



**HOUSING &  
PLANNING**

# Downtown Density Bonus Program

October 25

*Design Commission*

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- Program History and Requirements
- Program Outcomes
- Fee In-Lieu Recalibration
- Discussion and Next Steps



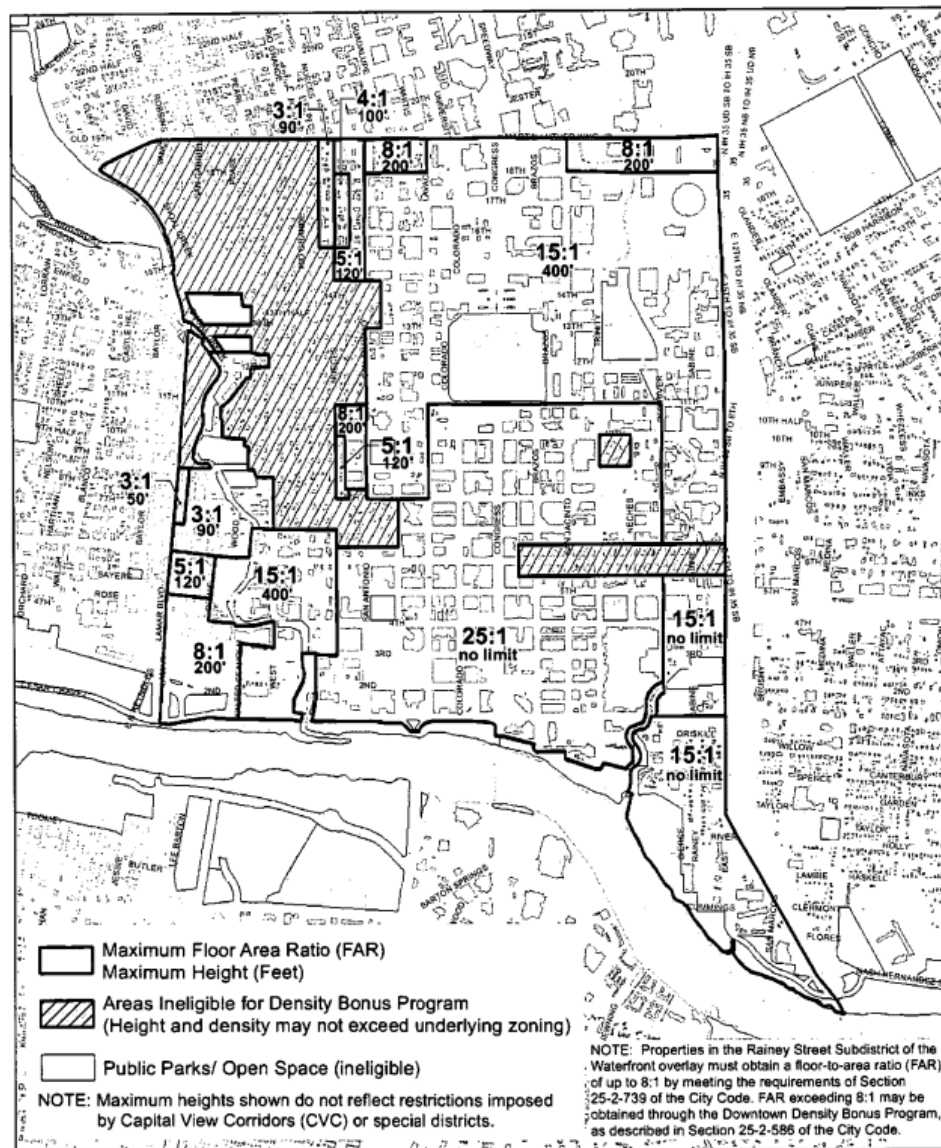
# Program History and Requirements



# Downtown Density Bonus Program History

**2013:** Downtown Density Bonus Ordinance 20130627-105 passes replacing CURE (Central Urban Redevelopment).

**2014:** Downtown Density Bonus program is updated with a new ordinance 2014022-054 that provides additional definitions and sets up current Rainey Street subdistrict requirements



Downtown Density Bonus Program - Eligibility, Floor Area Ratio (FAR) and Height Map  
Figure 2: Page 1



# Affordability Requirements

- Affordability requirements only apply to projects with a residential component
- 50% of bonus area must be achieved thru affordable housing benefits which can be done through a fee-in-lieu or on-site affordable units
- Rainey Street Subdistrict is only subdistrict that requires on-site affordable units calculated as 5% of the square footage of dwelling units developed within the FAR ratio of 8:1 and made affordable at 80% MFI or below

