

**City Council Questions and Answers for
Thursday, February 11, 2016**

These questions and answers are related to the
Austin City Council meeting that will convene at 10:00 AM on
Thursday, February 11, 2016 at Austin City Hall
301 W. Second Street, Austin, TX



Mayor Steve Adler
Mayor Pro Tem Kathie Tovo, District 9
Council Member Ora Houston, District 1
Council Member Delia Garza, District 2
Council Member Sabino "Pio" Renteria, District 3
Council Member Gregorio Casar, District 4
Council Member Ann Kitchen, District 5
Council Member Don Zimmerman, District 6
Council Member Leslie Pool, District 7
Council Member Ellen Troxclair, District 8
Council Member Sheri Gallo, District 10

The City Council Questions and Answers Report was derived from a need to provide City Council Members an opportunity to solicit clarifying information from City Departments as it relates to requests for council action. After a City Council Regular Meeting agenda has been published, Council Members will have the opportunity to ask questions of departments via the City Manager's Agenda Office. This process continues until 5:00 p.m. the Tuesday before the Council meeting. The final report is distributed at noon to City Council the Wednesday before the council meeting.

QUESTIONS FROM COUNCIL

1. Agenda Item # 5: Approve a resolution supporting an application to be submitted by Saigebrook Development, LLC., or an affiliated entity, for low income housing tax credits from the Texas Department of Housing and Community Affairs to help finance a proposed multi-family housing development to be known as the Elysium Park Apartments, located at 3300 Oak Creek Drive (District 7).
 - a. QUESTION: 1) Backup Page 2; "Saigebrook is requesting with this RHDA response a \$500,000 second mortgage loan from the City of Austin...The loan terms requested herein are 0% interest with a 40 year permanent term and 40 year amortization subject to cash flow availability." How much of this "loan" is the City of Austin expect to receive back over the 40 year term period? 2) Backup Page 7; is City of Austin's Watershed Protection Department concerned that a portion of the proposed site is within the Greater Austin Fully Developed Floodplain? 3) Has/Will a Traffic Impact Analysis be done on this project? COUNCIL MEMBER ZIMMERMAN'S OFFICE
 - b. ANSWER:1) It is important to note that the Developer's request for a loan is preliminary since the 9% tax credit awards will not be announced until July 2016. If the Austin Housing Finance Corporation (AHFC) does make a loan to this development, we would expect 100% repayment. Typically with tax credit projects, the AHFC will make a 40-year loan. Depending on how the deal is structured, AHFC may make the loan 0% interest, with payments deferred, and a balloon payment at the end of the 40-year period. Another scenario could be that AHFC could charge a below-market rate of interest and request annual payments of interest only through the term of the loan with a balloon payment of the principal balance at the end of 40 years. In the case of non-profit organizations whose missions are to provide affordable housing to extremely low-income households, the loan terms may be 0% interest, payments deferred, and the loan forgiven at the end of the 40-year period if the terms and conditions of the loan agreement are maintained throughout the term of the loan. 2) Approximately 16 percent of the property along the entire eastern property line is within the 100-year floodplain of Walnut Creek Tributary 9. During the site development application review, the Watershed Protection Department's Floodplain Office will review the application for compliance with the City's floodplain management regulations. 3) Although

the Developer will be seeking a zoning change, it does not appear a Traffic Impact Analysis will be required. In the Code of Ordinances, Section 25-6-113 (Traffic Impact Analysis Required). “(A) Except as otherwise provided in Section 25-6-117 (Waiver Authorized), a person submitting a site plan application or a zoning or rezoning application must submit a traffic impact analysis to the department if the expected number of trips generated by a project exceeds 2,000 vehicle trips per day.” In January 2015, the Developer commissioned a traffic impact analysis on a 95-unit property, the LaMadrid Apartments, which will be built at the corner of Manchaca Road and Ravenscroft Drive. The analysis for 95 units showed 699 vehicle trips per day. The Elysium Park development is proposed to have 98 units, and the Developer expects the number of trips generated would be similar. The results of the traffic study from January 2015 conducted by a professional engineering firm is attached.


2. Agenda Item # 18: Approve a resolution directing the City Manager to identify funding for childcare and supportive services for the Passages Program.
 - a. QUESTION: 1) For the Passages Child Care Voucher Program in the City of Austin; what is the total annual budget/expenditures? 2) Is the \$160,000 in addition to the \$548,330 or is it replacing the \$153,450? 3) If 95 Austin children are helped, what is the average assistance per Child for the Passages Child Care Voucher Program? COUNCIL MEMBER ZIMMERMAN'S OFFICE
 - b. ANSWER: 1) For the child care voucher portion of the Passages Program, Salvation Army reports that the current funding is \$153,450. The current funding is federal HUD funding that goes directly to Salvation Army. The City of Austin does fund the Passages program through the Neighborhood Housing and Community Development department in the amount of \$40,000 to screen eligible clients for the Tenant Based Rental Assistance program administered by the Housing Authority of the City of Austin. 2) The requested \$160,000 is intended to replace the \$153,450.3) The rate of child care assistance varies widely dependent on the age of the child, the rate of the child care provider that the family uses, and the length of time that care is provided. For example, full-time infant care is much more expensive than part-time, afterschool care for a 6 year old. Simply dividing the \$160,000 by the estimated 75 to 95 children in the Resolution produces an average cost per child ranging from \$2,133 for 75 children to \$1,684 for 95 children. Since this an item from Council, HHSD doesn't have the actual cost per child from Salvation Army. We have made the request for this information to them and will forward that figure as soon as it is received.
3. Item # 19: Approve a resolution directing the City Manager to provide financial analysis and briefing regarding Austin Water Utility impact fee waivers for affordable housing and to initiate amendments to the affordable housing and fee waiver portion of the Pilot Knob PUD zoning ordinance (Ordinance No. 20151217-080). (Notes:SPONSOR: Council Member Ellen Troxclair CO 1:


Council Member Don Zimmerman CO 2: Council Member Ora Houston CO 3:
Council Member Leslie Pool)

- a. QUESTION: The total estimated fees waived from Development Services and the Austin Water Utility range from \$99,472,000 - \$106,272,000, which amounts to \$153,033 - \$163,495 per each permanently affordable house. Please offer examples and information from other affordable housing developments and investments (in Austin or elsewhere) that would help Council assess the value of this approximately \$100 million investment. MAYOR PRO TEM TOVO'S OFFICE
 - b. ANSWER: See attachment.
4. Agenda Item # 48: C814-2012-0163 – Sun Chase Planned Unit Development – District 2 – Conduct a public hearing and approve an ordinance amending City Code Chapter 25-2 by zoning property locally known as 15201, 15810, 16070 Pearce Lane and 7910 Wolf Lane (Dry Creek East Watershed) from interim-single family residence (I-SF-2) and interim-single family residence-small lot (I-SF-4A) district zoning to planned unit development (PUD) district zoning. Staff Recommendation: To grant planned unit development (PUD) district zoning. Planning Commission Recommendation: To grant planned unit development (PUD) district zoning. Owner/Applicant: Qualico CR, L.P. (Vera Massaro). Agent: Armbrust & Brown, L.L.P. (Richard Suttle). City Staff: Wendy Rhoades, 512-974-7719.
- a. QUESTION: 1) Who will implement the 10% of owner occupied units at 80% Median Family Income at the initial offering for sale? What will the process be for selecting who will be able to purchase these units? Will this be just the initial owner or ongoing? If ongoing, who will administer it? 2) Which entity will be receiving the “financial contribution to the City’s affordable housing program equal to 2% of the total “hard” construction cost reimbursements actually received by the Developer out of the proceeds of bonds issued by the District, up to maximum of \$1.8 million”? Will this money be used just in this development or throughout the city? COUNCIL MEMBER ZIMMERMAN'S OFFICE
 - b. ANSWER: 1) The developer is responsible for ensuring units are sold to income eligible buyers. 2) The Developer will follow the NHCD income certification process. Buyers must be 80% or below median family income to purchase the units. 3) Currently, the MUD consent agreement says that this is for initial offering. However, NHCD is recommending that the developer explore mechanisms for long term affordability in the development. The developer’s proposal will need to address how the affordability requirement will be met and administered. 4) The City of Austin. 5) There are currently no restrictions on where the funds must be spent.
 - c. QUESTION: Does Sun Chase PUD include a SMART housing component? If so, please describe. MAYOR PRO TEM TOVO'S OFFICE

- d. ANSWER: Sun Chase PUD is not being recommended for S.M.A.R.T. Housing certification. The development does not meet the criteria and would not be recommended at this time to Council for certification and fee waivers.

END OF REPORT - ATTACHMENTS TO FOLLOW

 *The City of Austin is committed to compliance with the Americans with Disabilities Act. Reasonable modifications and equal access to communications will be provided upon request.*

 *For assistance, please call 512-974-2210 or TTY users route through 711.*

R-K Traffic Engineering

PO Box 340583
Austin, TX 78734
(512) 497-3227
Firm #15467

January 29, 2015

Wolfpack Group, LLC
421 West 3rd Street, Suite 1504
Austin, TX 78701

Re: Trip Generation Comparison
LaMadrid Apartments
Southwest corner of Ravenscroft Drive and Manchaca Drive, Austin, Texas

To Whom It May Concern:

R-K Traffic Engineering (R-K) is pleased to present this letter of trip generation comparison for the LaMadrid Apartments development at 11310 Manchaca Road, Austin, Texas. The trip generation was calculated using the 9th Edition Trip Generation Manual by ITE.

A City of Austin Memorandum dated January 8, 2003 references a TIA completed on March 22, 2002 for the proposed development of the 14.44 Joint Venture Development. This development was two separate parcels on the west side of Manchaca Road. One parcel was north of Ravenscroft Drive and the second was south of Ravenscroft Drive. It appears that the 40,000 SF of Shopping Center references the parcel south of Ravenscroft Drive.

The LaMadrid Apartments development matches the parcel located south of Ravenscroft Drive. This proposed development includes 95 units of apartments.

The table below compares the trip generation of the old land uses proposed by the 14.44 Joint Venture Development and the LaMadrid Apartments development.

| Land Use | Size | | 24-Hour | Peak Hour | | | PM Peak Hour | | |
|--|--------|-------------|---------------|------------|------------|-----------|--------------|------------|------------|
| | Amount | Units | | Total | Enter | Exit | Total | Enter | Exit |
| LaMadrid Apartments Development | | | | | | | | | |
| Apartment (220) | 95 | Units | 699 | 50 | 10 | 40 | 70 | 45 | 25 |
| 14.44 Joint Venture Development | | | | | | | | | |
| Shopping Center (820) | 40,000 | Square Feet | 3,743 | 89 | 55 | 34 | 214 | 103* | 111* |
| | | | | | | | | | |
| Reduction in Traffic | | | -3,044 | -39 | -45 | +6 | -144 | -58 | -86 |

*Assumes 34% reduction per ITE code for Pass-By reductions of Shopping Center land use

If you have any questions concerning this letter please feel free to contact me. Thank you for the opportunity to serve Wolfpack Group, LLC on this project.

