



**HOUSING &
PLANNING**

Downtown Density Bonus Program

May 23, 2022

Design Commission

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Background

In April 2021, Austin City Council adopted [Resolution No. 20210422-039](#), asking staff to:

- ✓ Move the voluntary Downtown Density Bonus Program fees from the LDC and into the fee schedule
- ✓ Implement interim fees in-lieu of affordable housing based upon prior research
- ✓ Explore changes to the current Floor to Area Ratio (FAR) policy

- Update the fees in-lieu of affordable housing



Progress to Date

Research and analysis

- Market Analysis and modeling
- Development trends

Commission briefings

- Design Commission
- Downtown Commission

Stakeholder engagement

- Downtown Austin Alliance
- Real Estate Council of Austin



Objectives

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

Monitor and Evaluate Outcomes

- Reevaluate program outcomes regularly
- Provide some predictability for projects to plan around





Staff Recommendation

	2014 Fee (\$/SF Bonus Area)	2021 Interim Fees (\$/SF Bonus Area)	2022 Proposed Fee (\$/SF Bonus Area)
Residential - CBD zoned properties	\$10 or \$5	\$12	\$12
Residential - all other	\$5 or \$3	\$10	\$10
Residential - Rainey Street district	\$5	\$5	\$5
Commercial - CBD zoned	\$0	\$18	\$9
Commercial - all other	\$0	\$12	\$6



Residential In Focus

Staff recommend maintaining the interim residential fee in-lieu rates adopted in 2021

- **Consistent Participation**
 - 4 site plan applications have come through for projects that intend to use the Downtown Density Bonus Program since the interim fees were adopted
- **Development costs have risen since 2019**
 - Hard costs
 - City fees
- **Housing values have risen since 2019**
 - Sales prices
 - Rents

Residential Development	FY23 Proposed Fee (\$/SF Bonus Area)
CBD zoned properties	\$12
All Other Zones	\$10
Rainey Street district	\$5



Commercial In Focus

Staff recommend lowering commercial fee in-lieu rates from the interim fees adopted in 2021

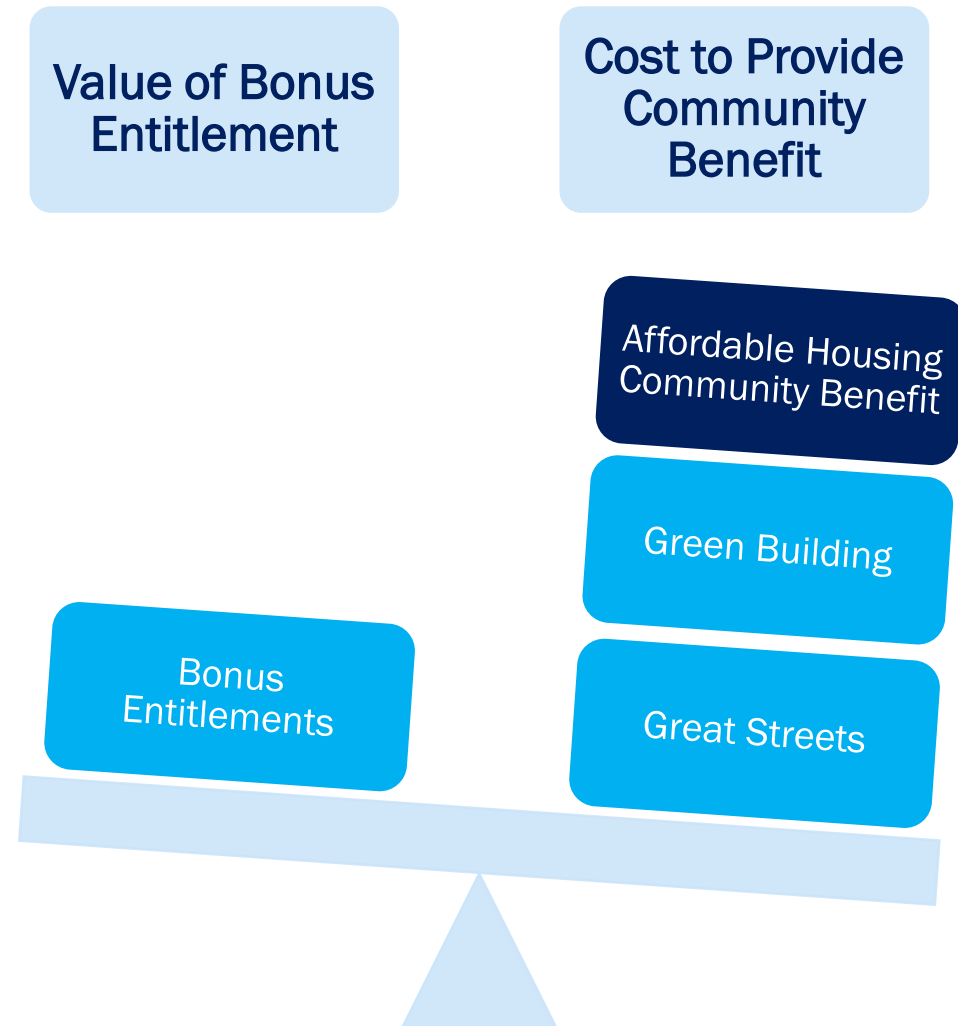
- Substantial variation from prior policy
 - the high degree of variation from the \$0 fee prior to \$18 interim rates was drastic change
- Stakeholder input
 - stakeholder input to date continuously indicated that the interim commercial fees were too high
- Market uncertainty
 - there are headwinds in the real estate market for commercial development

