

Austin Parks and Recreation Department  
Presentation on:

# Parkland Dedication Requirements for Commercial Developments

July 20<sup>th</sup>, 2022

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# Context - Chronology

February  
2020

- On February 25, 2020, the Parks and Recreation Board passed Recommendation 20200225-B3, which included the provision that commercial developments be subject to parkland dedication requirements.

March 2022

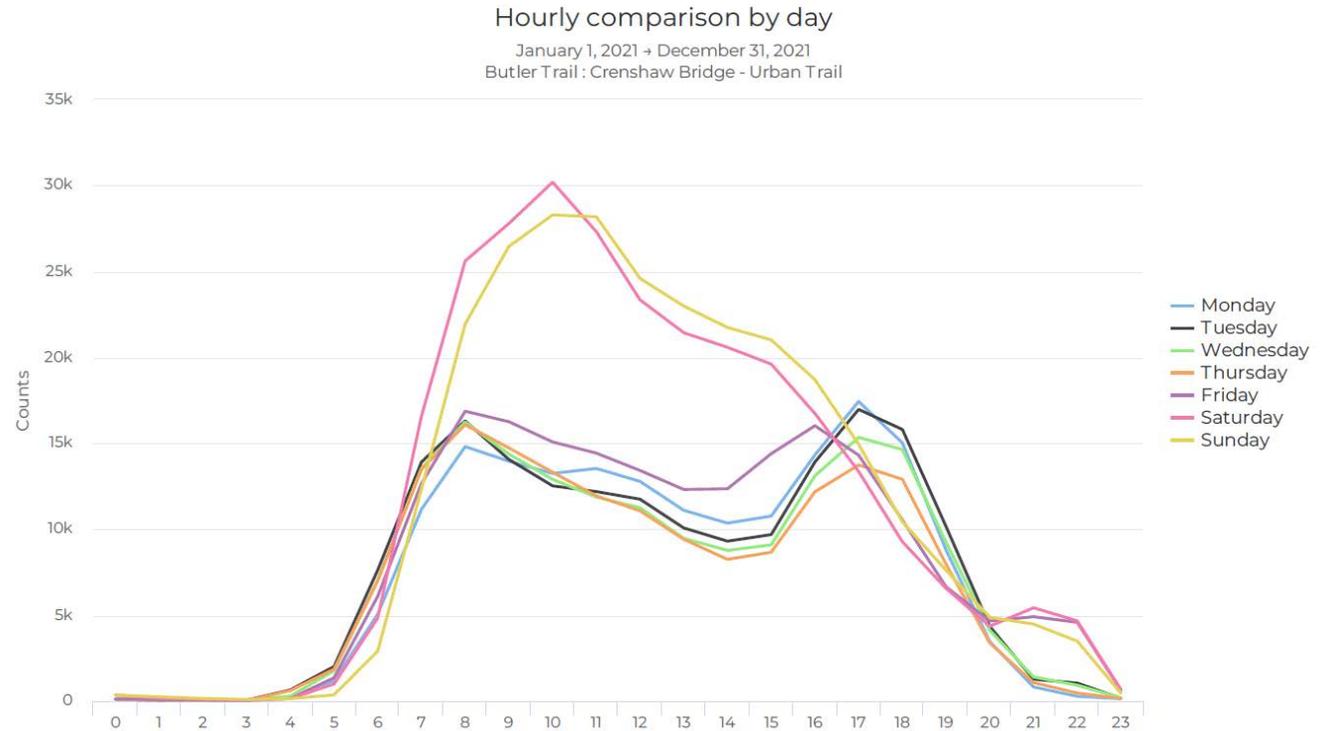
- On March 28, 2022, The Parks and Recreation Board reaffirmed its support to require parkland dedication for office, industrial, and commercial developments in Recommendation 20220328-B5.

April 2022

- On April 7, 2022, City Council passed Resolution 20220407-042 directing City Staff to require parkland dedication for office, industrial and commercial developments.

# Applicability – Essential Nexus

- Regulation must be related "both in nature and extent to the impact of a proposed development" (essential nexus, established in U.S. Supreme Court decision *Nollan v. California Coastal Commission*, 1987)
- Growth in the commercial sector leads to increases in the City's overall population and workforce, both users of the City's parks system.
- The National Recreation and Park Association has documented the role parks play in company locations and workforce growth.
- By including commercial development into parkland dedication, the City would be able to better provide proportionate recreation services to the workforce near their places of employment.



