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May 13, 2024

VIA ELECTRONIC MAIL

Lauren.Middleton-Pratt@austintexas.gov

Lauren Middleton-Pratt
Director
City of Austin | Planning Department
6310 Wilhelmina Delco Drive
Austin, Texas 78752

Re: South Central Waterfront Combining District & Density Bonus Program

Dear Ms. Middleton-Pratt:

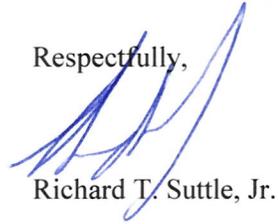
This firm represents various stakeholders that own or lease land within the proposed South Central Waterfront Combining District (“District”). After further review and consideration of the proposed South Central Waterfront Combining District & Density Bonus Program, the stakeholders have collectively agreed they cannot support the plan as currently drafted. Outlined below is a list of key elements of the plan that should be reevaluated before the plan is adopted.

- 1) Public funding for district-wide infrastructure such as utility improvements, roadway expansion, and public parks.
- 2) The primary base entitlement for each site should be based on its existing floor-to-area ratio (FAR). A formula of fee-in-lieu or onsite affordable housing should be employed to achieve a density bonus over the base FAR.
- 3) The plan lacks sufficient information to fully understand the feasibility of meeting the onsite community benefits required to exceed 5:1 FAR.
- 4) The plan should account for a bridge extension south of Lady Bird Lake across Riverside Drive to avoid at grade vehicular/pedestrian crossings and so that common ownership parcels are not divided and can be developed cohesively. An at-grade rail system would restrict the movement

of vehicular and pedestrian mobility along Riverside Drive and Congress Avenue. Essentially, rendering the plan ineffective.

- 5) Application of central business district construction standards for non-peak concrete pours.
- 6) The plan requires a minimum of 60% of the first and second floor building frontage on a street to include pedestrian-oriented uses. The requirement should be limited to the first floor building frontage on a street, which we believe will still achieve the goal of creating an inviting and interactive walkable environment. The requirement to include pedestrian-oriented uses on the second floor poses a challenge from an accessibility standpoint and can prove often uneconomical.
- 7) While we support the goal of encouraging below-grade parking within the District, we do not agree with the idea of introducing an entirely new and unproven concept in Austin, where above-grade parking garages are counted as FAR. Further, there are several sites within the District that, due to the size, geometry, or proximity to the water table and/or floodplain, simply cannot provide any reasonable amount of below-grade parking. We would encourage a solution wherein developers earn an increase in base FAR for either below-grade parking and/or above-grade parking where the garage is heavily enclosed. If the inclusion of above-grade garages in FAR calculations persists in the plan, we strongly encourage you to revisit and increase the base parking entitlements.
- 8) There should not be a requirement to make all private common open space available to the public through the dedication of a public access easement. It is infeasible to require private common open space that is integrated within a building to be open to the public. This creates safety concerns and undue hardship on projects within the District. Furthermore, the plans give the "Director" discretionary review and approval over the location and design of the private common open space with no established guidelines.
- 9) The plan should modify the critical water quality zone setback to account for the density envisioned within the District. One of the benefits of utilizing the Planned Unit Development district is the ability to modify city code regulations that restrict development opportunities on a site. If the plan does not allow for such modifications, then developers are less likely to opt into the plan.
- 10) The plan does not use realistic yield and IRR assumptions on viable high-rise multifamily development. Throughout the drafting of the plan, we requested staff to allow us to interact with its 3rd party consultant handling economic modeling. To date, we have had no opportunity to interact with the 3rd party consultant or exchange ideas or alternatives. Without agreement on what makes a project feasible, the density and community benefits envisioned will not be achieved. We recommend, for multifamily high-rise product, using a 6.5% yield on cost as the threshold and assuming a minimum of an 18.75% LIRR. While these yields and IRR's are unlikely to attract capital today given the current market conditions, we recognize your model should not assume static conditions on interest rates, cap rates, yields, etc.