Sincerely,



James Schwerdtfeger, P.E.
Principal



Council Question and Answer

| Related To | Item #19 | Meeting Date | February 11, 2016 |
|-------------------------------|----------|--------------|-------------------|
| Additional Answer Information | | | |

QUESTION: The total estimated fees waived from Development Services and the Austin Water Utility range from \$99,472,000 - \$106,272,000, which amounts to \$153,033 - \$163,495 per each permanently affordable house. Please offer examples and information from other affordable housing developments and investments (in Austin or elsewhere) that would help Council assess the value of this approximately \$100 million investment. MAYOR PRO TEM TOVO'S OFFICE

ANSWER:

Background

The U.S. Department of Housing and Urban Development (HUD)'s HOME Investment Partnership establishes a methodology for calculating New Purchase Price Limits in 24 CFR § 92.254(a): "In the case of acquisition of newly-constructed housing or standard housing, the housing has a purchase price for the type of single family housing that does not exceed 95 percent of the **median purchase price** for the area."

According to the Austin Board of Realtors (ABOR) 2015 Year End Report, the median purchase price for a single family home in Austin was \$270,000. Utilizing HUD's calculation and published allowable standard, 95 percent of this amount would put Austin's New Purchase Price Limit, under HOME guidelines at **\$256,500**. NHCD offers this information as additional context related to the proposed Pilot Knob development.

Clarification: Estimated fee waiver contribution per unit

The maximum buildout potential for Pilot Knob is 14,300 units; however the Pilot Knob TIA only presumes 9,900 units. For purposes of this analysis NHCD will use the maximum number of units and the maximum fee waiver. While the discussion has indicated 650 possible single-family ownership units, the actual number of ownership units proposed in the developer's 2010 estimate of units for the MUD is:

| | |
|------------------------|-------|
| Single-family: | 5,662 |
| Townhome: | 2,418 |
| Total Ownership Units: | 8,070 |
| Potential CLT Units: | 807 |

Total maximum fee waivers: \$106,272,000
Estimated fee waiver contribution per unit: \$131,687

Examples of investments by Austin Housing Finance Corporation (AHFC) for community land trust

Within the last year, the Austin Housing Finance Corporation has served 8 households under the Community Land Trust model (see chart below). The AHFC CLT homeowners range in median family income from 62% to 78% with an average of 70% Median Family Income (\$53,760 for a family of four). The average appraised value of the homes was \$343K, which resulted in an average mortgage amount of approximately \$103,773. The average underwriting cost of \$240,000 per unit. While land values are not as high in the Pilot Knob subdivision, NHCD anticipates that the average CLT buyer will still have a similar mortgage capacity.

An entity subsidizing the gap in order to realize home ownership opportunities for households at 70 percent MFI must contribute a subsidy at an average of \$150K.

Examples and information from other affordable housing developments and investments

| Unit | Market Value | Mortgage Amount | Amount Underwritten |
|------------------------------|------------------|-----------------|---------------------|
| CLT 1 | \$339,047 | \$98,555 | \$240,492 |
| CLT 2 | \$332,995 | \$100,280 | \$232,715 |
| CLT 3 | \$420,182 | \$105,000 | \$315,182 |
| CLT 4 | \$329,255 | \$93,495 | \$235,760 |
| CLT 5 | \$334,988 | \$132,250 | \$202,738 |
| CLT 6 | \$307,079 | \$86,365 | \$220,714 |
| CLT 7 | \$326,546 | \$95,450 | \$231,096 |
| CLT 8 | \$357,761 | \$118,795 | \$238,966 |
| Average CLT Mortgage: | \$103,773 | | |

New construction home sales in the 78744 and 78747 zip code range in price from \$234,990 to \$332,990. Potential investment to achieve the level of affordability in Pilot Knob would be approximately \$136,217 per unit.

| | |
|--------------------------------------|-------------------|
| Anticipated sale price in near term: | \$234,990 |
| Minus the average CLT Mortgage: | <u>-\$103,773</u> |
| Equals per unit underwriting cost: | \$131,217 |
| Potential AHFC closing costs | <u>\$ 5,000</u> |
| Total CLT underwriting cost | \$136,217 |

Additional information regarding underwriting mechanisms

In order to provide an affordable unit to households at 80% or below and maintain that affordability in perpetuity, AHFC uses the land trust model. AHFC will underwrite the project to ensure an affordable mortgage for the buyer. This is accomplished by removing the land from the sales price, eliminating the property taxes on the land and in some cases reducing the cost of the improvement. An affordable sales price is then set based on this reduced valuation making the unit affordable. The property is resale restricted and the equity is capped. Our current model caps the equity at 2% per year based on the original affordable sales price. AHFC holds title to the land and has a right of first refusal. The CLT unit cannot be sold for more than the affordable sales price plus any realized equity and principal buy down. All units must be sold to an income eligible buyer. In Pilot Knob, the fee waiver fund will be used to actually buy down the unit at the affordable sales price; AHFC will own the land and ground lease the land to the homebuyer. The homebuyer will obtain a mortgage on the improvements only at the affordable sales price.

Summary

Based on the per unit fee waiver contribution of an estimated value of \$132K, this is comparable to the above referenced examples reflecting an average estimated underwriting cost is \$136K.



To: Mayor and Council Members

From: Marc A. Ott, City Manager

Date: February 8, 2016

Subject: Pilot Knob Planned Unit Development (PUD)

As you know, there has recently been significant attention in both the media and throughout the City organization regarding the Pilot Knob Planned Unit Development (PUD). A number of you have submitted questions to me and my staff, and I am taking this opportunity to provide an initial response.

Attached to this memo you will find a chronology tracing the Pilot Knob PUD through its eventual approval by Council, as well as responses to the submitted questions.

In our initial assessment of this issue, we identified several potential process improvements and will continue to evaluate additional options. This item is slated for discussion during tomorrow's work session, and the appropriate staff will be available to answer additional questions that you may have.

Attachments

- Pilot Knob Chronology
- Responses to Council Questions
- Memo to City Manager Marc Ott from ACMs / CFO

Chronology for Pilot Knob MUDs and PUD Zoning Case

Feb. 17, 2011: Council establishes policy for considering municipal utility districts (MUDs), using following criteria: adherence to the comprehensive plan, extension of public infrastructure with MUD or developer financing, affordable housing, environmental improvement, public transportation facilities, open space, green building, development standards, amenities, school and public safety sites, City provision of water and wastewater services, and financial viability.

