

City of Alexandria, Virginia

MEMORANDUM

DATE: APRIL 2, 2002

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER ^{PS}

SUBJECT: BUDGET MEMO # 8 : UPDATE ON DEVELOPMENT RELATED FEE PROPOSALS

As outlined at the recent March 20 budget work session, there are a number of development related fees which are proposed to be increased starting in FY 2003. These include the Fire Systems and Protection Permit Fees for new construction discussed at the budget work session (see Budget Memo #3), as well as a number of other fees which are scheduled to be discussed with City Council at the April 18th budget work session. These fee proposals were discussed with the Alexandria chapter of the Northern Virginia Building Industry Association (NVBIA) on April 1. A briefing meeting with a group organized by the Chamber of Commerce is also planned. Handouts provided to NVBIA are attached.

1. **Planning and Zoning Fees** - While specific proposals are being drafted, an outline of key issues and fee study objectives has been prepared (Attachment I). The proposal will recover a higher portion of development fee costs (but not 100% of these costs) and bring Alexandria's fees more in line with our neighboring governments. The proposed fee schedule is being designed to ensure that small businesses and individual home owners are not impacted disproportionately.
2. **Sewer Connection Fees** - A specific proposal has been drafted (Attachment II) and input is being requested. While the increase in the sewer connection rate to \$4,200 per single family residence is a substantial increase, it would keep the Alexandria connection fee lower than those charged by local governments or authorities in adjacent Maryland and Northern Virginia jurisdictions. From comments made at the meeting, it is expected that NVBIA and others will provide input on this draft proposal for staff consideration, prior to staff making a final sewer connection fee recommendation to City Council.
3. **Housing Trust Fund Contribution** - As part of the work of the Affordable Housing Task Force, a review of the 50 cent per gross square foot developer contribution was recommended. I am recommending that the 50 cent per gross square foot be increased to \$1.00 per square foot (Attachment III), in order to make up for lost economic value since the fee was established in 1992, as well as to provide additional funds to preserve or create more affordable housing opportunities.

At the April 18th budget work session, we expect to explain these fee proposals in detail to City Council. However, given the complexity of these fees and the size of the increase, I do not expect these fees to come before City Council for final action until sometime later in May or June.

Attachments:

- I. Planning & Zoning Fees: Study Near Completion
- II. Draft Sanitary Sewer Connection Fee Proposal
- III. Housing Trust Fund Proposal

cc: Mark Jinks, Assistant City Manager
Gene Swearingen, Director, Office of Management & Budget
Eileen Fogarty, Director, Planning & Zoning
Rich Baier, Director, Transportation & Environmental Services
Mildrilyn Davis, Director, Office of Housing

City of Alexandria
Planning & Zoning Fees: Study Near Completion

Fact Sheet

- Planning & Zoning fees pertain to fees for services leading up to final plan approval by the Planning Commission or City Council
- Rates have not been updated for ten years or more
- Development Services are primarily provided by Planning & Zoning and T&ES with some participation from Code Enforcement, Police, Housing, Historic Alexandria, Recreation
- Cost of providing Development Services is approximately \$2.7 million per year
- Revenue generated by current fee rates was \$46,917 in FY 2001 and \$48,142 in FY 2000
- City staff is developing an improved Development Review Process, has added seven new positions to support that process since FY 2001, added funds for contract technical/professional consulting, and increased ITS investment in Geographic Information Systems (GIS) technology.
- Types of fees collected by Planning & Zoning are Zoning, BAR, Non-Development Planning Commission, and Development Fees
- Fee Study Objectives:
 1. Seek to recover as much of the cost of providing the service as possible while creating a fee schedule which is less than the highest fees charged by other major Northern Virginia jurisdictions
 2. Retain to the degree feasible the relative ease of administration
- The recommendations, when finalized, will realize the general public benefit of the Development Services and will not seek 100% fee recovery of the \$2.7 million with tax payer subsidy of the balance continuing.

- Examples of fees under consideration:

Rezoning: The City charges \$200 plus \$20 per each half-acre over one acre. Other area jurisdictions charge fees ranging from \$825 plus a per-acre fee up to \$5,000.

Subdivisions: The City charges \$50 for the review of major subdivision plans. Other jurisdictions charge tiered fees based on the size of the subdivision ranging from \$300 up to \$4,000.

Special Use Permits: Special Use Permits authorize permission for certain types of uses requiring special approval. The City charges \$100 for Special Use Permits. Other jurisdictions charge tiered fees based on the size and complexity of the special use. The fees range from \$700 for relatively simple permits to over \$7,500 for major projects.

- A comparison of City fee rates to the other Northern Virginia jurisdictions and the development of a proposed new fee schedule is being finalized.
- When a new fee structure is fully drafted, the City will want to receive NVBIA's comments and suggestions.

