

Affordable Housing Chapter

November 14, 2017

Planning Commission Work Session

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20-SEP-17

CodeNEXT + Housing Affordability

Regarding affordability, CodeNEXT is an opportunity to:

1. Address some of the factors that drive up costs of producing housing
2. Update existing development incentive programs
3. Propose a new affordable housing bonus program linked to new zones

Goals of the Affordable Housing Chapter:

1. Simplify code and make it more consistent
2. More effective citywide program that allows more units in more places

What is carried forward from previous code:

- S.M.A.R.T. Housing (with some modification)
- Tenant notification and relocation assistance
- Downtown Density Bonus Program
- University Neighborhood Overlay
- Affordability Impact Statements

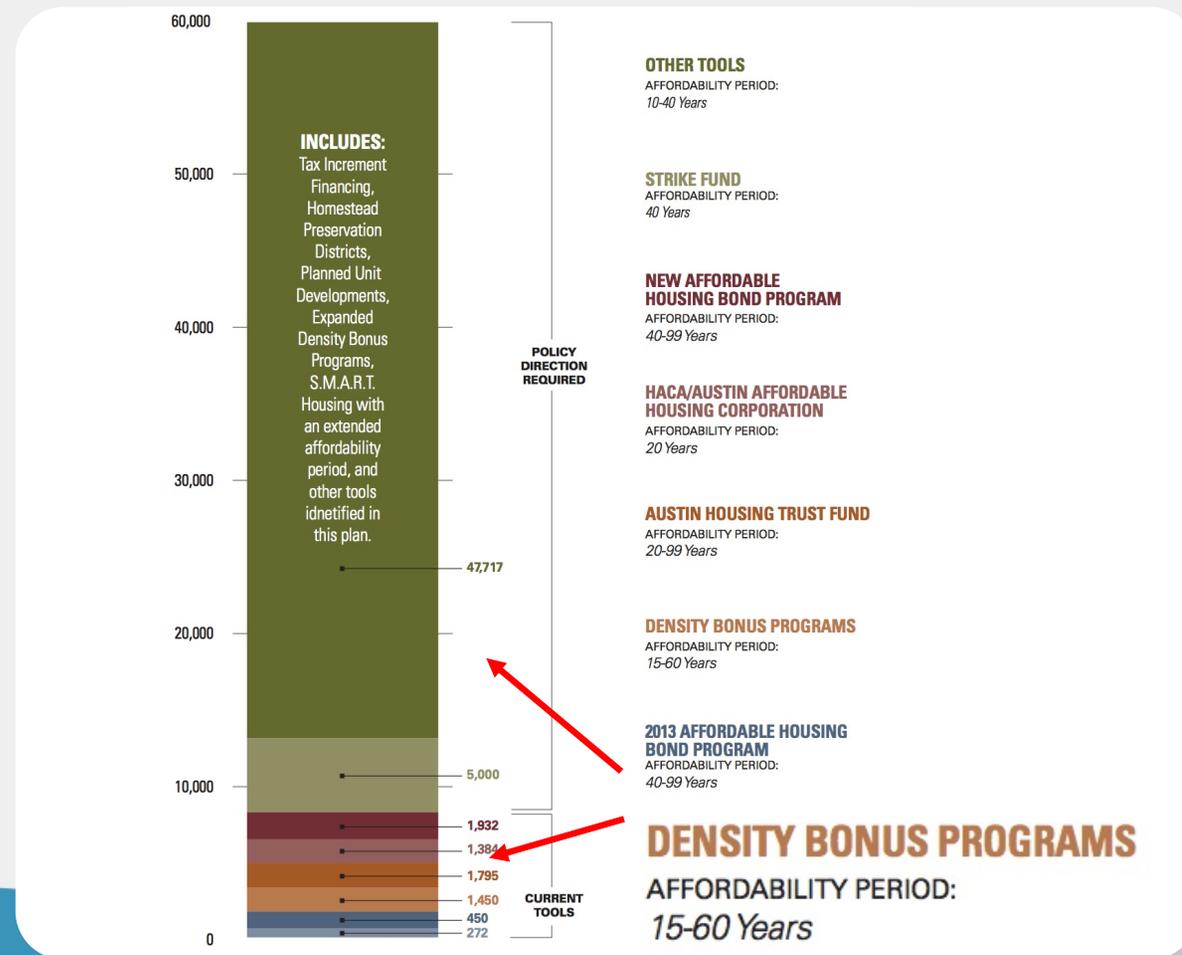
What is new:

- Citywide Affordable Housing Bonus Program
- Parking incentive for affordable units

Principles for an Effective Affordable Housing Bonus Program:

1. AHBP is one tool in a suite of tools to address affordability
2. Program works best to provide units in areas where development is happening
3. Program is voluntary; it relies on incentives
4. Program must be calibrated to market, which varies by development cycle and geography

The City's Housing Blueprint defines goals



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Source: City of Austin Strategic Housing Blueprint, 2017

Question 1: Why are affordability requirements calculated on the bonus area rather than the entire building?

CodeNEXT can achieve the same outcomes by tying requirements to the bonus, while avoiding potentially negative consequences. How?

1. **Proportionality.** If a developer wants to use only a portion of the bonus, calculating based on the whole building will mean the bonus is unattractive and will not be used.
2. **Math.** A well-calibrated program would achieve the same number of affordable units whether based on bonus or building

Question 2: Why are alternatives to on-site units offered?

AHBP preferences on-site production, but allows developers to build off-site, dedicate land, or pay a fee-in-lieu. Why?

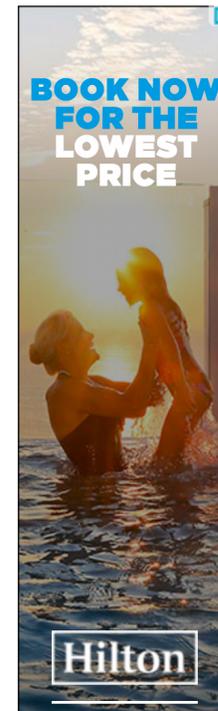
1. **Flexibility.** Developers (and their projects) are not all the same, and not all can provide units in building.
2. **Alternatives have advantages.** Fee-in-lieu revenues provide a funding source that can be used to build units for lower-income individuals, or build large units for families.
3. **Resilience.** Even the best calibrated program cannot always respond quickly enough to changing markets.

Cash-in-lieu 'absolutely' working, Boulder housing director says

City reports it can build about 30 percent more affordable units with cash-in-lieu than developers can build on-site

By Alex Burness
Staff Writer

POSTED: 01/09/2017 09:01:55 PM MST | UPDATED: 7 MONTHS AGO



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Source: http://www.dailycamera.com/news/boulder/ci_30714976/cash-lieu-absolutely-working-boulder-housing-director-says

101 6th Ave S. in Seattle (under construction)



Developments are 0.6 miles away
Audit of Incentive Zoning Program
suggests number of units produced is
comparable



159 units, 110 are the off-site
affordable housing units required from
the 740-unit North Lot Development
by Daniels Real Estate.

888 Seventh in San Francisco



Developments are 1.8 miles away –
Infinity in Rancon Hill and 888 Seventh
St. in the Design District



224 units, 170 are the off-site
affordable housing units required
from the 650-unit Infinity, built by
Tishman Speyer in 2008

Question 3: Why don't bonus programs target deeper affordability?

1. **Consistent with best practice.** Most density bonus programs target workforce housing (60% and 80% of MFI), where most cities have a very limited toolkit and the market can more effectively cross-subsidize.
2. **Add to affordability toolkit.** Other tools support affordable unit construction at and below 60% MFI, including fee-in-lieu revenues available to unit preservation and unit production at lower MFI.
3. **Maximize unit production.** Deeper levels of affordability result in lower unit production. If the bonus requirements are too onerous for developers to deliver, they may deliver the base building with fewer total units and zero affordable units.

Question 4: How can we make the bonuses available across more of the City?

There are two primary options:

1. **Revise code text.** Potential examples: Modify base and bonus zones, allow bonuses in more zones
2. **Modify mapping.** Potential examples: Map zones with bonuses in more places.

Options will be discussed through mapping workgroup process.

Question 5: How will the program be administered?

1. **Ensuring on-going affordability:** Land use restrictions (i.e. restrictive covenants) and ongoing monitoring for affordability period
2. **Rules and / or guidelines to implement and enforce code:** Fee-in-lieu schedule, geographic calibration, approval process, review committee designation, affordability enforcement
3. **Designated Review Committee:** Used to determine whether developments are eligible for options other than on-site affordability, and to inform ongoing calibration of fees.

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