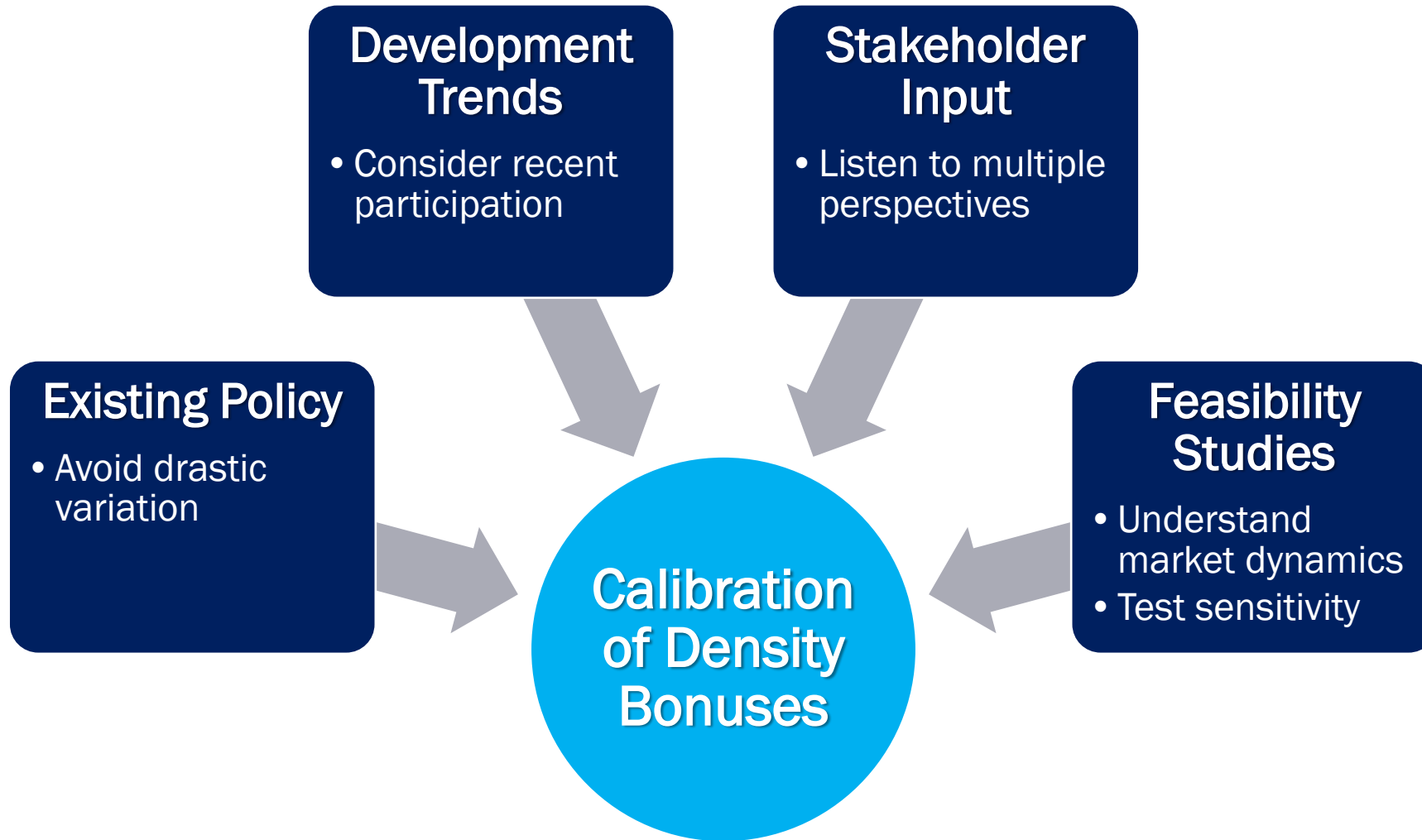
Commercial Development	FY23 Proposed Fee (\$/SF Bonus Area)
CBD zoned properties	\$9
All other Zones	\$6



Density Bonus Calibration

- DDBP is a *voluntary* program that relies on an *incentive-based* approach to having the private market deliver community benefits
- Careful calibration needed to maximize public benefit and achieve policy goals





Based on findings from [Strengthening Inclusionary Housing Feasibility Studies](#) from Grounded Solutions Network



Staff Recommendations

- Maintain interim residential fees in-lieu
- Lower commercial fees until market dynamics are more clear
- Continue to monitor participation in the program
- Reevaluation of Downtown Density Bonus Program more holistically to achieve more equitable outcomes for the community



Next Steps

- Staff recommendation for the Downtown Density Bonus Fees will be incorporated into the fee schedule as part of the City Manager's budget
 - Council adoption anticipated in August 2022
- A memo to Mayor and Council will be distributed conveying staff research and recommendations
 - Anticipated in June 2022