

# Center City Housing Incentive Policy

December 2018

## Section 1. Background

In spring 2011, Centro Partnership San Antonio initiated the creation of a Downtown Strategic Framework Plan. In an effort to ensure the execution of the Framework Plan, the Center City Development Office created the Center City Implementation Plan.

The Center City Implementation Plan provided recommendations on how to best implement the Downtown Strategic Framework Plan through increased public investment, creation of a housing finance strategy, coordinated management, and regulation of development. The Implementation Plan recommended that the City establish a predictable housing incentive system for housing in the Center City. Such a system would assist in normalizing land values, provide greater certainty, increase the speed of approvals, and reduce the risk associated with infill development. Therefore, the Center City Development Office developed the Center City Housing Incentive Policy (CCHIP).

The CCHIP incorporates the goals and objectives of the Implementation Plan and provides greater incentives to housing projects within targeted growth areas identified in the Downtown Strategic Framework Plan and prioritizes the Downtown Core. The Policy leverages increasing development in the Center City in order to facilitate the creation and preservation of affordable housing, incorporating recommendations developed by the Mayor's Housing Policy Task Force.

## Section 2. Eligibility

The CCHIP applies to high density rental and for-sale housing projects (Projects) within the Greater Downtown Area (GDA). Eligible Projects may receive City Fee Waivers, SAWS Impact Fee Waivers, Real Property Tax Reimbursement Grants, and infrastructure grants based on the terms outlined in the CCHIP.

Projects with an approved building permit at time of agreement execution are not eligible for CCHIP incentives. All projects must receive approval from the Historic Design Review Commission prior to project commencement.

The CCHIP Policy was last amended by City Council on June 16, 2016. That policy revision established that properties zoned as "Single Family Residential" (e.g. "R-6," "R-5," "R-4") and "Mixed Residential" (e.g. "RM-4," "RM-5," "RM-6") are ineligible for incentives under this policy. No properties that were zoned as "Single Family Residential" or "Mixed Residential" as of June 16, 2016, are eligible for incentives under this policy. Rezoning the property to an eligible zoning type does not make the property eligible for incentives under the policy.

Properties with zoning of "Neighborhood Preservation" (e.g. "NP-8", "NP-10", "NP-15"), or that allow for Manufactured Housing (e.g. "MH", "MHP", "MHC") are ineligible for incentives as of the date of adoption of this 2018 CCHIP policy. Rezoning the property to an eligible zoning type does not make the property eligible for incentives under the policy.

Any project receiving incentives through the CCHIP are not eligible to receive a permit through the Short Term Rental (STR) program that results in an entire housing unit being offered for rent on STR platforms such as Airbnb or VRBO.

Projects including a hotel component are not eligible for incentives through CCHIP.

## Section 3. Definitions

Adaptive Reuse – The reuse of a building or structure, usually for a purpose different from the original. The term implies that certain structural or design changes have been made to the building in order for it to function in its new use.

Affordable Housing (also Affordable Unit) –

- Rental units reserved for households earning at or below 80% of the Area Median Income (AMI) for the San Antonio-New Braunfels metropolitan area using HUD and/or TDHCA income limits as applicable. To qualify under this policy, rents charged for affordable units shall not exceed approximately 30% of the household's gross monthly income. Affordable rental units shall demonstrate affordability for a minimum of fifteen (15) years or be qualified through a local, state, or federal affordable housing program that includes a minimum affordability term and regular compliance requirements (e.g. Housing Tax Credits, HOME, etc.).
- For-sale units reserved for households earning at or below 120% of the Area Median Income (AMI) for the San Antonio-New Braunfels metropolitan area using HUD and/or TDHCA income limits as applicable. To qualify under this policy, homes sold to income-qualified households must be the owner's primary residence. For-sale units must demonstrate affordability to a qualified homebuyer at the time of sale and include a resale restriction for a minimum of five (5) years following the initial sale.

City of San Antonio Fee Waiver Program – A City Council adopted Policy of the City of San Antonio to promote the development and preservation of affordable housing, the rehabilitation of historic structures, and small business and industry development through the use of development fee waivers. The City of San Antonio Fee Waiver Program replaces the Inner City Reinvestment/Infill Policy (ICRIP).

Historic Rehabilitation – The process of returning a property to a state of utility, through repair or alteration, which makes possible an efficient contemporary use while preserving those portions and features of the property that are significant to its historic, architectural and cultural values.

Inner City Reinvestment/Infill Policy (ICRIP) – see *City of San Antonio Fee Waiver Program*.

Market-Rate Housing – A Project in which more than 85% of the units are priced for rental or sale subject to market conditions, without temporary or permanent pricing restrictions.

Mixed-Income Housing – A Project in which at least 15% of the housing units are priced for rental or sale to households or persons at or below 80% of the Area Median Income.