Respectfully,



Richard T. Suttle, Jr.

Endeavor Real Estate Group

The Related Companies L.P.

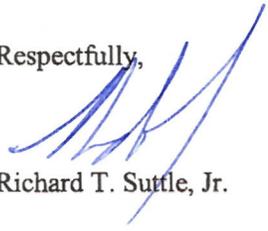
Hunt Development Group

Riverside Resources

Turnbridge Equities

cc: April Geruso
Amanda Morrow

Respectfully,



Richard T. Suttle, Jr.



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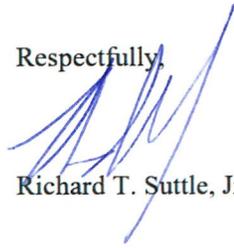
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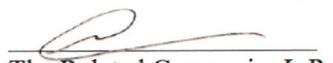
cc: April Geruso
Amanda Morrow

Respectfully,



Richard T. Suttle, Jr.

Endeavor Real Estate Group



The Related Companies L.P.
Michael Iannacone, EVP

Hunt Development Group

Riverside Resources

Turnbridge Equities

cc: April Geruso
Amanda Morrow

South Central Waterfront

Interdepartmental Responses to 5/14/24 Developer Letter

1. Public funding for district-wide infrastructure such as utility improvements, roadway expansion, and public parks.

Realizing the vision for the South Central Waterfront (SCW) will require varied funding mechanisms and the SCW density bonus program is one among several. There are other public financing tools that staff have identified for Council. Please refer to July 26, 2022 City Council work session <https://services.austintexas.gov/edims/document.cfm?id=388585>

In the SCW, the private sector will be responsible for the costs associated with building construction, other site improvements, and required community benefits. Public infrastructure – utilities, roads, parks – will be financed using a variety of available tools, such as department capital budget appropriations, revenue bonds, general obligation bonds, development agreements, etc. Financing methods will be determined on a case-by-case basis.

The City has and will continue to coordinate with relevant City Departments (AW, AE, WPD, TPW, Capital Delivery Services) to identify any gaps in public utility infrastructure as per the City's CIP process.

The Density Bonus program is independent of other public infrastructure financing. The program is calibrated to consider the additional costs associated with participation in the program in exchange for added density. The City has been clear over the last several years that any consideration of public funding for infrastructure will come after Council approves changes in entitlements and only for local serving improvements.

The current draft of the Density Bonus program accounts for a portion of fee-in-lieu revenue to be directed to infrastructure in the SCW.

2. The primary base entitlement for each site should be based on its existing floor-to-area ratio (FAR). A formula of fee-in-lieu or onsite affordable housing should be employed to achieve a density bonus over the base FAR.

Without participating in the bonus program, most properties in the district will be able to build to 2:1 FAR by right, while some can only build to 1:1. Some (L, Lake Commercial Zoning) can build to 8:1, but with extreme restrictions on impervious cover based on the existing Waterfront Overlay, making that FAR unrealistic (as far as developers have told us and staff can tell).

The affordable housing requirement (5% for 3:1 FAR) and other gatekeepers begins at 0:1 FAR for all developments opting into the SCW Bonus Program. This means the gatekeepers (including affordable housing) start with any amount of development. Currently without participating in

the bonus program, properties will be able to build to 2:1 FAR by solely using the SCW Combining District. Other density can then be earned by a combination of other community benefits at 3:1 FAR (since this is the point at which the affordable housing requirement, and other gate keepers, end).

If Council requests that staff consider an adjustment, staff could recommend that the on-site affordable housing requirement of 3:1 FAR starts above the 2:1 base entitlement. This would ensure the same amount of affordable housing for properties building up to at least 5:1 FAR, but slightly less for properties building less. The proposed SCW density bonus program does allow fee-in-lieu for ownership units but requires on-site rental units at 60% MFI to help meet the affordable housing goals for the district.

Should the affordable housing requirement begin at 2:1 FAR, it is recommended that other community benefits should also begin above the 2:1 base entitlement.