## On-site Affordability Terms

### Ownership:

120% MFI or below (\$118,700 for a household of 4) for 99 years

*\*Rainey Street Subdistrict is an exception with an 80% MFI limit*

### Rental:

80% MFI or below (\$79,100 for a household of 4) for 40 years



# Program Outcomes To Date



# Program Outcomes

<b>Project Status *As of 10/18/2021</b>	<b>Overall DDB Program</b>	<b>Rainey Street Subdistrict</b>
Certified	4	2
Site Plan Under Review	1	0
Building Permit Issued	8	3
Project Completed	4	2
Project Cancelled	3	2

<b>Certified Projects by year</b>	<b>Overall DDB Program</b>	<b>Rainey Street Subdistrict</b>
2014	2	1
2015	2	0
2016	2	2
2017	2	0
2018	2	1
2019	3	1
2020	2	0
2021	5	4
<b>Total</b>	<b>20</b>	<b>9</b>



# Completed Projects with On-Site Affordable Housing



## **Camden Rainey Street**

Project includes 16 income-restricted affordable rental units that will be affordable until 2056.



## **The Quincy**

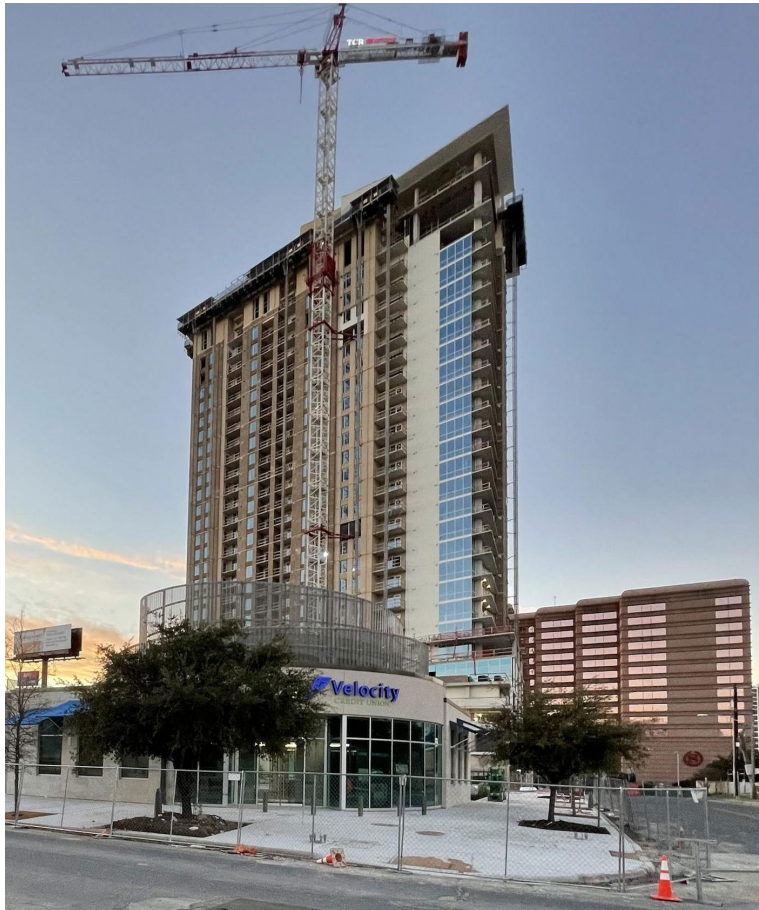
Project includes 14 rental units that will be income-restricted affordable until 2061.

\*Both projects are within the Rainey Street Subdistrict.





# Development Pipeline



Alexan Waterloo Apartments at 700 E 11<sup>th</sup> Street is set to be the next completed Downtown Density Bonus Project. Located in the Waller Creek subdistrict it will be the first project outside of the Rainey Street district to include on-site affordable units. In total the project will provide 4 rental units (1 – 1 bedroom and 3 – 2 bedroom) at 80% MFI.

Certified/Site Plan Under Review/Building Permit Issued Projects	Overall Downtown Density Bonus Program	Rainey Street Subdistrict
Estimated Total Rental Units	3,276	832
Estimated Affordable Rental Units	45	41
Estimated Total Ownership Units	1,252	1,252
Estimated Affordable Ownership Units	46	46
Estimated Total Units	4,528	2,084
Estimated Total Affordable Units	91	87
Estimated Total Fee-in-lieu Pending	\$23,043,870	\$6,271,102
Total Fee-in-lieu Paid	\$131,937	



# Downtown Density Bonus Fund Overview

The first Downtown Density Bonus fee-in-lieu payment was received in 2017.

