



# City of Austin

## Neighborhood Housing and Community Development Department

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DATE: March 1, 2017

TO: Mayor and Council

FROM: Rosie Truelove, Interim Director

SUBJECT: Backup for the March 2, 2017, Austin City Council Agenda: Items 62-64

At the Austin City Council Meeting February 16, 2017, Neighborhood Housing and Community Development Department staff was asked to provide information utilized in its review of the developer's compelling reason for the fee-in-lieu payment.

The Plaza Saltillo TOD Station Area Regulating Plan, Article 4.3.2.D., addresses Fee-in-lieu. The Regulating Plan indicates that in order for a property owner/developer to pay a fee in-lieu of meeting the requirements in Subsection C, the developer must demonstrate a compelling reason to not provide housing on-site, and subject to the approval of the City Council, may pay a fee-in-lieu payment.

Please find attached the responsive information, which is the developer's Affordable Housing Plan submitted to NHCD staff in August 2016.

# **Affordable Housing Proposal - Plaza Saltillo Development**

Final 8-4-16

## **Capital Metropolitan Transportation Authority & Endeavor Real Estate Group**

### **Applicant's Request of Neighborhood Housing and Community Development (NHCD):**

- Rezoning cases: Request from TOD to TOD-CURE submitted April 22, 2016
- The affordable housing proposal is a combination of on-site units, fee-in-lieu payment to the City Housing Trust Fund and a range of MFI with an average of 50% MFI for the on-site affordable units on Tract 6 to meet the goals of the City Plans. We respectfully request this proposal be considered in its entirety.
  - Support for a range of MFI with an average of 50% MFI for the on-site affordable units on Tract 6 in order to be competitive during the process to be awarded tax credits (9% or 4%)
    - MFI mix is encouraged in tax credit projects
  - Support for a payment of a fee-in-lieu for the non-residential square footage
  - Request for the on-site affordable housing requirement to be based on a percentage of total residential square feet.

### **Applicant's Requested Rezoning of 11 Acres from TOD-NP to TOD-NP-CURE to allow:**

- Rezoning cases: Request from TOD to TOD-CURE submitted April 22, 2016
- Increase in height to allow 4 stories of multifamily over 1 story of retail
  - from 60 to 70 feet for a portion of Tract 1/2/3 (Block 1)
  - from 60 feet to 68 feet for Tract 1/2/3, Tract 4/5, and Tract 6
- Increase in height from 60 feet to 125 feet for office building on a portion of Tract 1/2/3 (Block 1)
- Range of MFI with an average of 50% MFI for the on-site affordable units on Tract 6 in order to be competitive during the process to be awarded tax credits
- Though the Station Area Plan envisioned 4 stories of residential over 1 story of retail for this area, current building codes and required floor-to-floor heights for Class A residential and retail development do not allow 5 stories to fit under 60 feet of height. Therefore, the rezoning is necessary.
- A mixed use development with less than 60 feet of height results in a reduction of 1 floor of multifamily, which reduces the number of both market-rate and affordable units.
- Tract 6 will seek tax credit award
  - The zoning request will allow the development of these below market rate (affordable units).
- Please reference the following active zoning cases:
  - Tract 1/2/3: C14-2016-0050
  - Tract 4/5: C14-2016-0049
  - Tract 6: C14-2016-0051
- Please reference the following site plans currently under review:
  - Tract 1/2/3: SP-2015-0480C
  - Tract 4/5: SP-2015-0479C
  - Tract 6: Not yet filed

### **Development Overview:**

- The proposed Plaza Saltillo development is an 11 acre property owned by Capital Metropolitan Transportation Authority (Capital Metro Property) to be developed in partnership with Endeavor Real Estate Group.

# **Affordable Housing Proposal - Plaza Saltillo Development**

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## **Capital Metropolitan Transportation Authority & Endeavor Real Estate Group**

- This mixed use, transit-oriented development is an execution of the Plaza Saltillo TOD Station Area Plan (SAP) approved in 2006, and the Plaza Saltillo Regulating Plan approved in 2008 (Regulating Plan).
- The SAP includes several major themes, one of which is the provision of affordable housing in a dense, transit-rich, mixed-use environment.
- The SAP lays out the vision (Section B below) while the Regulating Plan creates the process to implement the vision (Section C below).
- The proposed affordable housing in the Plaza Saltillo development is consistent with the City of Austin's overall affordable housing goals established from 2014 to 2015 (Section D below).
- The proposed affordable housing in the Plaza Saltillo development achieves these goals, and more broadly reaching these affordability core values (Section E below).
- The proposed development includes additional community benefits (Section F below).

