

**CITY OF SAN ANTONIO  
INTERDEPARTMENTAL MEMORANDUM**

**DEPARTMENT OF HOUSING & COMMUNITY DEVELOPMENT**

**TO:** Mayor and City Council

**THROUGH:** Terry M. Brechtel, City Manager

**FROM:** Andrew W. Cameron, Director, Housing & Community Development

**COPIES:** Jelynn LeBlanc Burley; File

**SUBJECT:** Review and approval of new SAWS Water & Sewer Impact Fee Waiver Policies

**DATE:** May 28, 2004

**Summary And Recommendation:**

The purpose of this memorandum is to propose policy revisions to the Impact Fee Waiver Policy. This memorandum will present the current policy justification, process, program history, and a list of proposed new policies.

Staff recommends adoption of the new policy proposals and inclusion in the Development Scorecard.

**Background Information:**

**Policy Justification**

The Urban Affairs Council Committee reviews and approves San Antonio Water Systems Impact Fee Waivers and Rebate requests pursuant to City Ordinance 81974, passed April 3, 1995. The policy purpose of the current ordinance is to track City Council priorities for the development of affordable housing, both single-family and multifamily, within the boundaries of Loop 410.

**Water and Sewer Impact Fees are fees assessed by SAWS to recoup costs associated with providing capital infrastructure to new clients rather than having existing ratepayers pay for expanding infrastructure capacity.** Currently, Water and Sewer Impact Fees amount to approximately \$1,200.00 per average single-family unit and \$500.00 per multifamily unit. Waiving or rebating these costs for eligible housing developments reduces the sales price proportionately.

### Current Process

Current policy allows for waivers on Not-for-profit housing providers and rebates for For-profit housing providers. This results in Not-for-profits getting their fees waived up-front and For-profits receiving a rebate following conveyance of the home at or below the affordability threshold, currently set at \$89,000.00.

Applications for waivers and rebates are obtained from the City's Housing & Community Development Department and this department is responsible for reviewing, processing, and forwarding the requests to the Urban Affairs Council Committee for consideration and action.

For an application to receive consideration by staff and the Urban Affairs Council Committee it must meet the following criteria:

1. Sales price may not exceed the City Council maximum, currently set at \$89,000.00, for single-family homes and affordable rents must be offered to clients at 80% or below of Area Median Income for Multifamily rental projects.
2. Project must be located within Loop 410.
3. All financing must be secured.
4. The applicant must have contacted SAWS for an estimate of fees or have a receipt for fees previously paid.

Per the policy approved by Ordinance 81974, applicants for Water and Sewer Impact Fee Waivers/Rebates who meet all conditions are then forwarded to the Urban Affairs Council Committee for review and approval. Following UAC action, City staff notifies the San Antonio Water System of all approved waivers and rebates.

Applicants who do not meet all the necessary criteria are not eligible for waivers or rebates under Ordinance 81974 and therefore cannot be approved by the Urban Affairs Council Committee. In many of these cases applicants appeal directly to City Council for relief through the Council Consideration Request Process.

### Program History

1,020 single-family homes and 1,703 apartment units have been afforded waivers or rebates since the inception of Ordinance No. 81974 in March of 1995. Total fees waived or rebated to-date are \$1,779,220.36. (See Table 1)

**Table 1 Impact Fee Waiver and Rebate Requests pursuant to Ordinance No. 81974**

	<b>Year</b>	<b>Requests</b>	<b>Single vs. Multifamily</b>	<b>Amount</b>
TOTAL	1995	1/1*	0SF/82MF	\$17,483.00
TOTAL	1996	7/5	163SF/86MF	\$76,439.33
TOTAL	1997	9/6	266SF/212MF	\$189,121.50
TOTAL	1998	2/0	5SF/68MF	\$24,545.50
TOTAL	1999	4/2	156SF/51MF	\$151,098.00
TOTAL	2000	2/4	146SF/18MF	\$107,620.00
TOTAL	2001	4/1	40SF/0MF	\$50,282.75
TOTAL	2002	6/10	39SF/218MF	\$205,036.00
TOTAL	2003	12/13	179SF/720MF	\$781,871.40
TO DATE	2004	2/1	26SF/248MF	\$175,722.88
<b>TOTAL</b>	<b>1995-2004</b>	<b>49/44</b>	<b>1020SF/1703MF</b>	<b>\$1,779,220.36</b>

\* Number of Waivers/Rebates

In addition to the waivers and rebates granted under Ordinance No. 81974, City Council has granted four San Antonio Housing Authority requests and one Non-profit request for waiver of impact fees totaling \$1,331,664.80. These five requests were processed through Council Consideration Requests. The five requests leveraged the production of 1,274 multifamily units and 519 single-family homes. (See Table 2, below)