Part 5. from 2013 Downtown Density Bonus Ordinance states: "Monies generated by the fee in Section 25-2-586(E)(I)(a)(ii) shall be prioritized for permanent supportive housing for low barrier approaches for the chronic homeless."

Downtown Density Bonus Fund		
Revenue Received		\$2,076,866
Expenses		
Contract- Permanent Supportive Housing Pilot Program	\$234,822	
Low Barrier Housing Voucher Program	\$222,874	
<b>Available</b>		\$1,619,170
<b>Appropriated FY21</b>		\$12,543
Low Barrier Housing Voucher Program		\$727,126
Unappropriated FY20: 5TH AND WEST RESIDENCES		\$158,010
Unappropriated FY21: 91 Red River St.		\$589,554
Unappropriated FY21: 700 E 11th St.		\$131,937
<b>Total</b>		\$1,619,170



# Permanent Supportive Housing Pilot Program

In total \$457,696 from the Downtown Density Bonus fund was spent on two contracts with ECHO for a pilot permanent supportive housing program that offered a housing subsidy to individuals experiencing homelessness. The two contracts ran from 6/1/2018-1/29/2020 and 1/1/2020-9/30/2021.

- Pilot program goal was to serve 96 individual per year.
- In total 27 individuals were served by the program during the second contract.

All individuals who were receiving a subsidy under the pilot were transitioned to a more permanent housing subsidy before the pilot was ended.

Pilot program was ended due to difficulties in scaling program and reaching goals. This was largely tied to the limited capacity by organizations to provide supportive services even prior to the pandemic and made worse during the pandemic.





# Downtown Density Bonus Fund Future

The remaining appropriated funding from the PSH voucher pilot program of \$727,126 will be utilized for the conversion of an existing motel into Terrace at Century Park, a 60-unit permanent supportive housing development.

If Terrace at Century Park is a success then the current expectation is that DDB funds will continue to be used for the renovation and eventually the maintenance of permanent supportive housing properties.





# 2021 Fee In-Lieu Calibration



# Resolution No 20210422-039

## FAR Policy

- Amend City Code section 25-2-586 (Downtown Density Bonus Program) to amend subsection (B)(6).
- The amendments shall maximize participation in the Program and maximize community benefits, especially the funding of permanent supportive housing and housing vouchers.
- Before deliberation on the code changes by the Planning Commission or City Council, the City Manager is directed to present a report on Floor to Area Ratio best practices.

## Interim Fees

- Implement interim revisions to the in-lieu affordable housing fees for residential development for the Downtown Density Bonus Program;
- Implements interim revisions to the in-lieu affordable housing fees for non-residential development for the Downtown Density Bonus Program and Rainey Density Bonus Programs; and
- Moves revised fees described above to the City Fee Schedule so they can be updated more effectively.

## Fee Calibration

- Update the fee-in-lieu analysis provided by EcoNorthwest to reflect current market conditions and existing zones of the Downtown Density Bonus Program area and return to Council with, if necessary, an item for action no later than August 26, 2021, or prior to budget approval if possible.



## Resolution No 20210422-039



The City Council directs the City Manager to post an item for action on May 20, 2021 that accomplishes the following:

- Implements interim revisions to the in-lieu affordable housing fees for residential development for the Downtown Density Bonus Program;
- Implements interim revisions to the in-lieu affordable housing fees for non-residential development for the Downtown Density Bonus Program and Rainey Density Bonus Programs; and
- Moves revised fees described above to the City Fee Schedule so they can be updated more effectively.

