

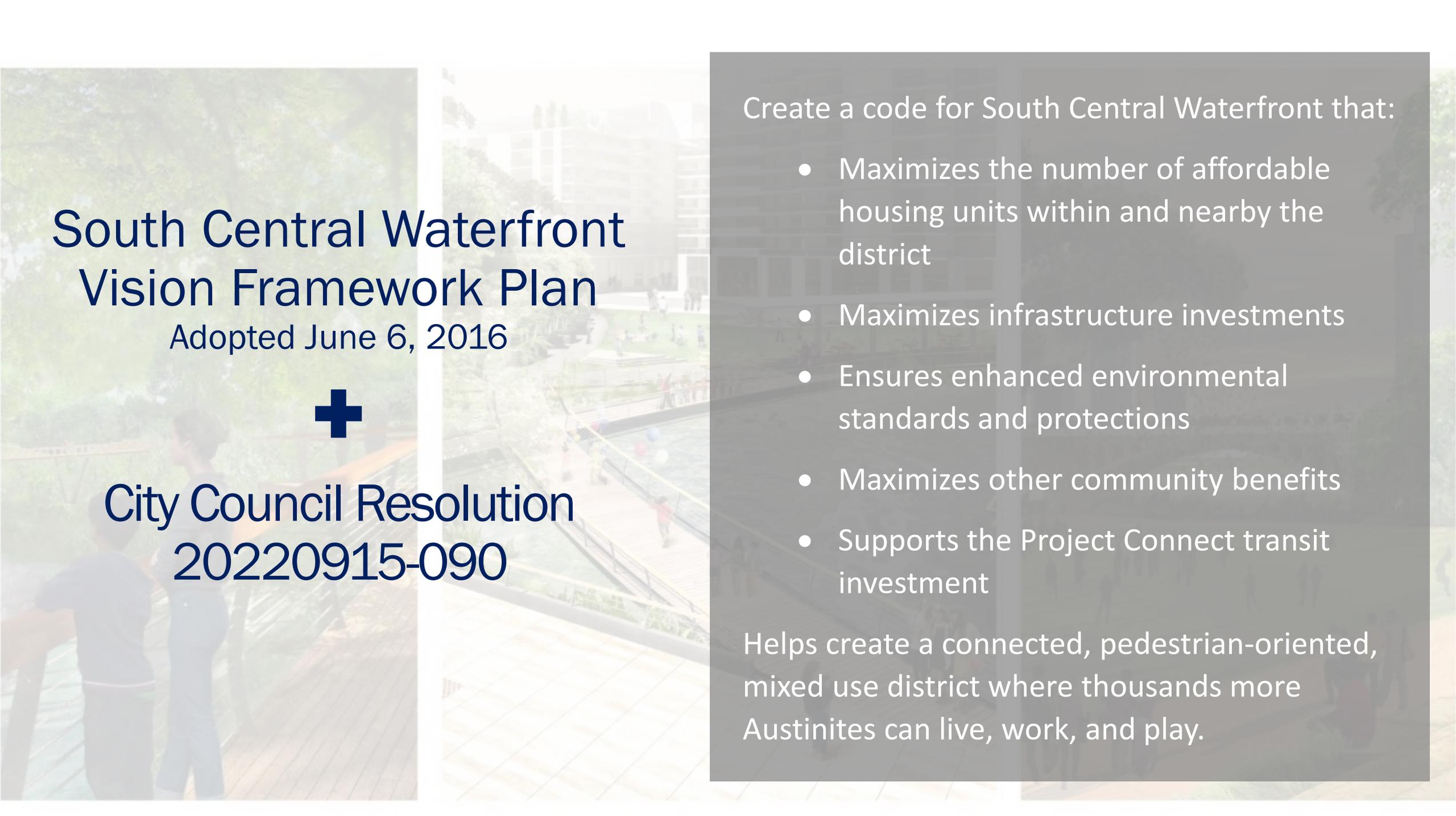


PLANNING  
DEPARTMENT

# South Central Waterfront Combining District & Density Bonus Program

**City Council Work Session**

**September 10, 2024**



# South Central Waterfront Vision Framework Plan

Adopted June 6, 2016



City Council Resolution  
20220915-090

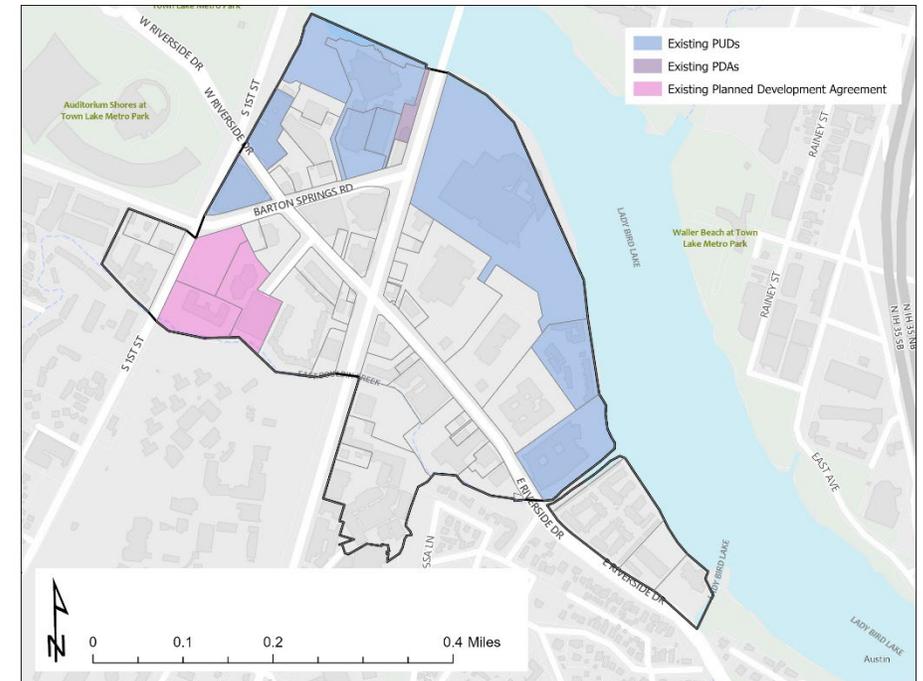
Create a code for South Central Waterfront that:

- Maximizes the number of affordable housing units within and nearby the district
- Maximizes infrastructure investments
- Ensures enhanced environmental standards and protections
- Maximizes other community benefits
- Supports the Project Connect transit investment

Helps create a connected, pedestrian-oriented, mixed use district where thousands more Austinites can live, work, and play.