# Applicability – Rough Proportionality

- Parkland level of service must account for the impact the workforce has on parks. The additional workforce that enters Austin affects the current level of service.
- The current level of service is set at 9.4 acres per 1,000 people.
- The estimated workforce is then discounted by occupancy rates and hours of operation, to better reflect the potential park usage.
- Only the 58% of Austin's workforce that commute in from outside jurisdictions are assessed for parkland dedication requirements, eliminating any 'double counting' of existing residents who also work in Austin.

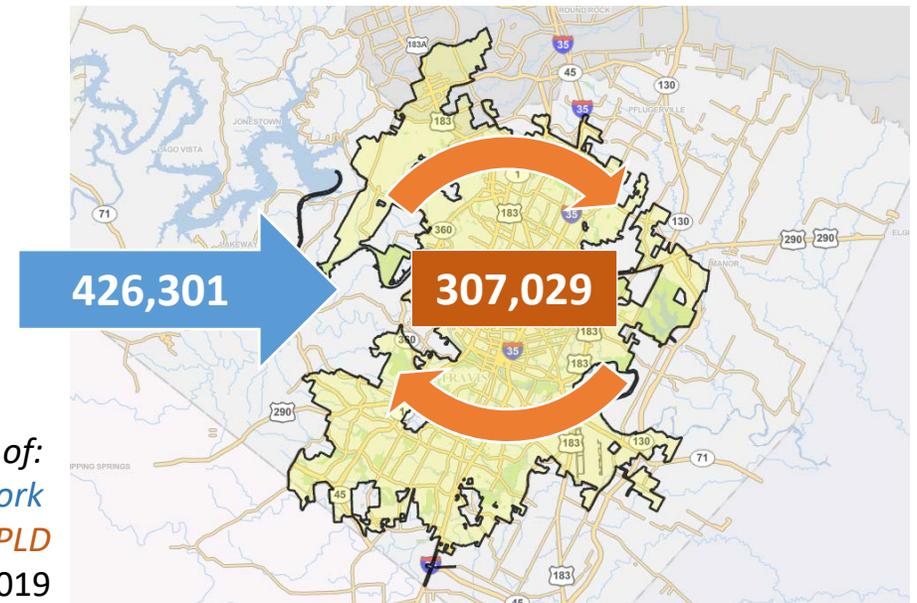


Chart shows number of:  
*Non-residents commuting into Austin for work*

*Austin residents working in Austin - not subject to Commercial PLD*

Source: U.S. Census OnTheMap, LEHD 2019

# Proposed Formula

$$\text{Required Parkland} = \frac{9.4 \text{ acres} \times \text{Functional Population}}{1,000 \text{ people}}$$

- **9.4 acres** per 1,000 people equals the established parks level of service
- **Functional Population**
  - The estimated commuter workforce of a new development discounted by their relative opportunity to access parkland, **representing the full-time equivalent population of new development**
  - **Functional Population = Employee Density X Occupancy Rate X Operation Time X Percent Commuter from Outside City Limits**

	<b>Employee Density</b> (SF Per Employee)	<b>Occupancy Rate</b>	<b>Operational Hours</b>	<b>Percent Commuter</b>
<b>Industrial</b>	2,500 SF	94%	70.8%	58%
<b>Retail</b>	550 SF	95%	37.5%	58%
<b>Office</b>	300 SF	92%	23.8%	58%
<b>Hotel</b>	1,500 SF	-	70.8%	58%

# Proposed Requirements

**Land Dedication – 9.4 Acres per 1,000 functional population**

**Fee-in-Lieu – \$3,781.32 per functional population**

**Development Fee – \$351.85 per functional population**

## Per SF by Use Category:

	Office	Retail	Industrial	Hotel
Fee-in-Lieu	\$1.6007/SF	\$1.4206/SF	\$0.5838/SF	\$1.0352/SF
Development Fee	\$0.1489/SF	\$0.1322/SF	\$0.0543/SF	\$0.0963/SF
<b>Total:</b>	<b>\$1.7497/SF</b>	<b>\$1.5528/SF</b>	<b>\$0.6382/SF</b>	<b>\$1.1315/SF</b>

