

System Development Charges & Cost Sharing on System Improvements

Developer Feedback Sessions

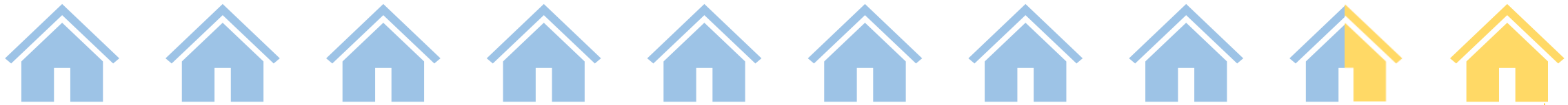
April 25 and 30, 2024

Agenda

- Review of Concept
- System Development Charges Proposal
- Cost Sharing Proposal
- Feedback and Questions

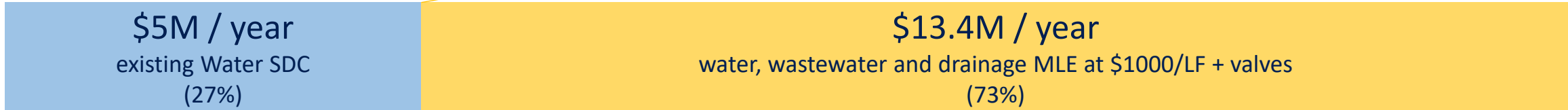


Current Development Contributions to System Improvements



85% of development projects move forward without system improvement costs

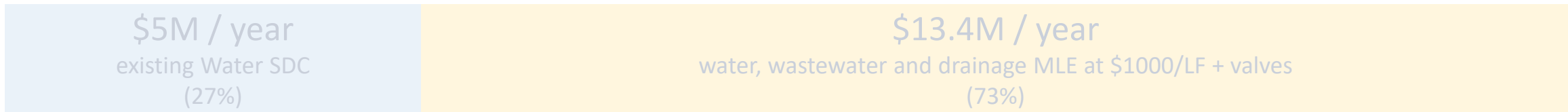
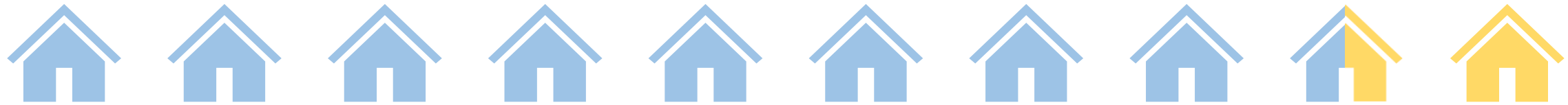
15% of development projects are required to pay for MLE or Valves



\$220M - \$260M / year
approximate annual ratepayer CIP contributions
(\$160-180M drainage and wastewater, \$60-80M water)



Future: Distribute system improvement costs more equitably across development and unlock developable land



Proposal: Increase system development charges for all development to cover majority of the costs of Mainline Extensions and Valves.



Goals of Proposal

Rate neutral

Distribute system improvement costs more equitably across development

Incentivize gridding of systems to unlock developable land

Maintain efficiency of MLE design and construction by developers

Simple and predictable process



System Development Charges Proposal



System Development Charges (SDCs)

- Authorized by RCW 35.92.025
 - Cities can charge property owners an equitable share of the cost of the utility system to connect into water, wastewater, and/or drainage system
 - SDCs are a restricted revenue source that can only be used to cover the costs of system improvements.
- SPU's current water SDC excludes interest and other costs and is among the lowest in the region
- SPU currently has no drainage or wastewater SDC



System Development Charge Proposal

- Update SDC formula to use more complete definition of cost of the system
- Add Wastewater and Drainage SDCs using same formula

System Development Charge per Customer Equivalent (CE)		
System	Current	Proposed ¹
Water (1 CE = 3/4" meter)	\$2,400	\$6,900
Wastewater (1 CE = 3/4" meter)	\$0	\$2,300
Drainage (1 CE = 2,700 sf impervious surface)	\$0	\$3,600

¹ Accounting Asset Base is based on 2023 estimates values. Audited 2023 values will be available in May 2024.