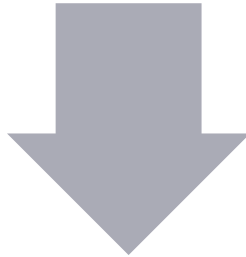


# Interim Fees

Based on LDC Revision calibrated fees for the Downtown Density Bonus Program:

- Calibrated using late 2019 market dynamics
- Based on proposed zones of the LDC Revision
- Calibrated to a site's base zoning not the downtown sub-district
- Included artificial reductions in market sales prices to compensate for proposed parking maximums

**2013 Calibrated Fees**



**2021 Interim Fees**

## Ordinance No. 20130627-105

Development Type	Downtown District	
	Core/Waterfront District	Lower Shoal Creek & Rainey Street Districts
Residential	All other districts	Development Bonus Fee (\$/SqFt Bonus Area)
		\$10/SqFt Bonus Area
		\$5/SqFt Bonus Area
Office	All districts	\$3/SqFt Bonus Area
Hotel	All districts	No Fee

## LDC Revision Calibrated DDBP fees

Zone or Subdistrict	Residential In-Lieu Fee per Square Foot of Bonus	Commercial In-Lieu Fee per Square Foot of Bonus
CC Zones	\$10	\$12
DC Zone	\$12	\$18
Rainey Subdistrict*	\$5*	\$12 for CC Zones \$18 for DC Zones

\*This district requires that a developer provide both on-site affordable units and pay a fee. These fees are calibrated such that they account for the additional set-aside requirement for affordable units.

*from January 28, 2020 memo from economic consultants, EcoNorthwest*





## Resolution No 20210422-039

- Update the fee-in-lieu analysis provided by EcoNorthwest to reflect current market conditions and existing zones of the Downtown Density Bonus Program area and return to Council with, if necessary, an item for action no later than August 26, 2021, or prior to budget approval if possible.



# 2021 Interim and Recommended Fees

Base Zoning or District	Interim Residential	Interim Commercial	Proposed Residential	Proposed Commercial
CBD	\$12	\$18	\$24	\$2.50
All other base zones	\$10	\$12	\$16	\$2.50
Rainey (all zones)	\$5	\$12	\$17.50	\$2.50

*\$ per square foot of bonus area*

- The in-lieu fees for residential development could be higher than the interim fees.
  - Increased condo sales prices
  - Removal of artificial reduction on sales prices
- The interim in-lieu fees for commercial development are not supported by current commercial market conditions.
  - Decrease in market office rents
  - Increase in operating costs



# Staff Recommendations

- Staff recommend revisiting again next fiscal year due to uncertainty in commercial market
- Consider reevaluation of DDBP policy to achieve more onsite affordable housing and more equitable outcomes for the community

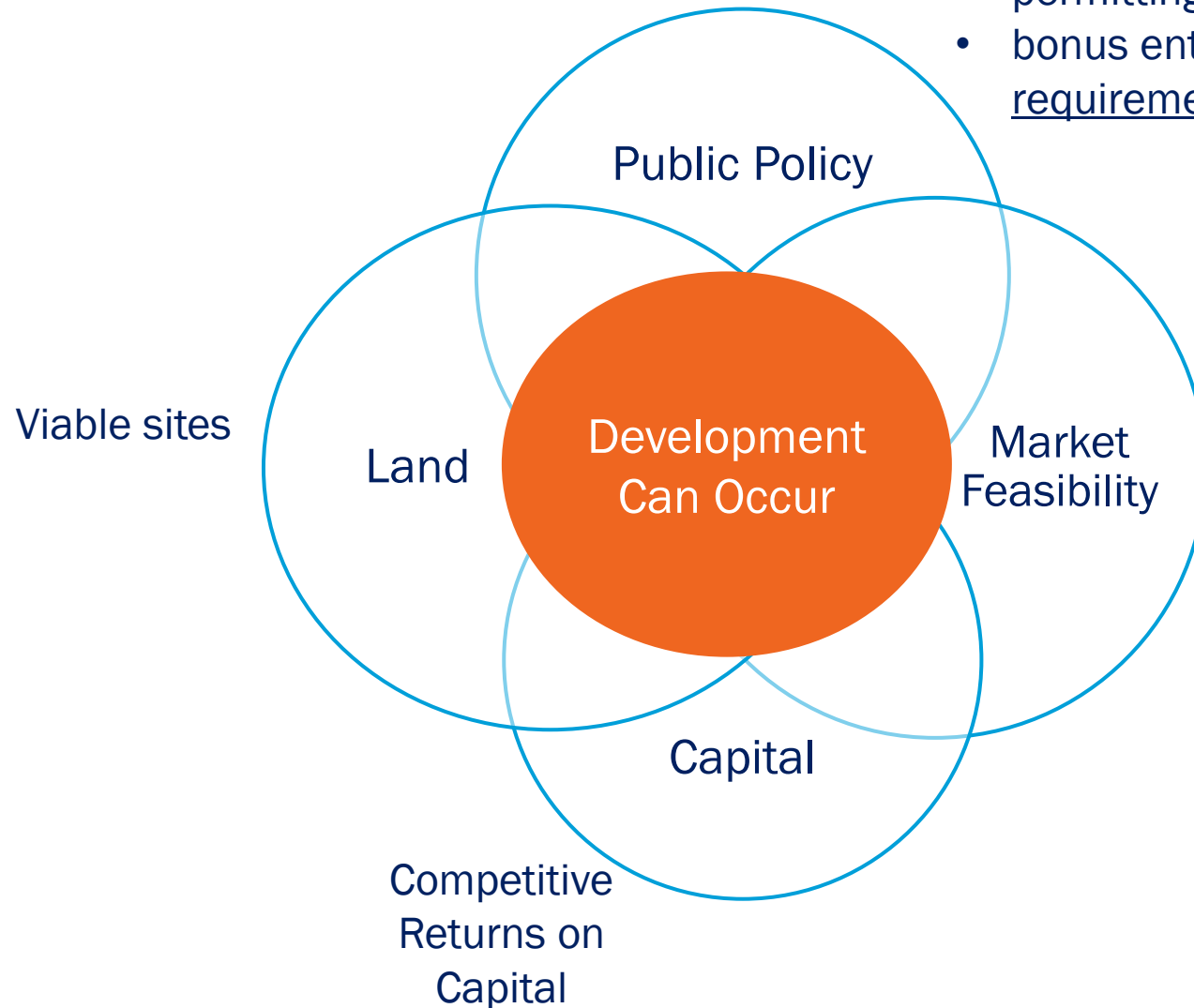
Base Zoning or District	2021 Proposed Fees	
	Residential	Commercial
CBD	\$24	\$2.50
All other base zones	\$16	\$2.50
Rainey (all zones)	\$17.50	\$2.50