# Approach Since Council Resolution

- The South Central Waterfront (SCW) regulations will be implemented by:
  - Council adoption of an **optional** set of regulations and bonus program through the creation of a **Combining District *and* a Density Bonus Program** (summer 2024).
  - City-initiated rezoning of non-PDA, PUD, and Planned Development Agreement properties in the district (fall 2024).
- First reevaluation within 1-2 years.





# Combining District

## General Provisions

(Policies, procedures, and who can participate)

## Land Use Standards

(Permitted and conditional land uses)

## Development Standards

(What can be built and where)

## Design Standards

(How it will look)

## Definitions

# Density Bonus

## Procedures/Requirements

### “Gate Keeper” Requirements

Affordable Housing

Environmental Protection

Improved Streetscape and Built Environment

## In-Lieu Fees and Dedications

## On-Site Community Benefits Eligible for Bonus Area





# Bonus Program Structure

*(To Reach Up to FAR / Height Subdistrict Maximums)*

*(For Additional FAR Beyond Base)*

## Gate Keeper Requirements

Onsite Affordable Housing  
*(Fee for Non-Residential)*

Enhanced  
Environmental Protections

Improved Streetscape &  
Built Environment



## 65-85% In-Lieu Fees & Dedications\*

Affordable Housing

*(extra on-site affordable units credited; Affordable Housing Investment Area)*

Parks

*(dedications credited; boundary as defined by typical Parks fees)*

Infrastructure and Community Impact Benefit

*(supports SCW directly)*



## 15-35% On-Site Community Benefits\*

Transit-Supportive  
Infrastructure

Private Common Open Space

Parkland Buildout

Alternative Community Benefits  
Not Described

Public Art

\* These percentages are revised since the last time staff presented on the draft code. Further clarification will be provided in Sept 12 posting and in “Key Adjustments Sept 12 Draft Code” slide.



# Consultative Support on SCW Economic Analysis / Tools

- EPS
  - Audit / Improve Density Bonus Calculator
  - Estimate value of In-Kind Community Benefits
  
- Hayat Brown
  - Density Bonus viability analysis (current & improved economy): Feb. 2024
  - Updated Density Bonus viability analysis (current & improved economy):  
May 2024
  - Comparison of current staff proposed program and development  
community feedback

# SOUTH CENTRAL WATERFRONT DENSITY BONUS CALIBRATION

City Council Work Session  
July 16, 2024



Economic & Planning Systems, Inc.  
*The Economics of Land Use*

1330 Broadway, Suite 450 ■ Oakland, CA 94612  
510 841 9190 ■ [www.epsys.com](http://www.epsys.com)

# EPS SCOPE #1: AUDIT/IMPROVE CALCULATOR MODEL

- Ensure calculations reflect intended policy outcomes per Planning staff
  - Level 1 vs. Level 2 incentives and requirements by desired density level
  - Affordable units vs. cash payments vs. in-kind benefits
- Make the model as “user-friendly” as possible for developers and stakeholders
  - Draft explanations and instructions
  - Indicate places for user inputs
  - Clearly show calculation formulae

| Project Inputs                                      |         |
|---|---------|
| Site and Current Entitlement Characteristics        |         |
| Gross Site Area (SF)                                | 35,470  |
| Desired Building Characteristics (Total with Bonus) |         |
| Desired Conditioned SF                              | 522,000 |
| Desired Above-Grade Parking SF                      | 344,431 |
| Percent of Conditioned Building area Residential    | 93%     |
| Percent of Conditioned Building area Hotel          | 0%      |
| Percent of Conditioned Building area Office         | 6%      |
| Percent of Conditioned Building area Retail         | 1%      |
| Total Number of Housing Units Expected              | 485     |

| Results - Community Benefit Requirements for Desired Density |   |
|--|---|
| 24.43  | Gross Project FAR                                 |
| 0.99   | Total Parking FAR Excluded                        |
| 23.44  | Project FAR                                       |
| \$1,260,731  | Housing Fee                                       |
| \$1,260,731  | Parks Fee from Bonus                              |
| \$1,260,731  | Infrastructure Fee                                |
| \$3,782,193  | Total Fees to be Paid in Cash                     |
| 4  | Estimated Number of Affordable Units              |
| 217,494  | Bonus SF from On-Site Community Benefits Required |

# EPS SCOPE #2: ESTIMATE VALUE OF IN-KIND BENEFITS

- **Affordable housing** at 60% of Median Family Income
  - Calculated as difference in capitalized values of affordable units vs. market-rate units

| Unit Type        | Market Rate Rent/ Unit/Mo. <sup>1</sup> | 60% MFI Affordable Rent/ Unit/Mo. <sup>2</sup> | Diff. per Month  | Diff. per Year    | Loss in Capitalized Value per Unit <sup>3</sup> |
|------------------|---|--|------------------|-------------------|---|
| <i>Formula</i>   | <i>a</i>                                | <i>b</i>                                       | <i>c = a - b</i> | <i>f = e * 12</i> | <i>= f / 0.0475</i>                             |
| <b>Studio</b>    | \$1,785                                 | \$1,227  | \$558            | \$6,696           | <b>\$140,968</b>                                |
| <b>1-Bedroom</b> | \$2,098                                 | \$1,314  | \$784            | \$9,408           | <b>\$198,063</b>                                |
| <b>2-Bedroom</b> | \$2,946                                 | \$1,578  | \$1,368          | \$16,416          | <b>\$345,600</b>                                |
| <b>3-Bedroom</b> | \$6,383                                 | \$1,822  | \$4,561          | \$54,732          | <b>\$1,152,253</b>                              |

[1] CoStar Group data for average 2024 Year-To-Date (as of February 2024) market effective rents for apartments built since 2010 or currently under construction in the CoStar Multifamily Submarkets directly south of Lady Bird Lake (Bouldin Creek, Soco, Travis Heights, and Zilker).

