

**RESOLUTION NO. \_\_\_\_\_**

**WHEREAS**, while the City of Austin is committed to increasing the supply of affordable housing, it has limited options for funding affordable housing; and

**WHEREAS**, the Imagine Austin Comprehensive plan calls for additional housing density in the urban core; and

**WHEREAS**, the City is committed to on-site affordable housing located within market-rate projects because mixed income communities are healthiest for residents; and

**WHEREAS**, increasing the supply of housing units also helps to bring down the cost of housing; and

**WHEREAS**, the City has used voluntary density bonus programs as a tool to increase affordable housing in places where additional density is appropriate; and

**WHEREAS**, Rainey Street is one of the areas for which the City Council has adopted a density bonus program, as set forth in Ordinance No. 20140227-054 and

**WHEREAS**, the Rainey Street density bonus provides one set of regulations for densities between 40 feet in height and 8:1 FAR and another for the densities over 8:1 FAR; and

**WHEREAS**, it is important to consider the economics of a density bonus program in order for those programs to successfully generate affordable housing; and

**WHEREAS**, in its June 26, 2013 memo to the City regarding the Downtown Density Bonus, consulting firm HR&A Advisors recommended, “[b]ased on a thorough analysis of the economics of residential development and ownership,” that “the fee-in-lieu payment for a density bonus be set at \$10 per square foot of bonused floor area in the Core/Waterfront district; \$5 per square foot of bonused floor area in the Lower Shoal Creek and Rainey Districts; and \$3 per square foot of bonused floor area within all other districts of Downtown”; and

**WHEREAS**, the report did not provide calculations on the expense of on site requirements for the density between 40 feet and 8:1 FAR in the Rainey District; and

**WHEREAS**, if an incentive does not create additional value for developers, then the likely outcome could be not only fewer affordable units built, but also fewer housing units built overall; **NOW, THEREFORE**,

**BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:**

1. The City Manager is directed to analyze the economic and financial aspects of the density bonus program for the Rainey Street subdistrict of the Waterfront Overlay, as amended by Ordinance No. 20140227-054 and codified in City Code Sections 25-2-586 (*Downtown Density Bonus Program*) and 25-2-739 (*Rainey Street Subdistrict Regulations*). The analysis should:
  - (a) assess the viability of the Rainey Street density bonus for achieving the goal of increasing affordable units, incentivizing greater urban densities, and ensuring that the Rainey Street

density bonus program is designed to retain the largely residential character of the district;

- (b) include a calculation for the cost to a developer of complying with City Code Section 25-2-739(C)(2) and compare that cost to the calculations in the HR&A report; and
- (c) reflect careful consideration of input from property owners in the Rainey Street subdistrict, which should be solicited as part of the review.

2. If the analysis required under Paragraph 1, above, shows that the cost to comply with City Code Section 25-2-739(C)(2) exceeds the fee in lieu payments as adopted in the Downtown Density Bonus Program to the extent that it discourages residential development over other types of development, then the City Manager should include a recommendation for the City Council to initiate necessary code amendments. The amendments proposed for initiation:

- (a) must, at a minimum, include an option to reduce the requirements in order to make the program more feasible but still require some number of onsite affordable units;
- (b) may include additional provisions, including but not limited to changes to make the density bonus for Rainey Street more consistent with the Downtown Density Bonus Program and to increase the value of bonus incentives in order to improve the likelihood that such incentives will be used.

3. The City Manager is directed to provide the analysis and recommendation required by this resolution at the November 6<sup>th</sup>, 2014 council meeting, or as soon thereafter as reasonably possible.

**ADOPTED:** \_\_\_\_\_, 2014

**ATTEST:** \_\_\_\_\_  
Jannette S. Goodall  
City Clerk

DRAFT