

## Downtown Density Bonus Program Affordable Housing In-Lieu Fee Calibration

This document provides a set of draft Affordable Housing In-Lieu fees for the Downtown Density Bonus Program (DDBP) for the purpose of discussion with stakeholders.

The draft fees were calibrated by Housing and Planning Department staff using an excel-based calibration tool created by economic consultants, EcoNorthwest, in 2020. The calibration model is available for public download on the City of Austin’s Developer Incentives website: [austintexas.gov/page/development-incentives-and-agreements](https://austintexas.gov/page/development-incentives-and-agreements). The list of City of Austin data inputs is attached to this document.

The research and analysis completed by Housing and Planning Department staff to calibrate the fees involved tuning the model to the zoning parameters of the current Land Development Code, updating the Affordable Housing Policy inputs, and testing a range of market scenarios. The range of fees described in the table represents the options under consideration by City of Austin staff.

Based on the calibration and research performed by City of Austin staff, in-lieu fees for residential development could be higher than the interim fees adopted in May 2021. The calibration and research performed for in-lieu fees for commercial development is nuanced. Modeling based on current market conditions suggest that new commercial development would not be economically feasible downtown with or without a DDBP affordable housing in-lieu fee. However, instead of recommending a \$0 in-lieu fee for commercial development, staff believe that a lower fee could be viable if and when market conditions change to be more favorable for the construction of commercial development.

Future recalibration of these fees is assumed, although the cadence is not yet determined. [Ordinance No. 20210520-009](#) was approved by Council in May of 2021 and adopted the interim in-lieu fees effective now for the DDBP and also moved these fees to the Housing and Planning Department’s Fee Schedule to allow for more effective and timely updating.

Base Zoning or District	2021 Interim Fees		Draft 2021 Staff Recommendations	
	Residential	Commercial	Residential	Commercial
CBD	\$12	\$18	\$12 to \$18	\$3 to \$18
All other base zones	\$10	\$12	\$10 to \$18	\$3 to \$12
Rainey (all base zones)	\$5	\$12	\$5 to \$18	\$5 to \$12

For more information, please contact Sam Tedford ([sam.tedford@austintexas.gov](mailto:sam.tedford@austintexas.gov)).

# Downtown Density Bonus Program Fee Calibration Data Sheet

## Calibration Inputs

Date: 08/13/2021

		2021 inputs			
	Metric	Downtown Value	Rainey Value	Notes	Sources
<b>Affordable Housing Community Benefit Policy</b>	HUD Median Family Income	\$98,900		4 person household	<a href="#">Source: 2021 HUD MFI for Austin-Round Rock MSA</a>
	On-site requirement in first bonus	n/a	5%	on-site formula: 10 bonus square foot per 1 affordable	LDC 25-2-586; LDC 25-2739
	Target depth of affordability required in first bonus - Rental	80%		% of MFI	LDC 25-2-586; LDC 25-2740
	Target depth of affordability required in first bonus - For	120%	80%	% of MFI	LDC 25-2-586; LDC 25-2741
	On-site provision in second bonus	n/a	0%	on-site formula: 10 bonus square foot per 1 affordable square foot	LDC 25-2-586; LDC 25-2742
	Target depth of affordability required in second bonus - Rental	n/a	80%	% of MFI	LDC 25-2-586; LDC 25-2743
	Target depth of affordability required in second bonus - For Sale	n/a	120%	% of MFI	LDC 25-2-586; LDC 25-2743
<b>Affordable Rents</b>	Affordable Rent (Studio) - 80% MFI	\$1,385		monthly rent limit	<a href="#">Source: City of Austin</a>
	Affordable Rent (1 Bedroom) - 80% MFI	\$1,385		monthly rent limit	<a href="#">Source: City of Austin</a>
	Affordable Rent (2 Bedroom) - 80% MFI	\$1,582		monthly rent limit	<a href="#">Source: City of Austin</a>
	Affordable Rent (3 Bedroom) - 80% MFI	\$1,780		monthly rent limit	<a href="#">Source: City of Austin</a>
<b>Affordable Sales Prices</b>	Maximum Sales Price (Studio) - 80% MFI	\$211,400		maximum sale price	<a href="#">Source: City of Austin</a>
	Maximum Sales Price (1 Bedroom) - 80% MFI	\$211,400		maximum sale price	<a href="#">Source: City of Austin</a>
	Maximum Sales Price (2 Bedroom) - 80% MFI	\$249,400		maximum sale price	<a href="#">Source: City of Austin</a>
	Maximum Sales Price (3 Bedroom) - 80% MFI	\$285,320		maximum sale price	<a href="#">Source: City of Austin</a>
	Maximum Sales Price (Studio) - 120% MFI	\$338,900		maximum sale price	<a href="#">Source: City of Austin</a>
	Maximum Sales Price (1 Bedroom) - 120% MFI	\$338,900		maximum sale price	<a href="#">Source: City of Austin</a>
	Maximum Sales Price (2 Bedroom) - 120% MFI	\$394,700		maximum sale price	<a href="#">Source: City of Austin</a>
	Maximum Sales Price (3 Bedroom) - 120% MFI	\$448,700		maximum sale price	<a href="#">Source: City of Austin</a>