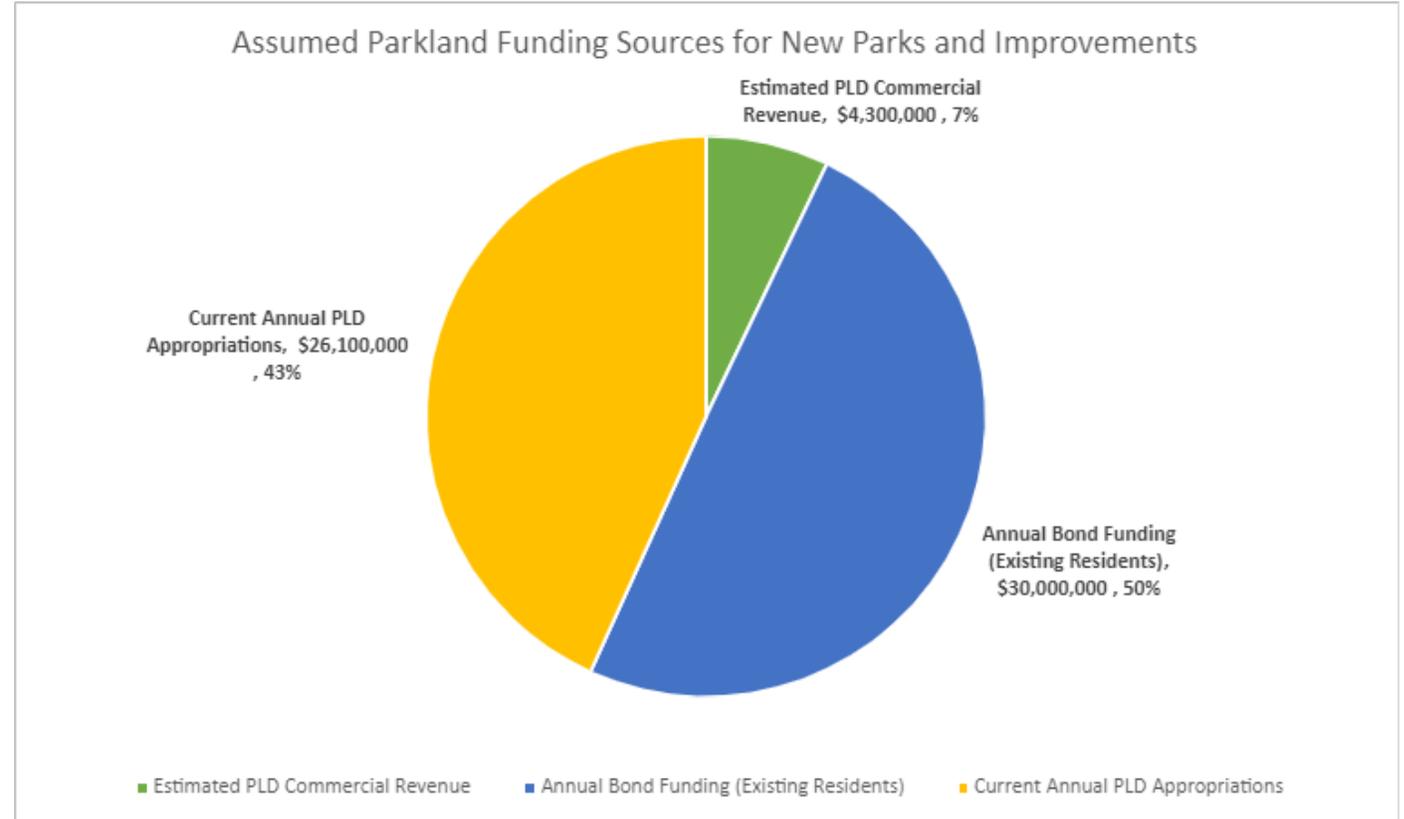
Figures are preliminary and subject to change

# Projected Parkland Funding Sources

## How PARD Pays for Growth

- If a commercial PLD ordinance was adopted, PARD anticipates collecting approximately \$4.3 million in fees.<sup>1</sup>
- For FY23 PARD will be appropriating \$26 million from residential PLD.
- Bond funds are anticipated to be spent at a rate of \$30 million annually (2018 bond amounting to \$149 million over five years).

1. Based on DSD annual reporting of permitted commercial SF



# Example of Application - Mixed Use

## Commercial Step 1: Calculate Estimated Employees in Commercial Space

Total SF	SF/Employee	Total Employees
136,000	300	453

## Commercial Step 2: Derive Functional Population of Commercial Space

Total Employees	Occupancy	Operation Hours	Percent Commuter	Functional Population
453	92%	23.8%	58%	57.57
A	B	C	D	Formula = A * B * C * D

## Commercial Step 3: Calculate Requirements of Commercial Space

Commercial Land Owed	Commercial Fee-In-Lieu	Commercial Development Fee
0.54 acres	\$217,695	\$20,250
Formula = (Functional Population/1000) x 9.4 acres	Formula = SF of Development x \$1.6007	Formula = SF of Development x \$0.1489



### Total Requirement:

Land Owed	Fee-In-Lieu	Development Fee
5.48 acres	\$1,117,376	\$182,935

## Residential Step 1: Calculate Residential Population

Total Units	SMART Units	Resident Population
309	0	525

## Residential Step 2: Calculate Residential Requirements

Residential Land Owed	Residential Fee-In-Lieu	Residential Development Fee
4.94 acres	\$899,681	\$162,685
Formula = (Total Units x 1.7 / 1,000)*9.4	Formula = People x \$2,912.17	Formula = People x \$526.49