How much will Developments Contribute?

SDCs are charged to development projects based on their “Customer Equivalent” (CE) for each service. Credit given for existing levels of water / wastewater service or impervious surface.



Single Family (SF) House
Existing SF lot subdivided to create new vacant lot. New ¾” meter. Adds 2,700 sf new impervious surface.

- **Water: 1 CE**
- **Wastewater: 1 CE**
- **Drainage: 1 CE**

Total SDC across services:

- Proposed: \$12,800
- Replaces: \$2,400
- Net increase: \$10,400



SF House + AADU + DADU
SF tear down replacing ¾” meter with 1.5” meter. Adds 1,350 sf new impervious surface.

- **Water: 2.3 CE**
- **Wastewater: 2.3 CE**
- **Drainage: 0.5 CE**

Total SDC across services:

- Proposed: \$22,960
- Replaces: \$5,520
- Net increase: \$17,440



12 Townhomes
Two adjacent SF tear downs with 2 x ¾” meters. New 2” master meter. Adds 2,700 sf new impervious surface.

- **Water: 3.3 CE**
- **Wastewater: 3.3 CE**
- **Drainage: 1 CE**

Total SDC across services:

- Proposed: \$33,960
- Replaces: \$7,920
- Net increase: \$26,040



150-unit Apartment Building
Vacant paved parking lot with no existing water service. New 4” meter. No new impervious surface added.

- **Water: 17 CE**
- **Wastewater: 17 CE**
- **Drainage: 0 CE**

Total SDC across services:

- Proposed: \$156,400
- Current: \$40,800
- Net Increase: \$115,600

SDC Details

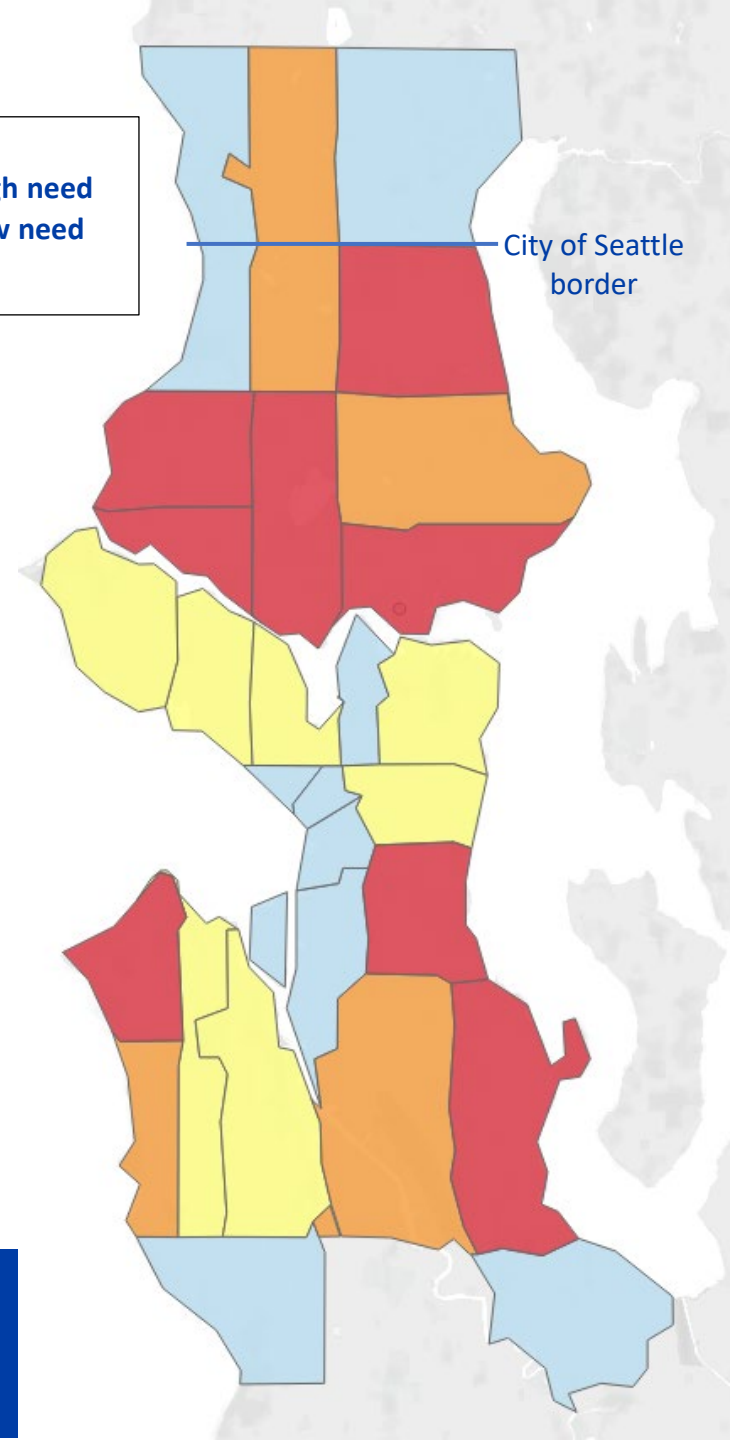
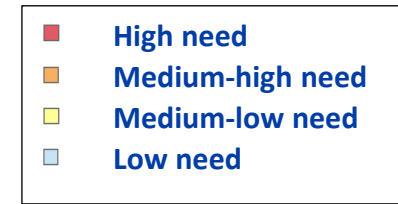
- Each system's SDC will be updated every three years in coordination with its respective rate study and updates to that system's assets.
- Water, wastewater, and drainage SDCs will be due with water service application invoice payment.
- Option to delay payment of SDCs until sale of property under consideration for some residential development types.
- SDC waivers will align to current policies:
 - SDCs for a specific system will be waived if a development is required to complete a mainline extension for that system. Example: Water SDC is waived if a water mainline extension is required; drainage and wastewater SDCs still due.
 - SDCs are not waived for valve installations.



