

# Developer Charges and Funding Options

May 25, 2023

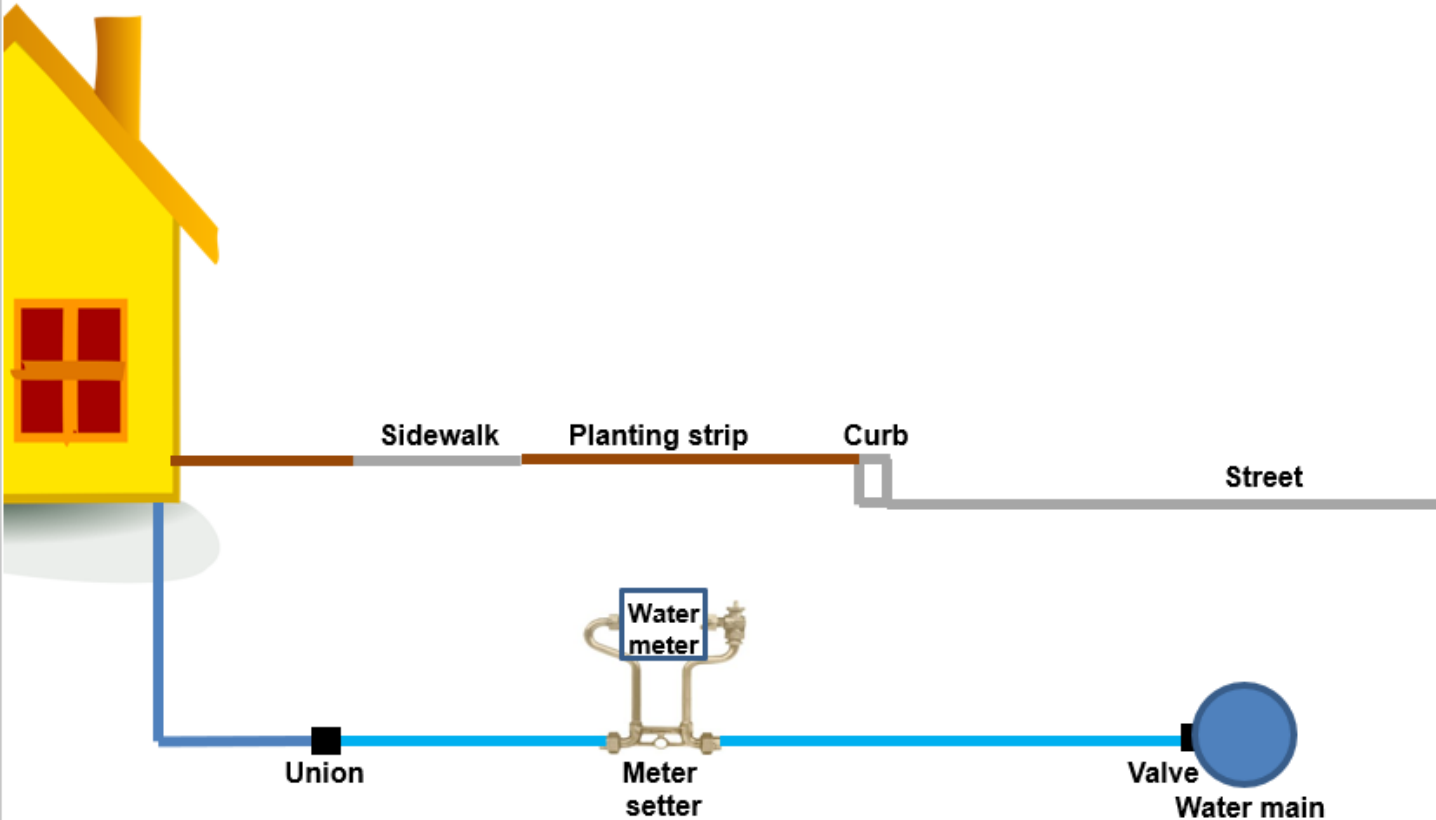
# Cost Sharing Considerations

Various factors are driving changes in Seattle's growth and development patterns, which means SPU needs to rethink its approach to funding its infrastructure. SPU is investigating how infrastructure costs can be distributed equitably across the system.

Considerations:

1. Introduce system development charges (SDCs) for drainage and wastewater and increase for water.
2. SPU shares cost for developer required system improvements.
3. SPU begins utilizing municipal latecomer agreements.

# Development Charges and Requirements



## Water example:

- **System development charge** (one-time “buy in” charge for new or increased capacity connections to the system)
- **New tap fee** (costs of physical connection to the system)
- **Water main extension** if the parcel does not abut an existing water main, or other system improvement requirements (valves)



# #1 - System Development Charges (SDCs)

- Authorized by RCW 35.92.025
  - Cities can charge to connect to the utility system to pay an equitable share of the cost of the system in addition to the cost of connection
  - Equitable share may include 10 years of interest charges
- 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

# SDC Calculation

- Basic approach to calculating SDC for 1 ERU:

$$\text{SDC} = \frac{\text{System Cost}}{\text{Customer Base}}$$

- Part of SPU rethinking infrastructure and cost equity across the system is relooking at how system costs are defined.