3. The plan lacks sufficient information to fully understand the feasibility of meeting the onsite community benefits required to exceed 5:1 FAR.

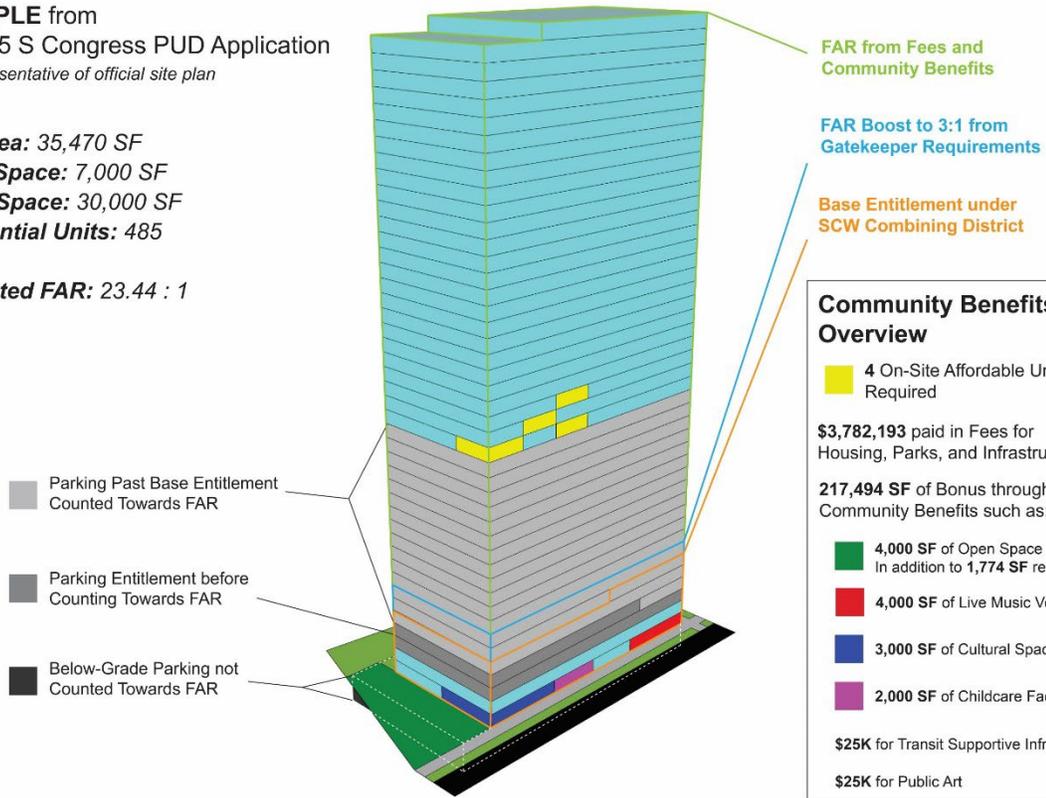
Through participation on the SCW density bonus program, additional entitlements are gained by providing onsite community benefits with small or negligible space requirements such as affordable childcare and adult care or public art. The latter benefit can be a mural or similar installation or an interactive sculpture—all of which require very little space. Additionally, parkland buildout and transit supportive infrastructure buildout are not required to be onsite and could be applied to public land within the SCW district. Onsite community benefit applications have been tested for 311-315 S. Congress Ave. and 500 S. Congress Ave. sites to provide examples of successful implementation. These examples can be found below.

Non-residential bonus rates were calculated to represent a cost of approximately \$9/sf of bonus area through the construction costs of the selected community benefits and/or the loss of rent compared to a market-rate tenant for benefits such as affordable creative space, childcare, grocery, etc. This fee is consistent with the nearby Downtown Density Bonus Program's Base CBD zoning density bonus.