# Fee Calibration Methods



- zoning
- environmental regulations
- permitting and development requirements
- bonus entitlements and community benefit requirements

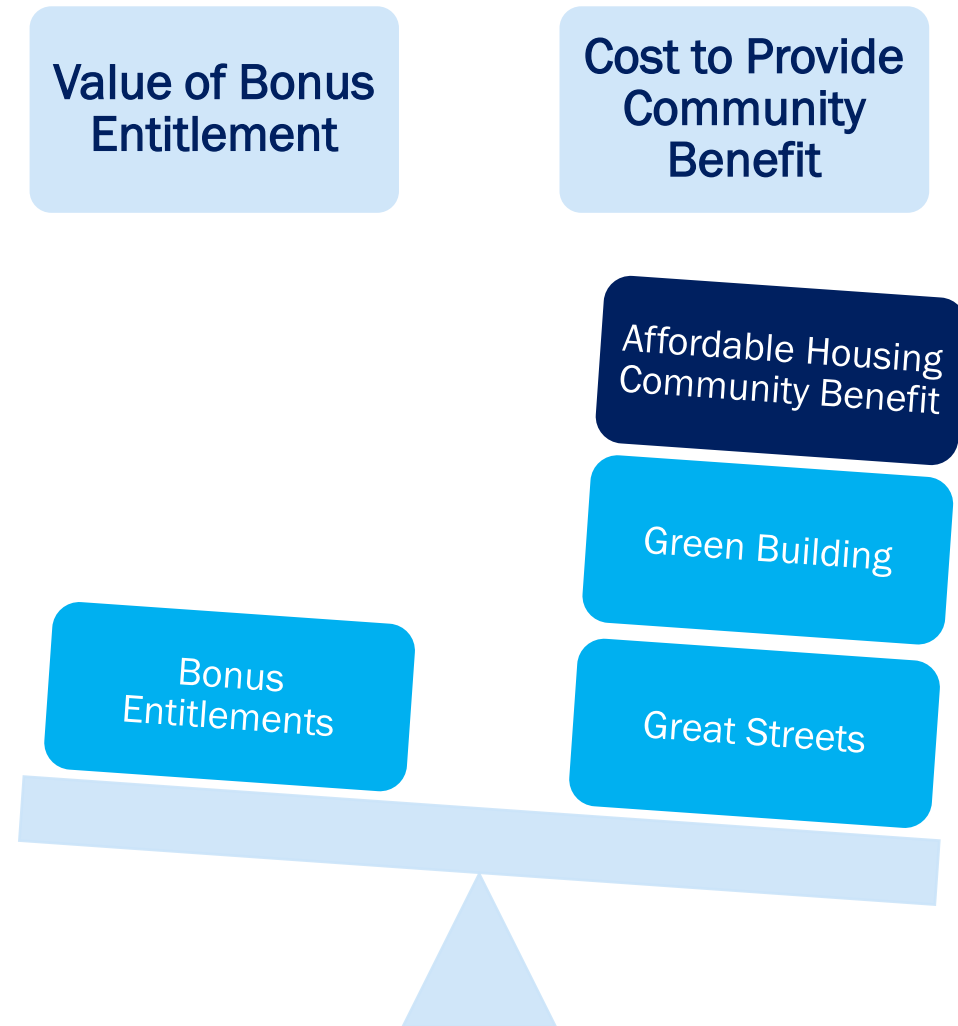


- Construction Costs
- Rents, Sales Prices
- Operating and Maintenance Costs



# Fee Calibration Guidelines

- DDBP is a *voluntary* program that relies on an *incentive-based* approach to having the private market deliver community benefits
- We employ the same financial considerations a real estate developer would use to evaluate the value of bonus entitlements compared to base entitlements
- Careful calibration needed to maximize public benefit and achieve policy goals





# Fee Calibration

## 1) Understand Development Conditions

- Varying base zoning and bonus entitlements
- Availability and size of potentially developable land downtown
- Account for City Development Regulations

## 2) Evaluate Value of Bonus Entitlements

- Residential Market Downtown is Strong
- Commercial Future is Uncertain
- Construction Costs have gone up
- Competitive Returns on Capital

## 3) Calibrate Community Benefit Requirements

- Great Streets
- Green Building
- Urban Design Guidelines
- *Affordable Housing* (or 12+ other options) **community benefit**

### Potentially Developable Land

- Variety of base zoning and bonus combinations
- Variety of lot sizes



### Calibration Modeling

- Considering current market dynamics
- Considering variety of possible development types
- Evaluating incentive to build a building using bonus entitlements



### Fee in Lieu Policy

- Not calibrated to each and every site
- Implementable
- Capture value within range of variable conditions



# Modeling Inputs

- Zoning
  - Tune to existing LDC zones and bonus entitlements
  - Identify most prevalent zoning/bonus combinations on potential (re)development parcels
- Affordable Housing Policy
  - Percentage of bonus value directed towards community benefit
- Real Estate Market Data
  - Market rate rents and sales prices
  - Vacancy rates
  - Parking ratios
  - Construction costs
  - Operating costs
  - Competitive investment returns





# Residential In Focus

## Key Differences from 2019 Calibration

- Significantly Increased Construction Costs
- Significantly Increased Sales Prices
