



# Affordability Impact Statement

## Downtown Density Bonus Update - Phase 1

Case number: C20-2024-018

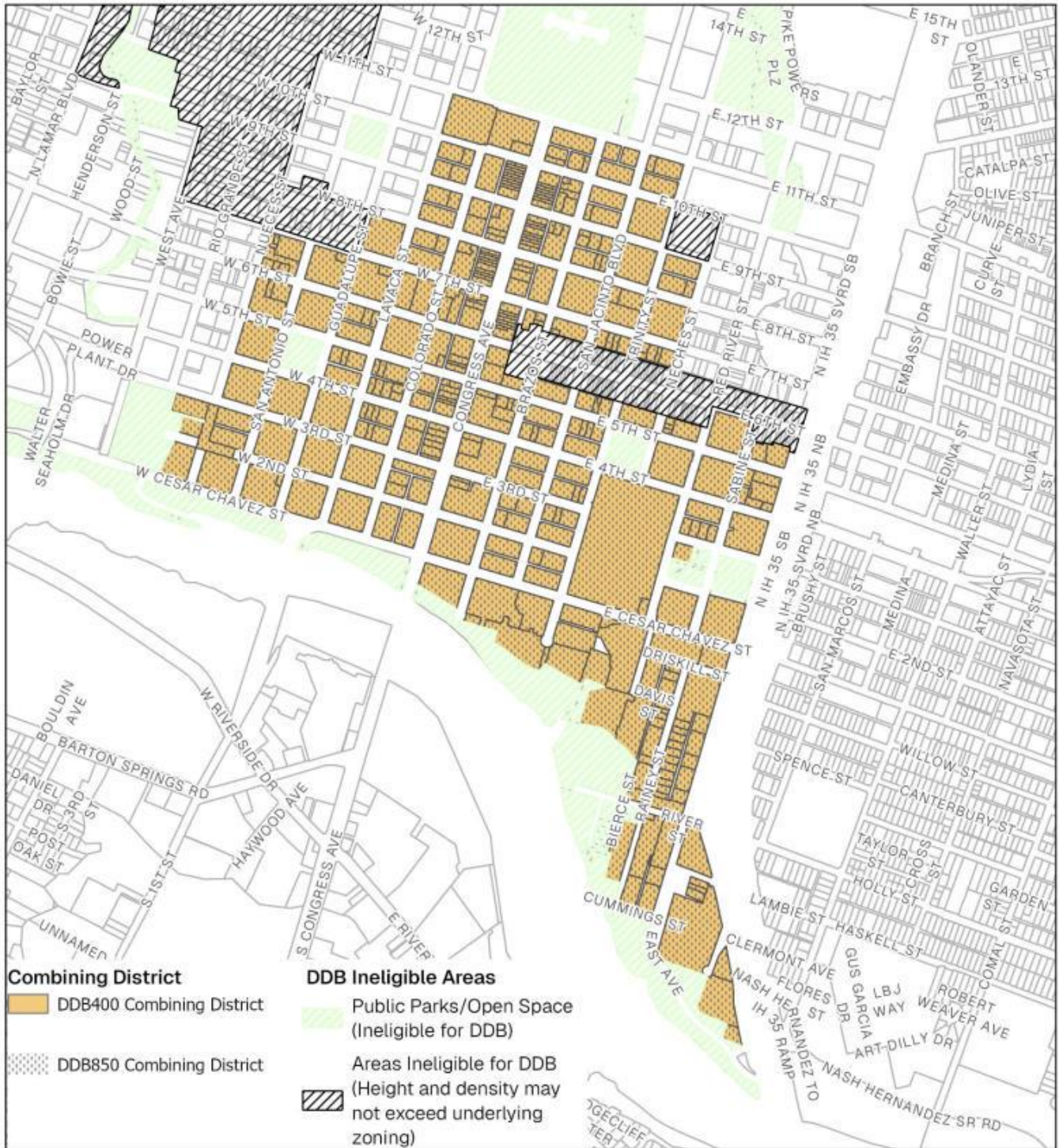
Initiated by: Resolution No. [20240718-185](#) and Ordinance No. [20251023-063](#)

Date: 5/1/2026

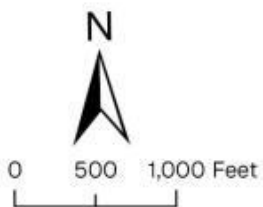
### Proposed Regulation

The proposed changes would modify existing [Code § 25-2-586](#) and establish two new combining districts (DDB400 and DDB850) named for the additional height permitted above a property's base zoning limit of 350 feet, effectively allowing developments to reach up to 750 feet and 1,200 feet respectively. These districts would replace the existing Downtown Density Bonus (DDB) applicability map across the downtown core, Rainey Street, and the convention center area, with properties automatically rezoned into DDB400 and made eligible to request rezoning into DDB850 (Figure 1). The amendments also eliminate Floor-Area Ratio (FAR) restrictions for participating projects in response to Texas Senate Bill 840, which removed FAR limits for multifamily and mixed-use developments statewide, shifting the program's regulatory focus exclusively to height.

