2.2 below.)
- These goals could be accomplished through a number of short-term strategies that can be achieved in the current market environment - primarily with public subsidy - as well as long-term strategies that leverage a framework of funding sources and changing market conditions, such as: proceeds from a Downtown Density Bonus Program, creation of a Workforce Housing Corporation to provide centralized funding, abatement of taxes for projects achieving threshold requirements for on-site affordable housing and the expansion of SMART Housing fee waivers and economic development grants.²⁸ In the long term, a non-profit Workforce Housing Corporation could leverage a range of public and private sources to create centralized financing programs for the creation of affordable housing.
- The City should help to reduce the substantial cost of structured parking by both "decoupling" the sale or rental of parking from that of an affordable unit and by developing a supply of centralized, off-site parking that can be leased as needed. (See Transportation and Parking.)



CDC Recommendation:
Support use of areas with height restrictions as opportunity to create affordable housing.

AU 2.2: Leverage redevelopment of public lands to contribute to affordable housing production

Of the approximately 175 acres of publicly-owned land Downtown, 32 acres have short or mid term redevelopment potential. This includes properties owned by the City of Austin, Travis County, the State of Texas and the federal government. Some of these properties may be redeveloped in the future for a mix of non-governmental uses, including housing.

- The City should work in partnership with other governmental entities, such as the Texas Facilities Commission, that could be engaged in redevelopment of Downtown land to promote affordable housing goals. The City already has an established policy that directs 40% of the property tax from redeveloped City-owned property to the Housing Trust Fund. The City should consider additional leverage in the redevelopment of City lands, including provision of free or discounted land in exchange for on-site affordable housing and requirements for on-site affordable housing units, as in the Mueller Redevelopment and Project Green.

CDC Recommendation:
Support use of public land to create affordable housing.

Costly recommendation to increase density of public housing

Lakeside Apartments represents downtown's only truly affordable housing. Other public housing sites represent the most affordable option in their particular neighborhoods. Together they represent a considerable public investment.

Replacement would also require a considerable public investment.

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 84

- The Housing Authority of the City of Austin (HACA) controlled sites present additional opportunities for partnership. There is potential to increase density and create more than 3,500 additional units on the eight HACA sites in Downtown and in the areas surrounding it. The City should partner with HACA to prioritize the intensification of its sites, in order to increase availability and improve quality of housing in and around Downtown.

CDC Recommendation: Funds for development of affordable housing should create additional homes, not replace existing ones.

House the homeless

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 85

AU-2.3: Provide for permanent supportive housing.

- The City should commit to the creation of approximately 225 single-room occupancy (SRO) units of permanent supportive housing in Downtown, in conjunction with non-profit partners that can provide needed services. Th

CDC Recommendation: Support Permanent Supportive housing recommendation.

Other Activity/Use recommendations

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 86

Finding: A substantial percentage of the downtown workforce earns less than 80% of Median Family Income.

AU-2.4: Promote affordable housing for artists and musicians.

CDC Recommendation:

Support housing for low-wage downtown workers including musicians. Limit affordable housing financial subsidies to people below 80% MFI. Use density bonuses to create housing affordable up to 120% of median.

AU-2.5: Make Downtown housing more family-friendly.

CDC Recommendation:

Support making downtown housing family friendly.

Don't diverge from Affordable Housing Incentives Task Force

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 105

DD-1.2: Finalize and adopt a Downtown Density Bonus Program that allows developers and the community to equitably share the benefits of additional height and density above the existing regulations.

recommendations have undergone additional review by a sub-committee of the Planning Commission and interested stakeholders.

