



# City of San Antonio

## Agenda Memorandum

**File Number:**18-3775

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**Agenda Item Number:** 4.

**Agenda Date:** 10/11/2018

**In Control:** City Council A Session

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**DEPARTMENT:** Center City Development & Operations

**DEPARTMENT HEAD:** John Jacks

**COUNCIL DISTRICTS IMPACTED:** Citywide

### **SUBJECT:**

Amendments to the Center City Housing Incentive Policy (CCHIP) and Inner City Reinvestment/Infill Policy (ICRIP)

### **SUMMARY:**

An Ordinance adopting amendments to the Center City Housing Incentive Policy (CCHIP) and replacing the Inner City Reinvestment/Infill Policy (ICRIP) with the City of San Antonio Fee Waiver Program.

### **BACKGROUND INFORMATION:**

The Center City Housing Incentive Policy (CCHIP) and Inner City Reinvestment/Infill Policy (ICRIP) encourage the redevelopment of the inner city through financial incentives and technical assistance. Both policies are administered by the Center City Development and Operations Department.

#### **Inner City Reinvestment and Infill Policy**

In 2010, the ICRIP was approved by City Council to encourage infill activity and the creation of sustainable neighborhoods that are safe, walkable, mixed-use, compact and well-designed. The policy provides financial assistance, such as City and SAWS fee waivers, and staff support for assistance in navigating regulatory and procedural processes. The current ICRIP boundary was adopted in January 2013 and is 84 square miles. The most recent amendments to the program guidelines were approved by City Council on May 28, 2015. Since 2012, over 1,600 fee waiver applications have been approved. These applications represent \$4.4 billion in investment and over 10,000 housing units. Of the 10,000 housing units, 4,200 or 42% are affordable or workforce housing.

## Center City Housing Incentive Policy

In June 2012, City Council adopted the Center City Housing Incentive Policy (CCHIP) - an as-of-right housing incentive program designed to encourage economic development in the center city. The CCHIP was renewed with amendments in 2016, reducing the program boundary, improving administrative operations, and extending the program through June 2018.

Since its creation, the CCHIP has facilitated 64 projects. These projects represent a total investment of \$1.4 billion and the CCHIP provided \$102 million in incentives for these projects:

\$3.7 M	City Fee Waivers (General Fund)
\$2.4 M	Forgivable Loans or Grant (General Fund and will not be repaid)
\$2.9 M	Loans (General Fund and will be repaid)
\$16.6 M	SAWS Fee Waivers (SAWS)
<u>\$75.8 M</u>	Tax Rebates (Rebate on ad valorem taxes paid to the City by the developer as a result of the project)
<b><u>\$101.5 M</u></b>	

For every \$1 of City-provided incentives for these projects, it has returned more than \$13 in private investment. The projects will yield 6,810 housing units, 28,000 square feet of office space, and 230,000 square feet of retail. Of the 6,810 housing units, 1,544 or 23% are workforce or affordable housing.

On October 2, 2017, a Council Consideration Request was issued, requesting a review of City incentives for residential and commercial developments to include ICRIP and CCHIP, among others. On January 11, 2018, City Council approved a temporary moratorium on administrative approvals of CCHIP agreements, directing staff to reevaluate the existing program. Staff has initiated a review of both programs and commissioned a housing study to evaluate the success of the CCHIP and to perform a separate analysis on its impact to development.

## ISSUE:

The recommended amendments to the Center City Housing Incentive Policy (CCHIP) as well as the replacement of the Inner City Reinvestment/Infill Policy (ICRIP) with the City of San Antonio Fee Waiver Program are based on stakeholder interviews, alignment with the SA Tomorrow Regional Center Plans, and market conditions. Additionally, staff's recommendations have been coordinated with the Mayor's Housing Policy Taskforce. Proposed amendments to CCHIP demonstrate increased support for affordable housing both downtown and citywide, while retaining its original intent as a downtown economic development tool through the creation of housing in San Antonio's urban core. The new City of San Antonio Fee Waiver Program will prioritize the use of City fee waivers and SAWS impact fee waivers for affordable housing development, owner-occupied rehabilitation, historic rehabilitation, and business development.