Project – A rental or for-sale housing development that creates multiple housing units at a density of at least:

- 18 dwelling units per acre for adaptive reuse or historic rehabilitation projects within the Greater Downtown Area (Level 1 or Level 2 areas) or in Level 3
- 33 dwelling units per acre for multifamily projects (25 dwelling units per acre for projects consisting exclusively of for-sale housing units) outside the Central Business District (Level 2 and Level 3 areas)
- 50 dwelling units per acre for all projects in the Central Business District (Level 1 Area)

## **Section 4. Geographic Area**

The incentives provided by the CCHIP is based on the Project's location and future land use classification within the Greater Downtown Area (GDA). Properties with a future land use classification of "Urban Low Density Residential," "Medium Density Residential," and "Parks/Open Space" in an SA Tomorrow Regional Center or Community Plan shall not qualify for incentives under CCHIP. See attached map in Exhibit A for program areas. If there is conflict between an area described and Exhibit A, then Exhibit A controls.

Projects within the Central Business District (CBD) are within the Level 1 Incentive Area, projects located in the Greater Downtown Area and outside of the CBD are within the Level 2 Incentive Area. The Level 3 Incentive Area includes the SA Tomorrow Regional Centers and a 1/4 mile buffer around Via's Primary Transportation Corridors under the 2040 Long Range Plan.

Level 3 Incentive Areas will go into effect when City Council adopts the Land Use Plan for the

corresponding Regional Center or when Via determines the route locations for primary transit corridors through Via 2040.

## **Section 5. Affordability Requirements**

Projects in the Level 2 Area must include at least 20% affordable housing units or be greater than five (5) stories in height. For projects in the Level 2 Area providing at least 20% affordable housing units, a minimum of 10% of the total housing units shall be reserved for households earning at or below 60% AMI and meet all other criteria in the definition of Affordable Housing. Projects in Level 3 Area must include 20% affordable housing units at or below 60% AMI. For projects consisting of rental housing in Level 2 and Level 3, the unit mix of affordable housing units shall be comparable to the unit mix of any market-rate units provided in the same project (*for example, if 20 percent of market-rate units contain two bedrooms, 20 percent of affordable units shall also contain two bedrooms*). For projects consisting exclusively of for-sale housing units, affordable units must be reserved for households earning at or below 120% AMI.

All projects with for sale units are ineligible for incentives if more than half of the for sale units have an initial sale price above the Federal Housing Administration's Forward Loan Limit. (see: <https://entp.hud.gov/idapp/html/hicostlook.cfm>). [Note: the FHA Forward maximum loan amount differs from the maximum loan amount available through Fannie Mae/Freddie Mac loan. The FHA Forward loan amount is the maximum sale price for eligibility under this policy.]

All rental housing projects must have average residential rents (the average rent across all residential units) less than \$2.75 per square foot ("Maximum Rent Rate"). The developer must recertify rents annually. If rents rise above the Maximum Rent Rate in the first five years of occupancy from the date a Certificate of Occupancy is issued, then all incentives under this policy must be reimbursed. If rents rise over the Maximum Rent Rate after five years of building occupancy, then the owner will no longer be eligible for ongoing tax reimbursement grants, however they will not be required to reimburse incentives already received under the policy. The Maximum Rent Rate shall adjust annually based on the percentage change in AMI.

For projects approved by the Public Facility Corporation's (PFC) Board, the PFC's adopted affordability rules and requirements govern over the affordability requirements listed above.

## **Section 6. Fee Waivers**

All projects eligible for incentives under this policy will receive City Fee Waivers as permitted by the City of San Antonio Fee Waiver Program.

A Project within the CBD (Level 1 Area) is also eligible to receive a SAWS Impact Fee Waiver equal to 100% of the Project's SAWS water and impact fees, not to exceed \$1,000,000. Projects within the GDA outside of the CBD (Level 2 Area) are eligible for SAWS fee waivers equal to 100% of the Project's SAWS impact fees, not to exceed \$500,000. Projects within Level 3 are eligible for SAWS fee waivers equal to 100% of the Project's SAWS impact fees, not to exceed \$250,000.

City Fee Waivers are made available on an annual basis through the City's General Fund. For Fiscal Year 2019, the amount is \$2,500,000.00. Of this annual allocation, \$1,000,000.00 will be made available to projects meeting the criteria herein; the actual amount available to CCHIP projects may be prorated based on the actual amount of City Fee Waivers available for the given fiscal year and may be adjusted based on demand with administrative approval by the Director of the Center City Development & Operations Department.

SAWS Fee Waivers have been made available to the City through Ordinance 2014-05-29-0363 that covers a six-year period from FY 2015 to FY 2020, in an annual amount of approximately \$3,000,000.00. Of this annual allocation, \$1,500,000.00 will be made available to projects meeting the criteria herein; the actual amount available to CCHIP projects may be prorated based on the actual amount of SAWS Fee Waivers available for the given fiscal year. All Fee Waivers are subject to funding availability.

## **Section 7. Real Property Tax Reimbursement Grant**

Eligible projects will receive a Real Property Tax Reimbursement Grant (Grant) disbursed over 15 years for Level 1 projects or 10 years for projects within Level 2 and Level 3. The reimbursement grant will be a rebate of 75% of the previous year's Maintenance & Operations (M&O) portion of the City's real property tax revenue remitted to the City (approximately 62.5% of City portion of the real property tax bill, subject to change). The remaining 25% of the M&O portion of the City's tax revenue will be deposited in a fund established for the purpose of creating and/or preserving affordable housing units, to be administered by the Neighborhood and Housing Services Department. The City's real property tax increment generated as a result of the Project is the funding source of the Grant. Rebate payments through the Real Property Tax Reimbursement Grant may be requested after Project completion on an annual basis, and payments will be disbursed annually as funds become available.