# Example of Application - Office

## Step 1: Calculate Estimated Employees

Total SF	SF/Employee	Total Employees
325,000	300	1,083

## Step 2: Derive Functional Population

Total Employees	Occupancy	Operation Hours	Percent Commuter	Functional Population
1,083	92%	23.8%	58%	137.58
A	B	C	D	Formula = A * B * C * D

Only 137.58 employees are subject to parkland dedication requirements

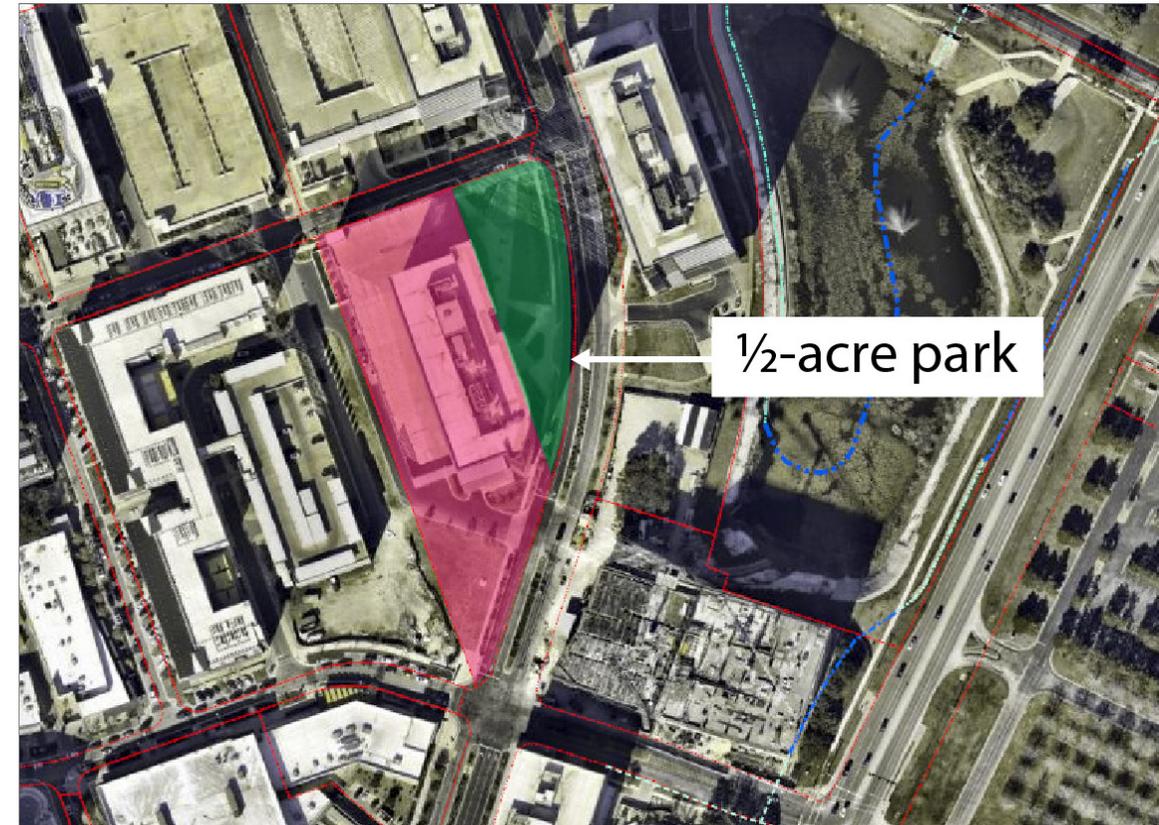
## Step 3: Calculate Requirements

Land Owed	Fee-In-Lieu	Development Fee
1.29 acres	\$520,228	\$48,392
Formula = (Functional Population/1000) x 9.4 acres	Formula = SF of Development x \$1.6007	Formula = SF of Development x \$0.1489