EXAMPLE from
311-315 S Congress PUD Application
Not representative of official site plan

Site Area: 35,470 SF
Retail Space: 7,000 SF
Office Space: 30,000 SF
Residential Units: 485

Estimated FAR: 23.44 : 1



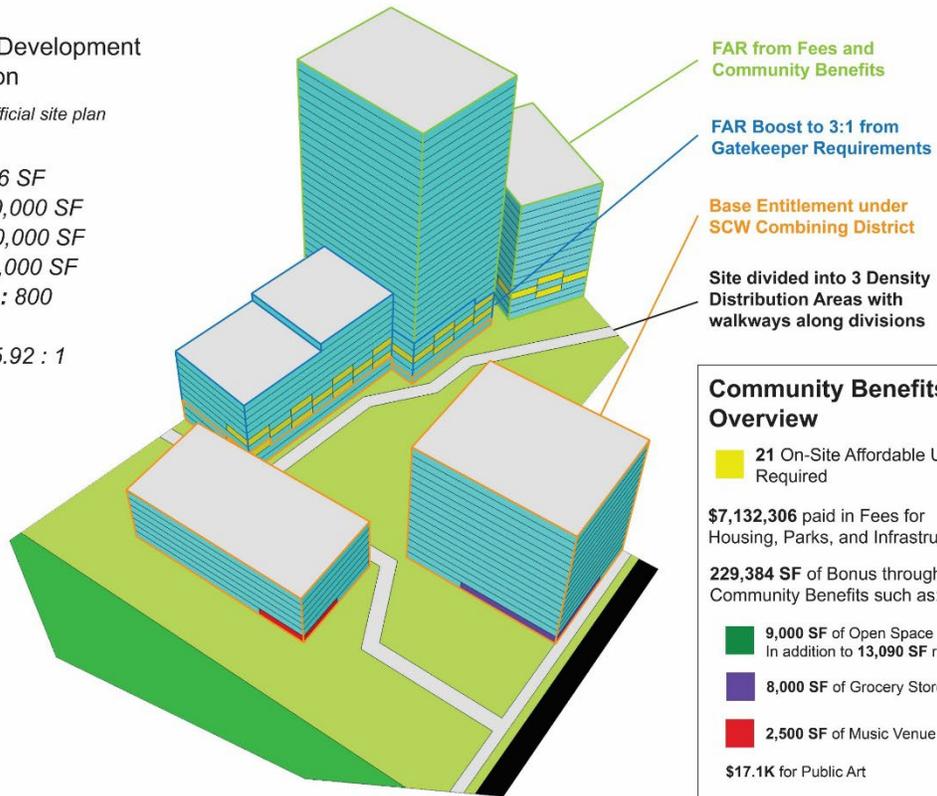
Community Benefits Overview

- 4 On-Site Affordable Units Required
- \$3,782,193** paid in Fees for Housing, Parks, and Infrastructure
- 217,494 SF** of Bonus through Community Benefits such as:
 - 4,000 SF of Open Space
In addition to 1,774 SF required
 - 4,000 SF of Live Music Venue
 - 3,000 SF of Cultural Space
 - 2,000 SF of Childcare Facilities
- \$25K for Transit Supportive Infrastructure
- \$25K for Public Art

EXAMPLE from
500 S Congress Development Review Application
Not representative of official site plan

Site Area: 261,796 SF
Retail Space: 150,000 SF
Office Space: 400,000 SF
Hotel Space: 200,000 SF
Residential Units: 800

Estimated FAR: 5.92 : 1



Community Benefits Overview

- 21 On-Site Affordable Units Required
- \$7,132,306** paid in Fees for Housing, Parks, and Infrastructure
- 229,384 SF** of Bonus through Community Benefits such as:
 - 9,000 SF of Open Space
In addition to 13,090 SF required
 - 8,000 SF of Grocery Store
 - 2,500 SF of Music Venue
- \$17.1K for Public Art

- 4. The plan should account for a bridge extension south of Lady Bird Lake across Riverside Drive to avoid at grade vehicular/pedestrian crossings and so that common ownership parcels are not divided and can be developed cohesively. An at-grade rail system would restrict the movement of vehicular and pedestrian mobility along Riverside Drive and Congress Avenue. Essentially, rendering the plan ineffective.**

It is important to note that the extended bridge and on-street options are feasible per a completed analysis. There remain steps in the FTA process that will determine the recommended option for this area. An opportunity to provide input on the Light Rail design options will be available later this fall through the Austin Transit Partnership's process. Staff will update this plan as more information is available on how the light rail system operates in the SCW.

