



MEMORANDUM

TO: Mayor and Council Members

THROUGH: Robert Goode, P.E., Interim Assistant City Manager

FROM: Shay Ralls Roalson, P.E., Director, Austin Water

DATE: February 26, 2024

SUBJECT: Austin Water's GoPurple Program

We want to share with all of you an overview of Austin Water's upcoming Recommendations for Council Action that (1) expand requirements for new developments to connect to the centralized reclaimed water system and implement onsite water reuse systems and (2) launch the GoPurple Program, which includes offerings to advance the City's reuse strategies while programmatically addressing affordability.

When wastewater leaves a home or business, it enters the wastewater collection system and is treated at one of Austin's regional wastewater treatment facilities. After treatment, it can be recycled and reused. The pipelines that carry this reclaimed water back to the community are made of purple material. This industry-standard color makes the reclaimed water system easily recognized so it's never mistaken for drinking water, and AW's new GoPurple program takes its name from this color scheme.

The GoPurple Program includes cost-sharing, grants and incentives, and other measures, funded through the implementation of a new reuse-dedicated Community Benefit Charge (CBC) and a new voluntary rate. The CBC fee of \$0.15 per thousand gallons is estimated to generate approximately \$10 million per year, while increasing an average residential customer's bill by \$1.47 per month. Customers enrolled in the Customer Assistance Program (CAP) do not pay the CBC, so this proposed fee will not impact their water and wastewater bills. Additionally, qualified affordable housing projects are proposed to be exempted from the expanded requirements.

COUNCIL ACTIONS TO LAUNCH GOPURPLE

On March 7, 2024, Austin Water (AW) is requesting consideration of the following items supporting the GoPurple Program:

- Conduct a public hearing and consider an ordinance to amend City Code Chapter 25-9 to expand requirements for new developments to connect to Austin Water's reuse system and implement OWRS; this action includes an exemption for affordable housing.
- Amend City Code Chapter 15-13 to establish development project requirements to specify the required OWRS sources and required non-drinking water uses; this action includes an exemption for affordable housing.

- Authorize use of \$5.6 million this fiscal year to continue and expand Austin Water’s pilot program to issue incentives, up to \$500,000 for each project, to support affordability of installing alternative OWRS or reclaimed system connections for new commercial, mixed-use, and multi-family developments.
- Approve an ordinance amending the Fiscal Year 2023-2024 Fee Schedule (Ordinance No.20230816-007) to add a dedicated GoPurple Community Benefit Charge (CBC) for \$0.15 cents per thousand gallons to support Austin’s reuse strategies in the Water Forward Plan.

BACKGROUND

AW initiated construction of its centralized reclaimed water system in the mid-1990s and continues to make investments in that system to bring reclaimed water via its “purple pipe” system to customers for irrigation, cooling towers, and other non-drinking water quality uses.

Following the new drought of record for Central Texas from 2008 to 2016, AW developed [Water Forward](#) with input from industry and community experts. Water Forward is Austin’s 100-year integrated water resource plan for a sustainable and resilient water future. The plan recommends robust strategies to advance reuse, support conservation, and protect Austin’s water supply. It provides the framework for expanding use of the centralized reclaimed system to include toilet flushing, which requires dual plumbing of buildings. Additionally, the plan includes a strategy to require new developments to construct onsite water reuse systems to capture rainwater, stormwater, air conditioning condensate, and graywater for non-drinking water quality uses. Council unanimously adopted Water Forward in 2018.

Reuse strategies will enable new developments to conserve water on a large scale. By 2040 onsite water reuse will save an estimated six million gallons of potable water per day, and expanding the use of reclaimed water will save an estimated 10 million gallons per day.

Additionally, under Austin's 1999 agreement with the Lower Colorado River Authority, the City must make annual payments when annual water use exceeds 201,000 acre-feet per year for two consecutive years. AW staff initially projected the City could exceed this threshold as early as 2015, but the community’s water conservation efforts have delayed the payment trigger by up to eight years to date. Every year that the payment trigger is delayed represents an estimated cost savings of \$10 million per year.

CURRENT AND PROPOSED REUSE REQUIREMENTS

In September 2021, Council adopted [Ordinance No. 20210930-117](#) to establish new requirements for Reuse, including Water Benchmarking, expanding the Reclaimed Water Connection Requirement, and requiring Onsite Water Reuse Systems (OWRS) for large developments. These requirements took effect on December 1, 2021.

Additional requirements were scheduled to take effect on December 1, 2023. Implementation costs are offset by reduced fees and potable water use but estimated to add between \$800 and \$7,100 to the cost of each new market-rate multifamily unit. In an [October 25, 2023, memo to Mayor and Council](#), AW recommended postponing the effective date to April 1, 2024, to allow for further analysis of the impact on affordability and to build a program to offset implementation costs.