Figures are approximate



## Urban Office Hypothetical



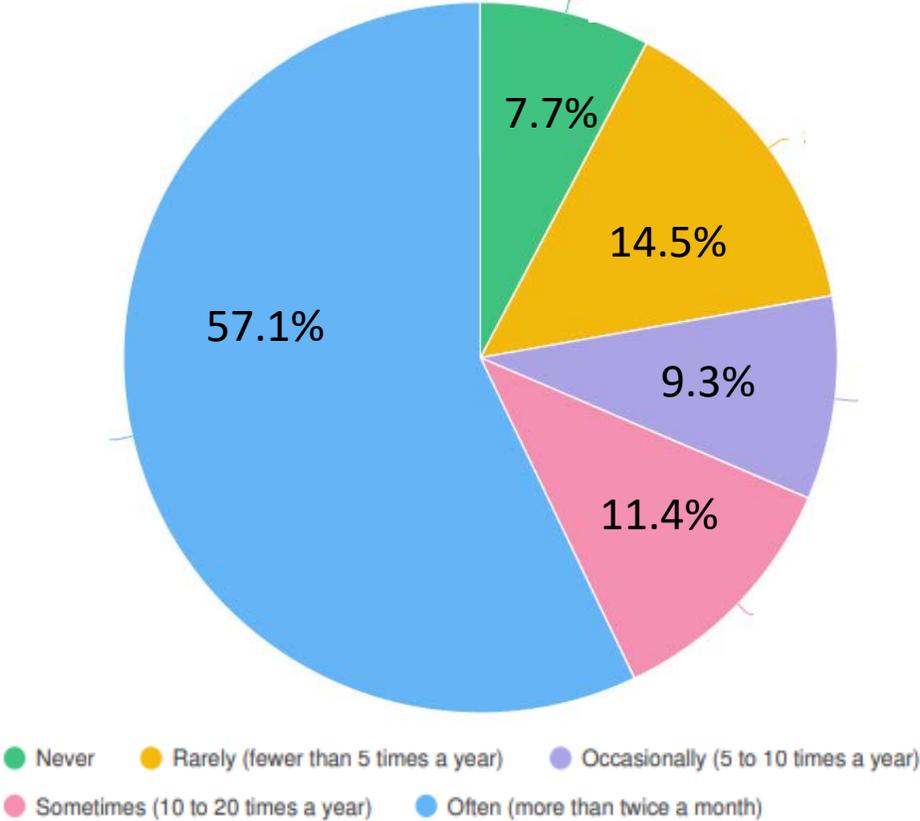
# Community Input

SpeakUp Austin – 328 Respondents May 9 - July 10th

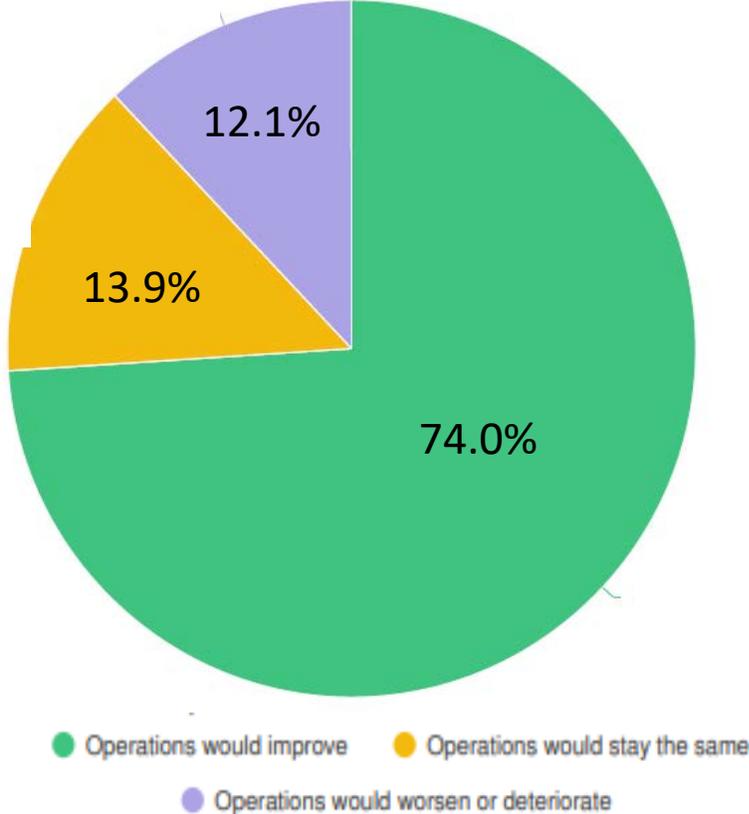
### Reoccurring Themes

- Changes in commuting patterns due to COVID-19
- Impacts on affordability
- Applicability and Exemptions
- Procedures and Clarifications

How often do you access public parks before, during, or after work?



How do you think a commercial parkland dedication ordinance might impact a business' operations for employees, visitors, or patrons?