[2] Maximum Austin 2023 rents by number of bedrooms for 60% Area Median Family Income.

[3] Based on Capitalization Rate of 4.75% per IRR Viewpoint 2023 data for Downtown Austin Class A Urban Multifamily.

Source: Integra Realty Resources; CoStar; TDHCA; Economic & Planning Systems.

# EPS SCOPE #2: ESTIMATE VALUE OF IN-KIND BENEFITS

- **Open space** accessible to public but built/maintained by private party
  - Calculated as cost of park development and impact of maintenance costs on project value

| Item                                     | Formula     | Amount per Acre    | Amount per Square Foot |
|--|-------------|--------------------|------------------------|
| Park Development Cost <sup>1</sup>       | <i>a</i>    | \$4,705,959        | \$108                  |
| Open Space Maintenance Cost <sup>2</sup> | <i>b</i>    | \$56,428           | \$1.30                 |
| Capitalization Rate <sup>3</sup>         | <i>c</i>    | 4.75%              | 4.75%                  |
| Loss in Capitalized Value                | $d = b / c$ | \$1,187,955        | \$27                   |
| <b>Total Loss in Value</b>               | $= a + d$   | <b>\$5,893,915</b> | <b>\$135</b>           |

[1] Based on 2016 per-acre cost for Republic Square Park, inflated to 2024 \$ using the average of ENR's Construction Cost Index and Building Cost Index for Dallas.

[2] Annual maintenance cost estimate (provided June 2022) for plaza/streetscapes per City of Austin Parks and Recreation Department. Inflated to 2024 \$ in same manner as described in **Footnote 1**.

[3] Based on Capitalization Rate of 4.75% per IRR Viewpoint 2023 data for Downtown Austin Class A Urban Multifamily.

Source: Engineering News Record; City of Austin Parks and Recreation Department; Integra Realty Resources Viewpoint 2023; Economic & Planning Systems

# EPS SCOPE #2: ESTIMATE VALUE OF IN-KIND BENEFITS

- **Discounted commercial space** for various desired tenant types
  - Calculated as difference between market-rate commercial rents and “affordable” rents for:
    - Childcare
    - Adult Care
    - Cultural uses
    - Live music venues
    - Grocery store
  - These are currently not incentivized in draft density bonus plan due to uncertainty regarding enforcement

| Item   | Childcare/Adultcare |                 | Affordable Childcare | Cultural Use    | Live Music Venue | Grocery        |
|--|---------------------|-----------------|----------------------|-----------------|------------------|----------------|
|  | No Rent             | Half Rent       |                      |                 |                  |                |
| Market Rate Rent/SqFt <sup>1</sup>                 | \$38.50             | \$38.50         | \$38.50              | \$38.50         | \$38.50          | \$38.50        |
| <u>Discounted Rent/SqFt<sup>2</sup></u>            | <u>\$0.00</u>       | <u>\$19.25</u>  | <u>\$0.00</u>        | <u>\$16.50</u>  | <u>\$33.43</u>   | <u>\$28.00</u> |
| Amount of Discount/SqFt                            | \$38.50             | \$19.25         | \$38.50              | \$22.00         | \$5.07           | \$10.50        |
| <b>Discounts/SqFt by Year</b>                      |                     |                 |                      |                 |                  |                |
| Year 1   | \$38.50             | \$19.25         | \$38.50              | \$22.00         | \$5.07           | \$10.50        |
| Year 2   | \$39.66             | \$19.83         | \$39.66              | \$22.66         | \$5.22           | \$10.82        |
| Year 3   | \$40.84             | \$20.42         | \$40.84              | \$23.34         | \$5.38           | \$11.14        |
| Year 4   | \$42.07             | \$21.03         | \$42.07              | \$24.04         | \$5.54           | \$11.47        |
| Year 5   | \$43.33             | \$21.67         | \$43.33              | \$24.76         | \$5.71           | \$11.82        |
| Year 6   | \$44.63             | \$22.32         | \$44.63              | \$25.50         | \$5.88           | \$12.17        |
| Year 7   | \$45.97             | \$22.99         | \$45.97              | \$26.27         | \$6.05           | \$12.54        |
| Year 8   | \$47.35             | \$23.68         | \$47.35              | \$27.06         | \$6.24           | \$12.91        |
| Year 9   | \$48.77             | \$24.39         | \$48.77              | \$27.87         | \$6.42           | \$13.30        |
| Year 10  | \$50.23             | \$25.12         | \$50.23              | \$28.71         | \$6.62           | \$13.70        |
| Year 11  | -                   | -               | \$51.74              | -               | -                | -              |
| Year 12  | -                   | -               | \$53.29              | -               | -                | -              |
| Year 13  | -                   | -               | \$54.89              | -               | -                | -              |
| Year 14  | -                   | -               | \$56.54              | -               | -                | -              |
| Year 15  | -                   | -               | \$58.23              | -               | -                | -              |
| Year 16  | -                   | -               | \$59.98              | -               | -                | -              |
| Year 17  | -                   | -               | \$61.78              | -               | -                | -              |
| Year 18  | -                   | -               | \$63.63              | -               | -                | -              |
| Year 19  | -                   | -               | \$65.54              | -               | -                | -              |
| Year 20  | -                   | -               | \$67.51              | -               | -                | -              |
| Cumulative Discount/SqFt                           | \$441.36            | \$220.68        | \$1,034.51           | \$252.21        | \$58.12          | \$120.37       |
| <b>NPV of Cumulative Discount/SqFt<sup>3</sup></b> | <b>\$332.54</b>     | <b>\$166.27</b> | <b>\$600.45</b>      | <b>\$190.02</b> | <b>\$43.79</b>   | <b>\$90.69</b> |

[1] Average annual market NNN (Triple Net) rent from CoStar Group data for Retail developments built since 2010 in Downtown Austin CBD (data retrieved January 2024).

