

## Late Backup

DOWNTOWN DENSITY BONUS 6/27/13

My name is Stuart Harry Hersh, and like most in Austin, I rent. I am here to ask you to reject the staff/consultant/Planning Commission recommendations and approve the alternate recommendations offered by the Downtown commission, the CHDO Roundtable and that I have attached for your review today.

This is the view of downtown from a new apartment which is 1.1 miles away from the Downtown Planning area, and where the rent will be \$350 a month for the poorest among us. I have provided you as part of backup an analysis of the relative costs of wood frame construction downtown and close to downtown that is not available in your staff or consultant reports.

As part of your backup I am providing you a path for generating funding for housing the poorest among us either Downtown or close to Downtown in the current fiscal year and in your last two budgets before the 10-1 Council is elected. If you approve the staff/consultant/Planning Commission recommendation instead of a recommendation that builds on the good work of the Downtown Commission and the CHDO Roundtable, then the 10-1 Council will come into office no revenue from downtown density bonus fee-in-lieu payments. So the choice is clear. Modify current ineffective policies to remain ineffective, or start generating some revenue to enhance housing opportunities for the poorest among us.

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## DOWNTOWN HOUSING AFFORDABILITY RECALIBRATION

### Goals:

1. Adopt a density bonus for the Downtown Planning Area that will encourage more people living Downtown or in neighborhoods close to downtown with good access to public transportation
2. Identify a funding mechanism to rehabilitate or construct housing that serves eligible renters either in the Downtown Planning Area or within 5 miles of that area.

In order to accomplish these simple goals, the City Council would need to change the housing affordability and density bonus provisions of Ordinances 20071129-100 and 20080131-132. These ordinances have produced no affordable apartments or fee-in-lieu payments to date. Here are the changes that need to be made to achieve these goals:

1. Adopt the recommendations of the Downtown Commission
2. Adopt the recommendations of the Community Housing Development Organization Roundtable (CHDO Roundtable)
3. Instead of waiving fees enumerated in the ordinances referenced above in a manner inconsistent with S.M.A.R.T. Housing standards throughout the City, requirement payment of these fees into a Downtown Housing Trust Fund.
4. Require all Downtown development receiving additional height and/or floor to area ratio to pay a \$.50 per square foot fee-in-lieu payment for their entire building receiving density bonus if they do not provide 50%/30% MFI on-site affordability.
5. The fee-in-lieu payments would be required prior to temporary and/or permanent certificate of occupancy issuance, and paid fees would be deposited into the Downtown Housing Trust Fund as receipted.
6. Additional transfer of 40% of increased property tax revenue that was a result of CURE or density bonuses would be made available to the Downtown Housing Trust as receipted.
7. The Downtown Housing Trust Fund would be administered by Neighborhood Housing and Community Development and included as part of its annual budget.
8. The Downtown Housing Trust Fund would be available for new construction and rehabilitation on downtown sites or sites within planning areas located within 2 miles of Congress Avenue and 6<sup>th</sup> Street, including Zilker and East Riverside Oltorf Combining (ERO) district.
9. Any site applying for Downtown Housing Trust Funds would have to provide at least 10% of its rental housing @ 50% Median Family Income (MFI) and an additional 10% @ 30% MFI.
10. The affordability period for Downtown Housing Trust fund sites would be 99 years.

This sets the stage for strategic discussions for use of the existing Housing Trust Fund for home repair of owners at 50%/30% MFI, and a more robust discussion of enhanced funding related to Ed Van Eeeno's memo to Council on 1/29/13. Proper calculations on the PUD ordinance could also be a related topic for further discussion on how to build the existing city-wide Housing Trust Fund.

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## THE COST OF HOUSING AFFORDABILITY DOWNTOWN, AND NEAR DOWNTOWN

Based on public information from agendas of the Austin Housing Finance Corporation, here is the most current information on construction of housing that is affordable to persons at or below 30% Median Family Income (MFI) and 50% MFI. The downtown site is Capital Studios (CS) at 309 East 11<sup>th</sup> Street and The Legacy (TL) at 1342 Lamar Square Drive, 1.1 miles from the Downtown Planning area and located in the Zilker Neighborhood planning area just west of South Lamar Boulevard. The parking strategies are different for these two developments as are the acquisition costs and on-site support services, critical variables in determining per apartment overall budgets and the respective construction costs per apartment. Here is my analysis based on public information that is readily available:

1. Number of apartments 135 (CS) and 40 (TL)
2. Average Size 300 square feet (CS) and 400 square feet (TL)
3. Percentage of efficiency apartments CS (100%) and TL (70%)
4. Rent range \$450 - \$650 (CS) and \$350 - \$750 (TL)
5. Total project budget \$19,673,018 (CS) and \$3,718,027 (TL)
6. Construction budget portion \$15,000,000 (CS) and \$2,674,874 (TL)
7. Total project budget per apartment \$145,726 (CS) and \$92,950 (TL)
8. Construction budget portion per apartment \$111,111 (CS) and \$66,872 (TL)
9. Total project budget per square foot per apartment \$485 (CS) and \$232 (TL)
10. Construction budget portion per apartment per square foot \$370 (CS) and \$167 (TL)

**CONCLUSION:** It is currently significantly more expensive to build wood frame apartments downtown than in neighborhoods close to downtown that have available public transportation routes to downtown.

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As always, I am solely responsible for the content of this message.