- The City should finalize and adopt the Downtown Density Bonus Program as an integral part of the DAP and proceed with the preparation of the necessary code amendments that will update the interim ordinance that has been in place since January 2008. The following findings of the DAP study should be considered:
 - *The density bonus system should ensure that developers are incentivized to use it. "Charging" for additional density, whether through on-site benefits or as a fee-in-lieu, can be justified only where sufficient incremental value is created for a private developer to take on the additional risk of building a larger project. The public may feasibly exact a portion, but not all, of the incremental value created from bonus density. In order to incentivize use of a density bonus, private developers must be left with some measure of incremental value for choosing to build the additional density. The economic analysis that accompanied the DAP Density Bonus Report concluded that additional office and hotel density does not create sufficient incremental value to warrant a fee, and recommended that an affordable housing in-lieu fee apply only to residential development, which consistently accrues additional economic value from additional height and density.*

Findings: This recommendation should not appear in the final downtown plan; the current bonus program should be left in place. This is the density bonus program that the Affordable Housing Incentives Task Force recommended and the City Council has adopted. The current incentives program was based on an economic analysis of actual downtown development and put forward with unprecedented broad consensus of development and affordable housing stakeholders.

The current bonus program applies equally to all types of development in all parts of downtown, as is typical of other cities where density bonus incentives are successful.

To replace the consensus recommendations of the Incentives Task Force with a program that offers lower standards to commercial development (considering that many low-paying jobs housed in commercial property increase demand for affordable housing) and lower standards in areas of downtown where affordable development is more likely to occur would be a step backward.

CDC Recommendation: Delete references to changing current density bonus incentive program.

Support CURE recommendation

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 105

- *The existing CURE re-zoning process has proven to be a "loophole" that has rendered the existing Interim Density Bonus Program ineffective. No developer has utilized the "Interim" Downtown density bonus program since its inception in 2008. Rather than adhering to the prescribed program of density bonuses, developers seeking additional density have all gone through the discretionary CURE process with City Council. The Central Urban Redevelopment (CURE) ordinance allows rezonings of Downtown properties to increase entitlements as well as get relief from certain regulations on a case-by-case basis. The use of CURE to obtain additional density and height should be replaced by a formalized density bonus system that can be processed administratively and that can provide all stakeholders, including developers and community members more certainty, predictability and transparency.*

CDC Recommendation: The CDC supports this recommendation. In the CDC's review no CURE zoning case has resulted in the provision of affordable homes downtown. The use of CURE zoning should be replaced by the formal, prescribed density bonus system.

All districts should contribute to affordable housing

Downtown Austin Plan, Nov. 2010 Draft for Community Review, p. 72

- In consideration of reduced height limits, and to provide an incentive for preservation, the Plan recommends that the City adopt a corresponding Transfer of Development Rights (TDR) program that would allow Warehouse District property owners to sell unused development rights (available under existing zoning entitlements and those within the proposed Downtown Density Bonus Program) to other properties within Downtown that may be seeking greater density. The TDR program and the recommended development standards are described in detail in the Downtown Density Bonus Program report.²⁴

CDC Recommendation: Transfers of development rights, including rights under density bonus programs need to contribute to affordable housing. Transferring development rights should not be structured so as to sidestep affordability.

Summary of the CDC's recommendations

1. To assure a more inclusive future for downtown, adopt goals for creating homes affordable to the full range of income groups.
2. Strike the sentence referring to developing affordable housing within a two-mile radius instead of downtown. Add goals by income level for affordability downtown. As an alternative make development in the areas surrounding downtown in addition to affordable development in downtown, but not instead of affordable development in downtown.
3. Support use of areas with height restrictions as opportunity to create affordable housing.
4. Support use of public land to create affordable housing.
5. Funds for development of affordable housing should create additional homes, not replace existing ones.
6. Support Permanent Supportive housing recommendation.
7. Support housing for low-wage downtown workers, including musicians. Limit financial subsidies for affordable housing to people below 80% of MFI. Use density bonuses to create affordable housing up to 120% of median.
8. Delete references to changing current density bonus incentive program.
9. Replace CURE zoning process with the formal, prescribed density bonus system.
10. Transfers of development rights, including rights under density bonus programs, need to contribute to affordable housing. Transferring development rights should not be structured so as to sidestep affordability.