		2021 inputs		Notes	Sources
		Downtown Value	Rainey Value		
<b>Market Metrics</b>	Multifamily rent (studio)	\$3.50		rent per square foot per month	CoStar, RECA, developer data
	Multifamily rent (1-bedroom)	\$3.20		rent per square foot per month	CoStar, RECA, developer data
	Multifamily rent (2-bedroom)	\$3.20		rent per square foot per month	CoStar, RECA, developer data
	Multifamily rent (3-bedroom)	\$3.85		rent per square foot per month	CoStar, RECA, developer data
	Multifamily Sales Price (Studio)	\$750		sales price per square foot	CoStar, RECA, developer data
	Multifamily Sales Price (1-	\$750		sales price per square foot	CoStar, RECA, developer data
	Multifamily Sales Price (2-	\$800		sales price per square foot	CoStar, RECA, developer data
	Multifamily Sales Price (3-	\$930		sales price per square foot	CoStar, RECA, developer data
	Multifamily Vacancy Rate (%)	5%		percent of revenue	CoStar, RECA, developer data
	Office Vacancy Rate (%)	8%		percent of revenue	CoStar, RECA, developer data
	Office Market Rent (\$ / sq ft / yr)	\$60		triple net rent per square foot per year	CoStar, RECA, developer data
	Retail Vacancy (%)	5%		percent of revenue	CoStar, RECA, developer data
	Retail Market Rent (\$ / sq ft / yr)	\$40		NNN rent per square foot per year	CoStar, RECA, developer data
HOA fee (\$/sq ft/month)	\$1.00	\$1.25	dollar per sq ft per month	RECA	
<b>Residential Unit Mix</b>	Percent studios (rental)	10%	15%		RECA, developer data
	Percent one bedroom (rental)	54%	55%		RECA, developer data
	Percent two bedroom (rental)	32%	27%		RECA, developer data
	Percent three bedroom (rental)	4%	3%		RECA, developer data
	Average leasable square feet of studios (rental)	550			RECA, developer data
	Average leasable square feet of 1b (rental)	800	765		RECA, developer data
	Average leasable square feet of 2b (rental)	1350	1200		RECA, developer data
	Average leasable square feet of 3b (rental)	1900	1831		RECA, developer data
	Percent studios (for sale)	3%	0%		RECA, developer data
	Percent one bedroom (for sale)	38%	50%		RECA, developer data
	Percent two bedroom (for sale)	47%	40%		RECA, developer data
	Percent three bedroom (for sale)	12%	10%		RECA, developer data
	Average marketable square feet of studios (for sale)	524			RECA, developer data
	Average marketable square feet of 1b (for sale)	800	900		RECA, developer data
	Average marketable square feet of 2b (for sale)	1300			RECA, developer data
	Average marketable square feet of 3b (for sale)	2000	1900		RECA, developer data