### **Reasons to Support Fee-in-Lieu:**

- Provides funding source dedicated to affordable housing in Plaza Saltillo TOD.
- Supports realization of quality development that is congruent with the vision of the TOD:
  - Provides a greater mix of uses since 30% of the square footage is commercial whereas recent east side projects provide an average of just 5%.
  - Provides the ability to attract equity and debt.
- Project would not be feasible to develop voluntarily under the density bonus policy if fee-in-lieu is not granted
- Without participation in density bonus program there will be 0 affordable units:
  - 15% of total residential square footage (plus hallways and indoor amenities) required by Regulating Plan, equates to 18% of rentable residential square feet.
  - Proposed commercial space will subsidize affordable housing units.
- Commercial Buildings:
  - The proposed office building does not incorporate residential uses in the same building.
  - Council has approved request for fee-in-lieu in buildings for single on residential use in the past
- TOD Regulating Plan language creates challenges for the development of mixed use projects
  - Affordable housing calculations are codified in a way that does not distinguish residential from non-residential uses. As such, this discourages mixed use development.
  - Amending the regulating plan to calculate the affordable housing requirements on residential square footage resolves this issue.
- Fee-in-lieu is necessary due to the large proportion of commercial space being provided in accordance with SAP vision.
  - Development includes increased active edges and a 30,000 - 60,000 square foot retail space appropriate for a grocery store achieved by pushing all parking below grade.
    - Typical individual mixed use buildings have 1-2% commercial space whereas this multi-building, multi-block development is approximately 30% commercial space, and
    - Providing on-site residential square footage for a development that is such a high proportion of commercial space is not feasible.

# **Affordable Housing Proposal - Plaza Saltillo Development**

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## **Capital Metropolitan Transportation Authority & Endeavor Real Estate Group**

- Applicant is open to reinvesting the fee-in-lieu into the development to achieve a longer term of affordability.

### **Reason to support mix of MFI request:**

- Range of MFI for tax credit development and fee-in-lieu:
  - Mixed affordability levels provide greater economic diversity and affordable housing options for a wider range of citizens, which are more inclusive, and have social benefits for all tenants in the development while also benefiting transit ridership.
    - Range of MFI with an average of 50% MFI for the on-site affordable units on Tract 6 in order to be competitive during the process to be awarded tax credits
  - Floating affordable units, a best practice, and location of the development in a TOD supports geographic dispersion and assures that affordable units have same finish out as market rate units.

### **Results of CURE Rezoning:**

- Increase in height by 8 feet or 10 feet for mixed use buildings (multifamily and retail) allows:
  - 4 stories of multifamily over 1 story of retail as envisioned by the Plaza Saltillo TOD Station Area Plan (SAP) approved in 2006, and
  - Retail with a ceiling height of 20 feet as required by the market.
- Increase in height by 65 feet for office building near IH-35 allows:
  - True mixed-use transit oriented development including residential, retail and office uses
  - The additional height requested for the office building increases the square footage of the building, which increases ridership for Capital Metro and brings more people to the development in the daytime when the residents are gone to work.
  - The increase in office tenants at this location will support the retail and restaurants in the development and surrounding areas during the daytime and in the evening, and provides opportunities for employment to the surrounding neighborhoods.
- Fee-in-lieu is necessary due to the large proportion of commercial space being provided in accordance with SAP vision.
  - Development includes increased active edges and a 30,000 - 60,000 square foot retail space appropriate for a grocery store achieved by pushing all parking below grade.
    - Typical individual mixed use buildings have 1-2% commercial space whereas this multi-building, multi-block development is approximately 30% commercial space, and
    - Providing on-site residential square footage for a development that is such a high proportion of commercial space is not feasible.
  - Applicant is open to reinvesting the fee-in-lieu into the development to achieve a longer term of affordability.
- Range of MFI for tax credit development and fee-in-lieu:

# **Affordable Housing Proposal - Plaza Saltillo Development**

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## **Capital Metropolitan Transportation Authority & Endeavor Real Estate Group**

- Mixed affordability levels provide greater economic diversity and affordable housing options for a wider range of citizens, which are more inclusive, and have social benefits for all tenants in the development while also benefiting transit ridership.
  - Range of MFI with an average of 50% MFI for the on-site affordable units on Tract 6 in order to be competitive during the process to be awarded tax credits
- Floating affordable units, a best practice, and location of the development in a TOD supports geographic dispersion and assures that affordable units have same finish out as market rate units.

### **Customized Affordable Housing Proposal for Plaza Saltillo Development**

#### **141 affordable units provided on-site:**

On site affordable housing units approximately:

- 15% of the residential square footage provided: 141 units
  - 141 units are provided – 21 additional on-site units more than required in Capital Metro RFP
- 41 floating affordable units within the market-rate multifamily development at 50% MFI
- 100 affordable units on Block 6 in affordable housing tax credit development
- 100 affordable units will be at a combination of 30%, 50%, and 60% MFI with an average no higher than 50% MFI
- Market rate units will be included in Blocks 1-6
- Zero residents will be displaced by this 11 acre development
- Capital Metro approved RFP with requirement of 120 units

The number of on-site affordable units is calculated using an average unit size of 800 square feet.

#### **Fee-in-lieu of approximately \$600,000**

- Could be spent to lengthen term of affordable units, beyond 40 years within the development
- Could be spent to reach deeper levels of affordability beyond 50% MFI within the Plaza Saltillo TOD
- Could be spent to support affordability in homeownership projects within the Plaza Saltillo TOD

The fee payment is calculated based on the following:

- Bonus area square footage above 2:1 FAR at \$10 per square foot is \$600,000
  - Total development FAR is 2.5:1
  - Total development square footage is 1,000,000
  - Bonus square footage is 200,000 square feet
  - 30% of development is commercial; 30% of bonus square footage is 60,000 square feet
  - 60,000 square feet at \$10 per square foot is \$600,000

# **Affordable Housing Proposal - Plaza Saltillo Development**

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## **Capital Metropolitan Transportation Authority & Endeavor Real Estate Group**

### **Summary:**

- Gross/entire square footage of the development is calculated into either a fee or provision for on-site affordable units
- 15% of gross/entire residential square footage is in on-site affordable units
  - Equivalent to approximately 18% of total units based on average unit size of 800 square feet.

### **Development Scenario Comparison:**

- With the existing maximum height of 40 feet, the development would include zero affordable housing units. (Feasible)
- If a density bonus is requested to increase FAR and height to less than 60 feet, 115 affordable units would be required and \$0 fee payment to the City. (Not feasible)
- The requested height increase above 60 feet and average of 50% MFI for affordable housing units on Tract 6 in the CURE rezoning request results in the following increase in total units, market rate units, affordable units, and fee to the City for affordable housing:
  - 40' development compared to CURE development:
    - 400 vs. 800 total
    - 400 vs. 659 market rate
    - 0 vs. 141 affordable
    - \$0 fee vs. \$600k
  - 60' development compared to CURE development:
    - 704 vs. 800 total
    - 589 vs. 659 market rate
    - 115 vs. 141 affordable
    - \$0 vs. \$600k

# Affordable Housing Proposal - Plaza Saltillo Development

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## Capital Metropolitan Transportation Authority & Endeavor Real Estate Group