Cost Sharing on System Improvements

Need for Mainline Extensions (MLEs)

- There are over 13,000 blocks in the city missing a water, wastewater, or drainage mainline segment
- Developments that require MLEs seem to be less likely to move forward because today the full cost is borne by the developer.
- The cost of an MLE can be especially challenging for smaller developments.
- Building out water, wastewater, and drainage infrastructure will unlock parcels of land for development that today are not financially feasible.



Cost Sharing Proposal: MLE

Use revenue from SDCS to pay for a portion of the costs of water, wastewater, and drainage MLE and water valve installations required as part of development.

Mainline Extensions:

- **Proposal:** SPU contributes \$1000/LF for the benefitting parcels' proportion of the MLE
 - Proportion determined by parcel area associated with development versus benefitting parcels
 - SPU pays \$1000/LF for benefitting “latecomer” parcels' portion
 - Developer pays for development’s portion and costs above \$1000/LF
- **Alternative:** SPU contributes \$1000/LF for 60% of MLE length, developer pays for the remaining length and costs above \$1000/LF.
- SPU contribution brings prevailing wage requirements for MLE.
- Developer continues to design and build MLE.
- As a condition of receiving cost sharing payment, developers must submit actual costs for MLE.
- SPU will record and manage a "participatory latecomer agreement" on benefitting parcels.

Cost Sharing Proposal: Valves

Use revenue from SDCS to pay for a portion of the costs of water, wastewater, and drainage MLE and water valve installations required as part of development.

