

Affordable Housing Program

Water and Wastewater Development Charge Deferral

A Partnership Program between:



Colorado Springs Utilities

It's how we're all connected

and

Housing Development Division



CITY OF COLORADO SPRINGS

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Executive Summary

Overview

The Colorado Springs Utilities (Utilities) and the City of Colorado Springs (CS) Housing Development Division have partnered together to create a fee deferral program supportive of affordable housing. For qualifying affordable housing projects, which meet specific energy and water conservation criteria, all or a portion of the Utilities’ water and wastewater development charges can be deferred. This program is but one of several mechanisms in place to promote affordable housing in the community. For inquires on this and other programs, contact the knowledgeable staff of CS Housing and Community Development (719-385-5912) who are accountable for strategic coordination of all public affordable housing related activities necessary to increase the supply of affordable housing within the community. For information regarding the Utilities’ fee

deferral program, call Utilities Customer Contract Administration at 719-668-8111.

Program Definition

Affordable Housing is housing that is affordable to those households that earn 80% or less of the median family income for the area. According to the US Department of Housing and Urban Development (HUD), a household of four earning \$56,000 or less would be considered eligible for affordable housing programs. These amounts can vary according to family size. For information on the most current median income levels and complete qualification criteria, applicants for the program should contact CS Housing Development Division.

Program Qualification

Qualifying Affordable Housing Projects

- This program is available to single-family residences or multi-family dwellings owned by qualifying individuals, corporations, non-profit organizations and other similar companies providing affordable housing as defined by the CS Housing Development Division.
- This program is limited to housing programs that meet the affordable housing criteria as defined by the CS Housing Development Division and which utilize energy and water conservation measures defined by Utilities.
- This program is on a first-come, first-serve basis defined at the time the service contract payment is made to Utilities. Fee deferral is limited exclusively to the water and wastewater development charges. All other charges, including, but not limited to, water and wastewater recovery agreements and other fees, are NOT subject to this deferral program.
- Any current year fee deferrals shall not, in aggregate, exceed 5% of the previous year's total water and wastewater development charges revenues. Therefore, regardless of the number of applications reviewed and preliminarily approved, deferrals will be issued on an annual basis up to but not exceeding these financial guidelines.
- This program is developed in response to Executive Limitation EL-14 (Revision 4, January 22, 2003). At any time this limitation could be modified affecting the program, including cancellation of the program without notice.

Program Guidelines

Application Process

The Applicant initiates the process with CS Housing Development Division by submitting an application for review and certification including details regarding the proposed energy and water conservation measures compliant with the program. CS Housing Development Division evaluates the application for two principal criteria being: 1) Does project qualify as Affordable Housing per CS Housing Development Division definitions, and 2) Are the minimum energy and water conservation criteria as defined by Utilities met? Projects which do not meet both criteria in their entirety are disqualified from this program.

Having met the selection criteria, CS Housing Development Division forwards the approved application to Utilities for processing that occurs prior to the time of Utilities' service contract (obtained by Applicant prior to issuance of building permit). At any time the Applicant may contact Utilities, at 719-668-8111, for an estimate of development charges, both those that will be paid and those that can be deferred under the program. In addition to the service contract, Applicant will sign a contractual agreement with Utilities, which defines the terms and conditions for repayment of the deferred charges based on the program for which the Applicant qualifies. Utilities collect all applicable development charges/fees at time of issuance of the service contract. A lien is then placed on the property in the form of a deed of trust executed by Applicant, which remains until such time that all deferred charges (plus any applicable interest) are paid in full.

Conservation Criteria

To qualify for a fee deferral, the Applicant's project must meet a minimum level of energy and water conservation as described below. The Applicant selects from the conservation criteria list elements of their project they will improve upon based on their economic analysis. Each type of conservation criteria has a minimum rating that must be met or exceeded to receive the corresponding point value. The intent is that these criteria exceed the minimum requirements specified by the Pikes Peak Regional Building Department. For a project to qualify for a deferral, the sum of qualifying project conservation measures must achieve a minimum rating of 7points, which must include points from both Energy Conservation and Water Conservation

improvements. All affordable housing units within the project must individually meet or exceed the selected criteria to qualify. For mixed projects wherein a portion of the units are affordable and a portion are traditional, only the affordable units may apply for the fee deferral. Conservation measures exclusive to the traditional units do not affect or influence the rating for the affordable units.

Conservation Criteria: Following are the criteria and minimum ratings (which exceed Regional Building Department minimum requirements) used to determine if the Applicant's project is eligible for the fee deferral:

Energy Conservation	Minimum Rating	Points
Furnace	90% or 95% AFUE	1 or 2 (or)
Boiler	85% or 92% AFUE	1 or 2
Central Air Conditioners	14 SEER	1
Electric Water Heater	.94 Energy Factor	1 (or)
Gas Water Heater	.65 or .67 Energy Factor	1 or 2
Attic Insulation	R49 or R60	1 or 2
Wall Insulation	R23	1
Windows and Exterior Doors	Energy Star Rated	1

Water Conservation	Minimum Rating	Points
Xeriscape Design	No more than 40% of total yard area is turf grass, and basic Xeriscape 7 design principles as identified by Utilities are met.	2
Irrigation System	Irrigation system should use WaterSense approved timer with rain shut off devise. Requires use of Matched Precipitation Nozzles.	1
Toilet, shower head, and bathroom faucets must be WaterSense approved models, for new or retrofit construction.	Toilet=< 1.28 gpf, Showerhead=< 2.0 gmp and Faucets=<1.5 gpm	1

Application Evaluation

Qualified CS Housing Development Division and Utilities staff will evaluate all information submitted by Applicant. Applications which meet the qualifications of this program will be approved and may request a deferral of Utilities' water and wastewater development charges as defined by this program, not exceeding availability of program funding, service availability or other constraints as defined in the tariffs, executive limitations or other governing policies. Project applications that do not qualify are dropped from this program. The decision of the staff is final.