# Stakeholder Engagement

- **6 stakeholder meetings held:**

- May 25, June 6, June 7, June 8, and July 7 (two sessions on same date)

- **Minimum of 40 stakeholder groups engaged:**

- Parks Groups: Austin Parks Foundation, The Trail Foundation, Save Barton Creek Association, PODER, Tree Folks, Pease Park Conservancy, Shoal Creek Conservancy, Austin Outside, SOS Alliance, Go Austin Vamos Austin, Hill Country Conservancy, Keep Austin Beautiful, Barton Springs Conservancy, Waterloo Greenway, Environment Texas, River Watchers, Norwood Park Foundation
- Development Groups: Downtown Austin Alliance, Real Estate Council of Austin, Austin Board of Realtors, Civilitude, Austin Chamber of Commerce, Thrower Design, Austin Hotel and Lodging Association, Austin Tech Alliance, US Hispanic Contractor's Association of Austin, Austin Contractors and Engineers Association, Austin Black Contractor's Association, Austin Permit Service, American Institute of Architects, Asian Contractor Association, Drenner Group, Associated General Contractors of Austin, Austin Tech Alliance, Austin Independent Business Association, DPR Construction, Garza EMC, Coleman and Associates, Endeavor Real Estate, McLean & Howard

- **Multiple social media posts across Instagram, Facebook, and Twitter**

- **Newsletter announcements via Development Services Department**

- **Public notices mailed and posted in paper of record for public hearings**

# FAQs: Requirements

## Fee vs Land

PARD staff utilize code criteria to determine if parkland will be satisfied by land or fee, including location within the park deficient map and proximity to existing parkland.

Only about 10% of residential developments dedicate land, the rest pay 100% fees.

When land is required, it is most common for parkland to be satisfied by a combination of land dedication and fees.

## Land Context

The park deficient map determines a development's land context and impacts the requirements.

A commercial development inside the 'Urban Core' has a smaller distance between park deficient areas than projects outside the 'Urban Core', creating a more frequent occurrence of parkland dedication requirements being satisfied with land dedication.

## Requirement Calculation

Fees and land requirement calculations are based on building size, measured in square feet. As with the residential ordinance, the fee schedule would be posted on the City's website.

Commercial properties would be included in the PED process to provide certainty on the requirements to new developments.

# FAQs: Applicability and Exemptions

There are no explicit exemptions in the ordinance, however it does not apply to Civic uses as defined in the Code 25-2-6 including: Schools, Hospitals, Daycares, Group Homes and Community/Cultural services

Commercial Parkland Dedication will only apply to net new units. Square footage or units that have previously satisfied parkland dedication requirements would not be required to satisfy them again.

Existing commercial buildings will not be charged until they go through a redevelopment requiring a building permit, site plan or subdivision that proposes additional square feet that did not previously satisfy the requirement.

There is no proposed minimum development size.

# FAQs: Changes to Commuting patterns due to Covid-19

Requirements are adjusted annually to accommodate changing market and commuting trends:

Requirement is based on square footage; if future new office spaces become smaller to account for a decrease in usage resulting from new work models, then the requirement will decrease as a result.

Square footage by use is included in the ordinance and will be revisited with any update to the nexus study.

The commercial formula includes a reduction based on market occupancy percentages. This percentage would be updated annually.

The commercial formula includes a reduction based on commuting patterns. This percentage would be updated annually.

# FAQs: Procedures and Clarifications

Timing of requirements: At the time of subdivision, site plan, or building permit, after the effective date of the new ordinance. **The proposed effective date for this ordinance to take effect is January 1, 2023.**

Credit for Open Space: Parkland can be counted toward open space requirements, such as Subchapter E. Parkland will always be open to the public, whereas open space can be private.

Offset for residential requirements: Setting the fees of residential parkland dedication is a policy decision made by City Council. City staff recommends a fee schedule annually to City Council based on the methodology established by City Code.

Fee change over time: Existing ordinance refers to annual fee schedule based on a recommendation from the director, and this will be the same for commercial. PARD conducts public outreach annually to inform stakeholders of new parkland dedication fees.