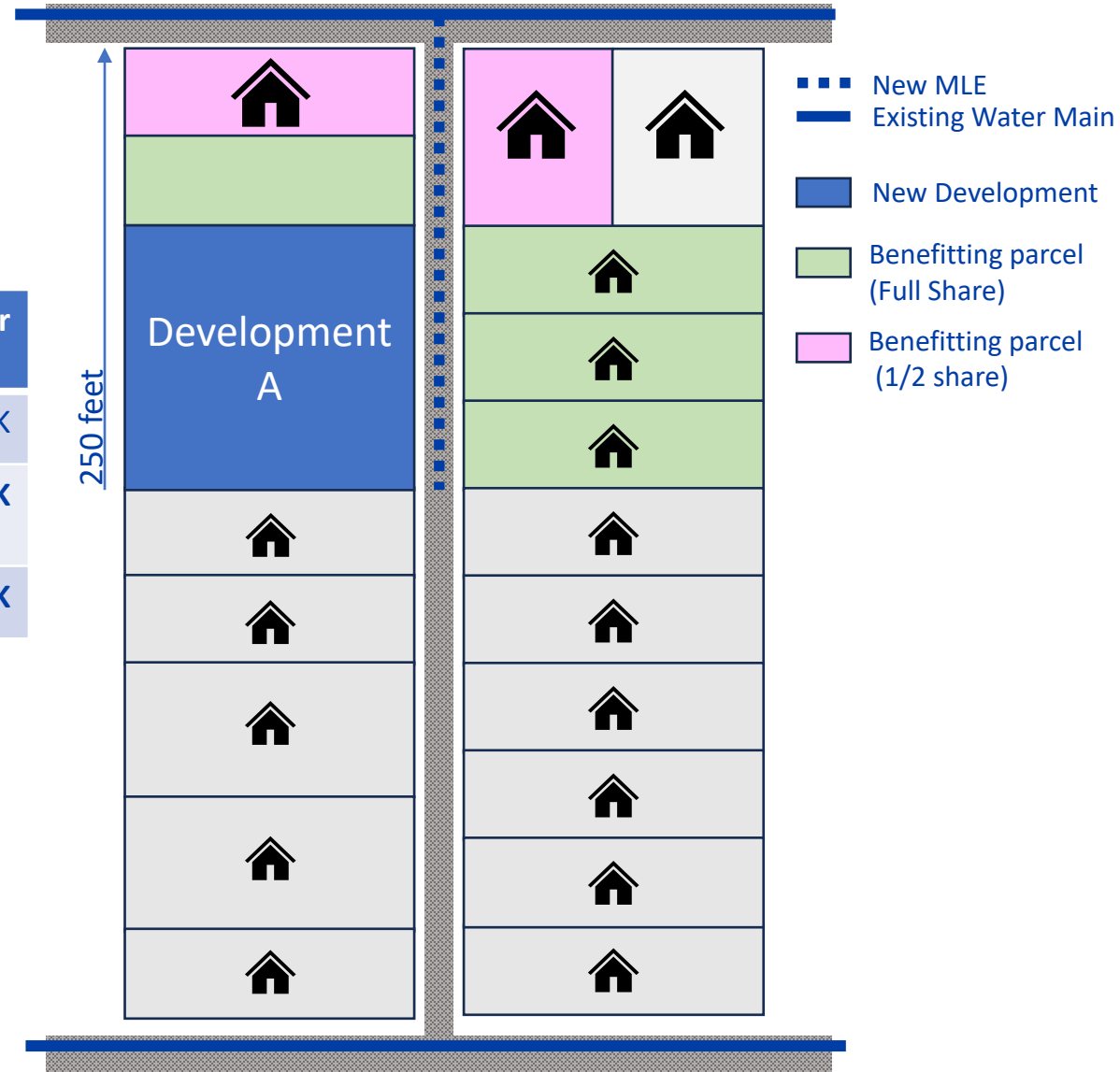
Water Valves (Feeder Main to Distribution Main Conversion)

- **Proposal:** SPU covers up to \$25K per valve of Site-Specific Cost Estimate. Developer pays remainder plus street restoration.
- **Alternative:** SPU covers 60% of Site-Specific Cost Estimate. Developer pays remainder plus street restoration.
- SPU continues to design and install valves.
- Developer responsible for street restoration.
- No latecomer agreements on valves.