April 7, 2011: Council approves resolution consenting to special legislation that would create the Pilot Knob MUDs.

March 8, 2012: Council adopts Pilot Knob MUDs on 1st reading, sets public hearings regarding a strategic partnership planning process (SPA) and limited and full purpose annexation.

March 22, 2012: Council approved 2nd and 3rd readings of an ordinance consenting to the Pilot Knob MUDs, executing a Consent Agreement, and initiating the SPA.

May 24, 2012: Council authorized creation of Strategic Partnership Agreement (SPA) between City of Austin and Pilot Knob MUDs. Affordable Housing exhibit includes:

- *Provide 10% of ownership occupied units at 80% MFI at the initial offering for sale*
- *Provide 10% of rental units at 60% MFI, for a period of 40 years*
- *Make a financial contribution to the City's affordable housing program equal to 2% of the total "hard" construction cost reimbursements actually received by the Developer out of the proceeds of bonds issued by the District, up to maximum of \$8M*

Sept. 22, 2015: Planning Commission recommends approval of the PUD district zoning with conditions as recommended by staff and the Environmental Board.

October 8, 2015: CM Garza expressed concerns about the low percentage (10 % of owner-occupied units and 10% of rental units) of affordable housing being provided. CM Zimmerman made a motion to approve on 1st reading only which was seconded by CM Renteria. CM Kitchen amended the original motion, seconded by CM Garza, to approve on 1st reading only but with no commitment as to the affordable housing requirements. The Mayor clarified that for the affordable housing section, Council wished to insert a "blank" percentage in that section.

Council direction to the Law Department was to begin drafting the PUD ordinance as recommended by the Planning Commission, with the understanding that between 1st and 2nd reading, and again between 2nd and 3rd reading, the affordable housing section could be revised and include different options for the Council to vote on. The motion passed.

Council passes Pilot Knob PUD District Zoning on 1st reading with direction to reexamine affordable housing provisions and coordinate with Cap Metro. (PUD Housing Plan at first reading included MUD Exhibit language noted above.)

Oct. 12, 2015: CM Garza's office initiates meeting with NHCD staff to discuss Pilot Knob Affordable Housing Plan, specifically to address more superior benefits in the PUD housing plan: long-term affordability outcomes, increased percentage in number of units; deeper affordability to reach families at incomes less than 80 percent Median Family Income. Challenges developer to bring back a revised proposal.

Oct. 14, 2015: CM Garza's office initiates meeting with NHCD staff, Mayor's staff, Developer and Developer representatives

Oct. 16, 2015: Following approval of 1st reading, staff forwarded the Planning Commission recommendation to the Law Department for drafting. No changes were made to the affordable housing section of the PUD ordinance prior to 2nd reading on November 12.

Nov. 12, 2015: 2nd reading* for creation of PUD on Pilot Knob MUD. *[This is where attorney for applicant publicly mentions the desire of fee waivers for more affordable housing as requested by Council. \$8,000 per SF home in utility fees. Mentions 650-1,000 units currently to be created in affordable housing]*

**2nd reading was postponed to November 19 on Council Member Garza's motion.*

Nov. 16, 2015: CM Garza's office initiates meeting with NHCD staff, Mayor's office staff, Developer and Developer representatives. Fee waivers were discussed in broad terms as a potentially necessary tool to achieve long-term affordability.

Nov. 19, 2015: 2nd reading for creation of PUD on Pilot Knob MUD Districts. 2nd reading is approved. Council Member Garza states progress on negotiation with ongoing negotiations on SMART fee waivers and ongoing discussion with Capital Metro. NHCD staff confirms negotiations with developer are ongoing.

***Late back-up was provided from CM Garza's office, which included a spreadsheet noting potential fee waiver totaling \$51,265,500.*

Nov. 24, 2015: Austin Water Director invited to meeting with CM Garza's staff, Mayor's office staff to discuss the background and history of Capital Recovery Fees. Austin Water was not asked to review any fee waiver proposals.

Dec. 12-16, 2015: NHCD staff finalizes language reflective of ongoing discussions with developer and provided the draft language to Law. NHCD staff works with Law to finalize PUD Housing Plan component for Dec. 17 Council Action. Mayor and CM Garza's office staff contribute to housing plan language reflective of discussions council aides have had with Capital Metro and developers.

CM Garza's office initiates phone conference with housing staff to discuss questions it has regarding Pilot Knob negotiations. (Council staff contributes to housing plan language reflective of discussions council aides have had with Capital Metro and developers.)

Dec. 17, 2015: PUD Zoning for Pilot Knob MUD approved on 3rd reading as amended. See revised portion of Pilot Knob Affordable Housing Plan language below:

OWNERSHIP 1. At least 10 percent of the total number of units sold as owner-occupied residential housing units located within the Pilot Knob PUD will, through a mechanism agreed upon by the City and Landowner, be made permanently available at a price affordable to households with incomes at 80 percent of or below the median family income. By making at least 10 percent of the ownership units available for permanent affordability, participation in S.M.A.R.T. Housing allows for 100% of eligible fee waivers for all residential units within the PUD

Questions from Council Member Tovo (#1-#13)

1. What are the total anticipated fees that Council waived? Please break these down into development fees and AWU fees, and if there is a range, please provide both the low and high amounts on that range.