## Proposed ICRIP Amendments

- Rename the Inner City Reinvestment/Infill Policy (ICRIP) as the City of San Antonio Fee Waiver Program.
- Eliminate the boundary and only require eligible projects be located within the City.
- Eligible projects must meet criteria in one of four (4) categories: Affordable Housing, Owner Occupied Rehabilitation, Historic Rehabilitation/Legacy Business, and Business Development.
- Prioritize the use of City fee waivers and SAWS impact fee waivers for affordable housing development, owner-occupied rehabilitation, historic rehabilitation, and business development.

## **Proposed CCHIP Amendments**

- Extend the program for 2 more years.
- Remove single family areas from boundary (Decreases from 5.4 square miles to 2.64 square miles).
- Create a tiered system based on land values, rental rate attainment, and occupancy levels with Tier 1 providing the maximum amount of incentives and Tier 2 requiring more density or that 20% of the units be affordable housing.
- Provide an infrastructure grant through funding from the Inner City Incentive Fund (ICIF) for projects in Tier 1 that have at least 10% of the units as affordable housing.
- Develop an affordable housing fund and designate an amount equal to 25% of the ad valorem tax increment paid by the developer of a CCHIP project to the fund, to support affordable housing projects.

The complete City Fee Waiver Program and Center City Housing Incentive Policy guidelines are attached. The affordable housing definitions for both programs will align with HUD income definitions which uses the regional area median income as its foundation and includes adjustments for family size. The intent of the policy provision is to address those most in need of affordable housing while providing a tool for affordable housing providers that also utilize state and federal programs including HOME, CDBG, LIHTC, FHLB and CRA.

The Economic and Workforce Development City Council Committee (EWDC) received a briefing on the proposed amendments on August 7, 2018. The Comprehensive Plan City Council Committee also received a briefing on August 15, 2018. Staff followed both briefings with extensive stakeholder outreach, including with affordable housing providers, neighborhood associations that are within or adjacent to the CCHIP boundary, Centro, and the downtown developer community. A follow-up briefing was given to the EWDC on October 2, 2018.

## **ALTERNATIVES:**

City Council may elect not to amend either or both the Center City Housing Incentive Program (CCHIP) and the City of San Antonio Fee Waiver Program, which would adversely impact the ability to support desired growth through a predictable set of incentives in the urban core. If action is not taken on the City of San Antonio Fee Waiver Program, the Inner City Reinvestment/Infill Policy (ICRIP) would remain operational in its current form.

## **FISCAL IMPACT:**

Funding is available in the FY 2019 General Fund budget to support the City of San Antonio Fee Waiver Program. 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.

The Center City Housing Incentive Program authorizes grants, to include property tax reimbursements, for housing projects within the defined areas. The funding sources for these incentives are the City's real property tax increment generated as a result of the project and the Inner City Incentive Fund (ICIF).

Through the Center City Housing Incentive Program, if a developer meets the criteria and receives a 100% property tax reimbursement for the operations and maintenance portion of the property tax, the developer agrees to provide the City 25% of the reimbursement towards Affordable Housing. This ordinance will also authorize the creation of a fund which will be used to support affordable housing projects. Appropriations will be contingent upon City Council approval and the establishment of policies and procedures of this fund.

This council action authorizes the Chief Financial Officer or designee to perform the appropriate financial

allocations to carry out the intent of this ordinance.

**RECOMMENDATION:**

Staff recommends approval of an Ordinance adopting the proposed changes to the Center City Housing Incentive Policy (CCHIP) and replacing the Inner City Reinvestment/Infill Policy (ICRIP) with the City of San Antonio Fee Waiver Program.