**Table 2 Council Consideration Requests**

<b>Project</b>	<b>Units</b>	<b>Total Fees</b>	<b>Council</b>
SAHA Mirasol HOPE VI	258SF/370MF	\$587,798.00	11/19/99
SAHA Springview HOPE VI	261SF/282MF	\$358,034.00	11/19/99
SAHA O'Conner Road Elderly	0SF/150MF	\$119,350.00	3/28/02
SAHA Crown Meadows	0SF/192MF	\$163,856.40	9/25/03
Commonwealth Housing Corp.	0SF/280MF	\$102,626.40	9/25/03
<b>TOTAL</b>	<b>519SF/1274MF</b>	<b>\$1,331,664.80</b>	

The combined totals for both programmatically approved waivers/rebates and City Council Consideration requests are found in Table 3, below. Considered as a whole, a total of \$3,110,885.16 in SAWS Water and Sewer Impact Fees have been waived or rebated since 1995. The waivers/rebates leveraged the construction of 1,539 Single-family homes and 2,977 affordable rate apartments. The average waiver across time and unit type is \$688.86.

**Table 3 Aggregate of Impact Fees Waived/Rebated 1995 to Present**

	<b>Year</b>	<b>Requests</b>	<b>Single vs. Multifamily</b>	<b>Amount</b>
TOTAL	1995	1/1/0*	0SF/82MF	\$17,483.00
TOTAL	1996	7/5/0	163SF/86MF	\$76,439.33
TOTAL	1997	9/6/0	266SF/212MF	\$189,121.50
TOTAL	1998	2/0/0	5SF/68MF	\$24,545.50
TOTAL	1999	4/2/2	675SF/803MF	\$1,096,930.00
TOTAL	2000	2/4/0	146SF/18MF	\$107,620.00
TOTAL	2001	4/1/0	40SF/0MF	\$50,282.75
TOTAL	2002	6/10/1	39SF/368MF	\$324,386.00
TOTAL	2003	12/13/2	179SF/1202MF	\$1,048,353.80
TO DATE	2004	2/1/0	26SF/248MF	\$175,722.88
<b>TOTAL</b>	<b>1995-2004</b>	<b>54/44</b>	<b>1539SF/2977MF</b>	<b>\$3,110,885.16</b>

\* Number of Waivers/Rebates/Council Consideration Requests

## **POLICY ANALYSIS**

Under the current policy adopted in 1995 a total of 2,723 dwelling units have been created within the Loop 410 target area.

Program beneficiaries can be broken into three main categories, Private For-Profit Developers, Non-Profit Developers, and Public Agencies. (See Table 4, below)

**Table 4 Percentage of Benefit by Developer Type**

<b>Applicant</b>	<b>Type &amp; Number of</b>	<b>Units</b>	<b>Amount</b>	<b>Percentage</b>
For-Profit	25 Rebate Requests	151SF/48MF	\$75,623.00	4%
Non-Profit	32 Waiver/15 Rebate	659SF/672MF	\$1,004,769.43	57%
Public Agencies	17 Waivers/4 Rebate	194SF/983MF	\$698,827.93	39%
<b>TOTALS</b>	<b>49 Waivers &amp; 44 Rebates</b>	<b>1020SF/1703MF</b>	<b>\$1,779,220.36</b>	<b>100%</b>

The proposed new policies are as follows:

Proposal 1: Revise the geographic criteria for affordable housing by expanding the area to include outside Loop 410 and north of Highway 90; a second geographic area for affordable housing will include any affordable residential construction within the South Side Initiative area.

When the impact fee program was initiated by City Council in 1995 the focus was to incentivize the development of affordable housing where it was most needed at that time. The decision in 1995 to focus the program benefit inside Loop 410 was predicated upon the adopted Master Plan. By targeting the area inside Loop 410 the current policy incentivized nearly 2,500 affordable dwelling units. Since 1995 there has been a shift in need for affordable housing from the original target area, inside Loop 410, to areas outside Loop 410 to the north, west, and east sides of the City, and within the South Side Initiative area. Maps of the current and proposed areas are attached for comparison and review. This shift in geographical area supports the policy recommendations outlined in the CRAG I, CRAG II, and Housing Master Plan reports.

**Under this proposal, projects located over the Edwards Aquifer Recharge Zone would not be eligible for an impact fee waiver. Furthermore, any project seeking an impact fee waiver that is located on the Edwards Aquifer Contributing Zone would need to obtain approval by City Council with at least 8 votes supporting the waiver. This provision reflects restrictions adopted by City Council in 2004 and reflected in the Tax Phase-In and Tax Increment Financing guidelines.**

Proposal 2: Provide Incentives for market rate housing constructed inside the Central Business District, in the area south of downtown to Loop 410 bordered to the west by I-35 and to the east by I-37, and within the Southside Initiative area.

City staff is also proposing incentivizing the development of market rate housing in the central business district south to South Side Initiative area. This is consistent with the Council priorities of creating market rate housing (housing units with a sales price above the affordable housing limit approved by City Council, currently \$89,000) in these areas to create a viable mixed income community within the downtown south to the South Side Initiative area. The idea is to create further incentives where none currently exist and avoid creating incentives where they are not needed.