Austin Water Fee Estimates

Based upon the information provided to the City in 2010, the potential financial impact to Austin Water of waived water and wastewater capital recovery fees for all of the Pilot Knob MUDs are indicated below. Austin Water's tap fees were not waived in the ordinance. Capital recovery fee waivers for SMART Housing are not applied to office, industrial, commercial, or other non-residential uses.

| Type | Developer's 2010 Estimate of Units Based Upon the Creation Petition | Approximate LUEs | Amount Waived (using \$7,600 for water and wastewater CRF) |
|---------------|---|---------------------------------------|--|
| Single-Family | 5,662 | 5,662 | \$43,031,200 |
| Townhome | 2,418 | 1,693 (assumes 0.7 LUE per townhome) | \$12,866,800 |
| Multi-family | 6,729 | 3,365 (assumes 0.5 LUE per apartment) | \$25,574,000 |
| Total | 14,809 | 10,720 | \$81,472,000 |

In researching current projections of the planned build-out of the Pilot Knob MUDs, Austin Water staff contacted Planning and Zoning staff that were associated with the PUD process. Planning and Zoning staff provided the following information related to the Pilot Knob PUD with regard to the number of units approved. Below are the figures from the approved Land Use Plan for the Pilot PUD development:

- Maximum of 14,300 dwelling units
- Maximum 750,000 square feet of employment uses
- Maximum 4.6 million square feet of civic and commercial uses
- 400 acres of parks and open space
- 2 Del Valle school sites
- 1 City Fire/EMS station site

The cap on the number of dwelling units for the PUD is 14,300. The 14,300 limitation is not broken down into discrete categories so that Austin Water can compare it to the information provided by the developer in 2010. However, the total number of dwelling units approximates the total number of residential units provided by the developer to the City in 2010.

While the overall cap on dwelling units is 14,300, the Pilot Knob TIA only presumes approximately 9,900 dwelling units. The limitation provides the developer flexibility to work within the 5,910 single-family residences and 4,081 mid-rise apartment units approved in the TIA. The developer can later modify the TIA to account for a different mix of residential units or to increase the units, while staying within the overall 14,300 dwelling unit cap that is allowed for the PUD. Because the TIA can be modified at any time, the number of single-family units and apartment units approved in the TIA cannot be relied upon for comparative purposes.

Austin Water recently reviewed the spreadsheet that was included in City Council's late back-up materials for the consideration of the Pilot Knob PUD. This information indicates a fee waiver for 6,500 lots. The 6,500 lot number is not broken down into discrete categories so that Austin Water can compare it to the information provided by the developer in 2010. Moreover, the amount of the waiver per lot is \$7,887 and Austin Water's capital recovery fee for water and wastewater for a service unit (as defined by the American Water Works Association for a 5/8-inch meter for a single-family residence) totals \$7,600. Austin Water is not aware of the nature of the remaining \$287 of the waiver.

Based upon the information provided to date, Austin Water staff believes that the estimated total value of capital recovery fee waivers is **\$81 million**.

Benefits to Austin Water from MUD

It has been suggested that Austin Water has directly benefited from this project by an estimated \$30 million. Regarding this suggestion, it's important to distinguish timing of the negotiations for MUD infrastructure versus the current Pilot Knob PUD negotiations.

In 2012, to gain Council approval of the MUD Consent Agreement, the MUD waived \$23 million in eligible reimbursements for water/wastewater mains. The developer agreed to pay for oversizing water/wastewater infrastructure in the amount of \$3.5 million at its own cost. This \$26.5 million cost avoidance for Austin Water was integral to the approval of the MUD's creation, and subsequent Pilot Knob PUD zoning.

Pilot Knob customers will be paying retail rates based on the City's MUD policy adopted in previous years.

Development Services Fee Estimates:

Pilot Knob is a large, complex project with an estimated 20-30 year build-out. The number of residential and multi-family units and actual fee waivers may vary due to the long term nature of the project.

*The *estimated* cost of fee waivers reflected below are for the **Development Services Department** only. It should be noted that DSD has not previously provided fee estimates for this project.

Low Range (based on the Traffic Impact Analysis)

| Subdivision Application** | Site & Subdivision Inspection | Site Plan Application | Commercial Building Permits (multi-family) | Commercial Plan Review (multi-family) | Residential Building Permits | Residential Plan Review | Estimated Total for Waivers (Low Range) |
|---------------------------|-------------------------------|-----------------------|--|---------------------------------------|------------------------------|-------------------------|---|
| | | | | | | | |

| | | | | | | | | |
|-------------|-------------|-------------|-------------|-------------|-------------|-------------|--|--------------|
| 5,910 units | 2,216 acres | 4,081 units | 4,081 units | 4,081 units | 5,910 units | 5,910 units | | |
| \$910K | \$2.6M | \$491K | \$2.7M | \$5.0M | \$4.2M | \$2.1M | | \$18M |

High Range (based on maximum buildout per PUD Zoning)

| Subdivision Application | Site & Subdivision Inspection | Site Plan Application | Commercial Building Permits (multi-family) | Commercial Plan Review (multi-family) | Residential Building Permits | Residential Plan Review | | Estimated Total for Waivers (High Range) |
|-------------------------|-------------------------------|-----------------------|--|---------------------------------------|------------------------------|-------------------------|--|--|
| 7,802 units | 2,216 acres | 6,498 | 6,498 units | 6,498 units | 7,802 units | 7,802 units | | |
| \$1.1M | \$2.6M | \$525K | \$4.3M | \$8.0M | \$5.5M | \$2.8M | | \$24.8M |

*The low and high ranges are estimates based on the following assumptions:

1. Plans will be approved upon initial submission, otherwise additional fees will be applied
2. The average size single-family unit is 2,500 square feet and the average size multi-family unit is 1,200 square feet
3. These estimates do not take into account future development fee increases during multi-year build-out

****Includes application fees and construction plan fees for single-family only.**

Over the estimated 20-30 year build-out, development fee waivers are estimated in a range of \$18 million to \$25 million. This will directly impact General Fund revenue during that timeframe.

2. Which departments were involved in negotiating or reviewing this agreement? Did this department or these departments provide a formal recommendation, and if so, what was it?