[2] Discounted rents reflect CoStar Group data for Austin leases that represent similar uses to those contemplated for each category.

[3] Estimated using rent difference per year, assuming 3% annual inflation and a 5.25% discount rate.



# Translating Analysis to Bonus Structure

| Community Benefit                            | Notes  | Bonus Rate*           |
|--|--|-----------------------|
| Private Common Open Space                    | Plazas, squares, greenspace, etc.  | 15 bonus SF per 1 SF  |
| Public Parkland Buildout                     | Adding amenities and improvements to public parkland, such as landscaping and playground equipment | 11 bonus SF per \$100 |
| Transit Supportive Infrastructure Buildout   | Bus stations, bikeshares, etc.   | 11 bonus SF per \$100 |
| Public Art                                   | Permanent installations as approved by the Arts Commission and Art in Public Places Panel          | 11 bonus SF per \$100 |
| Alternative Community Benefits Not Described | Community benefits as approved by City Council   | Will vary             |

\* Values divided by \$9 (non-residential density bonus fee rate), aligned with Downtown non-residential density bonus fee rate for properties with CBD zoning.



# SCW Bonus Calibration

Hayat Brown

# Background

The City of Austin Planning Department is working to craft a density bonus program to encourage developers to provide community benefits in exchange for entitlement incentives within the South-Central Waterfront (“SCW”) planning area. The City sought third party review of the current Excel-based tool and underlying assumptions. Specifically, the City sought to understand:

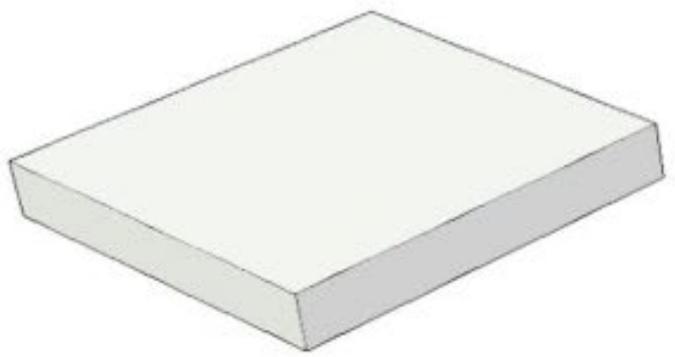
- Are the methodology and mechanics of the SCW density bonus scenario tool functional and easy to use?
- Is this density bonus program sufficiently calibrated to motivate a developer to choose this program over a PUD process?
- How does the Developer Proposed density bonus program compare to the current concept?

# Floor Area Ratio (FAR)

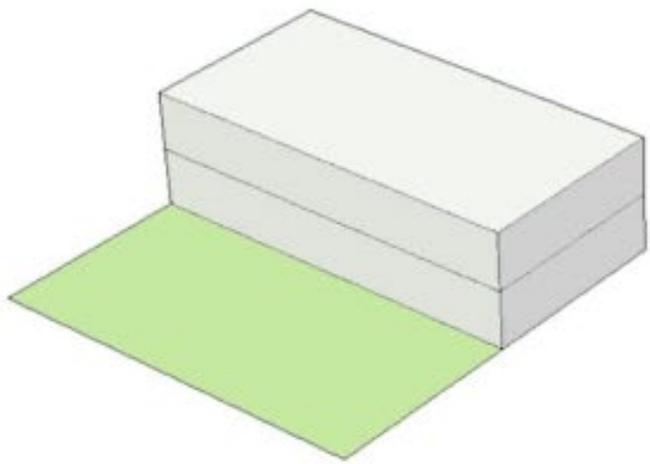
- Floor Area Ratio (FAR) is a zoning and urban planning concept used to regulate building density and size. It's calculated by dividing the total floor area of a building by the total area of the lot on which it's built.
- $FAR = \text{Total Floor Area of Building} / \text{Total Lot Area}$
- For example, if a building has 10,000 square feet of floor space on a 5,000 square foot lot, the FAR would be 2:1.
- A higher FAR allows for taller or larger buildings relative to the lot size, while a lower FAR results in smaller buildings or more open space.

# Floor Area Ratio (FAR)

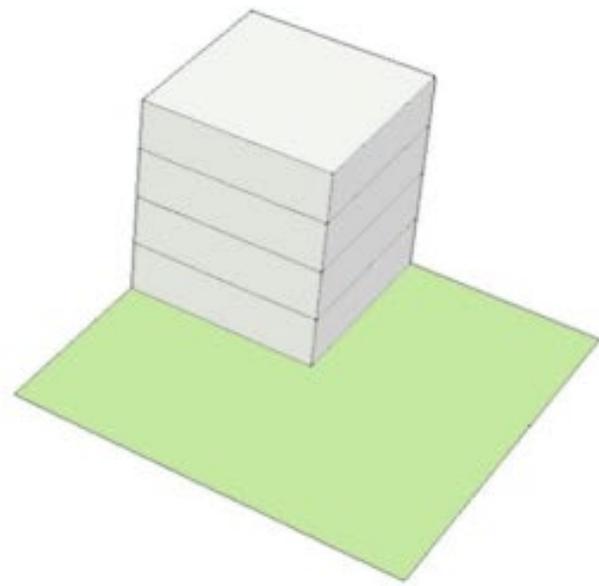
Example of 1.0 FAR



1 storey  
(100% lot coverage)



2 storeys  
(50% lot coverage)



4 storeys  
(25% lot coverage)

# Staff Proposed Density Bonus Program – May 2024

- Prioritizes on-site affordable housing while providing a range of benefits
- Includes above grade parking in FAR calculation
- Uses a two-level methodology
  - For FAR up to 3:1, projects must provide on-site affordable housing and pay a fee-in-lieu for any commercial or for-sale residential component of the project that exceeds base zoning.
  - For FAR above 3:1, projects must provide community benefits based on a fee structure that reflects similar fee levels under the Downtown Density Bonus and Rainey Street District Density Bonus programs.
    - Developers are required to provides these benefits in the form of a fee-in-lieu and as “in-kind” contributions on-site.