	Regulating Plan	Regulating Plan	Regulating Plan Density and Height Bonus	Regulating Plan, Density and Height Bonus plus CURE Request (Not Feasible)	Regulating Plan, Density and Height Bonus plus CURE Request
Types of Development	Base Entitlements	Base Entitlements	Density Bonus	10' height, 8' height and 65' height increase	10' height, 8' height and 65' height increase
Height	40'	40'	60'	70' and 68' Mixed Use, 125' Office	70' and 68' Mixed Use, 125' Office
Affordable housing calculation	Not Required	Not Required	15% of total sf (residential square footage, office and retail)	15% of total sf (residential, office and retail)	15% of residential, fee for office and retail
Number of residential stories	0 (100% Commercial)	2 over 1	3 over 1	4 over 1	4 over 1
Active edge block faces	3	3	3	5	5
Total square footage	425,000	425,000	525,000	981,600	981,600
Total retail square footage		45,000	45,000	111,600	111,600
Total affordable housing	0	0	92,000	147,200	112,500
Total multi family units	0	400	679		800
Total market rate units	0	400	564	616	659
Term for affordable housing	0	40 years	40 years	40 years	40 years
Level of affordability - Blocks 1-4	N/A	50% MFI or less	50% MFI	50% MFI	50% MFI
- 100 unit affordable housing development	N/A	50% MFI or less	50% MFI or less	MFI, not to exceed an average of 50% MFI	MFI, not to exceed an average of 50% MFI
Development Feasibility	Yes	Yes	No	No	Yes

REGULATING PLAN

REGULATING PLAN

DENSITY & HEIGHT BONUS

STRICT CODE INTERPRETATION

ENDEAVOR PROPOSAL



0 AFFORDABLE UNITS

- 0 Market Rate Units
- All Commercial Project
- Residential Not Required in TOD Mixed Use Sub District
- 40' Height
- Feasible



0 AFFORDABLE UNITS

- 400 Market Rate Units
- Mixed Use Project
- Residential Over Retail
- 40' Height
- Feasible



115 AFFORDABLE UNITS

- 564 Market Rate Units
- 50% MFI
- Mixed Use Project
- Residential Over Retail
- 60' Height
- 15% of Residential SF
- 15% of Office & Retail SF
- Not Feasible



184 AFFORDABLE UNITS

- 616 Market Rate Units
- 50% MFI
- Mixed Use Project
- Residential Over Retail
- Office Over Retail
- 68'/70'/125' Height
- 15% of Residential SF
- 15% of Office & Retail SF
- Not Feasible



141 AFFORDABLE UNITS

- 659 Market Rate Units + \$600,000
- 50% MFI Floating Affordable Units
- 50% MFI Average Tax Credit Project
- Mixed Use Project
- Residential Over Retail
- Office Over Retail
- 68'/70'/125' Height
- 15% of Units + Hallways and Indoor Amenities (leasing center, workout facility, etc.) ("Residential SF")
- 15% of Office & Retail SF
- 21 more affordable units than RFP
- Feasible

# **Affordable Housing Proposal - Plaza Saltillo Development**

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## **Capital Metropolitan Transportation Authority & Endeavor Real Estate Group**

### **A. City of Austin Vision for Affordability in Plaza Saltillo TOD SAP**

The purpose and intent of the affordability requirement in the Regulating Plan is to provide the regulatory framework for the SAP to reach its affordability goals. The affordable housing goals of the SAP are stated as follows:

- To provide plentiful affordable housing options so that people can stay in the neighborhood, and specifically so that renters and seniors can stay (page 21)

Both long-time and new residents have several housing options and affordable housing is plentiful enough to allow people to stay in the neighborhood as prices rise in the region. There are special programs and developments that provide affordable rental housing, affordable for sale housing, and group living that allows seniors to age in place.

- To allow additional density in select locations of the TOD in exchange for the provision of affordable housing (page 40)

This Station Area Plan recommends that in specific areas of the Plaza Saltillo TOD a density bonus, and in more select locations of the TOD a height bonus, be allowed in exchange for the provision of affordable housing. The intent is to promote denser, mixed income projects to locate in the land use subdistricts designated for higher density development and to encourage the highest levels of activity in areas with good access to transit. As a first step, the density bonus would remove density restrictions,

- To have economic diversity among TOD residents, which benefits transit ridership (page 41)

Affordable housing is an important component of transit-oriented development. Inclusion of affordable housing in TOD areas can provide lower-income households with improved transportation access to employment and services. Reduced transportation costs can improve the ability of low income families to afford housing payments. In addition, economic diversity among TOD residents will benefit transit ridership.

### **B. Regulating Plan**

In response to the SAP vision stated above, the Regulating Plan includes a Density and Height Bonus, which is applicable to the Capital Metro Property. This Density and Height Bonus requires that affordable units be provided on site while also including provisions for a fee-in-lieu.