If a Project is within a Tax Increment Reinvestment Zone it will receive a rebate of the previous year's real property tax increment remitted to the City over a period of time that is determined based on the Projects geographic location or type. The rebate is based on the City's participation level in the Tax Increment Reinvestment Zone where the Project is located (this includes both the debt rate and the M&O rate). Recipient must remit 25 percent of the annual property tax rebate they receive back to the City. The funds remitted back to the City will be deposited in the affordable housing fund to be administered by the Neighborhood and Housing Services Department. Recipient and project are not eligible for any tax reimbursements under this policy if 25% of funds previously remitted to the project have not been paid to City.

Additionally, if the Project qualifies for a Historic Tax Exemption or Historic Tax Credit per the Office of Historic Preservation, the Tax Rebate Grant and the Tax Credit or Exemption will be used together when possible in order to maximize the incentive.

## **Section 8. Infrastructure Grant**

A Project qualifies for an Infrastructure Grant if the Project is located in the CBD (Level 1 Area) and at least 10% of the units qualify as affordable. The infrastructure grant is designed to assist with infrastructure upgrades and repairs considered typical for urban infill development, and may be used toward the following expenses:

- Water and/or sewer line repairs, upgrades, or extensions
- Electric service upgrades or repairs
- Public right-of-way improvements to include street and/or sidewalk enhancements, landscaping, and lighting
- Street-level façade improvements (for adaptive reuse or historic rehabilitation projects only)

A qualifying project will receive \$10,000 for each affordable housing unit provided on site, up to a maximum of \$500,000. Projects outside the CBD (Level 2 Area) are not eligible. The infrastructure grant is subject to funding availability.

## **Section 9. Density Bonus**

Construction costs escalate as developers create height and density. Within Level 1 and Level 2 of the program area, residential density supports healthy street level retail, allows for a reduction in transportation demand, and increases property valuations and tax base, in turn generating dollars that can be used for public improvements and programs. Within Level 1 and Level 2, a density bonus of \$0.10 per sq ft to the Maximum Rent Rate when the project is a "High Rise Building", as defined by the 2015 International Building Code.

## **Section 10. Displacement of Residents**

Projects resulting in the direct displacement of residential tenants are not eligible for as-of-right CCHIP incentives.

## **Section 11. Additional Protections for Single Family Units**

Any existing single family dwelling unit located on a property eligible for incentives may not be demolished, unless applicant demonstrates that the building is a "Dangerous Building" per Article VIII, Sec. 6-156 of the City Code. An

applicant may submit a request to the Director of Development Services (or his/her designee) to request certification that the dwelling meets the definition of a “Dangerous Building”. Notwithstanding the process identified above, any eligible project with a single family dwelling unit with historic designation that will be demolished as a result of the project must follow existing process in the City Code to completion (obtain a demolition permit) before the project can be eligible for incentives.

If a single family dwelling unit is present on a parcel at the time this policy is adopted and is subsequently demolished, the property will be ineligible for as of right incentives under this policy.

## ***Section 12. Requirements for Additional Bike and Scooter Parking***

A project seeking incentives under this policy must exceed the bike parking requirements from Sec. 35-526 of the Unified Development Code by 20% [See Chapter 35, Sec. 35-526 (b)(8) & (b)(9)], as well as accommodate parking for scooters on the property.

## ***Section 12. Exceptions***

Any exceptions to the CCHIP require City Council approval.

## ***Section 13. Review and Term***

The City will initiate a housing study for the CCHIP area every two years to inventory the total number of housing units, monitor the rental rates and sales values, and identify any necessary adjustments to the policy. Unless the City Council extends and or amends the terms of the CCHIP, it will expire within 2 years of the date of City Council adoption.

## ***Section 14. Recapture Provisions***

CCHIP Agreements will include a provision for the recapture of the incentives (e.g. grants and loans) in the event Agreement terms and requirements are not met. These recapture provisions will survive any subsequent assignment of the Agreement.

## ***Section 15. Administration***

The Center City Development & Operations (CCDO) Department will administer the CCHIP and any associated program fees. The CCDO Director is authorized to make non-substantive program changes as necessary for administrative purposes.

## ***Section 16. Legal Documents***

The legal documents used to officiate this policy include the CCHIP Application and the CCHIP Incentive Agreement as described in Exhibits B and C, which may be amended as necessary. The City Attorney’s Office, in conjunction with the City Manager or her designee, may negotiate additional terms of the agreement as long as those terms do not change the total incentive amount. The City Manager or her designee will be the signatory of the agreement.

**Exhibit A – Eligible CCHIP Program Area**

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## **Exhibit B – CCHIP Application**

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**Exhibit C – CCHIP Incentive Agreement Template**

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