



MEMORANDUM

TO: Mayor and Council

FROM: Victoria J. Li, P.E., Director
Watershed Protection Department

DATE: August 6, 2009

SUBJECT: Multi-Family Differential Rate Study

The Watershed Protection Department (WPD) recently completed a study of the drainage fee for multi-family structures. A consultant was hired to evaluate a differential rate for those multi-family customers who have a significantly lower impact on the drainage system than the defined equivalent residential unit. This study was conducted in response to the terms of the settlement agreement that resulted from Vivion, et al. v. City of Austin.

The study indicated that changing the way the drainage fee is currently assessed for high-rise residential buildings would make the fee more equitable. Since high-rise residential buildings result in significantly lower amounts of impervious area per dwelling unit compared to other residential properties, WPD is proposing a new, reduced rate for high-rise residential structures of seven or more stories of dwelling units (hereinafter referred to as “vertical construction”) in the FY2009-2010 budget. Following is some background information along with the study findings and recommendations.

Background

In 1991, the City established its Drainage Utility under Texas’ Municipal Drainage Utility Systems Act. This act authorizes communities to adopt a drainage charge to recover the costs of drainage utilities with a fee structure that charges individual lots or tracts for drainage service on a basis that is directly related to drainage, rather than based on the value of the property. The act requires that the fee system be based on a schedule of charges and the classification of benefited properties be “nondiscriminatory, equitable and reasonable.” Drainage fee revenue is used to fund flood, erosion and water quality protection programs, capital projects and drainage system maintenance.

In 2001, the City of Austin adopted an impervious area-based drainage fee rate structure known as the equivalent residential unit (ERU). The ERU system adopted by the City is among the most common in use by drainage utilities nationally. The ERU can be thought

of as the average impervious area per dwelling unit across all types of residential development. For Austin, this is currently calculated at 1,763 square feet of impervious area. Under an ERU billing system, all residential dwelling units are assigned a single ERU billing unit (or fee) per dwelling unit. All nonresidential (commercial) properties are assigned billing units based on their total amount of impervious area divided by the ERU impervious area. For residential customers, the current monthly fee is \$7.15 per dwelling unit. For non-residential customers, the monthly rate is \$176.66 per impervious acre. Proposed rates for FY10 are \$7.75 and \$191.50 respectively.

Assessing the Drainage Fee for Multi-Family Properties

It is recognized that some multi-family properties tend to have a lower amount of impervious area per dwelling unit than the typical single-family property. However, this smaller amount of impervious area per dwelling unit is offset by the higher percentage of impervious cover on the property. This results in a larger amount of runoff per square foot of impervious area. In other words, many multi-family dwelling units and single-family homes have similar drainage impacts in terms of impervious cover.

Study Findings

1. No drainage rate structure is perfectly equitable.
2. A reasonable balance must be struck between rate equity and administrative burden.
3. The City should maintain its current ERU rate structure basis.
4. High-rise residential (vertical) construction results in significantly lower amounts of impervious area per dwelling unit compared to other residential properties. Although this type of construction typically has a higher percent impervious cover, the City may wish to provide a differential rate for these customers.
5. The City could consider a reduced differential rate for this type of vertical residential land use that meets certain criteria such as a minimum number of floors within the structure.
6. For ease of administration, some cities have defined high-rise structures as those greater than a specified number of stories in height. This assists the community in differentiating high rise structures from traditional multi-family housing such as apartments. From a data collection standpoint, the City could focus on those residential structures in zoning categories that allow a maximum height of five, six, seven or more stories. Staff could perhaps limit their search to MF-6 and Central Business District zoning.

Recommendations

1. **Establish a differential rate for high-rise residential structures.** Based on consultant feedback and the input from the City Building Official, it is recommended that seven or more floors of dwelling units be used as the criteria. Residential high-rise vertical construction buildings meeting this criterion will be

eligible for a reduced monthly rate of 0.5 ERU's. This rate is proposed at \$3.88 per dwelling unit in the FY10 budget.

2. **Update the Drainage Utility Ordinance to reflect this new vertical construction class.** This will be presented to Council at the August 27th meeting.
3. **Conduct a comprehensive study on entire residential and non-residential classes.** This will be done beginning in FY10 and will include the following:
 - **Assess whether a tiered rate should be developed for all residential customers.** It is conceivable that there are residential properties that may have significantly higher or lower impact than the ERU. However, the potential improvements in equity resulting from a tiered rate will need to be balanced against the increased administrative and billing burden associated with any change.
 - **Confirm base billing unit (the ERU) as part of the next phase of study.** The data sampling conducted for this limited focus study suggests that there may have been a change in the size of the ERU in the City. This could reflect the increase in high rise and high density residential development in the City since the ERU was last determined.

Timeline

June 17, 2009: Environmental Board approved differential rate/ordinance change.

August 19, 2009: Watershed Protection Department presents budget to Council.

August 27, 2009: Council considers approval of proposed ordinance amendments.

We look forward to reviewing this information with the City Council during the upcoming budget adoption process. Should you have any questions or require additional information, please do not hesitate to contact me, or our Deputy Director, Joe Pantalione at 974-3438.

Victoria J. Li, P.E., Director
Watershed Protection Department

cc: Marc A. Ott, City Manager
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