

May 26, 2026

Re: Downtown Density Bonus Program

Dear Mayor, Mayor Pro-Tem, City Council Members, and Staff,

The Urban Land Institute (ULI) is a member-driven organization focused on shaping the future of the built environment for transformative impact in communities worldwide. The organization facilitates the open exchange of ideas, information, and experience among local, national, and international industry leaders and policy makers who are dedicated to creating better outcomes for the built environment. ULI has long been recognized as one of the world's most respected and widely quoted sources of objective information on urban planning, growth, and development. ULI does not lobby for specific policy positions or voting outcomes; rather, we provide fact-based research, education, and publishing while voicing concerns and offering recommendations.

The Urban Land Institute's Austin District Council was established in 1994 as a platform for real estate professionals from across Central Texas to exchange ideas and best practices to serve community needs. ULI Austin has several Strategic Councils that convene public, private, and non-profit entities to analyze and advise on local issues. The Affordability Strategic Council focuses specifically on defining and measuring issues affecting affordability in Central Texas, including housing.

Austin City Council will soon consider revisions to the Downtown Density Bonus (DDB) Program, which has the potential to significantly impact the production of housing—particularly Affordable and attainable housing—in downtown Austin. The City of Austin has set ambitious goals for increasing housing availability, especially affordable housing, through the Strategic Housing Blueprint. If the DDB program as proposed is not utilized by developers, the City's affordability goals are at risk of not being met. To that end, ULI Austin's Affordability Strategic Council would like City Council to consider the following observations and recommendations that provide a technical perspective on how the proposed program may or may not advance the City's housing goals.

Downtown Density and Housing

Before turning to specific recommendations about the DDB Program as proposed, the Affordability Strategic Council encourages the City to revisit the underlying rationale of the DDB Program. Downtowns are the best locations for density because they naturally concentrate jobs, housing, and infrastructure. By locating housing in the urban core, cities can maximize public transit usage, support walkable "live/work/play" environments, and combat suburban sprawl. Additional developments of all types downtown also bring in more property tax funds to the City. Metering growth in downtown Austin through layered guardrails could unintentionally limit downtown's housing and economic potential. Ideally, the collection of funds for affordable housing would not interfere with the ability to unleash downtown's capacity to produce new developments. Therefore, we recommend identifying other funding mechanisms for affordable housing, specifically:

Explore a tax increment finance tool tied to bonus square footage to establish an evergreen affordability fund.

Local stakeholders have suggested that the City could establish a tax-increment-style finance tool tied to bonus square footage above base entitlements. Under this approach, a portion of the incremental property tax

revenue generated by entitled square footage above the base would be captured by a dedicated affordable housing fund, rather than collected solely as a one-time density bonus payment at the time of permitting. An evergreen, annually replenishing fund of this type would generate a more predictable, long-term source of capital for affordable housing—growing with the assessed value of new development rather than expiring with the project’s permit fees—and would also reduce the upfront cost burden on individual developments, which can limit development potential. *We recommend that the City evaluate a tax increment finance mechanism applied to bonus square footage above base entitlements as a complement to, or partial replacement for, one-time density bonus payments, with the goal of establishing a sustainable, evergreen fund dedicated to affordable housing.*

Maximizing DDB Impact on Housing

If a DDB Program is utilized as a fee generator for housing, we provide the following recommendations to maximize the impact on housing production—both market and affordable:

- ***Height thresholds and cliff limit the program’s housing potential.*** With less available sites downtown and those available being smaller and expensive, taller buildings will continue to be needed to make projects financially feasible. The DDB current administrative review thresholds of 400’ and 850’ where rezoning is required, may be a deterrent to development. Increasing these tiers, with more density achievable by-right or administratively, could increase downtown’s housing and economic capacity. Also, the current fee schedule creates a cliff at 750’, where the bonus fee jumps from \$10 to \$12 per foot. This increase in fee incentivizes developers to top out below the threshold rather than build taller and produce more units. *We recommend increasing the DDB administrative tiers and reducing the fee per foot as building height increases above the administrative tiers.*
- ***The density bonus fee impact is maximized when used to support housing in or near downtown or along transit lines that bring people downtown.*** Locating affordable homes near urban cores and frequent transit corridors lowers the combined housing and transportation costs for low-to-moderate-income families. To realize the largest effect on affordability, the fees generated by the DDB program would need to be deployed to facilitate the construction of housing in or near downtown, where the fees were generated, or on transit corridors. *We recommend dedicating all fees collected through the DDB program to producing affordable housing within or near downtown or along downtown serving transit corridors.*

DDB Calibration

Calibration of any DDB program is crucial for the success of the program. Density bonus programs that are correctly calibrated have been demonstrated to produce affordable units at scale while over-complication tends to depress participation and produce fewer affordable units. Austin’s DDB program is, in its current form, an unusually complicated bonus program and any changes to the program need to go through various calibration iterations to achieve high utilization and related affordable housing goals. Along with careful calibration, we offer the following considerations:

- ***Gatekeeper requirements have not been fully calibrated into density bonus economics.*** Including gatekeeper requirements such as Great Streets standards, design guidelines and related provisions is

necessary to fully gauge likely utilization given all those costs will be considered as part of economic modeling for proposed developments and participation in a density bonus program. Great Streets is currently being reformed without a clear cost estimate, and design guidelines are being revised without a parallel cost analysis. *We recommend slowing the design-requirements track to include a cost implication analysis and calibrating gatekeeper costs into the density bonus program.*

- ***Recent changes to the affordability structure have reduced program utilization.*** Recent revisions to affordability programs have converted on-site obligations into a fee structure and deepened the affordability requirements including lowering the target income levels. Together, these changes have made the program less viable for on-site units. *We recommend revisiting the required level of affordability and associated fees during calibration to balance depth of affordability with feasibility of participation, drawing on the calibration approaches used in the VMU and VMU2 programs.*

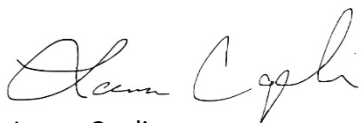
Beyond Housing

Although focused on housing affordability, the DDB program Chapter 4-18 affects commercial affordability as well. While protecting iconic and small businesses is important for maintaining Austin's cultural identity, the current proposed language may affect the vibrancy of downtown.

Chapter 4-18 redevelopment requirements risk accelerating the displacement they are intended to prevent. As written, applying Chapter 4-18 requirements to commercial properties could induce early lease terminations or long-term vacancies as owners reposition properties to avoid trigger conditions, which would produce outcomes counter to the program's stated intent. *We recommend reconsidering the application of Chapter 4-18 redevelopment requirements to commercial buildings within the DDB program.*

In summary, we are encouraged that City Council is considering how downtown development can increase city affordability by revisiting the Downtown Density Bonus Program but believe that incorporating the above considerations and recommendations would better advance the Strategic Housing Blueprint's goals and expand the housing and economic capacity of downtown Austin. Thank you in advance for your consideration of these suggestions, and for your leadership on this important issue. Please contact Paulette Gibbins, Executive Director of ULI Austin, with any questions.

Thank you,



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