Cost Sharing Example

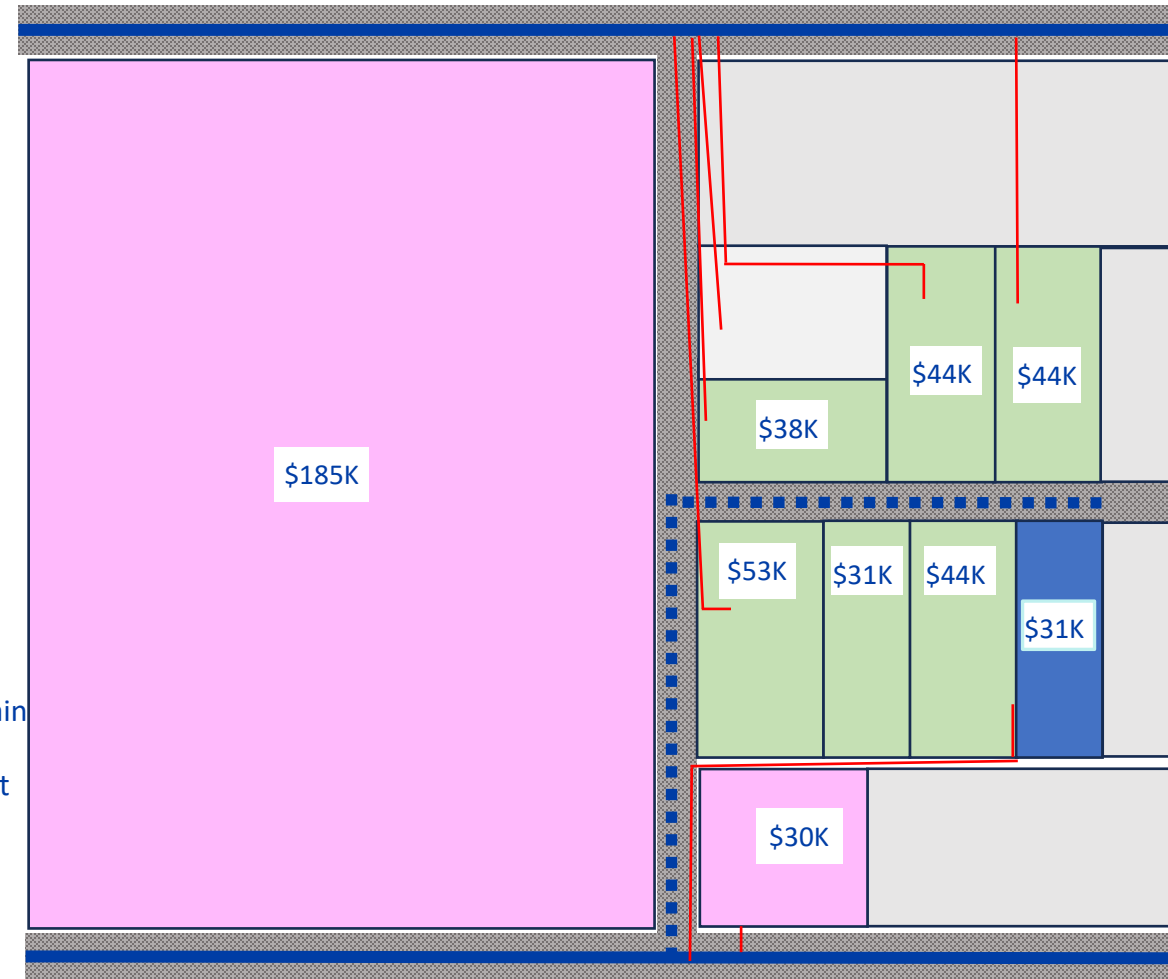
Development A = 250 LF Water MLE and 38% of parcel area	SPU	Developer
Current: No cost share	\$0	\$250K
Parcel area proportion (current latecomer method)	\$156.2K	\$93.8K
SPU fixed percentage (60%)	\$150K	\$100K



Example Project E

Two-story tandem duplex, each with a basement AADU. 500 LF 8" Water MLE and 6% of parcel area	SPU	Developer
Current: No cost share	\$0	\$500K
Parcel area proportion (current latecomer method)	\$469K	\$31K
SPU fixed percentage (60%)	\$300K	\$200K