The DDB program remains a voluntary density bonus mechanism that allows property owners to build beyond baseline zoning entitlements in exchange for providing community benefits, including affordable housing units, pedestrian-oriented design, and sustainable building practices. Most parcels in the affected area carry Central Business District (CBD) base zoning, which already permits development up to 350 feet by-right, and the new combining districts are intended to build on and revise the existing program structure in accordance with goals established by City Council. Phase 1 of this update creates the two initial combining districts, with additional districts and potential subdistricts anticipated in future phases.



**Downtown Density Bonus (DDB) Combining Districts Applicability (Phase 1)**



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Created: 3/3/2026

Figure 1. [SpeakUpAustin C20-2024-018 - Downtown Density Bonus Update - Phase I](#)

## Land Use/Zoning Impacts on Housing Costs

The proposed changes would have a neutral impact on housing costs.

- In 2025, [Senate Bill \(SB\) 840](#) established greater by-right development entitlements including eliminating floor-to-area (FAR) restrictions, making Austin’s existing density bonus programs less attractive. Since density bonus programs remain a critical tool for producing income-restricted units and fee-in-lieu contributions to the City’s Housing Trust Fund, restructuring around additional height in these districts offers a viable incentive that still encourages participation despite SB 840’s expanded baseline entitlements.
- Requirements from Code Ch. 4-18 apply to the DDB program, including tenant protections and protective redevelopment requirements for certain existing multifamily and commercial uses. The redevelopment requirements preserve existing affordable housing. Multifamily redevelopment must:
  - Replace all units (up to two times the percentage required by the program) that were affordable to a household earning 70% MFI or below
  - Provide current tenants with notice and relocation benefits
  - Grant current tenants the right to return to a unit of comparable size and bedrooms following completion of the redevelopment
  - Allow current tenants to terminate a lease without penalty
  - Return security deposits to current tenants

## Impact on Development Cost

The proposed changes would have a neutral impact on development costs.

- The amendment standardizes height entitlements to support program efficiency while encouraging the development of a dense, modern downtown. The existing 350-foot base height is increased by 400 feet in DDB400 (up to a 750-foot maximum) and by 850 feet in DDB850 (up to a 1,200-foot maximum) (Figure 2).

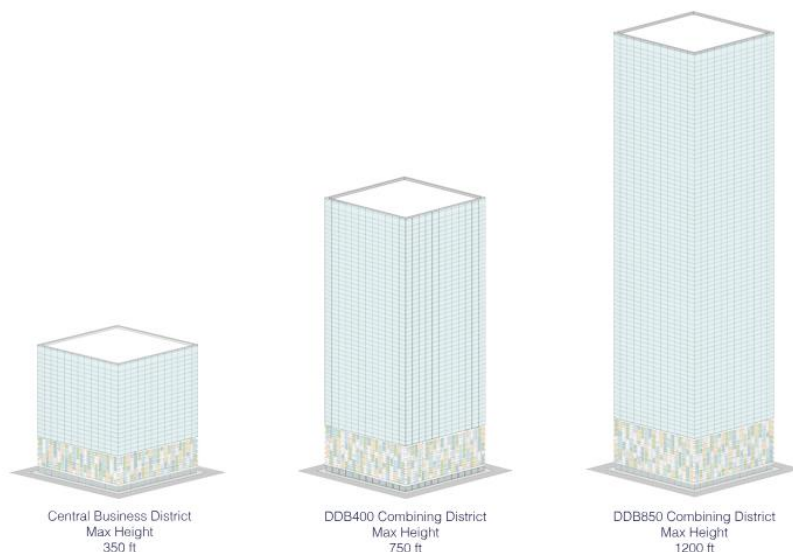


Figure 2. [SpeakUpAustin C20-2024-018 - Downtown Density Bonus Update - Phase I](#)

- Increased height allowances can support more efficient land use and higher-density construction, but they also introduce higher construction and maintenance costs, additional regulatory complexity, and greater market risk.
- Austin Planning’s analysis of building heights in the DDB-Eligible Area zoned Central Business District (CBD) and found that median building heights in CBD zoning have risen since 2008, while median lot sizes have modestly decreased and the remaining developable parcels are smaller (Figure 3 and 4). These trends indicate that expanding height entitlements on the remaining developable land could encourage additional participation in the DDB program by aligning with the area’s established development pattern. Since 2017, most new buildings have exceeded 400 feet, well above the current 350-foot allowance. The additional height entitlements proposed in Phase I are informed by both the average building heights in the DDB-Eligible Area and the substantial heights achieved by recent developments.