  - Removed artificial reduction in sales prices to compensate for proposed parking maximum impact
- Moderately Increased Rents
- Increased Operating Expenses
- Inclusion of Street Impact Fees and increased Parkland Dedication Fees

	2021 Proposed Fees
CBD	\$24
All other base zones	\$16
Rainey (all zones)	\$17.50

### Key Considerations: Maximizing Housing

- Maximize the affordable housing community benefit
- Keep flexibility and resilience in program to account for fluctuations in market
- Retain incentive to create housing downtown



# Commercial In Focus

## Key Differences from 2019 Calibration

- Moderately Increased Construction Costs
- Decreased Market Rents
- Increased Operating Expenses
- Uncertainty in future demand for Downtown office space
- Inclusion of Street Impact Fees

	2021 Proposed Fees
CBD	\$2.50
All other base zones	\$2.50
Rainey (all zones)	\$2.50

### Considerations: Future of Commercial Market

- Under current conditions, commercial development downtown using bonus entitlements is not feasible per our modeling
- Staff modeled circumstances under which bonus commercial development would be viable again and set fee to that rate
- Need to reevaluate next fiscal year



# Discussion and Next Steps



# Objectives

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## Maximize Community Benefit

- Fees in lieu of affordable housing are specifically directed towards low barrier approaches to housing people who are chronically homeless

## Keep flexibility and resilience in program to account for fluctuations in market

- Development conditions are rapidly evolving, but the future of demand for downtown office space is uncertain

## Recalibration Frequency

- Annually in the near term due to uncertain circumstances, but potentially less frequently going forward
- Provide some predictability for projects to plan around
- Tune to market conditions to maximize community benefits while not disincentivizing development





# Next Steps

- Community Development Commission: November 9
- City Council Agenda: November 18

Learn more and download the calibration model at  
<https://austintexas.gov/page/development-incentives-and-agreements>



# Contacts

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