No changes to the South Central Waterfront Combining District and Density Bonus Program code are required related to this request.

- 5. Application of central business district construction standards for non-peak concrete pours.**

Staff are in support of this modification to the current code and to initiate a code amendment to include the South Central Waterfront district boundaries to Section 9-2-21: PERMIT FOR CONCRETE INSTALLATION DURING NON-PEAK HOUR PERIODS.

No changes to the South Central Waterfront Combining District and Density Bonus Program code are required related to this request.

- 6. The plan requires a minimum of 60% of the first and second floor building frontage on a street to include pedestrian-oriented uses. The requirement should be limited to the first floor building frontage on a street, which we believe will still achieve the goal of creating an inviting and interactive walkable environment. The requirement to include pedestrian-oriented uses on the second floor poses a challenge from an accessibility standpoint and can prove often uneconomical.**

"A minimum of 85 percent of the required 60 percent of the lower-level building frontages are required to be immediately accessible by pedestrians, and 15 percent of the required lower-level frontages may be satisfied by mezzanine levels."

At a minimum only 9% of a second floor is required to be a pedestrian oriented use which includes:

Art Gallery	Art Workshop	Cocktail Lounge
Consumer Convenience Srv.	Cultural Services	Day Care Services
Food Sales	General Retail Sales	Park & Recreation Services
Residential Uses	Restaurant	Other uses from Land Use Commission
Financial Services	Hotel-Motel	
Monument Retail Services	Personal Improvement Srv.	Liquor Sales

Postal Facilities	Theater	Pet Services
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To facilitate a lively pedestrian-oriented built environment in the SCW, the first 30' of a building's façade is a crucial design element shaping the streetscape to establish a human-scaled public realm and activating the street. The variety and mixture of uses classified as pedestrian oriented uses for both ground and 2nd floors are currently in practice throughout the urban areas in the City of Austin (e.g., ACL Live, Violet Crown Theater, Thompson Hotel, Alamo Drafthouse (*Mueller*), etc.). It is staff's position that this requirement is feasible and advances the SCW vision.

- 7. While we support the goal of encouraging below-grade parking within the District, we do not agree with the idea of introducing an entirely new and unproven concept in Austin, where above-grade parking garages are counted as FAR. Further, there are several sites within the District that, due to the size, geometry, or proximity to the water table and/or floodplain, simply cannot provide any reasonable amount of below-grade parking. We would encourage a solution wherein developers earn an increase in base FAR for either below-grade parking and/or above-grade parking where the garage is heavily enclosed. If the inclusion of above grade garages in FAR calculations persists in the plan, we strongly encourage you to revisit and increase the base parking entitlements.**

With the adoption of the Austin Strategic Mobility Plan (ASMP) in April 2019, the City of Austin has the goal of moving to a 50/50 mode split whereby no more than 50% of trips made within the city will be taken by single-occupant vehicle (SOVs). Also, the ASMP calls for little additional roadway capacity to be built as trips are moved from vehicle to other modes. To advance the goal of moving trips to alternative travel modes, the city in November 2023 eliminated the need for new development applications to provide required onsite parking spaces through the elimination parking minimums.

On May 30, 2024, the City Council approved to take action to modify the soft parking caps within the CBD and DMU zoned areas. As currently proposed, non-ADA, onsite parking will be capped at 40% of the LDC's previous Chapter 25-6, Appendix A Parking Ratios. There will be a formal process to request additional parking. If the requested parking exceeds 80% of the Appendix A parking ratios, additional parking will be required to be underground up to an additional 20% (to 100%) of Appendix A. The less available parking will increase the friction for motorists and minimize the friction for other users. This approach is consistent with the findings and recommendations included in the ULI Technical Advisory Panel's (TAP) *Downtown Austin Parking* report, published in March 2024. The TAP report made the recommendation to include parking in the FAR calculation to limit new parking construction. Although the City of Austin currently does not have an example of including above parking in the FAR calculation as proposed in the South Central Waterfront Combining District and Density Bonus Program, staff believes the recommendation is well considered and is supported by the ASMP.