# Development Scenarios

|                           | Small Scale             |                          | Large Scale             |                          |
|---------------------------|-------------------------|--------------------------|-------------------------|--------------------------|
|                           | By-Right<br>(CS-1-V-NP) | Density Bonus<br>Program | By-Right<br>(CS-1-V-NP) | Density Bonus<br>Program |
| Site Size                 | 1.5 Acres               |                          | 4 Acres                 |                          |
| GSF                       | 191,233                 | 524,825                  | 509,872                 | 1,373,957                |
| Multifamily (GSF)         | 127,100                 | 348,150                  | 338,850                 | 910,300<br>(2 buildings) |
| Retail (GSF)              | 3,630                   | 10,000                   | 9,680                   | 30,000                   |
| Parking (spaces)**        | 60,503 (173)            | 166,675 (476)            | 161,342 (461)           | 433,657 (1239)           |
| FAR*** (Parking Included) | 2.0*                    | 8.0                      | 2.0*                    | 7.9                      |
| FAR*** (Parking Excluded) |                         | 5.3                      |                         | 5.2                      |

\*Does not include parking area

\*\* Above grade parking spots are 350 SF/Space

# Staff Proposed – May 2024

Bonus Fee in Lieu-\$5 (Residential)/\$9 (Non-residential) / 5% of 3:1 FAR On-site Affordable Housing

- By-right projects do not meet any of the 3 performance metric thresholds.
- Adding bonus density and on-site affordable housing results in a marginally feasible project.

### Small Scale Development

| Scenario      | Fee | Aff. Units | Return on Cost | Equity Multiple | LIRR  |
|---------------|-----|------------|----------------|-----------------|-------|
| By Right      |     |            | 5.3%           | 1.33            | 7.8%  |
| Density Bonus | ✓   | ✓          | 6.0%           | 1.73            | 16.2% |
| Threshold     |     |            | Cap Rate + 1%  | 2.00            | 15.0% |

### Large Scale Development

| Scenario      | Fee | Aff. Units | Return on Cost | Equity Multiple | LIRR  |
|---------------|-----|------------|----------------|-----------------|-------|
| By Right      |     |            | 5.4%           | 1.36            | 8.4%  |
| Density Bonus | ✓   | ✓          | 5.9%           | 1.69            | 15.4% |
| Threshold     |     |            | Cap Rate + 1%  | 2.00            | 15.0% |

Cap Rate = 5%

# Improved Economy Sensitivity

## Description

- Real estate markets across the country are struggling today, given high interest rates, construction costs, and operating costs.
- The Improved Economy Sensitivity analysis is intended to simulate an alternative, a more favorable real estate market, as the density bonus program should not be built only on a current economic snapshot in time.
- While the adjusted assumptions may not align directly with future economic conditions, they represent general reductions in costs and improved revenue generation typically seen in more favorable markets, but which could ultimately take many forms.

## Key Metrics

Three key assumptions were altered in this sensitivity analysis:

- Capitalization rate decreased by 25bp to 4.75%
- Permanent interest rate is reduced by 50bp to 5.0%
- Operating costs grow at 2% annually (reduced from 3%)

# Staff Proposed – May 2024 - Improved Economy

Bonus Fee in Lieu-\$5 (Residential)/\$9 (Non-residential) / 5% of 3:1 FAR On-site Affordable Housing

- The by-right projects do not meet any of the 3 performance metric thresholds.
- Under improved market conditions, projects utilizing the density bonus can fund public benefits and remain viable.

### Small Scale Development

| Scenario      | Fee | Aff. Units | Return on Cost | Equity Multiple | LIRR  |
|---------------|-----|------------|----------------|-----------------|-------|
| By Right      |     |            | 5.3%           | 1.46            | 10.3% |
| Density Bonus | ✓   | ✓          | 6.2%           | 1.98            | 20.5% |
| Threshold     |     |            | Cap Rate + 1%  | 2.00            | 15.0% |

### Large Scale Development

| Scenario      | Fee | Aff. Units | Return on Cost | Equity Multiple | LIRR  |
|---------------|-----|------------|----------------|-----------------|-------|
| By Right      |     |            | 5.3%           | 1.50            | 11.2% |
| Density Bonus | ✓   | ✓          | 6.1%           | 1.93            | 19.8% |
| Threshold     |     |            | Cap Rate + 1%  | 2.00            | 15.0% |