This table provides an overview of the current and proposed reuse requirements:

Development	Current Requirements Effective 12/1/2021	Proposed Requirements Effective 4/1/2024
Small (<250,000 square feet)	• Water Benchmarking • Connect to centralized reclaimed water within 250 feet	• No change
Large (≥250,000 square feet) <u>without a multifamily component</u>	• Water Benchmarking • Connect to centralized reclaimed water within 500 feet	• Water Benchmarking • Connect to centralized reclaimed water within 500 feet OR • Install an onsite water reuse system
Large (≥250,000 square feet) <u>with a multifamily component</u> <i>Exclude projects accredited for Affordability Unlocked or State Low Income Housing Tax Credit</i>	• Water Benchmarking • Connect to centralized reclaimed water within 250 feet	• Water Benchmarking • Connect to centralized reclaimed water within 500 feet OR • Install an onsite water reuse system OR • Install dual plumbing, make ready to connect to centralized reclaimed water, and pay a fee to support reclaimed system expansion, for developments greater than 500 feet from centralized reclaimed water

PROPOSED GOPURPLE PROGRAM

AW is proposing a new GoPurple program to provide affordability strategies to enable new development projects to enhance water sustainability for the greater Austin community. Development projects required to install an OWRS or connect to the City's reclaimed water system will be eligible to participate in a combination of affordability strategies, which are outlined below along with related funding mechanisms.

AW asked the Housing Department to consider the additional affordability strategies now proposed in the GoPurple Program. The attached Addendum outlines the Housing Department's consideration of the GoPurple affordability strategies as a follow-up to the original Affordability Impact Statement.

GoPurple Affordability Strategy	Estimate of Impact	Estimated Implementation Date	Implementation Actions
Cost Sharing for Reclaimed Main Extensions AW fund up to half of the connection cost to centralized reclaimed system	Up to \$500,000 per project	April 1	Council approval of CBC charge March 7
Conservation Incentives/Rebates Expand AW incentives/rebates for water conservation and efficiency	Up to \$500,000 per project	April 1	Council reauthorization of incentive program March 7
Capacity Charge Adjustments Reduce monthly fixed charges for developments with onsite reuse systems	Up to \$ 7,528 per year per project	July 1	Council approval of CBC charge March 7 Coordination with City customer billing system
Expedited Building Permit Review Process AW fund applicant participation in Expedited Building Permit Review Process	Up to \$36,000 per project	June 1	Council approval of CBC charge March 7 Coordination with Development Services Department
Low Interest Loan Program City-administered low interest loan program for privately owned reuse projects • System extensions • Onsite Water Reuse Systems • Dual plumbing	Up to \$1,500,000 per project	TBD by Financial Services Department	Council approval of CBC charge March 7 Development and implementation of a new program within Financial Services Department
Travis County Administered PACE Program Land-secured assessment that provides affordable financing to fund projects with water efficiencies	Up to the cost of the energy or water efficiency project	Existing	N/A

To fund the affordability strategies, the GoPurple Program includes several funding mechanisms. Specifically, the GoPurple Community Benefit Charge (CBC) fee will generate approximately \$10 million per year, while increasing an average residential customer's monthly bill by \$1.47. Customers enrolled in the Customer Assistance Program (CAP) do not pay the CBC, so this proposed fee will not impact their water and wastewater bills.

GoPurple Funding Mechanism	Estimate of Impact	Estimated Implementation Date	Implementation Actions
Community Benefit Charge (CBC) (Fees) Add an additional \$0.15 per thousand gallons to AW's CBC to fund reclaimed water system expansion and onsite reuse programs	\$10 million per year	April 1	Council approval of CBC charge March 7
OWRS Alternative Fee (Fees) Large developments with a multifamily component greater than 500 feet from centralized reclaimed may install dual plumbing and pay a fee to support reclaimed system expansion in place of implementing OWRS	TBD	April 1	Council approval
Purple Choice and Purple Choice Plus (Rates) Voluntary rate program for AW residential and commercial customers to fund reclaimed system expansion and programs	TBD	November 1	Rate design, marketing, Council action during budget adoption
Excess Usage Fees (Fees) Fees applied when potable water allotments from Water Benchmarking are exceeded	TBD	2025	Development of new program

For more information, please contact Shay Ralls Roalson at 512-972-0108, shay.roalson@austintexas.gov.

cc: Jesús Garza, Interim City Manager
Veronica Briseño, Assistant City Manager
Ed Van Eenoo, Chief Financial Officer
Mandy De Mayo, Interim Director, Housing Department

Attachment: Housing Department Addendum



MEMORANDUM

TO: Shay Roalson, Director, Austin Water

FROM: Mandy DeMayo, Interim Director, Housing Department *MD*

DATE: February 16, 2024

SUBJECT: **Water Forward Land Development Code Amendments – Housing Department Addendum**

On October 25, 2023, Austin Water (AW) released a report and possible actions for Council's consideration relating to Water Forward Land Development Code Amendments.

As part of that report, the Housing Department conducted an Affordability Impact Statement (AIS) evaluating the proposed requirements and found that the reclaimed water reuse requirements would increase the cost of certain large multifamily housing projects. However, the requirements included exemptions for affordable housing that set aside more than half of the total units as affordable. The AIS acknowledged there would be a negative impact to the affordable units produced through incentive programs or development agreements that set aside fewer than half of the total units in the development. The AIS acknowledged costs could be offset by other code amendments and potential low interest loans for energy and water conservation.