- 8. There should not be a requirement to make all private common open space available to the public through the dedication of a public access easement. It is infeasible to require private common open space that is integrated within a building to be open to the public. This creates safety concerns and undue hardship on projects within the District. Furthermore, the plans give the "Director" discretionary review and approval over the location and design of the private common open space with no established guidelines.**

There is a proposed minimum 5% of site area set aside for private *common* open space. These privately owned, yet publicly open spaces, are intended to serve as intermediary spaces for SCW residents, employees, and visitors. Establishing Permanent Access Easements for these areas ensures and reinforces equitable access. Private common open space areas operate and serve a different purpose from fully private open spaces (25-2 Subchapter E 2.7) which can include dog runs, pools, amenity decks, patios, etc.

Regarding safety concerns, APD has full jurisdiction to monitor and maintain public wellbeing and safety in private common open spaces. As for the design and location of private common open spaces, these guidelines are outlined in the Land Development Code 25-2, Subchapter E (2.7.3 Standards).

- 9. The plan should modify the critical water quality zone setback to account for the density envisioned within the District. One of the benefits of utilizing the Planned Unit Development district is the ability to modify city code regulations that restrict development opportunities on a site. If the plan does not allow for such modifications, then developers are less likely to opt into the plan.**

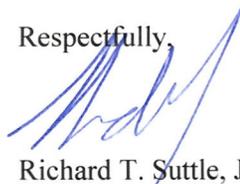
The PUD zoning negotiation process is broader in its ability to provide site specific development regulations that offset increased development entitlements through environmental superiority requirements. The Combining District & Density Bonus Program zoning framework is more limited in its scope to require environmentally superior protections in exchange for code modifications. WPD staff does not support any modification to the SCW program that would both allow an increase in development intensity and an increase in impact in the CWQZ beyond what is currently allowed by code. Additionally, the South Central Waterfront Vision Framework Plan was adopted with a clear emphasis on improving environmental sustainability and water quality which we believe is best achieved by protecting the CWQZs within the district.

- 10. The plan does not use realistic yield and IRR assumptions on viable high-rise multifamily development. Throughout the drafting of the plan, we requested staff to allow us to interact with its 3rd party consultant handling economic modeling. To date, we have had no opportunity to interact with the 3rd party consultant or exchange ideas or alternatives. Without agreement on what makes a project feasible, the density and community benefits envisioned will not be achieved. We recommend, for multifamily high-rise product, using a 6.5% yield on cost as the threshold and assuming a minimum of an 18.75% LIRR. While these yields and IRR's are unlikely to attract capital today given the current market conditions, we recognize your model should not assume static conditions on interest rates, cap rates, yields,**

etc.

Initial consultant feedback has indicated that a 6.5% yield on cost (approximately 1.5-1.6% above the market cap rate) represents a yield on the high-end of market expectations and suggested that a yield of around 1.2-1.3% over the cap rate is more reasonable, which is achieved in anticipated improved market conditions. It is worth noting that under current projections, 1.5-1.6% over the cap rate is not expected even with unlimited development with no requirements for affordable housing, fees, or community benefits. Though the LIRR requested by the development community (18.75%) is not shown to be expected under current market conditions, improved market conditions produce LIRRs higher than this threshold. It is worth noting that the initial scenario was run with 5% affordable housing required for an entire project. It is expected that projects will be (at least slightly) more feasible than initially projected since the current combining district and density bonus program includes 5% affordable housing to 3:1 FAR within a project, rather than a project as a whole.

Respectfully,



Richard T. Suttle, Jr.



Endeavor Real Estate Group

The Related Companies L.P.