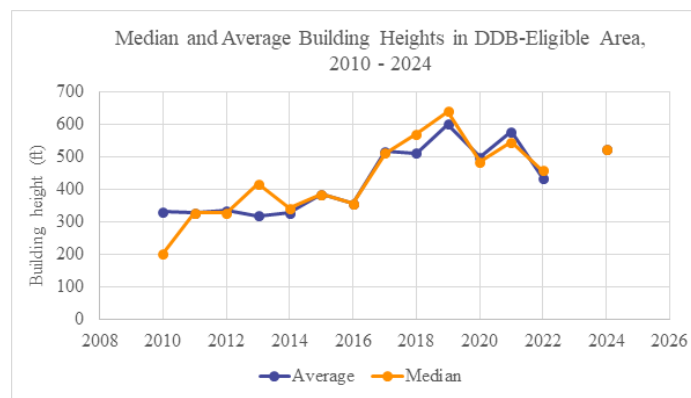


Figure 3. Austin Planning Staff Report

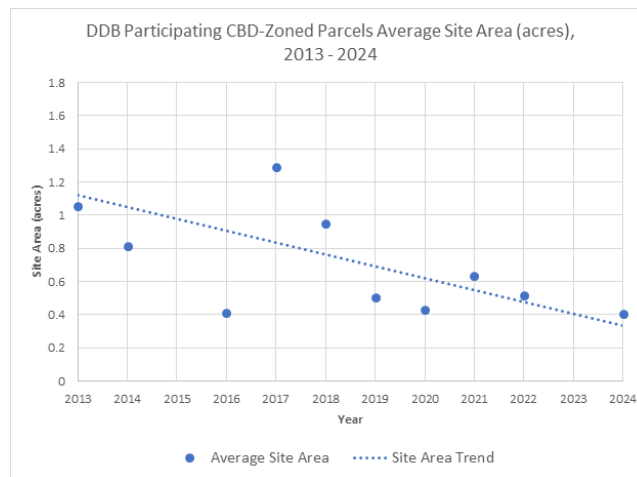


Figure 4. Austin Planning Staff Report

- Properties rezoned into DDB400 will have shortened review times, as current participating projects at similar FAR/height levels must obtain Council approval. Review for affordability, community benefit, and gatekeeper requirements is required. However, total review time should be less than the existing program. For projects seeking to utilize DDB850, rezoning is still required.

- In response to [Ordinance No. 20240516-005](#), the proposed DDB400 and DDB850 both prohibit or make conditional non-transit supportive uses.
- Gatekeeper requirements are required to participate in the program and have been revised in response to council direction and feedback from community members and stakeholders. The three gatekeeper requirements include:
  - [Urban Design Standards](#): Projects must comply with the new Downtown Density Bonus Urban Design Standards, meeting all mandatory standards and selecting from a menu of optional standards drawn from the Urban Design Guidelines. This replaces the previous discretionary review process through the Design Commission, creating a more predictable, transparent, and consistent design review process, giving applicants clearer expectations up front and reducing delays associated with discretionary review.
  - Great Streets: Compliance with Great Streets will remain a requirement of the DDB program as it has been since its adoption in 2013. This includes required pedestrian and bicyclist enhancements such as a widened sidewalk, street trees, benches, bike racks, lighting, and trash/recycling receptacles.
  - Austin Energy Green Building (AEGB): A minimum of a 2-star rating under the AEGB Program will continue to be required, with the addition of newly mandatory bird-friendly design standards.
- The comparison of changes to the site development standards is summarized below in Figure 5.