# SDC Formula: Options for Increased SDCs

System	Potential Range
Water (1 ERU)	\$2,400 - \$7,300
Drainage (based on impervious surface)	\$1,500 - \$3,600
Wastewater (1 ERU)	\$600 - \$2,200

# Potential SDC Impacts of Select Developments

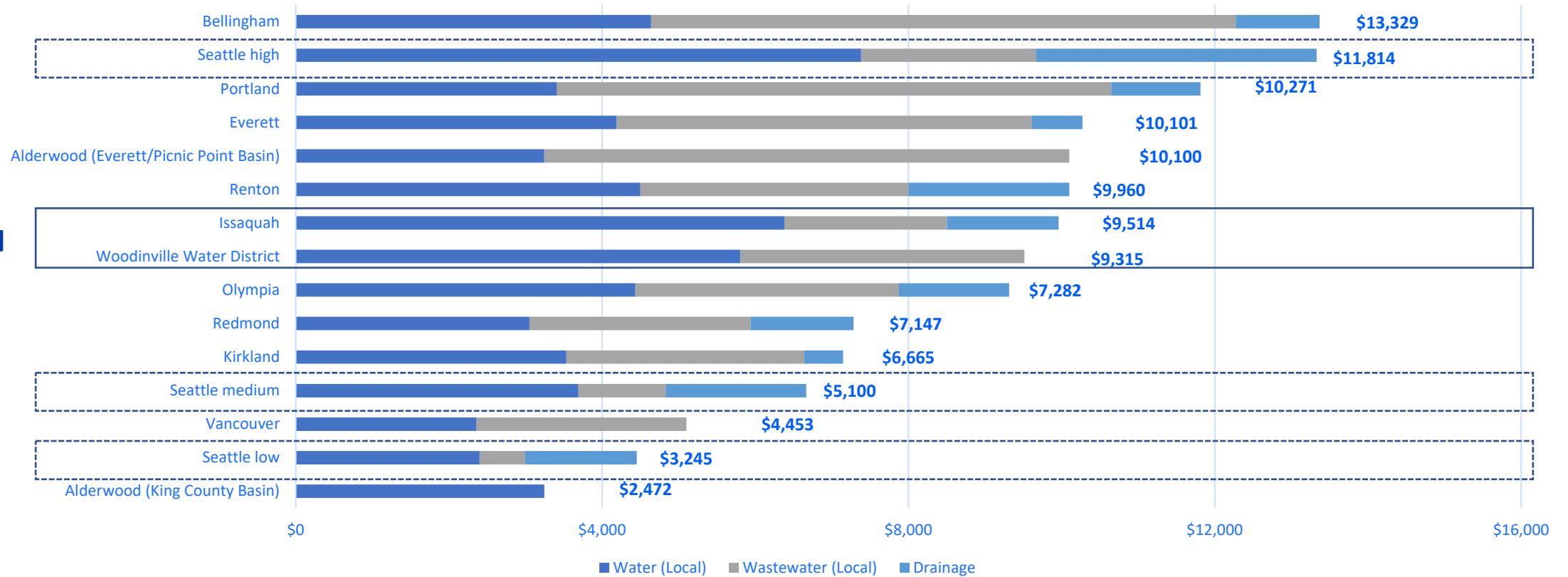
Meter Size <sup>1</sup>	Example Development	Range	Water SDC	Wastewater SDC	Drainage SDC <sup>2</sup>	Total
0.75"	Single Family Residential (SFR) Home	High	\$7,300	\$2,200	\$3,600	\$13,100
		Low	\$2,400	\$600	\$1,500	\$4,500
1"	SFR with Attached Accessory Dwelling Unit (ADU) and Detached ADU	High	\$12,410	\$3,600	\$3,740	\$19,750
		Low	\$4,080	\$1,020	\$1,500	\$6,600
1.5"	3 Townhouse, Rowhouse, or Live-Work Units (3-Story)	High	\$24,090	\$3,600	\$7,260	\$34,950
		Low	\$7,920	\$1,980	\$1,500	\$11,400
2"	6-Unit Multi-Family (Master Meter)	High	\$38,690	\$11,660	\$0	\$50,350
		Low	\$12,720	\$3,180	\$0	\$15,900
4"	30-Unit Multi-Family	High	\$124,100	\$37,400	\$0	\$161,500
		Low	\$40,800	\$10,200	\$0	\$51,000

Notes:

1. SPU relies on the developer to request the correct water meter size.
2. Larger projects are assumed to be redevelopments with no increased impervious area, therefore no drainage SDC.