Neighborhood Housing and Community Development (NHCD) staff met with the developer and developer's representatives to negotiate the affordable housing program component of the Pilot Knob Planned United Development (PUD). Through the negotiation process, NHCD staff provided technical assistance re: SMART Housing, Community Land Trusts, and financial mechanisms to achieve long-term affordability. NHCD's recommendation is in Ordinance 20151217-080, Part 8.

Austin Water Utility staff or management were not involved in negotiating the proposed fee waivers nor were they provided copies of the proposed agreement. Austin Water Utility was not asked to provide a formal recommendation regarding the specifics of the fee waivers.

Development Services and Planning and Zoning were not involved in the negotiations.

The Law Department was not a part of the negotiations regarding the affordable housing provisions.

Staff was not involved in any negotiations with Capital Metro.

3. AWU has indicated that they did not review or provide a total estimate for waivers associated with water/wastewater tap fees. If that is accurate, please explain why that department was not consulted.

On Tuesday, November 24, 2015 the Austin Water Director attended a meeting with staff from both Council Member Garza's and the Mayor's office. During this meeting, the Director, in response to questions, shared information on the Austin Water's Capital Recovery Fees (CRFs). Information communicated included the State Law requirements governing the creation, calculation and implementation of CRFs; the current per unit fee amounts; the AW use of the fees for debt payments on growth related capital investments; and the City Council's 2013 policy revisions that increased the fees to the maximum level allowed by State Law as of January 1, 2014. During this meeting the Austin Water was not asked to provide a recommendation or analysis on any specific fee waiver proposal.

The Director did communicate the total build out of the Pilot Knob development was in excess of 10,000 units and, at current CRF levels, the Utility expected to recover over \$75M in fees over the life of the development. After the November 24th meeting, the Austin Water received no further information, material or meeting requests with regards to CRFs and Pilot Knob.

4. Will these waivers result in an increase in rates for AWU customers? If so, please provide specific numbers; if not, please explain how AWU will absorb this revenue loss.

Capital recovery fees are used by Austin Water to offset debt service requirements on growth related projects. Austin Water is also planning to use current and future capital recovery fees for defeasances, or paying off, existing debt. The collection of capital recovery fees provides rate relief to all of our customers.

Any capital recovery fees that are waived, in general, will result in higher water utility rates to cover the growth-related debt service that the capital recovery fees were planned to be used. All current and future customers of the utility system would have higher rates to pay for the growth related costs not covered by the waived capital recovery fees.

The waivers of capital recovery fees into the future will exempt this development from contributing to growth-related capital infrastructure needed to serve this specific development, but also will exempt them from contributing to all other future growth-related infrastructure within the system. The intent of capital recovery fees is for development to pay for growth-related infrastructure, and reduce the impact of development on current ratepayers.

Austin Water has calculated the estimated rate and average customer bill impact of waiving capital recovery fees in Pilot Knob. We have assumed a range of build out between 20 and 30 years. We have provided rate and bill impacts for both 20 and 30 years. Additionally, we have removed the estimated 910 affordable housing waivers associated with Pilot Knob from our rate and bill impacts assuming that these affordable units would have likely been waived anyway given the SMART housing ordinance. The rate and bill impacts are shown below:

30-Year Build Out

Austin Water estimates the rate impact of waiving 9,810 LUEs of regular lots (excluding affordable lots) over the next 30 years to be 0.5%. This assumes a total waiver of \$74.6 million over the 30 year build out. The impact of waivers annually is anticipated to average \$2.5 million per year over the 30 year build out. The

impact to the average residential customer is approximately \$0.92 per month. For comparison, the current water Revenue Stability Reserve Fund impacts the average customer by \$1.10 per month.

20-Year Build Out

Austin Water estimates the rate impact of waiving 9,810 LUEs of regular lots (excluding affordable lots) over the next 20 years to be 0.7%. This assumes a total waiver of \$74.6 million over the 20 year build out. The impact of waivers annually is anticipated to average \$3.7 million per year over the 20 year build out. The impact to the average residential customer is approximately \$1.39 per month. For comparison, the current water Revenue Stability Reserve Fund impacts the average customer by \$1.10 per month.

5. Please explain why this item was presented to Council without a fiscal note.

Because zoning cases generally are just a change in zoning and have no fiscal impact, a fiscal note is not provided for zoning cases. A review of the Pilot Knob Planned Unit Development (PUD) agenda posting language would not indicate that a fiscal note was required. No request was made for a fiscal review or fiscal note on the Pilot Knob PUD RCAs on any of the ordinance readings posted on Council agendas for October 8, 2015; November 12 and 19, 2015; and December 17, 2015. No fiscal note was provided for the Pilot Knob PUD agenda item.

Budget Office and Financial Services management review draft agenda language to identify RCAs that need a fiscal review for which no fiscal review was requested. Zoning cases do not require a fiscal note given that there is not a fiscal impact. The Pilot Knob item was a zoning case listed under the Planning and Zoning Dept. This item was unique relative to the majority of zoning cases given the financial impact.

Specific RCA topics that require a fiscal note include:

- Amendments to the Operating or Capital budgets
- New or expanded Capital Improvement Program projects
- Expenditure of non-budgeted funds
- Acceptance and appropriation of grant monies
- New taxes, rates, or fees or an increase / decrease to an existing tax, rate, or fee

Financial Services management also attends the City Manager's draft agenda review meetings to hear and participate in the discussion of upcoming agenda items.

In the past staff has not indicated a fiscal impact to SMART Housing-certified projects.

SMART housing criteria refer to units that are "Safe, Mixed-Income, Accessible, Reasonably Price, and Transit Oriented." SMART housing certification is an administrative process that allows for a full or partial development fee waivers based on on-site units provided. The units must meet the criteria in order to receive fee waivers.

SMART housing allows for fee waivers and expedited review for projects that lie within the full-purpose jurisdiction of the City of Austin. SMART housing policy, within the Land Development Code (25-9-347), requires that housing units be within the corporate limits of the City. Council was required to take action on the Pilot Knob agreement given that the project was outside the corporate limits.

