



MEMORANDUM

TO: Mayor and Council

FROM: George Adams, Assistant Director
Planning and Development Review Department

DATE: November 19, 2014

SUBJECT: CodeNEXT Approach Alternatives – November 20 Council Meeting

CC: Marc Ott, City Manager
Sue Edwards, Assistant City Manager
Greg Guernsey, Director, PDRD

The purpose of this memorandum is to provide additional information regarding the recommended Approach Alternative, as well as specific information requested by Council Member Martinez about whether Approach 2 or Approach 3 offers a better path to increasing affordability.

The purpose of CodeNEXT is to revise Austin's Land Development Code to promote the priorities in Imagine Austin, including household affordability. With regard to the creation of more affordability, each approach provides the same toolkit to address barriers to more affordable housing as recapped below. The advantage to Approach 2 is that it will enable us to implement changes in a shorter time frame in a city that is struggling with affordability issues.

With regard to affordable housing it is important to understand the distinction between market rate and legally binding affordability. Market rate affordable housing typically refers to older housing that is affordable to moderate-to-low income residents. Legally binding affordable housing has specific requirements for maximum income of eligible residents, maximum rental or sales, and minimum affordability periods. The City of Austin utilizes various tools to meet our goals for legally binding or certified affordable housing, such as the density bonus programs and S.M.A.R.T.™ Housing.

The land development code can affect affordability by allowing a greater mix of housing types, permitting increased production of residential units, reducing development costs through a more efficient development review process, fostering a pattern of development that helps reduce household transportation costs, and by creating, strengthening, and expanding tools such as density bonus programs.

To address affordable housing, both Approaches 2 and 3:

- 1) Propose a new format and significant reorganization of the code, and propose changes to eliminate conflicts and compress layers of overlapping regulations within the code. This will improve the clarity and legibility of the code which should help streamline the development review process and potentially reduce development costs;

- 2) Propose new conventional and form-based zoning districts to promote increased housing supply and diversity and to foster a pattern of development that helps reduce household transportation costs;
- 3) Propose a mix of by-right, customized and discretionary review which can also help streamline the development review process;
- 4) Propose changes to the various density bonus programs currently within the code to increase their effectiveness and explore potential new density bonus options.

Although Approach 3 does include a broader initial application of form-based zoning, it is important to note that there is not a *direct* relationship between form-based zoning and greater affordability. Changes to the conventional zoning districts that would be made in both Approaches 2 and 3 could have similar benefits for affordability by increasing the diversity of housing options.

It is important to note that the Land Development Code is only one of numerous tools needed to create a more affordable city. Developing a wider range of financing mechanisms for affordable housing, containing the cost of land through land banking, and creating tools for preservation of market rate affordable housing are a few examples of other tools needed to ensure household affordability that are not directly addressed by changes to the Land Development Code.

Basis of recommendation for Approach 2

When looking at the differences between Approaches 2 and 3, Approach 2 has the following advantages:

- Approach 2 offers the same tools and methods to address the challenges identified in the code diagnosis, but it provides an opportunity to test, refine and improve these new tools before widespread application. This can help increase the odds of successful adoption of the revisions.
- Approach 2 enables city staff to build their capacity (and the community's) with form-based codes instead of relying on consultant resources to conduct visioning exercises.
- Approach 2 is less costly and can be implemented more quickly (as much as eighteen months sooner) than Approach 3.

If you have questions or need additional information please contact either me at 512-974-2146 or George Zapalac at 512-974-2725.

xc: Land Development Code Advisory Group