Cap Rate = 4.75%



# April 9, 2024, PC\* Recommendations

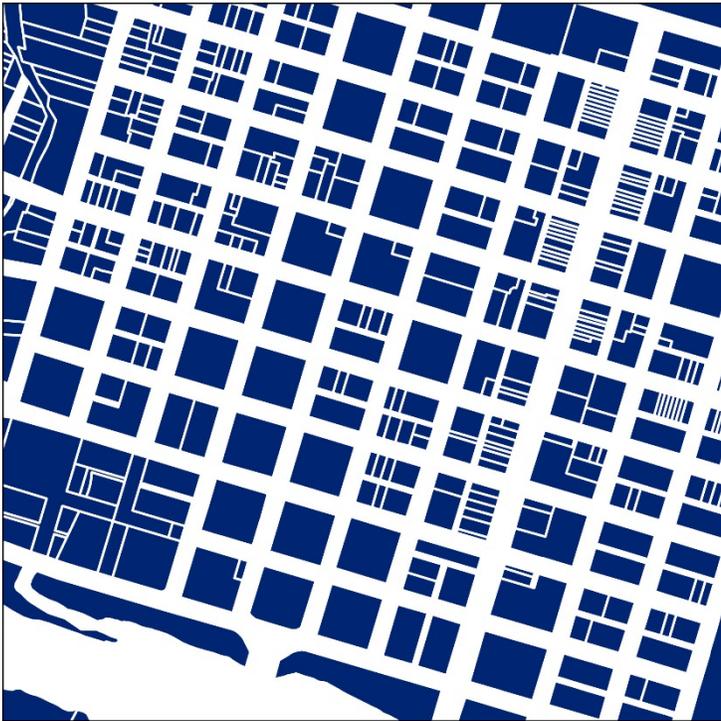
| PC Amendment / Recommendation |  | Staff Response        |
|-------------------------------|--|-----------------------|
| 1                             | Modify fee-in-lieu distribution  | Not recommended       |
| 2                             | SCWAB is advisory body for future projects   | No action required    |
| 3                             | Amend FAR calculation for structured parking                                       | Not recommended       |
| 4                             | Modify internal circulation routes encouraging walking, biking, and being outdoors | Included with changes |
| 5                             | Modify Subdistrict and FAR map   | Included              |
| 6                             | Include adapted rental multifamily redevelopment requirement                       | Included              |
| 7                             | Modify SCW DBP to be Part 1 of Downtown DBP  | Not recommended       |

| PC Amendment / Recommendation |  | Staff Response     |
|-------------------------------|--|--------------------|
| 8                             | Require extended bridge option for Project Connect within SCW                              | Not included       |
| 9                             | Create Parking and Transportation Management District                                      | Not included       |
| 10                            | Adjust planning documents (like ASMP) to include critical mobility infrastructure elements | Not included       |
| 11                            | Create buy-down provision for SCW  | No action required |
| 12                            | Prioritize preservation and homelessness initiatives for housing fees gained in SCW        | Included           |
| 13                            | Permit 30% of housing fee-in-lieu for on-site condos                                       | Not recommended    |

\* September 12 Council back-up will identify all PC recommendations and staff's associated recommendation / rationale



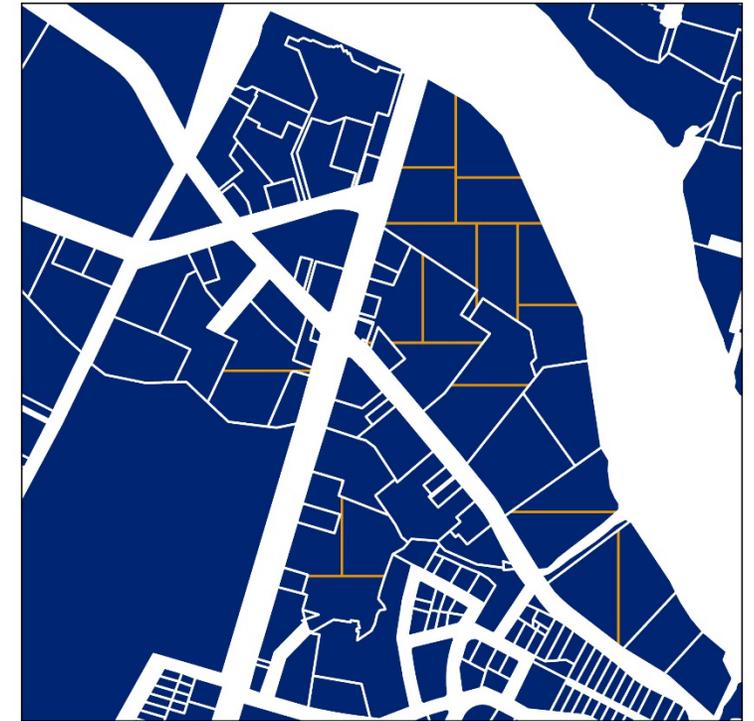
# Downtown vs SCW Parcels *Figures are shown at same scale*



Downtown



South Central Waterfront



South Central Waterfront  
With example DDAs



# Staff Recommends Against Replacing SCW DBP with Downtown DBP (PC Recommendation #7)

| SCW Needs & Council Priorities  | Downtown Density Bonus Program                                     | South Central Waterfront Density Bonus Program                              |
|---|--|---|
| Accommodates lot size and irregular shapes of SCW                                     | ✗ Designed for downtown block structure and infrastructure         | ✓ Density distribution areas create pedestrian-friendly environment         |
| Requires onsite affordable housing  | ✗ Optional, however rarely selected over fee-in-lieu               | ✓ 5% onsite required for first 3:1 FAR (rental)                             |
| Requires onsite parks / open space  | ✗ None required; Bonus for on-site plaza                           | ✓ 5% required; Bonus for park buildout                                      |
| Provides support for in-district parks and infrastructure / community impact benefits | ✗ Off-site open space fee; no infrastructure/ community impact fee | ✓ Parks and infrastructure/ community impact benefits fee supports district |



# Summary of Key Developer Feedback

| Developer Feedback   | Staff Response   |
|--|--|
| <b>A</b> Do not count parking in FAR.  | Not recommended.   |
| <b>B</b> On-site affordable housing requirement begins at 2:1 FAR instead of at 0:1 FAR. (5% between 2:1 and 5:1 FAR)  | Staff open to Council adjustment.  |
| <b>C</b> No fees or other community benefits until 5:1 FAR.  | Not recommended.   |
| <b>D</b> No on-site affordable housing requirement, instead opt for an affordable housing Fee-in-Lieu.   | Not recommended.   |
| <b>E</b> Use developer economic analysis assumptions instead of City consultants' assumptions to design and calibrate program.   | Differing goals, staff remains confident in analysis, and does not recommend a change. |
| <b>Program Redesign</b>  |  |
| <b>F</b> Change on-site affordable housing gatekeeper requirement to be a consistent cost per square foot. (i.e., constant % of affordable units across the entire development bonus). | Analysis / recalibration required; triggers changes to draft code.                     |

## Current Draft

- Above-ground parking included in FAR.
- On-site affordable housing requirement begins at 0:1 FAR once opted into bonus program.
- Non-residential fee begins at 0:1 FAR; Residential fee begins at 3:1 FAR.

