

Center City Housing Incentive Policy

(Draft Amended October 3, 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.

Properties requiring rezoning from "Residential Single-Family" per the Unified Development Code (i.e. "R-6," "R-5," "R-4," and "R-3") at the time of the CCHIP application are not eligible.

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) – A residential unit that is reserved for households with a gross annual income not exceeding 80 percent of the Area Median Income (AMI) for the San Antonio-New Braunfels metropolitan area using HUD and/or TDHCA income limits as applicable. Rents for a qualifying affordable unit may not exceed 30 percent of the household's gross monthly income.

City of San Antonio Fee Waiver Program – A 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:

- 12 housing units per acre for adaptive reuse or historic rehabilitation projects within the Greater Downtown Area (Tier 1 or Tier 2 areas)
- 33 housing units per acre for multifamily projects outside the Central Business District (Tier 2 Area)
- 50 housing units per acre for all projects in the Central Business District (Tier 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.

Section 5. Fee Waivers

A Project within the GDA (Tier 1 or Tier 2 areas) will receive City Fee Waivers as permitted by the City of San Antonio Fee Waiver Program.

A Project within the CBD (Tier 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 (Tier 2 Area) are eligible for SAWS fee waivers equal to 100% of the Project's SAWS impact fees, not to exceed \$500,000. Projects in the Tier 2 Area must include at least 20% affordable housing units or be greater than five (5) stories in height. For projects in the Tier 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.

City Fee Waivers are made available on an annual basis through the City's General Fund in the amount of \$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 6. Real Property Tax Reimbursement Grant

Eligible projects will receive a Real Property Tax Reimbursement Grant (Grant) disbursed over 15 years for projects

in the CBD (Tier 1 Area) or 10 years for projects within the GDA but outside of the CBD (Tier 2 Area). The City's real property tax increment generated as a result of the Project is the funding source of the Grant. 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. If a Project is not within a Tax Increment Reinvestment Zone it will receive a rebate of the previous year's real property tax increment remitted to the City equal to the Operations & Maintenance portion of the City's tax revenue (approximately 62.5%). 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.

Based on the City's participation level in the Tax Increment Reinvestment Zone where the Project is located, an amount equal to 25 percent of the annual property tax rebate shall be remitted to the City by the recipient of the rebate and dedicated to a fund established for the purpose of creating and/or preserving affordable housing units, to be administered by the Neighborhood and Housing Services Department.

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 7. Infrastructure Grant

A Project qualifies for an Infrastructure Grant if the Project is located in the CBD (Tier 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 (Tier 2 Area) are not eligible. The infrastructure grant is subject to funding availability.

Section 8. Exceptions

Any exceptions to the CCHIP require City Council approval.

Section 9. 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 on September 30, 2020.

Section 10. 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 11. 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 12. 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.

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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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