



**PUBLIC WORKS DEPARTMENT**

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**CITY COUNCIL STAFF REPORT**

Meeting: August 20, 2019

**Subject**

Establish a Residential Clean Water Rebate Program offering various financial incentives to decrease storm water runoff and establish a 20% cost-share of Clean Water and Storm Protection Fees for extremely low and very low-income property owners.

**Recommended Action**

1. Authorize expenditures not to exceed \$25,000 per year from the Environmental Management/Clean Creeks Fund to:
  - A. fund the Santa Clara Valley Water District’s Rainwater Capture Program to match rebates for rain barrels, cisterns, and rain garden construction for Cupertino residential property owners offered through the Santa Clara Valley Water District’s new program, and
  - B. to fund a separate City program that would provide property owners up to \$3.00 per square foot of impervious surface removed and replaced with pervious hardscape; and
2. Adopt Resolution No. 19-XXX to approve a Budget Adjustment in the amount of \$25,000 in the Non-Point Source Fund for the Santa Clara Valley Water District’s Rainwater Capture Program, and the new impervious pavement conversion rebate pilot program (230-81-802); and
3. Authorize a 20% cost-share of Clean Water and Storm Protection Fees for extremely low and very low-income property owners; and
4. Authorize expenditures not to exceed \$14,000 per year from the Non-Point Source Fund for a 20% cost-share of the 2019 Clean Water and Storm Protection fee for extremely low and very low-income property owners (230-81-802).

**Background**

On March 5, 2019, City Council approved the Fee Report for the 2019 Clean Water and Storm Protection Fee (Clean Water Fees). This Fee Report included a low impact development rate adjustment provision, which consists of \$25,000 to be set aside in an annual rebate program for residential property owners who install new improvements that decrease storm water runoff from their property. Examples of these improvements include rain barrels, rain gardens, cisterns and pervious hardscape. With the

authorization of the new Clean Water Fees on July 16, 2019, a program to administer these funds is needed.

In addition to the establishment of a residential rebate program, on May 7, 2019 City Council directed staff to investigate ways to offset the Clean Water Fees for low-income property owners. The following provides staff's analysis, recommendations and implementation for these programs:

### **Residential Rebate Program**

The Santa Clara Valley Water District's (Valley Water) Rainwater Capture program is an existing program in which the City recently became a cost-sharing partner. This program began in January 2019, with the City cost-share beginning July 1, 2019. Attachment A is this agreement between Valley Water and the City. Under this program, Valley Water provides residential rebates for rain barrels (\$35 per device), cisterns (\$0.50 per gallon) and rain garden construction (\$1 per square foot, \$300 per site maximum). Through the City's partnership, Cupertino residents enjoy double the rebate (\$70 per rain barrel, \$1 per cistern gallon, and rain garden construction of \$2 per square foot, up to a maximum of \$600 per site). The City offers this strong incentive to property owners who adopt these measures in their landscape plans and thereby enhance the environmental health of the City. Staff will conduct outreach, monitor program participation, and work with Valley Water staff so that Cupertino residents are encouraged to utilize the program up to the available funding amount.

During the Clean Water Fee outreach process, residents expressed a desire to replace impervious hardscape with a pervious alternative. Currently, there are no rebates available through the Valley Water Rainwater Capture partnership for replacement of impervious hardscape with pervious alternatives. To meet this need, a one-year pilot program is proposed to establish and fund a rebate of \$3 per square foot (up to a maximum of 300 square feet for a maximum rebate of \$900 per parcel) for replacement of impervious pavement with a pervious paving option. After one year of outreach, the pilot program will be evaluated, and staff will recommend changes to maximize or modify the program with the goal of being able to assist the maximum number of residents. This proposed pilot program would initially be administered by the City and may have the opportunity to be folded into the Valley Water's Rainwater Capture Program in the future.

The City of Palo Alto offers a similar program, rebates at \$1.50 per square foot with a maximum of \$1,000 per property. Since program inception in 2009, Palo Alto has issued (45) rebates for pervious paving alternatives. It is not known if the low per square foot rebate amounts currently offered in Palo Alto are the reason for low participation. City of Palo Alto staff is evaluating their rebate program and may make adjustments to increase program attractiveness and participation. City of Cupertino staff is monitoring the City of Palo Alto's program.

It is proposed that both the Valley Water Rainwater Capture Program and the City pilot program be funded by the Environmental Management/Clean Creeks Fund up to \$25,000 annually to incentivize conversion of impervious surfaces to pervious surfaces through providing property owner rebates and supplementing Valley Water’s Rainwater Capture Program.

