



Water & Wastewater Commission Review and Recommendation

Commission Meeting Date:	April 7, 2021	COA Strategic Direction:	Health and Environment
Council Meeting Date:	April 22, 2021		
Department:	Austin Water		
Client:	Kevin Critendon		
Agenda Item			
Recommend approval of a resolution authorizing Austin Water (AW) to issue incentives on a pilot basis during Fiscal Year 2020-2021 for alternative onsite water reuse systems for large new commercial and multi-family developments under AW's new regulatory framework in the total aggregate amount of \$1,000,000 and not to exceed \$500,000 for each project.			
Amount and Source of Funding			
Funding is available in the Fiscal Year 2020-2021 approved Operating Budget of Austin Water.			
Purchasing Language:	N/A		
Prior Council Action:	<p>November 29, 2018 – City Council approved the Water Forward Plan on a 10-0 vote.</p> <p>December 11, 2019 – City Council voted to approve the Land Development Code Revision directing Austin Water to establish a regulatory program and an incentive program for Onsite Water Reuse Systems on first reading on a 7-4 vote.</p> <p>February 13, 2020 – City Council voted to approve the Land Development Code Revision directing Austin Water to establish a regulatory program and an incentive program for Onsite Water Reuse Systems on second reading on a 7-4 vote.</p> <p>December 10, 2020 – City Council voted to approve an ordinance establishing City Code Chapter 15-13 relating to treatment, monitoring, and reporting regulations for Onsite Water Reuse Systems on a 10-0 vote.</p>		
Boards and Commission Action:	<p>April 7, 2021 – To be reviewed by the Water and Wastewater Commission</p> <p>April 20, 2021 - To be reviewed by the Resource Management Commission</p>		
MBE/WBE:	N/A		

A recommendation in the 2018 Water Forward Plan (Plan) approved by city council included the development and adoption of an ordinance requiring the use of alternative onsite water for large, new commercial and multi-family development. The Plan included making this mandatory in FY 2023 after development of regulatory guidance for such systems had been adopted and tested through a voluntary incentive program. The regulatory guidance was adopted by city council on December 10, 2020 and became effective December 21, 2020. Approval of the ordinance making mandatory the installation of these systems beginning on December 1, 2023 is pending final council approval of the previously proposed revisions to the City's Land Development Code. This incentive program will help gather additional information on the design, engineering, installation, operation, maintenance, cost, permitting and application of the regulatory guidance needed for the successful implementation of any future mandatory requirement for these systems.

The City Charter establishes the amount above which all contracts must be submitted to Council for authorization. Contracts below this amount are within the city manager's authority and may be executed administratively. The City Charter initially established this amount at \$45,000 per year, subject to annual changes based on the most recently published U.S. Bureau of Labor Statistics Indicator and Consumer Price Index, U.S. City Average. Based on the annual review of the U.S. City Average for 2020, the City Manager's authority for FY 2021 is \$62,000. The requested authorization will allow AW, without additional Council approval, to issue incentives to commercial and multi-family customers during FY 2021 for the installation of alternative onsite water reuse systems up to a total aggregate amount of \$1,000,000 and not to exceed \$500,000 for each project.

Council approved a similar authorization for the Austin Energy (AE) commercial rebate program in October 2020, allowing AE to issue up to \$6.05 million in incentives in FY 2021 without seeking additional Council approval. AE rebates can be aggregated by project and are capped at \$300,000 per customer per fiscal year. The aggregate rebate approval request approved by Council was requested by AE to be responsive and flexible to customer needs by reducing the wait time needed to be reimbursed for energy efficiency upgrades. Based on recent experience and input received from their customers and contractors, the prior lengthy process and uncertainty caused many prospective applicants to not participate in AE's rebate programs. AW heard similar input and concerns about lengthiness and uncertainty in the application process from stakeholders during the development of its pilot incentive for alternative onsite water reuse systems for large new commercial and multi-family developments. AW is therefore proactively seeking this authorization for its limited-term pilot incentive program.

As per current practice, Austin Water staff will continue to provide the requested monthly report to the Resource Management Commission that summarizes AW's water conservation rebate and other incentive programs, including incentives for the installation of alternative on-site water reuse systems for large new commercial and multi-family development under this program. For all projects that will exceed \$62,000 in the incentive amount, the monthly report will also include measures installed, expected savings and potable water offsets, and other relevant data.

