

**DESIGN COMMISSION
RECOMMENDATION 20210823-2B**

August 24, 2021

Honorable Mayor Adler
Honorable City Council Members
City Manager Spencer Cronk

Re: Downtown Density Bonus Program

Dear Mayor and City Council Members,

The resolution attached is the third of three resolutions adopted by the Design Commission to improve the Downtown Density Bonus Program (DDBP). The first two resolutions were forwarded earlier this month. As Gatekeepers of the DDBP, we believe our input is valuable to the work currently underway to revise the fees for this program.

This final resolution provides reasoning as to why an assessment of the onsite affordable housing component is needed, especially as it relates to fee-in-lieu calibration. While the DDBP aims to help create affordable housing downtown, it has no assurances that these units are ever occupied, which is a failure of the program. Operational and financial barriers have been identified that can prevent affordable units from being utilized and therefore these barriers should be addressed so that all affordable housing units built downtown are occupied.

As the Design Commission reviews all of the DDBP projects, we believe we have a thorough understanding of the program's successes and failures and we offer this resolution to improve the program for your consideration so that it may provide more benefit to our community.

Sincerely,



David Carroll
Chair
City of Austin Design Commission

RESOLUTION ON DOWNTOWN DENSITY BONUS ONSITE AFFORDABILITY ASSESSMENT

WHEREAS, providing affordable housing downtown is needed to create a vibrant and diverse community; and

WHEREAS, the downtown density bonus program is an essential tool for supporting affordable housing; and

WHEREAS, assessing the implementation of on site affordable housing is needed to improve the downtown density bonus program; and

WHEREAS, the calibration report by EcoNorthwest did not include feedback from the developers responsible for providing on-site affordable housing and financing the Downtown Density Bonus fees-in-lieu; and

WHEREAS, on-site affordable housing can be problematic to implement and it has not been assessed as part of the Downtown Density Bonus program; and

WHEREAS, increasing costs through city fees can cause developers to charge higher rent or sell at a higher cost per square foot to cover the minimum required Debt Service Coverage Ratio (DSCR); and

WHEREAS, when a condo project has hotel financing which requires all condo owners to use the units as a second residence, providing on-site affordable units to an income-restricted group that also owns a second home is very unlikely; and

WHEREAS, the Residual Land Value (RLV) methodology used in the EcoNorthwest study assumed certain inputs that were compared to a leading provider of Commercial Real Estate (CRE) data, however with Texas being a non-disclosure state, these reports often contain incorrect prices and ownership, and

WHEREAS, this methodology excludes land contributed as equity, which is also a common real estate practice, and

WHEREAS, developers will not disclose project costs due to potential exposure and therefore, this is not likely an accurate costs basis analysis; and

WHEREAS, the Downtown Density Bonus program incents land owners to sell to developers that are bringing maximum Floor-to-Area Ratio for whole city blocks because they can offer sellers the most money for the land,

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 including; the efficacy of "best efforts" affordable housing on-site implementation, including affordable homeowner association fees and assurance that the units are actually occupied; the challenges in operating on-site affordable units; and the affects the fees-in-lieu have on land acquisition.

BE IT FURTHER RESOLVED:

That the results of this affordability assessment should be used to inform the required community benefits and calibration of fees-in-lieu for the Downtown Density Bonus Program.

VOTE: 7-0-1

ADOPTED: 08/23/21

ATTEST: 

David Carroll
Chair, Design Commission