**Low-Income Cost-Share Program**

Since May of this year, staff has investigated cost-share programs offered by other cities and/or utilities. The table below shows these programs and the cost-share provided by these other cities and/or utilities.

<b>Service Provider</b>	<b>Cost Share Rate</b>	<b>Income Qualifier</b>
City of Palo Alto – Storm Drain Fees	20%	HUD – Very Low
City of Palo Alto – Electric & Gas	25%	HUD – Very Low
City of Cupertino – Storm Drain Fee	20% proposed	HUD – Very Low
Silicon Valley Power (City of Santa Clara)	25%	HUD - Low
Cal Water	50% service charge (\$48/month max)	FPG
San Jose Water	15% of total monthly charge	FPG
PG&E - Electric*	30% Min – 35% Max	FPG
PG&E - Gas*	20%	FPG

\* California Public Utilities Code Section 739.1, requires electric and gas service providers servicing 100,000 or more customers to provide cost-share programs and establishes cost-share percentages.

In general, two income qualification methods are used to determine eligibility for cost-share programs. Utilities such as PG&E, San Jose Water and Cal Water set maximum income limits at 200% of Federal Poverty Guidelines (FPG) as established by the Department of Health and Human Services. Cities, such as Palo Alto and Santa Clara, follow the US Department of Housing and Urban Development (HUD) income guidelines. FPG guidelines are uniform across the country whereas HUD guidelines vary by state and county. The table below illustrates the maximum household income limits for both FPG and HUD guidelines:

<b># of persons per household</b>	<b>FPG</b>	<b>HUD Very Low-Income</b>	<b>HUD Low-Income</b>
1	\$24,980	\$51,250	\$72,750
2	\$33,820	\$58,550	\$83,150
3	\$42,660	\$65,850	\$93,550
4	\$51,550	\$73,150	\$103,900
5	\$60,340	\$79,050	\$112,250

6	\$69,180	\$84,900	\$120,550
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There are currently 918 Cupertino residents who receive cost-share assistance through PG&E. If PG&E income qualification guidelines are used, it would decrease staff resources needed to implement the cost-share program, since applicants would simply need to submit a copy of their PG&E bill with their application in order to demonstrate eligibility for the cost-share.

If HUD guidelines are followed, the income limits are adjusted periodically and a greater number of property owners would qualify for the subsidy. The number of applicants can be estimated based on the Comprehensive Housing Affordability Data (CHAS) released by HUD in June 2018. Income data for the City of Cupertino is summarized below.

Income Distribution	Owner Occupied Units
Extremely/Very Low-Income	1565
Low-Income	1025

Staff recommends following the City of Palo Alto’s model which offers a 20% cost-share for customers whose income does not exceed HUD extremely low/very low-income limits. Approximately 1,565 Cupertino residential property owners fall within these categories. The 2019 Clean Water Fee for an average sized residential property is \$44.42/year. This would result in an estimated \$14,000 cost-share from the General Fund, because 1565 properties would be eligible receive the benefit. The Environmental Management/Clean Creeks Fund is restricted from providing a cost-share.

It is anticipated that the City would begin receiving applications for the Clean Water Fee cost-share in December, after the first property tax installments are received. Applicants will be able to submit applications electronically or by mail. The cost-share would be valid for two years for applicants with variable income, and for four years for retirees on fixed income. Prior to the end of the two or four year period, applicants would need to re-verify their income to continue to receive the subsidy. Staff plans to develop an online application program together with GIS to help automate the process as much as possible.

**Sustainability Impacts**

The Residential Clean Water Rebate Program supports the City’s Climate Action Plan and will further implementation of the following measures and action steps:

- Measure C-W-1: promote existing water conservation programs and implement water conservation policies to achieve 20% per capita water use reduction by 2020.
- Measure C-G-1: evaluate opportunities to expand ordinances and codes to prioritize expansion of pervious and cool pavement.

**Fiscal Impact**

Approving expenditures of \$25,000 for the Valley Water Rainwater Capture program and the City program to incentivize pervious surfaces will result in no fiscal impact because the program was anticipated in the Fee Report and will be funded by the Environmental Management/Clean Creeks Fund. Approving a subsidy for the 20% cost-share for extremely low/very low-income property owners would result in the Non-Point Source Fund impact of approximately \$14,000 annually. No new appropriations are needed.

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**Prepared by:** Jo Anne Johnson, Public Works Project Manager

**Reviewed by:** Roger Lee, Director of Public Works

**Approved for Submission by:** Deborah Feng, City Manager

**Attachments:**

A – Agreement between SCVWD and City for water conservation landscape program.

B – Draft Resolution No. 19-XXX amending the FY 19-20 budget to include additional expenditures not to exceed \$25,000 for residential storm water rebates