- The requirement for rental units is 15% of the square footage be reserved as affordable for a term of 40 years (p. 62-63)



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## **Capital Metropolitan Transportation Authority & Endeavor Real Estate Group**

### **C. Affordability Standards**

To be eligible for the development exemptions and height allowance in Subsection B above, habitable space equal to a minimum of twenty-five percent of the entire square footage of the development shall be reserved as affordable according to the following:

1. The applicant/property owner shall be responsible for providing habitable space equal to 15% percent of the entire square footage of the development, with the option to provide additional affordable square footage.

#### **b. Affordability Requirements for Rental Units**

- (i) Habitable space equal to twenty-five percent of the bonus area square footage of the development shall be reserved as affordable, for a minimum of 40 years following the issuance of the certificate of occupancy, for rental by households earning no more than 50 percent of the Annual Median Family Income
- (ii) The applicant/property owner shall be responsible for providing habitable space equal to 15% of the entire square footage of the development at the affordability levels established in i. above. As described in Subsection C.2 above, the City of Austin shall fund, subject to funding availability, the provision of the remaining affordable square footage in order to achieve 25% affordability over the entire development. The City may elect to subsidize residential units in the building(s) for rental purposes in any amount and at any level of affordability pursuant to criteria and procedures established by the Director of NHCD.

### **C. City of Austin Neighborhood Housing and Community Development Department Vision**

The City of Austin's Neighborhood Housing and Community Development Department has commissioned several reports on affordability needs in Austin including the Comprehensive Housing Market Study (2014), the Analysis of Impediments to Fair Housing (2015) and the 2015-2016 Housing Action Plan. Each of these documents supports the City's adopted Affordable Housing Core Values of Deeper Affordability, Longer Affordability and Geographic Dispersion. These goals are the same as those outlined by the community in the SAP.

# **Affordable Housing Proposal - Plaza Saltillo Development**

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## **Capital Metropolitan Transportation Authority & Endeavor Real Estate Group**



### **Affordable Housing Proposal Meets SAP and NHCD Affordability Goals:**

- Affordable proposal housing allows:
  - Increase in total number of multifamily units by requesting height increase (supply and demand – more units on the ground);
  - Floating units and location of the development in a TOD support geographic dispersion;
    - Floating units assure the same finishes and amenities as the market rate units
  - Mixed affordability levels provides greater economic diversity, which has social benefits for all tenants in the development and benefits transit ridership;
  - Applicant will allow housing vouchers for affordable units;
  - 141 units of affordable housing close to the Central Business District; and
  - Zero residents will be displaced by this 11 acre development.

### **D. Additional Community Benefits:**

#### **Design:**

- Torti-Gallas has national TOD experience with over 70 projects completed in 36 cities containing over 160,000 people living & working
- Michael Hsu local design architect
- Adaptive reuse of historic Texaco Depot buildings on site

#### **Connectivity:**

- Greatly enhanced connection to the existing rail stop and surrounding neighborhood
- Public park space highlighting water quality and fitness
- Two public paseos (non-vehicular streets) improving north-south connectivity within the neighborhood

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## **Capital Metropolitan Transportation Authority & Endeavor Real Estate Group**

- San Marcos (vehicular street) constructed north-south through the site with enhanced sidewalks and water quality
- Lance Armstrong Bikeway from IH-35 to rail stop (6 blocks) and B-Cycle station(s)
- Sidewalk along north side of 4th Street, Medina, and Navasota
- Work with public and private stakeholders to enhance connection beneath IH-35 through landscaping, lighting and art
- Improved streetscape along 5<sup>th</sup> Street

### **Environmental:**

- Austin Energy Green Building Program (residential) / LEED (office)
- Brownfield redevelopment - cleaning existing pollutants via TCEQ VCP
- Street trees and landscaping along 5th Street, 4th Street/Lance Armstrong Bikeway, San Marcos, Waller Street, and Paseos
- Innovative water quality and/or conservation for public and private water
- 1.8 acres of on-site public open space provided plus fee paid to Parks Department that will be recycled into public improvements within the development