6. Please identify who prepared the spreadsheet that was distributed via email on the day of second reading and explain: (1) why this document was not distributed on the dais (as late backup that comes in after Wednesday afternoon typically is) and (2) why it did not become part of the materials posted as back up for third reading.

Zoning backup for Council agendas are uploaded into the agenda management system by the Planning and Zoning Department (PAZ) 8 days prior to the Council meeting. Between this time and the respective Council meeting, additional "late" backup may be added at the request of staff and Council members, and uploaded by the Agenda Office in the City Manager's office.

During second reading, (Nov. 19) a service area map and memo from Capital Metro were added as late backup by PAZ staff, and a financial analysis was provided from a Council office to the Agenda office to be distributed. PAZ was unaware that this financial analysis had been added as late backup.

During third reading (Dec. 17), PAZ staff uploaded an updated staff report that included late backup from the previous meeting (service area map and memo from Capital Metro.) However, because PAZ staff was not aware that a financial analysis had been added at second reading, it was not included with the staff material which was uploaded for third reading.

7. Which legal staff worked on these agreements? Were they present in the negotiations?

The Law Department was not a part of the negotiations regarding the affordable housing provisions.

The Law Department drafted the PUD ordinance based on the staff request from NHCD.

8. Please describe how the affordable housing trust fund will work, and how the waived fees will be used.

The details of the fund have not been finalized; however, it will be a fund controlled by the City and AHFC. The funds will be used for the purchase of lots or units within the Pilot Knob PUD at a sales price agreed upon by both parties, down payment assistance for qualified buyers purchasing houses within the Pilot Knob PUD, construction of affordable units and costs associated with administering the affordable ownership program, and other expenditures agreed upon by the City and the developer.

9. Will the fund be used to construct the affordable units or just to purchase the land on which those units are sited?

The fund can be used for both.

10. The original agreement required 10% of rental units to be affordable for 40 years at 60% MFI and 10% of the for-sale units to be available at 80 MFI, and the agreement also included an \$8 million contribution to the Affordable Housing Trust Fund. Why was the cash contribution to the Affordable Housing Trust Fund reduced from 2%/up to \$8 million to up to \$6 million?

This was part of the negotiation in order to achieve long term affordability.

11. What electric utility will serve this development?

Pedernales Electric Cooperative.

12. What is the soonest date that the residents in Pilot Knob will begin paying property tax?

The Strategic Partnership Agreement between the City and Pilot Knob MUD No. 1 -5 states that the full purpose annexation shall occur no later than Dec. 31, 2047 or possibly earlier if the MUD debt is paid off and the City chooses to annex the Pilot Knob MUD areas.

13. NHCD staff were quoted in the newspaper as having said that this project is consistent with other SMART housing projects as it will cap fee waivers at a total of 1,500 living unit equivalents per year.

Have there been other SMART housing projects that included total fee waivers as high as these are projected to be?

No. Previous capital recovery fee was approximately \$1,500; the fee is now \$7,600.

NHCD staff were quoted as saying this was the largest project to ever fall under the SMART housing program; please identify what the next-largest project is and how many units it included.

The Mueller Development is the next largest S.M.A.R.T. Housing development. This development proposed a total of 4,781 units – 2,342 single-family and 2,439 multi-family. However, these two projects are not comparable in scope or structure. The Mueller project is the result of a Master Development Agreement (MDA) between the City and a developer for redevelopment of City-owned land (in full-purpose jurisdiction). The affordability component of Mueller was a product of the MDA negotiations.

Questions from Council Member Pool (#14-#19)

14. Given the reported \$50-\$80 million in fee waivers granted over 30 years as part of the Pilot Knob/Easton Park development, are there any calculations available on the potential monthly/annual rate increases for ratepayers? (We understand this question may have been asked by another Council office. Please simply copy us on that response.)

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The waivers of capital recovery fees into the future will exempt this development from contributing to growth-related capital infrastructure needed to serve this specific development, but also will exempt them from contributing to all other future growth-related infrastructure within the system. The intent of capital recovery fees is for development to pay for growth-related infrastructure, and reduce the impact of development on current ratepayers.

Austin Water has calculated the estimated rate and average customer bill impact of waiving capital recovery fees in Pilot Knob. We have assumed a range of build out between 20 and 30 years. We have provided rate and bill impacts for both 20 and 30 years. Additionally, we have removed the estimated 910 affordable housing waivers associated with Pilot Knob from our rate and bill impacts assuming that these affordable units would have likely been waived anyway given the SMART housing ordinance. The rate and bill impacts are shown below:

30-Year Build Out

Austin Water estimates the rate impact of waiving 9,810 LUEs of regular lots (excluding affordable lots) over the next 30 years to be 0.5%. This assumes a total waiver of \$74.6 million over the 30 year build out. The impact of waivers annually is anticipated to average \$2.5 million per year over the 30 year build out. The impact to the average residential customer is approximately \$0.92 per month. For comparison, the current water Revenue Stability Reserve Fund impacts the average customer by \$1.10 per month.

20-Year Build Out

Austin Water estimates the rate impact of waiving 9,810 LUEs of regular lots (excluding affordable lots) over the next 20 years to be 0.7%. This assumes a total waiver of \$74.6 million over the 20 year build out. The impact of waivers annually is anticipated to average \$3.7 million per year over the 20 year build out. The impact to the average residential customer is approximately \$1.39 per month. For comparison, the current water Revenue Stability Reserve Fund impacts the average customer by \$1.10 per month.

15. What steps are being taken by AWU to inform customers of potential rate increases?

Austin Water has not taken any specific steps to inform customers of the potential rate increases associated with the Council decision on Pilot Knob. Typically, for large capital projects or other large agreements that would impact revenue or costs significantly, Austin Water would calculate a water and wastewater rate increase and average customer bill impact that would be provided to Council and customers before the decision.

