



City of San Antonio

Agenda Memorandum

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Agenda Item Number: 4.

Agenda Date: 12/13/2018

In Control: City Council A Session

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:

Consideration of proposed 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)
<u>\$101.5 M</u>	

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 (attached).

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 Report. 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

- Replace the Inner City Reinvestment/Infill Policy (ICRIP) with the City of San Antonio Fee Waiver Program.
- No longer based on the location of the project (placed based) but on the project type.
- The Fee Waiver Program will only apply to the following project categories:
 - **Affordable Housing:** Nonprofits and private developers constructing affordable housing (rental and for sale) within the city limits. Must be qualified by HNSD.
 - Rental units that receive the fee waivers through the program must be rent restricted and income restricted.

- **Owner Occupied Rehabilitation:** Participants in home repair/rehabilitation programs through the Neighborhood and Housing Services Department (HNSD) or non-profit organizations. Must be qualified by HNSD.
- **Historic Preservation:** Owners of residential and commercial structures eligible for designation as historic. Must be qualified by the Office of Historic Preservation (OHP).
- **Legacy Business:** Businesses that have been around for 20 years or more and contribute to the history, culture, and authentic identity of San Antonio. Must be designated as a Legacy Business through OHP.
- **Small Business and Industry Development:** Businesses and Industry Development that supports the SA Tomorrow Plan and is qualified by the Economic Development Department.

Staff may recommend fee waivers for projects that do not meet the criteria in the City Fee Waiver Program. However, fee waivers for projects that do not meet the eligibility criteria would require City Council approval.

Proposed CCHIP Amendments

- Remove single family areas from the boundary to avoid conflict with the established neighborhoods.
- Create a tiered system based on land values, rental rates, and occupancy levels.
 - Level 1 provides the maximum amount of incentives and rewards projects that include an affordability component. Level 1 applies to a 0.91 square mile area in the Central Business District.
 - Level 2 requires that 10% of the units be committed to families making up to 80% AMI and 10% be committed to families making up to 60% AMI or that the project be above 5 stories (more density). Level 2 applies to a 1.73 square mile area adjacent to Level 1.
 - Level 3 requires 20% of the units be committed to families making up to 60% AMI. Level 3 applies to the 13 Regional Centers in the SA Tomorrow Plan and parcels along the transportation corridors identified in the VIA 2040 Plan. However, a project in the Level 3 boundary will only be eligible for the incentives after the land use plan for that Regional Center or Corridor is adopted by City Council.
- Rental units must be rent restricted and income restricted.
- Provide an infrastructure grant through funding from the Inner City Incentive Fund (ICIF) for projects in Level 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.
- Luxury units are not eligible for CCHIP incentives. Luxury is defined as for-sale units with a sale price above the Federal Housing Administration's Loan Limit (currently \$359,950) or a rental housing project with average residential rents above \$2.75 per square foot.
- Projects requiring rezoning from single-family residential are not eligible for incentives through the CCHIP unless the rezoning is done through the SA Tomorrow Regional Center planning process. Furthermore, if a single-family residential unit is present on a property, regardless of zoning, and is subsequently demolished, the property is ineligible for as-of-right incentives through the CCHIP.
- Any project that receives CCHIP incentives will not be eligible for a short term rental program permit for a Type 2 property (not owner or operator occupied).
- All projects must accommodate bike and scooter parking on the property.
- Extend the program for 2 years.

All CCHIP projects still require design review by the Office of Historic Preservation.

The Neighborhood and Housing Services Department will develop a strategy to address affordable housing in

San Antonio. It is anticipated that the strategy will be presented to City Council in summer 2019. The CCHIP and City Fee Waiver Program are only two of several tools that will be incorporated in the strategy. While the CCHIP and Fee Waiver Program alone cannot address San Antonio's affordable housing needs, the CCHIP and City Fee Waiver Program can leverage affordable housing opportunities City wide especially when the programs are supplemental to projects that use other affordable housing tools like the Public Facilities Corporation, 9% Low Income Housing Tax Credit, 4% Low Income Housing Tax Credit, and involve the disposition of publicly owned land. The proposed City Fee Waiver Program and the amendments to the CCHIP prioritize affordable and workforce housing and are in alignment with the Mayor's Housing Policy Taskforce Recommendations.

Projects that are displacing residents are not eligible for incentives through the CCHIP. The Neighborhood and Housing Services Department is developing a displacement strategy. The displacement strategy will identify tools to assist with displacement and it will be presented to City Council in early 2019. It is anticipated to address displacement due to City incentivized development, rapid neighborhood change, threat of eviction, or recent homelessness.

The proposed City Fee Waiver Program and the amendments to the CCHIP are in alignment with the SA Tomorrow Comprehensive Plan.

- The CCHIP limits eligibility to areas where future land use is in line with SA Tomorrow planning efforts
- The CCHIP requires projects to meet greater density requirements than earlier versions of the program
- The CCHIP promotes affordable housing in the Regional Centers.
- The CCHIP proposes creation of a new affordable housing fund, which can provide further incentives aligned with regional centers and SA Tomorrow goals
- City Fee Waiver program incentives will be available within the San Antonio city limits, but exclude areas over the Edwards Aquifer recharge zone, areas of limited purpose annexation and extraterritorial jurisdiction (ETJ) to help address sprawl
- City Fee Waiver program focuses on project types, including affordable housing, owner occupied rehabilitation, historic rehabilitation, and business development/legacy businesses
 - While affordable housing and historic rehabilitation projects will be limited to geographic areas based on land values and historic status, the economic development incentives will be aligned with areas with poverty rates of 20% or more, Opportunity Zones, and regional centers as they're adopted by Council in line with SA Tomorrow planning efforts.

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. Another follow-up briefing was given to City Council B Session on November 14, 2018. A public hearing on the CCHIP and City Fee Waiver Program will be held on December 12, 2018 and staff proposes City Council consideration of the proposed amendments on December 13, 2018.

ALTERNATIVES:

City Council may elect not to forward the proposed amendments to A Session, 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 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.