

RESOLUTION ON HOW DOWNTOWN DENSITY BONUS FEES-IN-LIEU SHOULD BE USED

WHEREAS, currently all Downtown Density Bonus Program fee-in-lieu funds collected by the City are spent solely for the Housing Voucher Program; and

WHEREAS, Housing Vouchers are an important component to affordable housing, but they do not help add any affordable housing units; and

WHEREAS, the Austin Strategic Housing Blueprint calls for the creation of 60,000 affordable housing units throughout the city; and

WHEREAS, the new Downtown Density Bonus fee-in-lieu structure will result in many times more fees that are currently being collected; NOW, THEREFORE,

BE IT RESOLVED BY THE DESIGN COMMISSION OF THE CITY OF AUSTIN:

In order to meet the City’s stated affordable housing goals, we recommend that Council direct the City Manager to allocate Downtown Density Bonus fees-in-lieu to be used for building affordable housing units in Austin. The Housing Voucher Program could continue to receive the same amount of funding that it does today, but the additional fees being collected from the new fee structure should be earmarked for projects that will generate affordable housing units.

BE IT FURTHER RESOLVED:

Examples of how this could be accomplished are: distributing these funds to the Austin Economic Development Corporation to help achieve their affordable housing development goals; and distributing to the Austin Housing Finance Corporation to award more funding to affordable housing developers for the construction of affordable housing in Austin.

BE IT FURTHER RESOLVED:

The apportionment of the Downtown Density Bonus fees collected should be re-evaluated on a regular basis so that the City is effectively using these funds to meet our affordability goals.

ADOPTED: _____

ATTEST: _____
David Carroll
Chair, Design Commission

RESOLUTION FOR A TIERED DOWNTOWN DENSITY BONUS PROGRAM

WHEREAS, currently, if a project stays below the density bonus program's district FAR cap, it needs approval from city staff and support from the Design Commission; and

WHEREAS, if a project exceeds a district's FAR cap, it requires an additional step of needing council approval; and

WHEREAS, exceeding the FAR cap does not require any additional requirements other than applying the same fee-in-lieu formula that was used when under the cap; and

WHEREAS this additional administrative step in the process is discretionary, unpredictable, and does not result in any additional community benefit; and

WHEREAS in the Rainey Street district, a tiered approach is used to require on site affordable housing in the first tier and on-site community benefits or a fee-in-lieu in the second tier; NOW, THEREFORE,

BE IT RESOLVED BY THE DESIGN COMMISSION OF THE CITY OF AUSTIN:

We recommend that Council direct the City Manager to modify the Downtown Density Bonus Program to eliminate the district FAR caps and use a tiered approach across all of downtown, such that if a project moves to a higher tier, additional community benefits are required.

An example of how this might look is: (*see Figure 1*)

TIER 1:

- Base zoning FAR limit

TIER 2:

- For floor area exceeding TIER 1 FAR, community benefits should be required on site and/or
- For floor area exceeding TIER 1 FAR, a fee-in-lieu is collected

TIER 3:

- For floor area exceeding TIER 2 FAR, *additional* community benefits should be required on site; and/or
- For floor area exceeding TIER 2 FAR, a fee-in-lieu is collected at a higher rate per SF than TIER 2; and/or
- All above grade parking counts towards FAR (assuming lower parking ratios should be more viable with increased density)
- No cap on FAR in this tier

BE IT FURTHER RESOLVED:

The intent of these recommendations is to increase participation in the density bonus program; to increase community benefit; to calibrate requirements that are proportional and relevant to the scale projects; to provide more predictability and flexibility for projects; to decrease the discretionary and administrative steps that projects go through; and to support smaller infill developers by decreasing the burden on lower-FAR projects.

BE IT FURTHER RESOLVED:

The Design Commission believes that additional density and supply of housing downtown is a community benefit in and of itself due to the need for housing and critical mass to support the viability of public transit, and staff should endeavor to calibrate the requirements of each of these tiers in a rigorous and careful manner so as not to discourage increased development downtown.