# FAQs: Impacts on Affordability

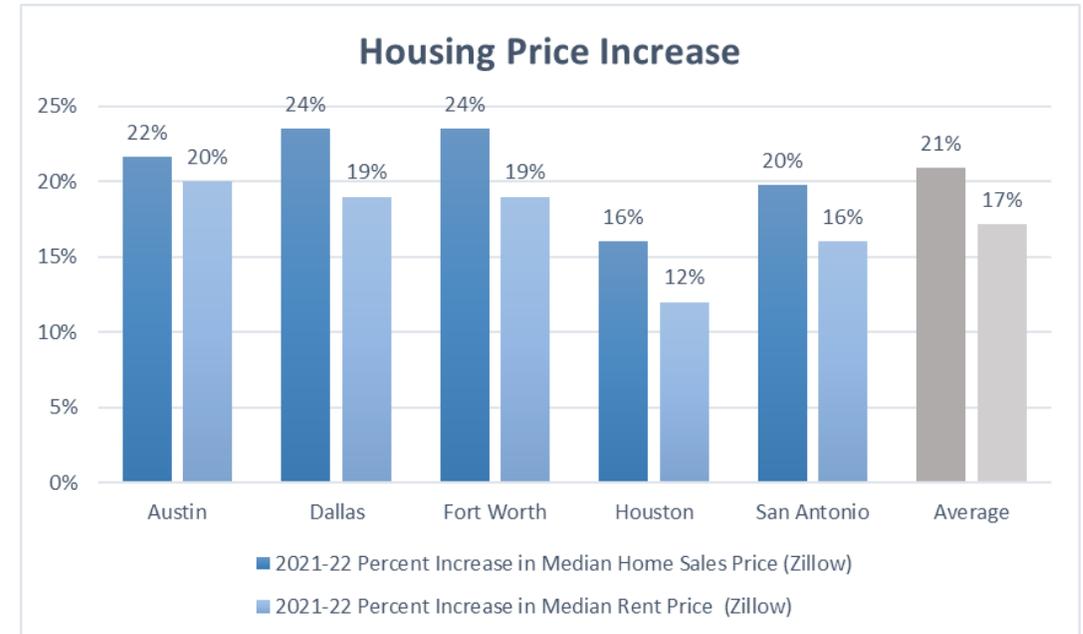
- Typical hard costs for commercial developments range between \$148/sq ft - \$657/sq ft, depending on use and construction type
  - This does not include the cost of land acquisition, building design, or contractor/developer overhead.
- Cost of parkland dedication fees currently range from \$0.64/sq ft to \$1.75/sq ft depending on the commercial building category. **This is equivalent to about 0.27- 0.42% of the ‘hard costs’.**
- Commercial fee rates are expected to be comparable to those seen in other municipalities
  - Variation is likely due to costs associated with parkland acquisition and development

City	Office	Retail	Industrial	Hotel
Belmont, California*	\$3.16 per SF	\$1.90 per SF	\$1.27 per SF	\$569 per room
Atlanta, Georgia*	\$1.20 per SF	\$0.54 per SF	\$0.23 per SF	\$538 per room
<b>Austin, Texas</b>	<b>\$1.75 per SF</b>	<b>\$1.55 per SF</b>	<b>\$0.64 per SF</b>	<b>\$1.135 per SF</b>

\*impact fees

# Fees Relationship to Pricing

- Recent report by the Texas A&M Real Estate Research Center surveyed development fee rates across Texas municipalities, but did not draw a correlation between fee rates and the price of homes.
- Development fees are a one-time cost only assessed to new units, and are one of the many factors that impact the cost of housing construction including materials and labor cost.
- Dr. Crompton of Texas A&M University argues that passing all costs to the consumer is unlikely, as market forces dictate price.



Top: other Texas cities saw comparable increases in housing prices despite lower fees.  
 Left: Choices available to municipalities when assessing their parks system

## MAINTAINING A PARKS SYSTEM FOR ALL

Growing municipality has Three Options

↑ 💰 Taxpayers pay for parks

Lower standards for parks and quality of life ↓ 🏠

↑ 📄 Development pays for itself through parkland dedication

# Demonstrated Benefits

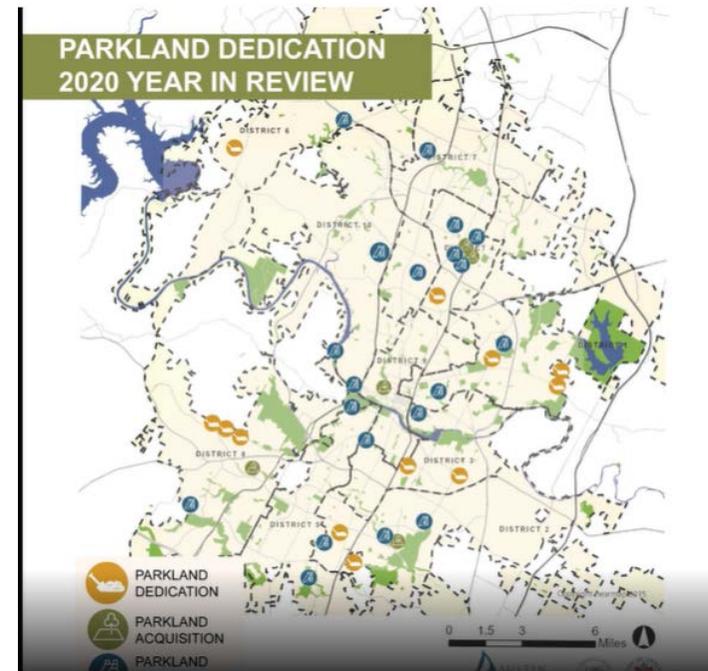
Over 100 parks have been acquired or expanded through parkland dedication