Proposed Site Development Standards

|                                | Existing Core  | Existing Rainey & Convention Center  | Proposed DDB400  | Proposed DDB850   |
|--------------------------------|--|--|--|---|
| <b>Exemptions</b>              | None   | None   | Maximum building coverage<br>Landscaping requirements<br>Minimum site area<br>Private common open space  | Maximum building coverage<br>Landscaping requirements<br>Minimum site area<br>Private common open space   |
| <b>Uses</b>                    | None   | None   | Prohibits or makes conditional non-transit supportive uses**   | Prohibits or makes conditional non-transit supportive uses**  |
| <b>FAR</b>                     | 25:1*  | 15:1*  | Unlimited  | Unlimited   |
| <b>Height</b>                  | 350'   | 350'   | +400' (750' Max)   | +850' (1200' Max)   |
| <b>Gatekeeper Requirements</b> | Great Streets Standards<br>2-Star Austin Energy Green Building Rating<br>Urban Design Guidelines | Great Streets Standards<br>2-Star Austin Energy Green Building Rating<br>Urban Design Guidelines | Great Streets Standards<br>2-Star Austin Energy Green Building Rating<br>Required Urban Design Standards<br>+<br>7 of 14 Optional Urban Design Standards | Great Streets Standards<br>2-Star Austin Energy Green Building Rating<br>Required Urban Design Standards<br>+<br>10 of 14 Optional Urban Design Standards |

\* FAR limits do not apply to residential or mixed-use projects meeting SB840 standards

\*\* See [Ordinance 20240516-005](#)

Figure 5. [SpeakUpAustin C20-2024-018 - Downtown Density Bonus Update - Phase I](#)

## Impact on Affordable Housing

The proposed changes would have a neutral impact on affordable housing:

### Affordability Requirements:

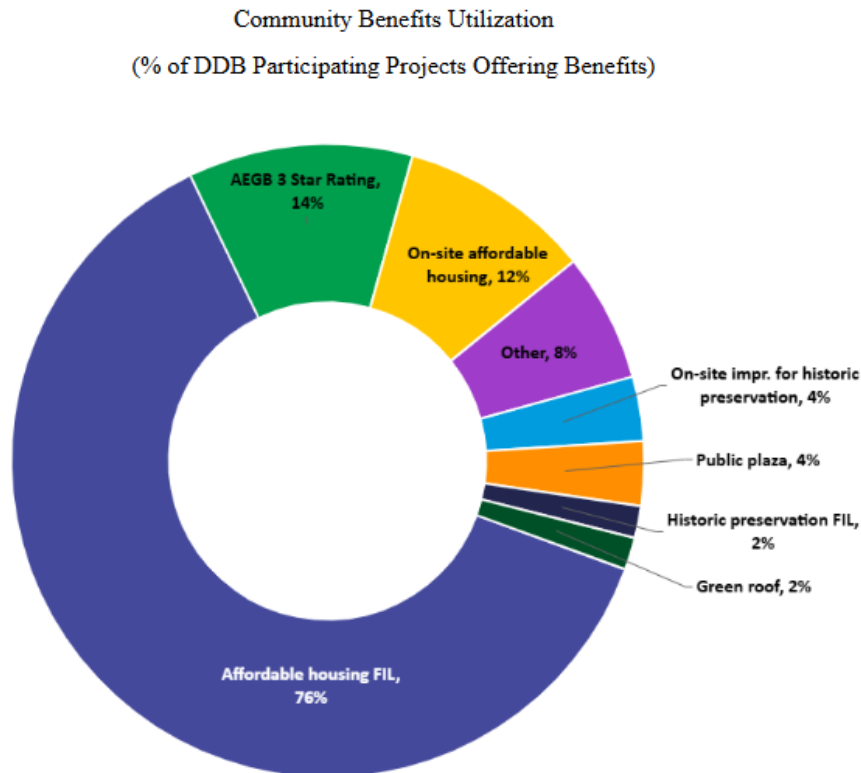
- Phase 1 simplifies and consolidates affordable housing requirements (Figure 6), proposing that 100% of community benefits must be provided as either on-site affordable housing or fee-in-lieu payment, replacing the previous structure in which affordable housing was one among several other community benefit categories.
  - Fee-in-Lieu:
    - DDB400: \$10 per bonus area square foot
    - DDB850: \$12 per bonus area square foot
  - On-Site Affordable Units (both DDB400 and DDB850):
    - Rental: 5% of units at 50% MFI
    - Ownership: 5% of units at 80% MFI

| Bonus Height                  | Existing Core & Convention Center  | Existing Rainey   | Proposed DDB400  | Proposed DDB850  |
|-------------------------------|--|---|--|--|
| <b>Affordable On-Site</b>     | 10 bonus square feet per 1 square foot of affordable units (10% of bonus square footage)                     | 5% of units up to 8:1 FAR<br><br>AND<br>Fee-in-lieu or 10 bonus square feet per 1 square foot of affordable units | 5% of total units at 50% Median Family Income (MFI) for rental<br><br>OR<br>5% of total units at 80% MFI for ownership | 5% of total units at 50% Median Family Income (MFI) for rental<br><br>OR<br>5% of total units at 80% MFI for ownership |
| <b>Affordable Fee-in-Lieu</b> | Commercial CBD - \$9<br>Residential CBD - \$12<br><br>Commercial non-CBD - \$6<br>Residential non-CBD - \$10 | Residential - \$5<br><br>Commercial CBD - \$9<br>Commercial non-CBD - \$6   | \$10 per bonus area square foot  | \$12 per bonus area square foot  |