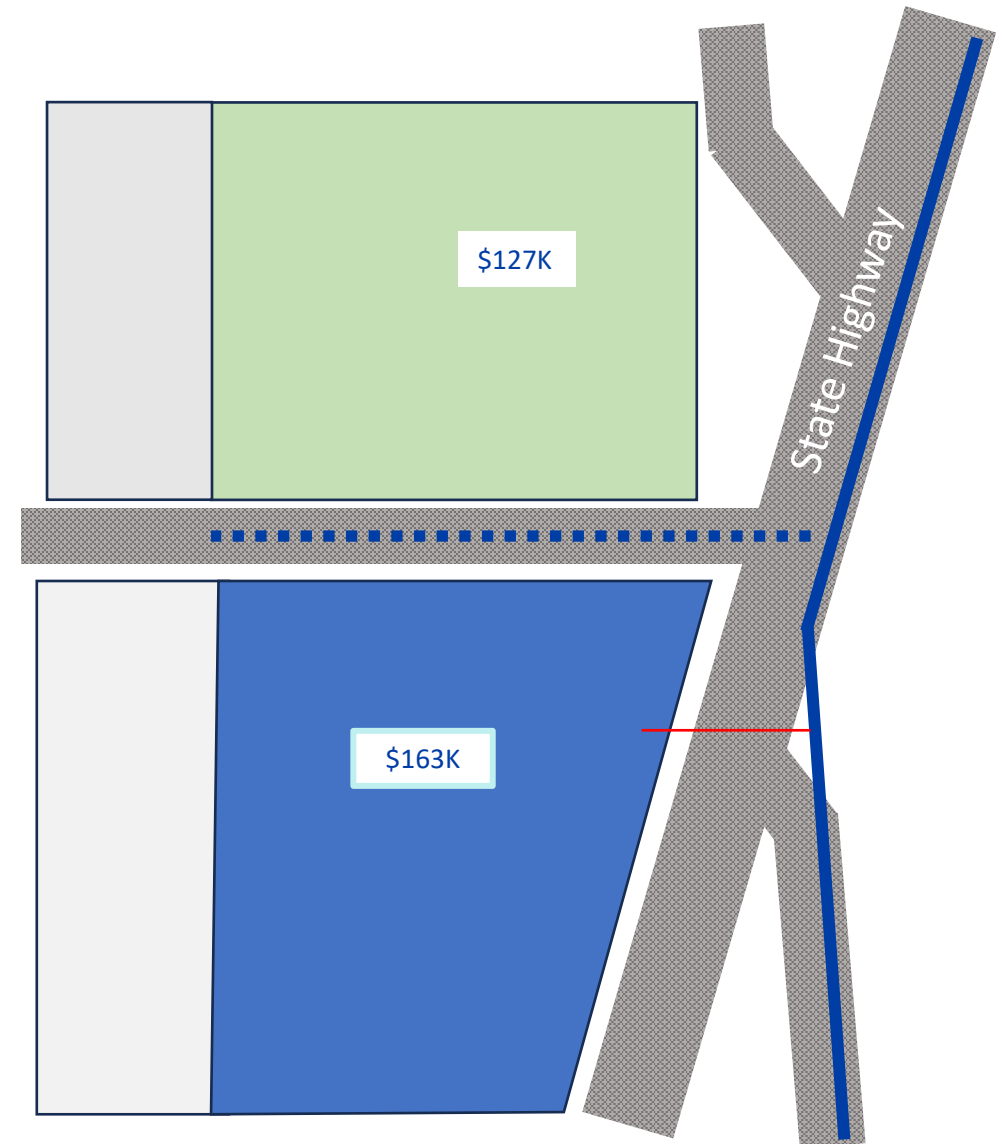
- ■ ■ New MLE
- Existing Water Main
- New Development
- Benefitting parcel (Full Share)
- Benefitting parcel (1/2 share)