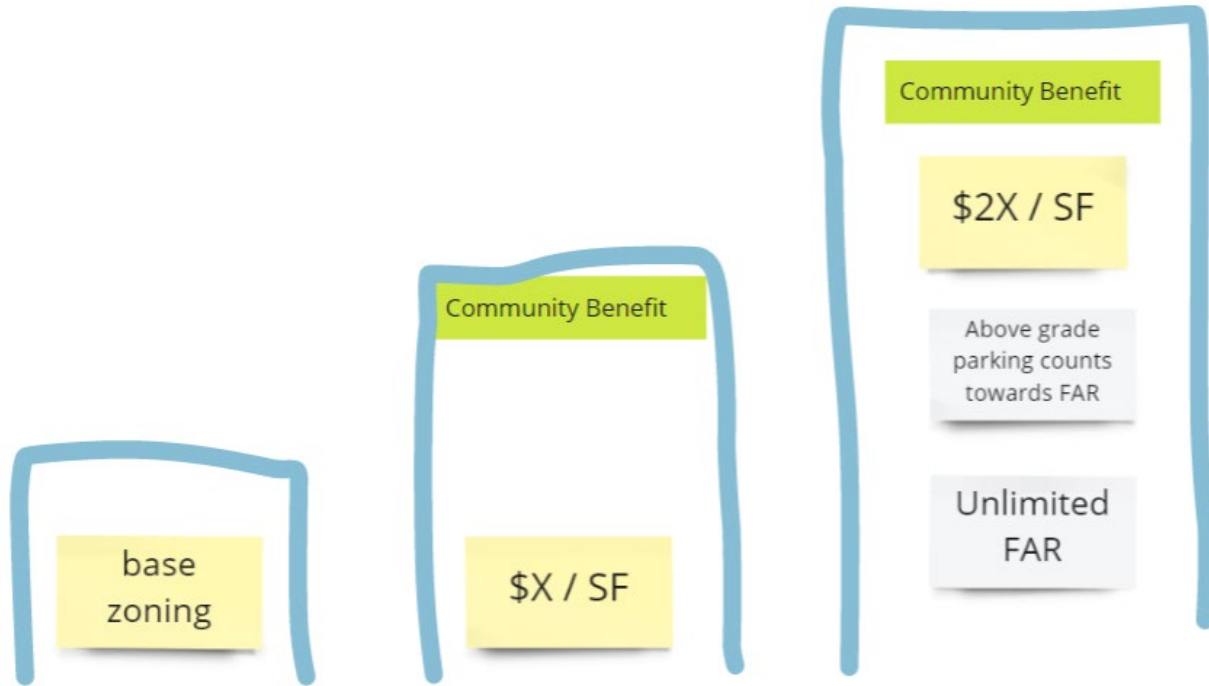


Figure 1- Tiered Approach

ADOPTED: _____

ATTEST: _____

David Carroll
Chair, Design Commission

RESOLUTION ON DOWNTOWN DENSITY BONUS FEE-IN-LIEU CALIBRATION

WHEREAS, the City of Austin engaged ECO Northwest to consult on the Downtown Density Bonus fee calibration because the current program is problematic in that it yields no new actual affordable housing downtown outside of the Rainey District and increases costs to developers, who pass this cost along to renters and buyers; and

WHEREAS, their analysis was of in-lieu fees which won't discourage developers from delivering product downtown. This exercise did not address recalibration of the affordable housing bonus incentives, or affordable housing performance requirements in the bonus areas which could change the target incomes or set aside requirements. It should be noted that feedback from the developers responsible for financing these fees was never assessed; and

WHEREAS, increasing costs through city fees causes the developer to charge higher rent or sell at a higher cost / sf to cover the minimum required Debt Service Coverage Ratio (DSCR); and

WHEREAS, the non-disclosure State & Residual Land Value (RLV) methodology used assumed inputs into a proforma by the economists driving the study, and after they completed their analysis, they reported their findings to a leading provider of CRE data. However, Texas is a non-disclosure state, and often these reports contain incorrect prices and ownership. Additionally, this excludes land contributed as equity, which is also a common real estate practice. Developers will not disclose costs due to potential exposure to litigation for mismanagement. Therefore, this is not likely an accurate costs basis analysis; and

WHEREAS, the recommendations from EcoNorthwest noted that residential fees could be higher if parking maximums in the draft code are adjusted. They then note that according to condominium sales, one and a half stalls per unit are reported, which is higher than the proposed maximum in the draft code of one stall per unit. Left to their own devices, developers will prefer more parking because it is cheaper financing and the space also creates potential cash flow during operations. In practice, only 60% of parking spaces are utilized at some residential buildings downtown; and

WHEREAS, to receive credit for on-site Affordable Housing, the design requirements and underwriting most comply with those set forth by the US Department of Housing and Urban Development. To be competitive in an urban environment for anything less than luxury product, developers are having to be more innovative than ever to hit market-rate consumers. This may mean stacking washers & dryers (prohibited by HUD,) having roommates (only allowed in NYC by HUD for household calculations,) or having an urban-scaled room like a 9' x 10' (10' x 10' is the HUD minimum), NOW, THEREFORE

BE IT RESOLVED BY THE DESIGN COMMISSION OF THE CITY OF AUSTIN:

We recommend that Council directs the City Manager to analyze the barriers to providing affordable housing on site, the affects fees-in-lieu have on land acquisition, the challenges in operating on-site affordability, and the hurdles for market-rate (rather than luxury) housing.

ADOPTED: _____

ATTEST: _____

David Carroll
Chair, Design Commission