# SDCs: Benchmarking

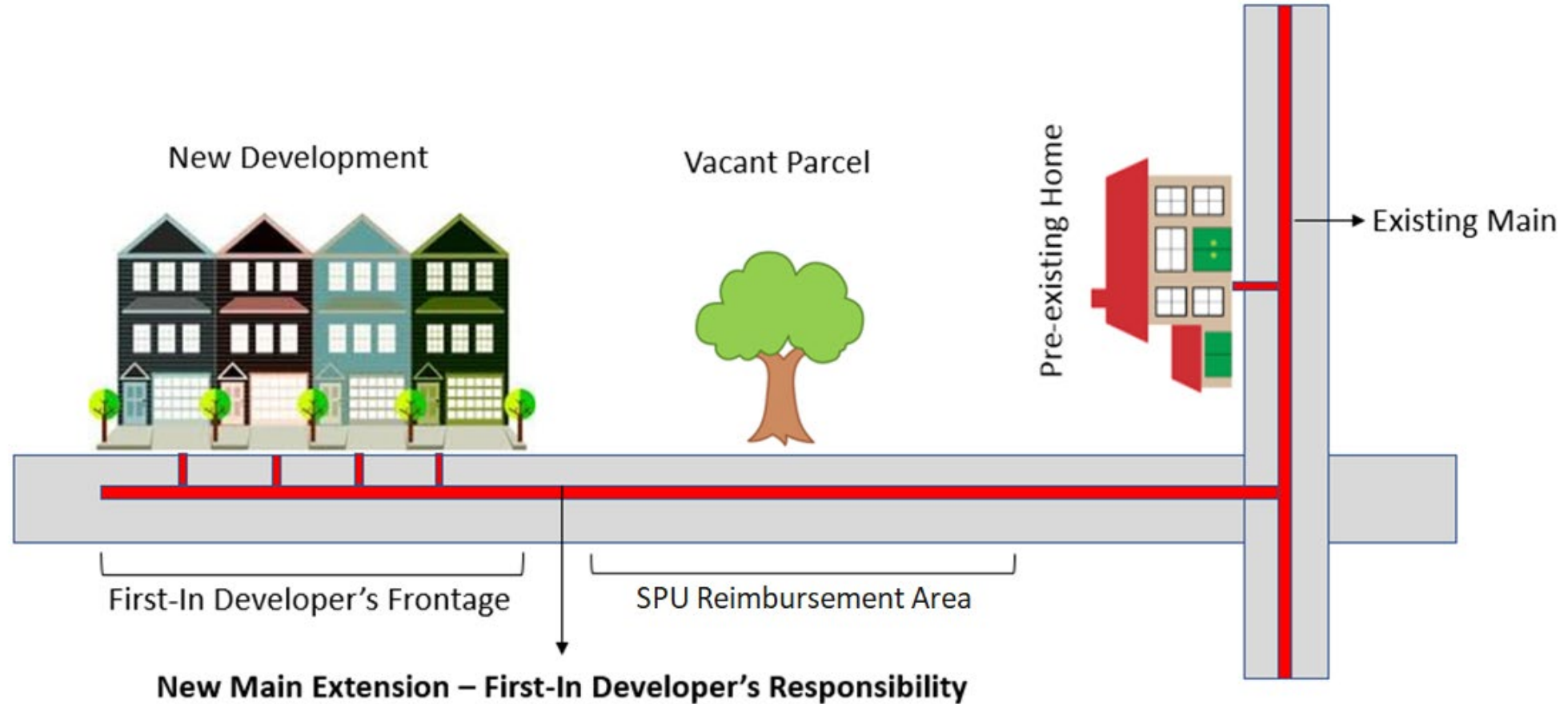




## #2 - Cost Sharing

- SPU will fund some portion of the system improvement
  - Portion to be determined but seeking simple and predictable processes
- Developer is still responsible to design and construct main extensions
- SPU will continue to install alternate system improvements, such as valves

# Example: Main Extension Requirements



# Cost Sharing – Potential Funding Caps

In order to remain rate neutral, SPU is evaluating various ways to ensure cost sharing utilizes SDC revenue only. Options include:

- Cap funding amount based on:
  - Lineal feet of main infrastructure
  - Percentage dollar cap per project
  - Annual cap – first come, first served until SDC funds are depleted
- Collect SDCs for some time period prior to implementing cost sharing in order to build fund reserve
- Establish eligibility criteria, such as:
  - Minimum and maximum main extension lengths
  - Project must include benefitting parcels
- Define what work is eligible to receive funding

# #3 - Municipal Latecomer Agreements

- Participate in utility latecomer agreements by funding a portion of system improvements and seeking reimbursement from benefitting parcels.



# Next Steps/Questions/Discussion

- May 2023: SPU is finishing up meeting with individual stakeholder groups
- Spring/Summer 2023: Retained consulting firm specializing in utility rates to benchmark other utilities' infrastructure funding programs, developing funding options, use of SDCs
- May-June 2023: Gather comments and questions from stakeholders ([michelle.lange@seattle.gov](mailto:michelle.lange@seattle.gov))
- Summer 2023: Share feedback with leadership and Mayor's office