Example Project H

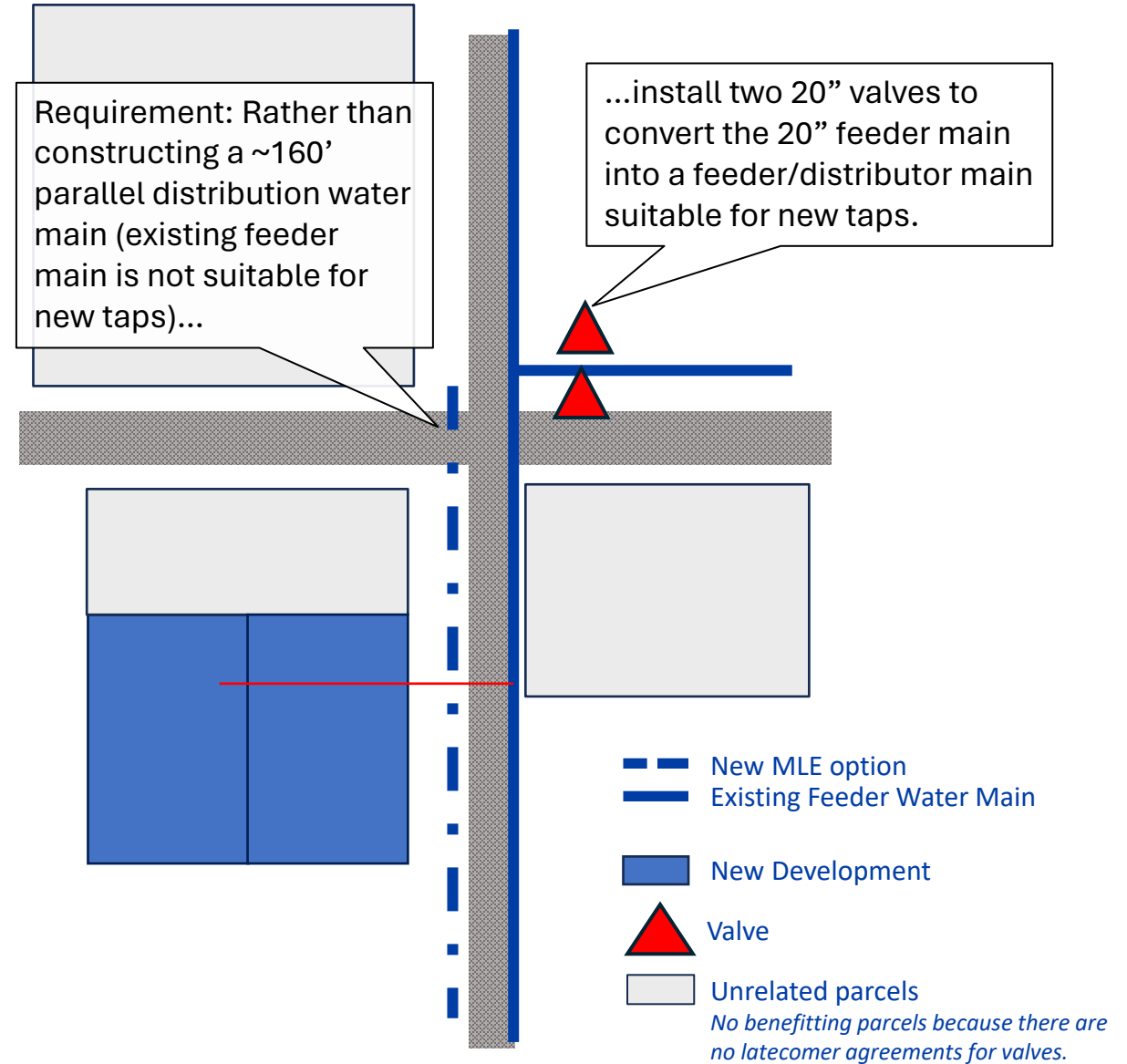
5-story 120-unit apartment building. 290 LF Water MLE and 56% parcel area	SPU Cost	Developer
Current: No cost share	\$0	\$290K
Parcel area proportion (current latecomer method)	\$127K	\$163K
SPU fixed percentage (60%)	\$174K	\$116K

-  New MLE
-  Existing Water Main
-  New Development
-  Benefitting parcel (Full Share)



Valve Example

30-unit condo building on two combined parcels. Two 20" valves	SPU Cost	Developer
Current: No cost share	\$0	\$82K
SPU up to \$25k per valve	\$50K	\$32K
SPU fixed percentage (60%)	\$49K	\$33K



Questions? Feedback?

- How can we improve this proposal?
- Please submit any additional feedback on the proposal to michelle.lange@seattle.gov by Monday, May 8th.

