

**CITY COUNCIL STUDY SESSION**

Update codes to waive sewer, water and stormwater connection charges, including capital recovery charges, for new shelters and affordable housing projects and to allow property owners the choice to pay in full the remaining balance of imposed capital recovery charges.

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*Utilities*

**DIRECTION NEEDED FROM COUNCIL****DIRECTION**

Staff will present draft legislation to waive sewer, water and stormwater connection fees, including capital recovery charges (CRCs), for new shelters and affordable housing projects and allow property owners the choice to pay in full the remaining balance of imposed capital recovery charges. Staff seek direction to return with appropriate legislation to amend relevant codes accordingly.

**RECOMMENDATION**

Direct staff to return with appropriate ordinances to amend the City's relevant codes to:

- A. Waive sewer, water and stormwater connection charges for new shelters and affordable housing projects contingent on availability of non-utility rate funds to cover the full amount of the waivers, and
- B. Allow property owners the choice to pay in full the remaining balance of imposed sewer, water and stormwater CRC fees.

**BACKGROUND & ANALYSIS**

The State Department of Commerce recently established the Connecting Housing to Infrastructure Program (CHIP) grant to pay for construction of utility improvements and waived connection charges for new affordable housing projects.

Preapplications are due January 3, 2022. Applicants must be a local government or a public utility district. Bellevue is partnering with A Regional Coalition for Housing (ARCH) to submit grant applications for three projects.

There are nine criteria on which grant applications may be scored. One criteria that Bellevue does not currently meet is having an existing connection fee waiver program, without which the City's applications will be given lower priority. Revised Code of Washington (RCW) 35.92.380 requires any waiver or delay of connection charges for low-income households be done pursuant to adoption by ordinance.

While conducting research for this grant application, it has also come to light that Bellevue's code does not provide customers the ability to pay CRC fees in full earlier than the current 10-year payment

period. Revising the City's code would provide more flexibility for the customer, maximize the benefits of the CHIP grant and will be revenue neutral to Bellevue Utilities.

### **What are utility connection charges and who pays them?**

Utility connection charges are fees paid by all development so that each connecting property bears its proportional share of the cost of public sewer, water and stormwater systems. Development in Bellevue is subject to three types of connection charges:

- Capital Recovery Charges and Direct Facility Charges for Bellevue's sewer, water, and stormwater system.
- Connection Charges as a pass-through of the Cascade Water Alliance's regional capital facility charges. These are collected by Bellevue and paid to Cascade Water Alliance.
- King County Sewer Capacity Charges for King County's regional sewer system. These are collected directly by King County, rather than by Bellevue.

### **What recommended code provisions should Bellevue consider in establishing a fee waiver program for affordable housing?**

- Waived fees should not be made up by increased rate pressure on existing ratepayers. This is based on the industry practice and City policy that growth pays for growth, and existing customers are not burdened by the cost of growth.
- Options to determine how much in total fees to waive include:
  1. Availability of CHIP funds, or
  2. Availability of non-utility rate revenue.

### **Are there other Washington jurisdictions that waive connection charges?**

- Per our research, Pierce County and the cities of Ephrata, Bellingham, Chelan and Port Townsend have the authority to waive at least a portion of their water and sewer connection charges for affordable housing projects.
- Per King County, the Wastewater Treatment Division (WTD) is not currently eligible to waive its sewer capacity charges pursuant to the CHIP grant. This is due to differences in its authorizing statutes and the provisions of the CHIP legislation.

## **POLICY & FISCAL IMPACTS**

### **Policy Impact**

Revising the City's codes to allow CRC waivers when non-utility revenue is available to cover the cost of the waiver are in alignment with existing City policies including the following:

- Support increasing number of affordable housing units
- Growth should pay for growth
- Maintenance of self-supporting utilities

### **Fiscal Impact**

There are no fiscal impacts to Bellevue Utilities of revising the City's codes to allow connection charges to be waived for construction of shelters or affordable housing projects, provided that non-utility rate revenues such as external grants and/or other sources of funding are available to cover the full amount of the waivers.

There is also no fiscal impact to provide customers with the option to pay in full the remaining balance of CRC fees.

### **OPTIONS**

1. Direct staff to return with appropriate ordinances to amend the City's relevant codes to waive sewer, water and stormwater connection charges for new shelters and affordable housing projects contingent on availability of non-utility rate funds to cover the full amount of the waivers, and allow property owners the choice to pay in full the remaining balance of imposed sewer, water and stormwater CRC fees.
2. Provide alternative direction to staff.

### **ATTACHMENTS**

- A. Draft Ordinances, re Waiver of Connection Charges
- B. Draft Ordinances, re Payment in Full Option for CRCs

### **AVAILABLE IN COUNCIL LIBRARY**

N/A