During the annual operating budget process, Austin Water will provide significant communication to customers to inform them of increases included in the Proposed Budget. Austin Water presents budget information to the Water and Wastewater Commission, Council, and the community.

16. Has AWU been informed about other developments in which fee waivers similar to the ones associated with the Pilot Knob/Easton Park development will be used to fund affordable housing on site?

In a meeting with CM Garza's staff on February 1, 2016, Austin Water staff understood that similar fee waivers are being explored for the Southeast Travis County MUDs (a.k.a. Sunchase PUD) and any other future PUD applications.

17. Has AWU been informed about any particular type of zoning category in which fee waivers may be utilized to fund affordable housing on site?

There are no zoning categories that inherently include fee waivers.

Austin Water staff has not been informed about potential zoning categories for any future fee waivers. However, City Code Chapter 25-9-347 indicates types of housing (single-family and multi-family) that are

currently eligible for waivers of water and wastewater capital recovery fees. Such housing types are associated with certain zoning categories.

18. The fee waivers are being extended to 100% of the residential units at Pilot Knob/Easton Park, but only 10% of those units are to be designated “affordable.” Why are the fee waivers being extended over the entire number of residential units?

The impact fee provisions of the Code provide that the community development officer may exempt not more than 1500 service units of affordable housing. However, for the purpose of SMART Housing incentives, impact fees have been treated the same as all other development fees since the inception of the SMART Housing program 16 years ago. Therefore, the provisions of City Code Section 25-1-704 (Fee Waivers) have been applied to impact fees.

Under City Code Section 25-1-704(B)(2)(b) relating to SMART Housing fee waivers, units within a SMART Housing development are eligible for a waiver of 100% of the fees if the development is located outside of the Urban Roadways boundary and at least 10% of the dwelling units are reasonably priced and are transferred to a City –approved affordable housing land trust. The waiver applies to both affordable and market rate units.

This is an area where the practice of the City and the Code provisions need to be clarified.

19. What portions of the AWU budget will experience shortages that cannot be recovered via increased utility rates?

All reductions in revenue or increases in costs within any current budget or proposed for future budgets can be recovered through increased utility rates. Austin Water recovers over 95% of its revenue through the sale of water and wastewater services. Therefore, increasing water and wastewater rates are the primary source to cover revenue losses and budget increases. Austin Water is not anticipating any change to its capital projects.

20. The eligible fee waivers from LDC Section 25-1-704(A), the Austin Water Utility Capital Recovery Fee is not listed as an eligible fee waiver; how does this ordinance authorize waivers from the Capital Recovery Fee if those impact fees are not listed as eligible in our city code?

The impact fee is not listed in Section 25-1-704 (fee Waivers). However, for the purpose of SMART Housing incentives, impact fees have been treated the same as all other development fees since the inception of the SMART Housing program.

21. LDC Section 25-9-347 states that the NHCD officer may exempt no more than 1,500 units of affordable housing from the AWU impact fees per fiscal year; how does this ordinance (Part 8(C)(1) authorize fee waivers from “all residential units within the PUD”?

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Questions from Mayor's Office (#22-#23)

22. Current SMART housing policy allows staff to waive fees on up to 1500 LUEs annually. Assuming those waivers include 100% of eligible fees, what is the annual estimated impact of that amount of fee waivers on the water/wastewater utility and on the average utility bill?

At the current capital recovery fees of \$7,600 per LUE, the 1,500 annual SMART housing policy provides for \$11.4 million in annual waivers. In addition to the 1,500 SMART waivers previous Council policy has waived SMART housing fees in the Mueller Development and specified these units were not to be included in the 1,500 limit.

Austin Water's revenue from capital recovery fees is reduced by a maximum of \$11.4 million per year. This waived revenue from capital recovery fees would otherwise have been used for paying debt service requirements on growth-related water and wastewater infrastructure. Austin Water has previously increased water and wastewater rates in the amount of approximately 2.0% to provide sufficient revenue to pay the debt service that would have been paid by the capital recovery fees that were waived. The impact of the SMART housing annual waivers to the average residential customer is approximately \$4.24 per month or 5.4% of the average monthly bill of \$78.72.

23. Similarly, what would be the projected annual impact on the utility and average utility bill of waivers on 350 LUEs annually every year for the next 30 years? (Austin Water Response same as PTM Tovo Question #4 and CM Pool Question #1)

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To: Marc A. Ott, City Manager

From: Robert D. Goode, Assistant City Manager *R.D. Goode*
Bert Lumbreras, Assistant City Manager
Sue Edwards, Assistant City Manager
Elaine Hart, Chief Financial Officer *Elaine Hart*

Date: February 8, 2016

Subject: Pilot Knob Planned Unit Development (PUD)

The purpose of this memo is to provide background information on the Pilot Knob Planned Unit Development (PUD) ordinance approved by Council on December 17, 2015. As you know, this item has received considerable attention in recent weeks, with a number of Council Members submitting questions.

Staff from each of our service groups has provided input to develop the enclosed responses, along with a chronology of events leading up to the final Council approval. As you will see from the attached information, this was a complex process involving multiple Council offices, staff and external parties. This process was also unique given that staff played a more limited role in the negotiations than is typical in these types of agreements.

Moving forward, it's clear there is a need for more effective collaboration between departments, as well as amongst staff and Council offices. In that spirit, we've outlined a number of takeaways from this process as well as potential changes to our internal processes.

Based on our initial analysis, we believe there is value in establishing a coordinated staff team approach to this process. This approach would feature a specific lead individual responsible for oversight and ensuring all team members are adequately involved. It is our expectation that the team's work would involve a financial analysis resulting in a fiscal note prior to projects being placed on an agenda. We will ask this team to recommend other process improvements.

Attachments

- Pilot Knob Chronology
- Responses to Council Questions