Proposal 3: Cap the maximum annual total program benefit at \$1,000,000

Capping the program benefit at \$1,000,000 allows both City staff and San Antonio Water systems staff to plan and budget accordingly. Currently there is no maximum benefit and this places SAWS in the position of having no standard for expectation of loss of fee revenue in a given year.

Proposal 4: Cap the maximum benefit per project at \$100,000

Capping the maximum benefit per project at \$100,000 prevents any single large project from obtaining a disproportionate amount of the available benefit in a given year. A “project” is defined as a single platted development geographically and economically tied to a specific site – a subdivision, a multi-family apartment project, or a large mixed-use commercial and residential phased project such as Victoria Courts.

Proposal 5: Limit award of the waiver to site-built residential construction

Limiting award to traditional permanent foundation residential construction is in keeping with City Council prerogatives regarding long-term value and quality of new home construction within the City limits. Modular homes and mobile home construction will not be eligible for award of waivers.

Option 1: Streamline the Impact Fee Waiver/Rebate Program by providing for administrative review and approval through the Incentive Scorecard System, instead of the approval by Council Committee.

As the impact fee waiver and rebate program is specifically designed as an incentive for Council priority developments, it is appropriate for it to be included in the Incentive Scorecard System as

a streamlined incentive program. The waiver/rebate program is tied to specific fixed criteria it lends itself to the scorecard application and will prevent the need to place many of these same requests on the Council Committee agendas. Housing & Community Development staff have worked with Economic Development staff on the transition and inclusion of the new proposed policies in the Incentive Scorecard.

Option 1 would create an incentive/benefit based on the total score generated from the Incentive Scorecard coupled with the geographic criteria of the new policy.

Integration of the Impact Fee Waivers was coordinated in conjunction with the Economic Development Department as part of the Incentive Scorecard system.

The point thresholds for award are proposed to be:

- 45 for Non-profit affordable housing providers
- 60 for For-Profit market and affordable housing providers

Further, all non-profit applications and all for-profit market rate housing applications will be eligible for waivers. For-profit *affordable* housing will be eligible for a future rebate of impact fees following documentation of sales price.

For an applicant to receive a waiver they must achieve the appropriate thresholds above, and be within the applicable geographic boundaries of the policy, i.e., a non-profit affordable housing project must have a score of 45 or above AND be within the boundaries of the affordable area. A market-rate project scoring above a 60 but not in the market rate geographic area would not receive a waiver or rebate of fees.

Applicants meeting the scoring and geographic criteria would enter into a development agreement/contract with the City, through the Economic Development Department, that will clearly delineate the City's expectations of the applicant for the benefit received. Further, enforcement provisions will be included in the contract to ensure compliance on the part of the City and applicant; that the City will provide the waiver and the applicant will provide the promised housing.

Placing the impact fee program under the Development Scorecard, and tied to City Council approved criteria, permits the approval of incentives administratively by City Staff without having to appear before the City Council as a whole or a Council Committee. This will speed the process and add certainty to the process for developers.

Option 2: Revise the boundaries and beneficiaries of the Impact Fee Waiver and Rebate program and retain the program as a separate incentive from the Incentive Scorecard.

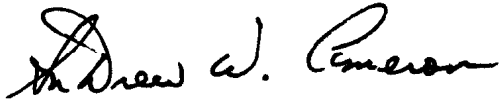
Option 2 would adopt proposals one through four but retain program management with the Department of Housing & Community Development. The requests for waivers and rebates would be separate from the Development Scorecard and operate as a stand-alone program. The authority to waive or rebate would be retained by the Urban Affairs Committee.

**Fiscal Impact:**

Impact Fee Revenues are not a component of the City's General Fund. The Impact Fee revenues are collected by SAWS and retained by SAWS for use. Waiving the fees to support the Council Housing goals means that the burden of those fees is passed on to other ratepayers. City staff has met with representatives from San Antonio Water Systems and determined that the proposed maximum benefit per project and annual maximum program benefit are acceptable.

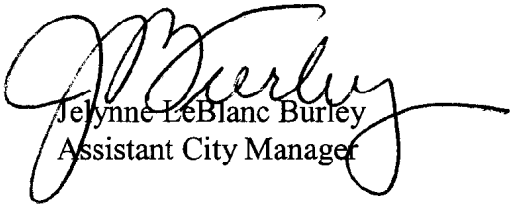
This item was presented to the Management Team on April 6, 2004 and to the Urban Affairs Council Committee on April 12, and May 10, 2004. The UACC recommended adoption of the proposed policy revisions with Option 1 implementation be forwarded to the City Council for consideration.

Staff recommends approval of the policy revisions with Option 1 as the implementation method.



Andrew W. Cameron  
Director

Approved:



Jelynn LeBlanc Burley  
Assistant City Manager



Terry M. Brechtel  
City Manager