Over 125 new acres of parkland has been added from parkland dedication since 2018

Over 76 park development projects have been funded through parkland dedication since 2018



*Tillery Pecan Neighborhood Park*



## Dedicated Parkland

- Lawrence Street Pocket Park
- Brashaw Crossing Vistas Neighborhood Park
- Triangle Commons Pocket Park
- Goodnight Ranch Pocket Park
- Saltillo Plaza Pocket Park



## Park Development

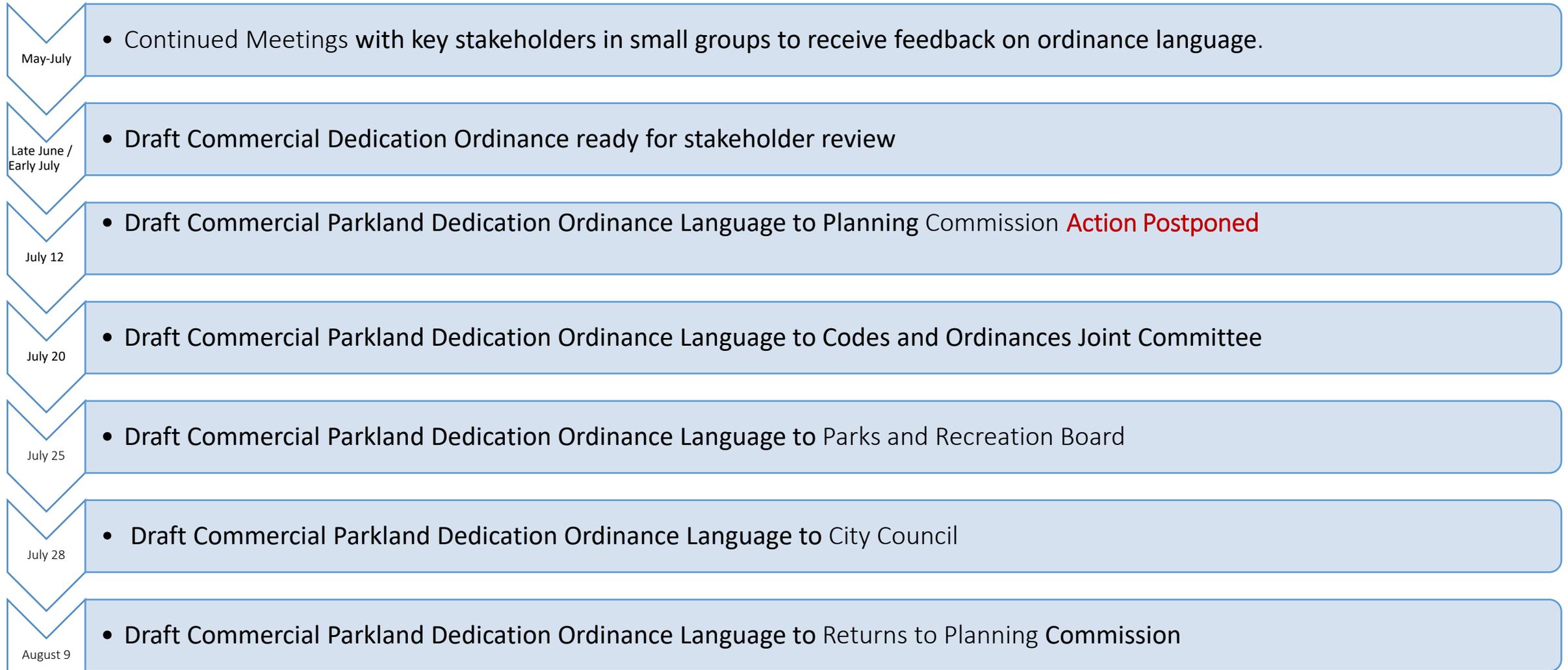
- Armadillo Neighborhood Park
- Auditorium Shores Trailhead
- Battle Bend Neighborhood Park
- George Washington Carver Juneteenth Memorial
- Ponciana Neighborhood Park
- Mustang Button Park



## Parkland Acquisition

- Tillery Street Pocket Park
- Great Hills Neighborhood Park
- Slaughter Creek Greenbelt
- Walnut Creek Greenbelt
- Williamson Creek East Greenbelt

# Updated Anticipated Timeline



# Thank you

If you have any questions, Please contact:

Dedicated Email

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