## Developer Proposal

- Parking not counted in FAR.
- On-site affordable housing requirement begins at 2:1 FAR instead of at 0:1 FAR.
- No fees or other community benefits until 5:1 FAR.

- Significant funding for affordable housing, parks, infrastructure and other community benefits

- Significantly less funding from fees-in-lieu  
(5-10% of staff proposal for 8:1 FAR development)

- Substantial on-site community benefits

- Significantly fewer on-site community benefits  
(5-10% of staff proposal for 8:1 FAR development)

- Disincentivizes above-grade parking

- Does not disincentivize above-grade parking

- Marginal economic feasibility

- More economically feasible for development

- Fewer on-site affordable units

- More on-site affordable units\*

\*Due to parking not included in FAR (higher residential proportion)

# Comparison of Community Benefit Results

- The developer proposed program significantly reduces the required Fee in Lieu.
  - The fee in lieu is driven by a reduction in overall project FAR associated with the removal of parking from the FAR calculation.
- The developer proposed program moderately increases the required number of on-site affordable housing units.
  - The increase is driven by a larger portion of units associated with each unit of FAR.

|                                | Staff Proposed | Developer Proposed |
|--------------------------------|----------------|--------------------|
| <b>Small Scale Development</b> |                |                    |
| Affordable Housing Units       | 8              | 10                 |
| Value of Fees & Benefits       | \$2,077,318    | \$147,250          |
| <b>Large Scale Development</b> |                |                    |
| Affordable Housing Units       | 21             | 27                 |
| Value of Fees & Benefits       | \$5,376,969    | \$315,500          |

| <b>Sample Fee Breakdown</b> |                               |
|-----------------------------|-------------------------------|
| \$1,586,050                 | Housing Fee                   |
| \$1,586,050                 | Parks Fee from Bonus          |
| \$1,586,050                 | Infrastructure Fee            |
| \$4,758,151                 | Total Fees to be Paid in Cash |
| 102,046                     | Bonus SF In-kind benefits     |

\*Large Scale

# Staff Proposed – May 2024 + Developer Proposal

Bonus Fee in Lieu-\$5 (Residential)/\$9 (Non-residential) / 5% of 3:1 FAR On-site Affordable Housing

- Developer proposal return metrics are moderately higher than the staff-proposed program.
- The higher returns are mainly driven by reduced fees and other community benefits.

### Small Scale Development

| Scenario           | Fee | Aff. Units | Return on Cost | Equity Multiple | LIRR  |
|--------------------|-----|------------|----------------|-----------------|-------|
| By Right           |     |            | 5.3%           | 1.33            | 7.8%  |
| Density Bonus      | ✓   | ✓          | 6.0%           | 1.73            | 16.2% |
| Developer Proposal |     |            | 6.1%           | 1.76            | 16.7% |
| Threshold          |     |            | Cap Rate + 1%  | 2.00            | 15.0% |

### Large Scale Development

| Scenario           | Fee | Aff. Units | Return on Cost | Equity Multiple | LIRR  |
|--------------------|-----|------------|----------------|-----------------|-------|
| By Right           |     |            | 5.4%           | 1.36            | 8.4%  |
| Density Bonus      | ✓   | ✓          | 5.9%           | 1.69            | 15.4% |
| Developer Proposal |     |            | 6.0%           | 1.72            | 15.9% |
| Threshold          |     |            | Cap Rate + 1%  | 2.00            | 15.0% |

# Staff Proposed – May 2024 + Developer Proposal (Improved Economy)

Bonus Fee in Lieu-\$5 (Residential)/\$9 (Non-residential) / 5% of 3:1 FAR On-site Affordable Housing

- Developer proposal return metrics are moderately higher than the staff-proposed program.
- The higher returns are mainly driven by reduced fees and other community benefits.

### Small Scale Development

| Scenario           | Fee | Aff. Units | Return on Cost | Equity Multiple | LIRR  |
|--------------------|-----|------------|----------------|-----------------|-------|
| By Right           |     |            | 5.3%           | 1.46            | 10.3% |
| Density Bonus      | ✓   | ✓          | 6.2%           | 1.98            | 20.5% |
| Developer Proposal |     |            | 6.2%           | 2.01            | 21.0% |
| Threshold          |     |            | Cap Rate + 1%  | 2.00            | 15.0% |

### Large Scale Development

| Scenario           | Fee | Aff. Units | Return on Cost | Equity Multiple | LIRR  |
|--------------------|-----|------------|----------------|-----------------|-------|
| By Right           |     |            | 5.3%           | 1.50            | 11.2% |
| Density Bonus      | ✓   | ✓          | 6.1%           | 1.93            | 19.8% |
| Developer Proposal |     |            | 6.1%           | 1.96            | 20.2% |
| Threshold          |     |            | Cap Rate + 1%  | 2.00            | 15.0% |

## Affordable Units On-Site

- Economic diversity
- Stable affordable housing requirement
- Immediate impact
- Immediate access to SCW amenities for tenants
- Requires complex management
- Higher long-term cost for development
- Stand alone asset

## Fee-In-Lieu for Affordable Housing

- Concentration of lower-income households
- Challenging to update fee rates to match housing costs
- Delayed impact
- Access to amenities is tied to location of eventual use of affordable housing funds
- Requires available real estate / units
- Predictable cost for developers
- Can be leveraged with other funds

# Assumption Differences from Development Community (Improved Economy)

## Hayat Brown Assumptions

| Office | Res (Rental) | Res (Sale) | Hotel | Retail |
|--------|--------------|------------|-------|--------|
|--------|--------------|------------|-------|--------|

### Yield & Return Thresholds for Capitalization:

#### Yield on Cost

|  |       |  |  |  |
|--|-------|--|--|--|
|  | 6.10% |  |  |  |
|--|-------|--|--|--|