		2021 inputs			
	Metric	Downtown Value	Rainey Value	Notes	Sources
Parking	Residential Parking Demand - Ratio of parking stalls per unit	1			CoStar, RECA, development data
	Residential Parking Demand - Ratio of parking stalls per unit	1.5			CoStar, RECA, development data
	Office Parking Demand - parking ratio	2.0		stalls per 1,000 gross sq ft	CoStar, RECA, development data
	Parking Lease Rate - Rental Residential (\$/stall/month)	\$125	\$75		CoStar, RECA, development data
	Parking Lease Vacancy - Rental Residential (%)	10%		percent of revenue	CoStar, RECA, development data
	Parking Lease Rate - Office (\$/stall/month)	\$200			CoStar, RECA, development data
	Parking Lease Vacancy - Office (%)	5%		percent of revenue	CoStar, RECA, development data
Parking Hard Costs	Surface parking (\$/stall)	\$7,000			RECA, development data
	Wrapped deck parking (\$/stall)	\$25,000			RECA, development data
	Podium parking (\$/stall)	\$40,000			RECA, development data
	Integrated deck (\$/stall)	\$40,000			RECA, development data
	Underground parking (\$/stall)	\$60,000			RECA, development data
Construction Hard Costs	Warm Shell Ground Floor	\$175		excluding parking costs	RECA, development data
	Low-rise residential deck	\$210		excluding parking costs	RECA, development data
	Lobby construction costs (\$/SF)	\$200		excluding parking costs	RECA, development data
	Wood siding wood frame 2/3 story residential - walkup (\$/sq ft)	\$165		excluding parking costs	RECA, development data
	Wood siding wood frame 3/4 story residential - elevator	\$180		excluding parking costs	RECA, development data
	Urban wood frame 4/5 story residential - elevator (\$/sq ft)	\$205		excluding parking costs	RECA, development data
	Low-rise wood frame on	\$215		excluding parking costs	RECA, development data
	High-rise residential (\$/SF)	\$325		excluding parking costs	RECA, development data
	Low-rise office building (\$/SF)	\$215		excluding parking costs	RECA, development data
	Midrise office building (\$/SF)	\$215		excluding parking costs	RECA, development data
	Concrete office tower (\$/SF)	\$250		excluding parking costs	RECA, development data
	Office T.I. allowance (\$/sq ft)	\$75			RECA, development data
Cost premium of for-sale housing (% greater than for-rent)	15%			RECA, development data	

		2021 inputs			
Metric		Downtown Value	Rainey Value	Notes	Sources
<b>Operating and Development Costs</b>	Residential Operating Cost (%)	45%		percent of rent	Costar, RECA
	Vacant Office Operating Cost (% of vacant NNN rent loss)	40%		percent of vacant triple-net loss	Costar, RECA
	Office Operating Cost (% of rent)	35%		percent of rent	Costar, RECA
	Retail Operating Cost (% of rent)	40%		percent of rent	Costar, RECA
	Hard Cost Contingency (% of other hard cost)	5%		percent of other hard costs	Costar, RECA
	Soft Costs (% of hard costs)	25%		percent of hard costs	Costar, RECA
	Developer Fee (% of hard +	4%		percent of hard + soft costs	Costar, RECA
	Sales Costs Including Commission (% of sales price)	7%		percent of sales price	Costar, RECA
<b>Investment Metrics</b>	CAP Rate - Residential rental (%)	4.5%			Costar, RECA
	CAP Rate - Office (%)	5.50%			Costar, RECA
	CAP Rate - Retail (%)	6.50%			Costar, RECA
	Return on Cost Threshold (%) - Commercial and multifamily rental	20%			Costar, RECA
	Return on Cost Threshold - Residential for-sale (%)	35%			Costar, RECA
<b>Street Impact Fees</b>	Residential Impact Fee (\$/unit)	\$884			Ordinance No. 20201210-061 and 062
	Office Impact Fee (\$/gross sq ft)	\$5.19			Ordinance No. 20201210-061 and 062
	Retail Impact Fee (\$/gross sq ft)	\$18.27			Ordinance No. 20201210-061 and 062