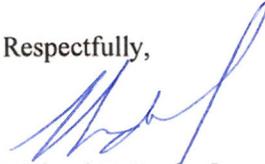
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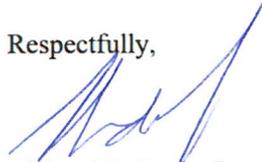


Riverside Resources

Turnbridge Equities

cc: April Geruso
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Hunt Development Group

Riverside Resources

Caitlyn Ryan

Turnbridge Equities

cc: April Geruso
Amanda Morrow

Thank you for the discussion on South Central Waterfront last week. During the meeting, the structure of the code and the structure of the supporting Density Bonus Calculator were brought up regarding the possible "double counting" that might be occurring.

Based on that conversation, the Housing and Planning departments got together in coordination with Law and our consultant to work through and identify if the Density Bonus Calculator was double-counting obligations for affordable housing:

- First for the onsite gatekeeper requirements (for 3:1 FAR),
- Second for a fee that would start at 0:1 FAR.

The team also discussed if the draft code as currently written is double-counting housing obligations in the same way as described above.

In neither instance is it the case that housing obligations are being double counted. Further, in both instances, the way the Calculator and density bonus program are designed do meet staff's intent for how the program is designed.

Since the conversation was specific to the Calculator, the following is a description of how the calculator is designed (you can find the most up to date Calculator, which is what we used to internally convene on the matter today, on the SpeakUp page here: [SCW_Bonus-Calculator_3-1-24.xlsx](#))

The Calculator, based on inputs from a design generates a series of fees and onsite affordable housing rental requirements.

For a FAR of up to 3:1 desired by a development, the required onsite affordable housing units and fee-in-lieu for non-residential square footage is provided in what is described as the "Level 1 Density Bonus" in the 'Density Tool Tab' of the Calculator. For the proportion that is residential the obligation shall be met by providing 5% of the residential square footage within the 3:1 Level 1 FAR as affordable housing. The proportion of non-residential space within the 3:1 Level 1 FAR shall meet its obligation through payment of an in-lieu fee.

	Residential	Non-Residential
Over 3:1	Fee	Fee
Under 3:1	On-Site (5% Affordable)	Fee

FAR	Residential Portion	Non-Residential Portion
10.0	\$5/SF Fee	\$9/SF Fee
9.0	\$5/SF Fee	\$9/SF Fee
8.0	\$5/SF Fee	\$9/SF Fee
7.0	\$5/SF Fee	\$9/SF Fee
6.0	\$5/SF Fee	\$9/SF Fee
5.0	\$5/SF Fee	\$9/SF Fee
4.0	\$5/SF Fee	\$9/SF Fee
3.0	5% Aff. Hsg.	\$9/SF Fee
2.0	5% Aff. Hsg.	\$9/SF Fee
1.0	5% Aff. Hsg.	\$9/SF Fee

To achieve the remaining desired FAR (beyond 3:1), or what’s called “Level 2 Density Bonus,” in the Calculator, the calculator tool pulls from the square footage above 3:1 and calculates the value of required developer obligations, split 70/30 between fees-in-lieu and “in-kind community benefits.” How a given project chooses to ‘pay for’ or ‘earn’ the square footage through in-kind community benefits will vary, as the draft code provides different levels of credit for different types of community benefits. For example, one developer may choose to provide additional on-site affordable units, while another may provide publicly accessible open space. The ‘Bonus Schedule’ in the draft code illustrates how much density bonus square footage credit is provided for various in-kind community benefits.

The ‘Instructions and Results’ tab then summarizes the number of affordable units that must be provided on-site (associated with the ‘Level 1 Density Bonus’) and the number of square feet of density that must be earned through the provision of in-kind community benefits (associated with the ‘Level 2 Density Bonus’), and visualizes how the City of Austin intends to break down the fee amongst the three types of fees-in-lieu identified for the South Central Waterfront (Housing, Infrastructure, Parks) from the combined fees paid for Level 1 and Level 2 Density Bonus.