Figure 6. [SpeakUpAustin C20-2024-018 - Downtown Density Bonus Update - Phase I](#)

- The proposed amendment includes a deeper affordability requirement than the existing DDB program. Under current regulations, rental units must be affordable to households at 80% MFI and ownership units at 120% MFI, with a 40-year affordability period for rental and 99 years for ownership units. The proposed DDB400/DDB850 framework would set on-site units at 50% MFI and ownership units at 80% MFI, while maintaining the same affordability periods. This change is beneficial for responding to the local need for more deeply affordable units.
- However, the deeper affordability requirement increases the cost burden on developers choosing to build units on-site, which may further incentivize use of the fee-in-lieu option. The [DDB Analysis done by Economic & Planning Systems](#) found:

- Historically, DDB participants have already favored fee-in-lieu over on-site units or other community benefits due to the ease of planning and cost difference (Figure 7)
- The prototype modeling in the analysis indicates that on-site affordable units reduce project value by approximately \$45–\$77 per bonus square foot under the existing affordability requirements
- Current fee levels stand at only \$10–\$12 per bonus square foot
- On-site units add affordable supply in high-demand areas and support economic integration. Fee-in-lieu dollars, while flexible, are not currently calibrated to be equivalent in value to on-site unit production.



Source: City of Austin, Site Plan data 2013-Present.

Figure 7. Austin Planning Staff Report

### Optional Community Benefits Allowing Reduced Requirements

- Developments may reduce their affordable housing set-aside by up to 2 percentage points (from 5% to 3%), or reduce their fee-in-lieu obligation by up to 20% (from \$10–\$12 to \$8–\$10 per bonus area square foot), by providing one of the following additional community benefits:
  - Achieving a 3-star Austin Energy Green Building rating
  - Providing space for cultural uses (min. 2,500 SF)
  - Including a grocery store (min. 2,500 SF)
  - Providing a designated live music space (min. 2,500 SF)
  - Rehabilitating and preserving an on-site historically significant building
  - Incorporating transit-supportive infrastructure

- While these reductions could potentially reduce the affordability benefits generated through the program, they are intended to incentivize developer participation, particularly given current challenging market conditions.

### *Market Conditions and Recalibration*

- The [DDB Analysis](#) also found that current market conditions are not favorable for new construction, making it difficult to calibrate a density bonus program to present-day feasibility thresholds. However, as supply and demand rebalance and high-rise construction becomes financially viable again, developer interest in the program is expected to return.
- The fee-in-lieu will be reviewed annually to reflect changing market conditions, balancing the goal of incentivizing program participation with the need to maximize affordable housing output. As the analysis concludes, the proposed fees-in-lieu are structured to continue incentivizing DDB participation when market conditions improve, with ongoing annual calibration to remain responsive to relevant economic factors.

## Overall Impact

The proposed changes would have a neutral overall impact on affordability.

The proposed changes align the program with the new regulatory framework created by SB 840 and recalibrate the bonus structure to encourage participation under current market conditions. They do not increase overall affordability, but because the program remains voluntary, it is important that the incentives for participation align with developer goals, market conditions, and the updated regulatory context. The density bonus program itself continues to deliver affordability benefits through on-site units and fee-in-lieu contributions.

## Other Policy Considerations

- Revenue generated through the downtown density bonus program supports critical housing units and services. Annual recalibration of the fee-in-lieu amount provides a potential future increase to the vital programs. Because the current fee-in-lieu rates are significantly lower than the cost of providing on-site units, there is potential to consider future updates to the fee while maintaining financial feasibility for developers.
- Phase II will create additional combining districts and additional regulations within individual subdistricts which could include specific gatekeeper requirements, site development standards, or community benefit requirements.
- While the proposed changes have a neutral direct impact on affordability, they do support the creation of a more vibrant and economically dynamic downtown district. Increased activity and investment in the urban core can improve the City's fiscal capacity and support public services that contribute to overall community well-being and affordability.

Manager's Signature 

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