Additionally, for any project initiated as qualifying affordable housing, but over time, through changes in use, owners or other events, no longer qualifies, Utilities retains the right to request and receive full payment of all deferred charges from project Owner.

Fee Deferral Programs

There are two defined programs for fee deferral based on targeted income level for the affordable housing project. Projects which are a mix of affordable and traditional units are eligible to receive a deferral only for the portion of the project that is affordable and qualifies per this program.

Any deferred charges shall constitute a lien on the property in the form of a deed of trust executed by Applicant until such time that they are paid in full.

The two programs are as follows:

PROGRAM A – Affordable Housing projects targeting individuals whose income is greater than 50%, but not exceeding 80% of the area median income.

A1 – Owner Occupied

- 25% of total water and wastewater development charge is due at application for utilities.
- 75% of total water and wastewater development charge plus any applicable interest is due at first subsequent sale of property, or payable at any time prior to that date, at Owner's option, in five annual payments as follows:

1 st year	20%
2 nd year	20%
3 rd year	20%

4th year 20%
5th year 20% Final Payment

A2 – All others, including ownership by Corporations/Partnerships/etc.

- 25% of total water and wastewater development charge is due at application for utilities.
- 75% of total water and wastewater development charge plus any applicable interest is due beginning in the 6th year after deferral (or payable at any time prior to that date at Owner’s option) and for 4 years thereafter. Repayment of the 75% fee deferral is collected annually as follows:

6th year 20%
7th year 20%
8th year 20%
9th year 20%
10th year 20% Final Payment

PROGRAM B – Affordable Housing projects targeting individuals whose income is equal to or less than 50% of the area median income.

B1 – Owner Occupied

- 0% of total water and wastewater development charge is due at application for utilities.
- 100% of total water and wastewater development charge plus any applicable interest is due at first subsequent sale of property, or payable at any time prior to that date, at Owner’s option, in five annual payments as follows:

1st year 20%
2nd year 20%
3rd year 20%
4th year 20%
5th year 20% Final Payment

B2 – All others, including ownership by Corporations/Partnerships/etc.

- 0% of total water and wastewater development charge is due at application for utilities.
- 100% of total water and wastewater development charge plus any applicable interest is due beginning in

the 6th year after deferral (or at any time prior to that date at Owner's option) and for 4 years thereafter. Repayment of the 100% of fee deferral is collected on an annual basis as follows:

6 th year	20%
7 th year	20%
8 th year	20%
9 th year	20%
10 th year	20% Final Payment

Verification Process

Utilities will verify that these conservation measures as applied for each qualifying project were successfully met. As a part of this process, the Applicant, will be required to provide proof of their compliance which may include receipts for furnace, water heaters, etc.; copy of insulation certificate for the project, confirmation of equipment from their installation subcontractors and other information required by Utilities. This requirement must be met before utility meters will be installed. Utilities may request that the Certificate of Occupancy or connection to and provision of utilities be withheld until compliance. If requirements are not met all deferred charges shall become due and payable to Utilities within 30 days of notice from Utilities.

Repayment Process

The lien attached to the property at the time of fee deferral shall require repayment of the deferred water and wastewater development charges based upon the charges that are actually in effect at the time initial repayment is made. For informational purposes, the lien will include estimates of the repayment amounts based upon Utilities' current water and wastewater development charges. Over time, the amount required to discharge the lien might increase or decrease corresponding to changes to the water and wastewater development charges. At the time repayment of water and wastewater development charges occurs, the then current applicable water and wastewater development charges (subject to the conditions stated below) shall be used to determine the amounts required to be paid in order to discharge the lien. For example:

- A) 5 years after fee deferral, a non-owner-occupied affordable housing project begins repayment per the program schedule. The amount to be repaid will be calculated at the time of the first payment and be based on the then current fees (subject to the conditions stated

below). Having established the repayment amount, the fee amount is then fixed and used as a basis of calculation for the payment schedule; or

- B) An owner occupied home is resold for the 1st time 10 years after fee deferral. Per the program, upon this sale the fee deferral is due and payable at or before closing and transfer of ownership. The amount of the repayment is calculated based on the water and wastewater development charges in place at the time of sale (subject to the conditions stated below):

Program Conditions

- The amounts to be repaid under any of the above programs shall be based on the charges that are actually in effect at the time the first repayment is made, but shall not exceed the deferred amount plus interest charges calculated from the date of deferral to the date of first repayment in accordance with the published 10-year Treasury note rate in effect on the date of deferral, compounded annually (subject to the terms and conditions of the deferral agreement).
- If the deferred charges are not paid in full at the time of the initial repayment, such as by using a 5-year repayment schedule, then interest shall be charged on the outstanding balance during the repayment period based on the published 10-year Treasury note rate in effect on the date of deferral, compounded annually.
- In the event there is a subsequent sale of an Owner-occupied unit after selection of the five-year repayment option, all remaining unpaid amounts related to that unit are due and payable at or before the time of the subsequent sale.
- Failure to make payments in accordance with the program shall be subject to applicable Utilities' tariffs, policies and procedures.
- Owner has the right to prepay the principal amount, plus any applicable interest, outstanding under the program, in whole or in part, at any time without penalty.