

**South Central Waterfront Advisory Board Meeting  
October 18, 2021**

**Item 3.b. Questions from Community Development Commission (CDC) on Achieving South Central Waterfront Affordable Housing Goals**

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**Sent:** Monday, September 20, 2021 4:02 PM

**Subject:** South Central Waterfront affordability questions

Attached are questions about the reaching SCW affordability goal. I hope that these questions will help drill into the issues involved in assuring that we meet our affordability goal for the South Central Waterfront.

I ask that these questions be forwarded to the SCWAB in advance of tonight's meeting with the hope that they can be discussed in October.

—Karen Paup

Karen Paup  
Boards and Commissions

**South Central Waterfront Housing Affordability Questions**

The South Central Waterfront Plan (SCW) envisions the most advanced urban development with sustainable infrastructure, vibrant public space, and inhabitants representative of our diverse city. To achieve diversity, the plan sets a general goal that 20% of residential units be affordable. Yet, while aspects of the plan specify requirements as precise as how much to mulch around trees, how the 20% affordability goal will be achieved contains no specificity. Without details, housing affordability, arguably Austin's most pressing problem, simply will not be achieved.

As we finalize the regulating plan, it is critical to adopt specifics for fulfilling the affordability goal. These questions are intended to open the door to how we will truly include affordability.

**What are the projections for TIRZ funds to cover affordability within the district?**

**Why should developers of property with a V overlay be subsidized to provide housing at affordability levels already required by the Land Development Code (LDC)?**

A substantial amount of property in the district already has VMU affordability incentives in place now. One VMU requirement is that 10% of residential rental units in a development be affordable at or below 60% MFI with no subsidy. Yet, SCW documents indicate that developers would receive subsidies to include affordable housing in most multi-family development. Nearby on S Lamar, as well as in other parts of Austin, developers have used VMU to add

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thousands of units of housing, including hundreds of units of housing affordable at or below 60% MFI to our housing stock at no cost to the taxpayers. Additional subsidies should increase the number of affordable units and lower the rent, not duplicate existing subsidies.

**Are we getting the right mix of incentives and benefits?**

When the City adopted VMU, the formulas came from a collaborative approach in which developers, affordability advocates, and city staff worked together using actual Austin development figures under a residual land value model. In designing incentives and benefits for SCW (and the Land Development Code), the City's consultant, ECO Northwest, also used a residual land value model. But, in the draft Land Development Code, the consultant cut the value of incentives to reduce affordability by half. The SCW Advisory Board has not been able to see enough of the model to determine if it similarly discounts the value of SCW incentives. The SCWAB should be permitted to review the consultant's entire model, just as the public was able to review the LDC formula.

**Can incentives and subsidies mix?**

It has been suggested that some projects get both incentives and subsidies. The former Sunnymeade apartments, at 501 E Oltorf near the Oltorf HEB, are an example of a failed attempt to combine incentives and subsidies. The City offered the developer a subsidy to increase affordability, but the developer would not agree to the City's contractual terms. In the end, the developer kept the increased entitlements without providing any affordable housing. We must not repeat this mistake. Here is what we should ask for to prevent this from happening. Staff should clearly state the process for minimizing or leveraging more housing affordability from public dollars going into a project that receives increased entitlements due to taking an incentive. Certainly, there are best practices for this, which staff should bring before the SCWAB.

**How can the plan comply with the City's legal obligations to "Affirmatively Further Fair Housing" under the 1968 Civil Rights Act?**

The draft regulating plan at F.2.a. sets affordability for homeowners at or below 120% MFI and F.3.a. for renters at 80% MFI if affordable units are within the district. However, if affordable units are outside the district, F.1.c.ii.3.a. homeownership units must be affordable at or below 80% MFI and rental at or below 60% MFI. These two levels of affordability mean that through public action, less housing will be affordable to low- and moderate-income households within the district than outside it. People of color and people with disabilities (members of classes protected under the Civil Rights Act of 1968) tend to be lower-income tenants. The plan as proposed fails to support the civil rights requirements.

**How can we set aside land in the district to meet the affordability goal?**

It appears that the 20% affordable housing goal is principally to be met using fees in lieu. Among several shortcomings of a fee in lieu scheme is the lengthy lag between when the fee is paid and when affordable housing development occurs. For example, by the time a developer

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pays a fee in lieu, a project is well on its way with site control and specific development plans. Development using the fee starts with no specifics to actually get the affordable housing developed. Market incentives (profit) drive unaffordable development rapidly forward. The development of affordable housing, which returns lower profit, lags behind. As time goes by, affordable housing development in the district is forced to play catch up, attempting to line up affordable projects on a shrinking number of sites, often resulting in higher costs occasioned by inflation from delays and forcing affordable housing to be less desirable and more expensive to build. The regulating plan should set aside specific sites for affordable units.

**In PUD applications, why wouldn't we start defining superiority where other City housing affordability bonus programs start: with a minimum of 10% housing units affordable at or below 60% MFI?** The PUD ordinance requires superior community benefits. A current PUD application proposes to offer only 4.5% affordable housing units.

F.1.c.i.1 describes how the fees in lieu of affordable housing would be calculated. Can staff provide an example?

Will affordable units be operated under the RHDA / OHDA requirements? Do RHDA / OHDA requirements needed stated in the regulating plan?