In a briefing to the Austin Water Oversight Committee of Council on February 8, 2024, AW identified additional affordability strategies to further offset the impacts of the code amendments and related funding mechanisms, which comprise the new GoPurple Program. AW has asked the Housing Department to consider the additional affordability strategies now proposed in the GoPurple Program. This Addendum outlines the Housing Department's consideration of the GoPurple affordability strategies as a follow-up to the original AIS.

Additional Affordability Strategies

Low-Interest Loans

AW is proposing a new low-interest loan program for large developments mandated to comply with LDC Section 25-9 Article 5 to cover Onsite Water Reuse, Reclaimed Water connections, or dual plumbing costs. Large developments will be required to implement either Onsite Water Reuse or Reclaimed, but not both. AW will work with the City's Financial Services Department to confirm the details of the proposed low-interest loan program. The proposed loan terms could include a favorable interest rate to be determined, with a maximum loan amount of \$1,500,000. This proposed low-interest financing option would offer substantial 30-year cost savings as the interest rate would be considerably lower than the prevailing commercial rate. Interest rates lower than the prevailing commercial rate offer substantial savings over a long amortization period. Opting for a low-interest loan provides developers with the opportunity to reduce their annual borrowing costs, resulting in significant savings throughout the 30-year loan duration.

Expedited Review

AW is also proposing that large developments meeting the GoPurple program criteria be eligible for expedited building permit review at AW's cost. AW estimates this would result in approximately \$36,000 in cost savings per project. Expedited review would be a step up from the current fast track for affordable housing. Today, affordable housing projects are prioritized, but not necessarily with dedicated staff to review their projects.

Enhanced AW Cost Sharing

Large developments opting to connect to the centralized reclaimed water system to comply with LDC Section 25-9 Article 5 could be eligible to receive 50% cost participation by the City to pay for certain segments of their connection to the reclaimed water system. AW estimates this would result in a cost savings of up to \$500,000 per project.

Conservation Incentives/Rebates

Austin Water plans to build upon its current suite of incentives and rebates for water conservation. Eligible projects can save up to \$500,000 towards the cost of dual plumbing and an onsite water treatment system.

Capacity Charge Adjustments

Reducing monthly fixed charges for developments with an onsite reuse system would mitigate the total added cost. Eligible projects could save up to \$ 7,528 per year.

Proposed Funding Strategies

AW is proposing to fund the programs using the following strategies:

New GoPurple Community Benefit Charge (CBC)

This strategy would add an additional \$0.15 per thousand gallons to AW's CBC to fund reclaimed water system expansion and onsite reuse programs. The GoPurple Community Benefit Charge (CBC) fee would generate approximately \$10 million per year, while increasing an average residential customer's monthly bill by \$1.47. The current CBC of \$.15 funds AW low-income Customer Assistance Program (CAP); the CAP offers discounted rates to City of Austin utility customers on low or fixed incomes who participate in certain state, federal, or local assistance programs. These discounts appear on the customer's bill monthly. Funding is distributed by a network of local social service agencies. Austin Water customers enrolled in the CAP are exempt from CBC fees. The increased CBC charge would apply to CAP-eligible customers who have not applied for membership. However, Austin Water has been aggressive in soliciting applications from eligible households.

Purple Choice and Purple Choice Plus

Voluntary rate program for AW residential and commercial customers to fund reclaimed system expansion and programs. AW staff's preliminary estimate is that this new rate program could generate less than \$1 million and upwards of \$3 million, depending on how many customers choose to enroll.

Excess Usage Fees

In the future, Austin Water may pursue added fees for commercial and multifamily developments that exceed their allocation of potable water budget established in the [Water Benchmarking](#) process.

The Housing Department recognizes that a secure water supply is foundational to all Austinites. Further, there is an urgent need to manage our long-term water supply. While planning for this necessary public good, AW staff have worked with care and diligence to consider impacts on housing affordability and have proposed three new affordability strategies to offset costs.

AW does not intend to set a cap on the number of projects eligible for the new GoPurple program; however, availability of funding will be a limiting factor. AW is seeking Council approval of up to \$5.6 million in the pilot incentive program for FY 24 and will adjust funding levels based on demand through the annual budget process. To maximize affordability impact, the Housing Department suggests prioritizing applications based on the extent of income-restricted affordability provided. In addition to minimizing the impact to income-restricted housing production, the proposed affordability strategies will act as an extra incentive to participate in the city's density bonus programs.

AW has designed the GoPurple-dedicated Community Benefit Charge and the voluntary Purple Choice rates to minimize cost burden on low-income Austinites. The GoPurple-dedicated CBC will not apply to those enrolled in the Customer Assistance Program, and Purple Choice will only affect those customers who choose to participate. AW will verify that incentives provided through GoPurple will not offset more than 100% of the added costs for projects, since offering incentives in excess of added costs could itself negatively impact affordability for Austinites in financial precarity if the subsidies are funded through increases to AW charges. As Austin Water finalizes details for the funding mechanisms for the subsidies, the utility should continue to evaluate the impacts on low-income Austinites and the production of affordable housing.

cc: Veronica Briseño, Assistant City Manager