#### Exit Cap Rate

|  |       |  |  |  |
|--|-------|--|--|--|
|  | 4.75% |  |  |  |
|--|-------|--|--|--|

### Cost Assumptions:

#### Loan Interest Capitalized

|  |            |  |  |            |
|--|------------|--|--|------------|
|  | \$27.52/sf |  |  | \$27.52/sf |
|--|------------|--|--|------------|

### Financing Assumptions:

#### Borrowing Rate

|  |      |  |  |      |
|--|------|--|--|------|
|  | 5.0% |  |  | 5.0% |
|--|------|--|--|------|

#### Loan-to-Cost (LTC) Ratio

|  |       |  |  |       |
|--|-------|--|--|-------|
|  | 60.0% |  |  | 60.0% |
|--|-------|--|--|-------|

## Developer-Proposed Assumptions

| Office | Res (Rental) | Res (Sale) | Hotel | Retail |
|--------|--------------|------------|-------|--------|
|--------|--------------|------------|-------|--------|

### Yield & Return Thresholds for Capitalization:

#### Yield on Cost

|       |              |  |       |       |
|-------|--------------|--|-------|-------|
| 9.00% | 6.25 - 6.50% |  | 9.25% | 8.50% |
|-------|--------------|--|-------|-------|

#### Exit Cap Rate

|       |              |  |       |       |
|-------|--------------|--|-------|-------|
| 7.00% | 4.75 - 5.25% |  | 6.75% | 6.75% |
|-------|--------------|--|-------|-------|

### Cost Assumptions:

#### Loan Interest Capitalized

|         |         |         |         |        |
|---------|---------|---------|---------|--------|
| \$23/sf | \$36/sf | \$50/sf | \$50/sf | Varies |
|---------|---------|---------|---------|--------|

### Financing Assumptions:

#### Borrowing Rate

|      |      |      |      |      |
|------|------|------|------|------|
| 8.0% | 7.0% | 8.5% | 8.5% | 7.0% |
|------|------|------|------|------|

#### Loan-to-Cost (LTC) Ratio

|       |       |       |       |       |
|-------|-------|-------|-------|-------|
| 55.0% | 60.0% | 63.0% | 63.0% | 65.0% |
|-------|-------|-------|-------|-------|

## Current Draft

Gatekeeper of 5% onsite affordable housing required for up to 3:1 FAR.

- Lower-density developments have higher overall program costs\* per SF (program advantageous to higher density)
- Amount of onsite affordable housing dependent on site size and residential proportion
- Higher barrier to entry for lower density development (larger sites have lower density)
- Program structure calibrated by consultants and vetted by multiple B&Cs

## Alternate Developer Ask

No onsite affordable housing gatekeeper. Lower percentage (~1 to 2%) of onsite affordable housing required for all development over 2:1 FAR.

- Program costs\* per bonus SF are independent of FAR (program is density neutral)
- Amount of onsite affordable housing dependent on total units over 2:1 FAR (requirement based on unit count for all bonus density, not a standard density threshold [3:1])
- Lower barrier to entry for lower density development
- Program structure requires new analysis, calibration, and vetting

\*"Program costs" include the combined value of fees, affordable housing, and other community benefits.



# Key Adjustments in September 12 Draft Code

| Public Comment (Feb 20 - Mar 20, 2024)                                     | Planning Commission (Apr 9, 2024)   |
|--|---|
| Boundaries expanded & height limits established in all but one Subdistrict | Support affordable housing preservation and homelessness initiatives through fees-in-lieu   |
| Added multimodal internal circulation route option                         |   |
| Added affordable creative space community benefit                          | Further adjusted FAR map to: <ul style="list-style-type: none"><li>• Reduce complexity,</li><li>• Facilitate development along light rail, and</li><li>• Lower density as the district extends west</li></ul> |
| Affordable Housing Investment Area adjusted to ensure proximity to transit |   |
| Bird and bat friendly design criteria added                                | Modified internal circulation routes to “ <i>encourage walking, biking, and being outdoors</i> ”  |
| Require public access easements  |   |



# Key Adjustments in September 12 Draft Code

## Staff Continued Analysis (May 30 – June 30)

|  |  |
|--|--|
| Decoupled Parking added based on Vision Plan and community interest                        | Commercial on-site community benefits transitioned to fee-in-lieu.   |
| Transit supportive infrastructure clarified to align with ETOD code adopted on May 30      | On-site community benefit bonus range requirement reduced, and range expanded (now 15-35% on-site maximum) |
| Non-residential redevelopment requirements added to align with ETOD code adopted on May 30 | Bat and bird friendly design adjusted based on Audubon feedback of best non-cost-prohibitive options       |



## Future Considerations (within 6 months - 2 years)

- Explore all financial tools to achieve the vision.
- Re-evaluate fees once citywide density bonus analysis is complete.
- Explore the addition of Transfer of Development Rights (citywide).
- For certain non-residential community benefits, re-examine density bonus if compliance options have been determined by staff.



# Timeline & Engagement



## Public Comment Stats

Outreach to 80+ Stakeholder Groups

489 Survey Participants

3 Public Meetings during public comment period

12+ presentations to Boards and Commissions



# Staff Recommendation

As written, staff believes this code provides the regulatory tools necessary to be one financial component to dynamically transform the South Central Waterfront from an underutilized neighborhood into a connected, pedestrian-oriented, mixed-use district.

Through an extensive effort between various city departments, property owners, and the community, staff believes that the draft code fulfills the intent of the 2016 Vision Plan and 2022 Council resolution to the greatest extent possible.

**Staff recommends approval of the code amendment as proposed in the staff recommendation version and for Council to initiate rezoning for all non-PUD, PDA, and Planned Development Agreement properties.**



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PLANNING  
DEPARTMENT

Thank You

[www.SpeakUpAustin.org/SouthCentralWaterfront](http://www.SpeakUpAustin.org/SouthCentralWaterfront)