Austin Water intends to seek reauthorization for the pilot incentive program for Fiscal Year's 2022 and 2023, allowing the program to run until a future ordinance requiring mandatory installation of onsite water reuse systems for large commercial and multi-family development becomes effective.

RESOLUTION NO. 2021xxxx-xxx

WHEREAS, on November 29, 2018 City Council approved the adoption of Water Forward, Austin's Integrated Water Resources Plan; and

WHEREAS, on May 2, 2019 City Council provided policy direction and guidance relating to the Land Development Code Revision to include regulatory requirements adopted as part of Water Forward, including alternative water ordinances; and

WHEREAS, Austin Water held a series of public stakeholder meetings in 2019 to develop the regulatory framework for alternative water ordinances in the Land Development Code Revision; and

WHEREAS, in December of 2019 and February 2020 City Council voted on first and second readings to approve the Land Development Code Revision with requirements for Austin Water to establish a regulatory program and an incentive program for Onsite Water Reuse Systems to achieve alternative water target goals adopted in Water Forward; and

WHEREAS, Ordinance No. 20201210-006 established City Code Chapter 15-13 relating to treatment, monitoring, and reporting regulations for Onsite Water Reuse Systems; and

WHEREAS, Austin Water has determined that the proposed incentive program is necessary for implementing the mandatory Onsite Water Reuse System regulations proposed in the Land Development Code Revision for new multi-family and commercial developments 250,000 square feet or greater; and

WHEREAS, Onsite Water Reuse Systems help develop local water supplies using technologies that are new and innovative to the water industry; and

WHEREAS, market penetration of Onsite Water Reuse System technology for multi-family and commercial buildings is low; and

WHEREAS, Austin Water will use cost and other project data collected from the incentive program to inform the mandatory Onsite Water Reuse System for new multi-family and commercial developments 250,000 square feet or greater;

WHEREAS, In order to expedite the review and approval of incentives for systems prior to 2023, staff recommends that city council approve a total of \$1 million for a pilot incentive program with not more than \$500,000 per project without the need for additional city council approval;

WHEREAS, Austin Water will report to applicable boards and commissions the incentives and details of approved projects; **NOW**,

THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF AUSTIN:

The City Council makes the following findings that support the use of a pilot financial incentive program by the City in the development of Onsite Water Reuse Systems:

1. Given the potential for more severe and frequent drought conditions in Central Texas as a result of the impacts from climate change, it is essential that new policies to conserve water continue to be developed to support the sustainable growth of the City of Austin.
2. Water conservation efforts, including incentives for onsite water reuse systems, help maximize limited resources as population grows, while ensuring supply for critical public health and safety needs including adequate supplies necessary for emergency fire-

fighting, fire suppression, and natural disaster or other emergency management or disaster response.

3. The reuse of alternative on-site water avoids or reduces the costs of new water supply and related infrastructure for the treatment, storage and distribution of potable water that is charged to Austin Water customers.
4. Prior to the implementation of mandatory installation of alternative on-site systems, a pilot incentive program for large new commercial and multi-family facilities will help obtain information on the cost, installation, operation, maintenance and regulatory guidance for alternative onsite water reuse systems needed for the successful implementation of the mandatory installation requirement in 2023.
5. The City: (1) through use of a pilot financial incentive program to support the development of Onsite Water Reuse Systems accomplishes an important public purpose; (2) through its oversight of the development and use of an Onsite Water Reuse System supported by the City's pilot financial incentive program retains public control over the funds to ensure that the public purpose is accomplished and to protect the public's investment; and (3) through its oversight of the Onsite Water Reuse System pilot incentive program ensures that the political subdivision receives a return benefit.

BE IT FURTHER RESOLVED:

The City Council approves a resolution establishing a pilot incentive program with a reimbursement limit of \$500,000 per project and an aggregate limit of \$1,000,000 for the pilot incentive program to encourage the voluntary use of Onsite Water Reuse Systems in new multi-family and commercial development projects.

ADOPTED: _____, 2021 **ATTEST:** _____

Jannette S. Goodall

City Clerk

DRAFT