Office of Management and Budget
April 1, 2002

Draft
City of Alexandria
Sanitary Sewer Connection Fee Proposal
April 1, 2002

Background:

- The City's current sewer connection fees have not been updated since 1985 and are significantly lower than surrounding jurisdictions. Sanitary sewer capital costs have increased from \$1.7 million in the FY 1997 to FY 2002 CIP to \$18.3 million for the upcoming six year period of FY 2003 to FY 2008. It is expected that the sanitary sewer capital needs will continue to grow in the future beyond those dollars included in the proposed CIP.
- Starting in FY 2003, an alternate source of sanitary sewer capital financing is proposed that will bring the City more in line with surrounding jurisdictions in how sanitary sewer capital projects are financed.
- The fees will enable the City to enhance its capital improvement program by adding a new source of capital revenue.
- The net effect of the City's current low fee and credit system is that the General Fund taxpayer - primarily through real estate taxes - is financing sanitary sewer capital projects rather than development projects paying to join the City's water-sewer system.
- In neighboring jurisdictions water and sanitary sewer connection fees comprise a major water-sewer capital funding source.
- For example, currently in the City the minimum stated connection fee for a single family dwelling is \$630. However credits are given for certain on site sewer improvements (whose dollar value has been increasing since 1985 with construction cost increases) so that often the minimum per unit charge is \$100 per dwelling unit.
- For a comparison, in surrounding jurisdictions the connection fees (often labeled "availability fees") are significantly higher than Alexandria's current fee structure. For example:
 - Prince William County's water-sewer availability fee is some \$9,800 per residential unit and \$7,840 per multi-family unit.

- Fairfax County's current minimum single family detached sewer availability fee is \$5,069, with a 3.5% increase proposed for FY 2003. In addition a water availability fee of \$2,820 per single family dwelling is charged. This then totals \$7,869 per single family dwelling.
- Arlington County uses a drainage fixture unit of measure (\$116 per drainage fixture unit of measure - each plumbing device has a value assigned based on demand/usage that is then multiplied by \$116 to determine the amount paid for that fixture) that results in an estimated average \$4,620 up front one-time charge for a new single family residential dwelling.
- The Washington Suburban Sanitary Commission (which serves the Prince Georges and Montgomery County area) for its water-sewer development charge uses a drainage fixture unit of measure for non-residential property and lump sum measures for housing units (for example a housing unit with 3 or 4 toilets pays a lump sum development charge of \$5,090)
- These jurisdictions use these fees to finance capital projects, and it is proposed that these funds from the proposed City increased sanitary sewer connection charges be 100% devoted to sanitary sewer capital projects.

Implementation:

In recognition of the fact that some projects in the City are far along in the development process, a determination of when the new fees would apply is proposed as detailed below:

- Existing sewer connection charges and fee policies as articulated in the City's current ordinances would apply to any project where a final site plan application has been filed with the Department of Planning and Zoning prior to the April 1, 2002 date of announcement of the new proposed sewer connection fees and policies.
- CDD's would be considered in phases with each final site plan for a distinct phase considered in the same manner as a typical unitary site plan project that has only one phase.
- The new proposed sewer connection fees and policies would apply for any project where a final site plan application is filed on or after the April 1, 2002 date of announcement of the new proposed sewer connection fees and policies, unless between the time of announcement and the effective date of an amended ordinance (which includes the new fees) a final site plan is submitted and approved by the City and the developer posts the necessary construction bonds and pays the sewer connection fee. Then the old fee structure would apply.

- In cases where the City has approved final site plans but the developer does not initiate the project by posting necessary construction bonds and paying the sewer connection fees prior to April 1, 2002, then the new fees and policies would apply, if they are in place by the time the developer posts the necessary bonds and pays the sewer connection fee. If not the old fees apply.
- In no case shall the old fees apply if they are not paid on a valid site plan prior to April 1, 2004 (twenty-four months after the date of the announcement). As of April 1, 2004 the new fee schedule in place applies to all development projects regardless of the timing of the approval of the City of a project's final site plan..

Proposed Fee:

- The fee would be \$4,200 for a 3/4" meter (the size that typically serves a single family house) and then for commercial and other buildings proportionately increased or decreased by meter size (see attached).
- Multifamily buildings (condominiums and apartment buildings) would pay 80% of the established fees on a per unit basis (i.e. \$4,200 X 80% = \$3,360)
- Using meter size is equitable as the greater the meter size, the greater the use is of the City's sanitary sewer system. This is a common method of determining water-sewer connection charges and is one used locally by Prince William County and was recommended by the City's consulting engineers (Greeley and Hansen)
- On July 1, 2003 and subsequent three fiscal years the sanitary sewer connection rate would be planned to be increased by 3% per year (estimated inflation) and the dollar amounts explicitly stated in the ordinance. This would provide some certainty, although legally it could be subject to change by City Council (this is similar to the Fairfax County multi-year fee projection practice). This keeps the fees current as well as creates a higher level of certainty for developers.
- All fees will be dedicated to sanitary sewer capital projects, with expansion projects (such as Holmes Run) or projects which increase the effective capacity of the system (some infiltration and inflow projects) getting priority use of the funds.

Credits

- No credit against the fee will be given for the construction of sanitary sewer lines which serve only the development site, or improvements to sewer lines if the City had not planned to undertake those improvements in its approved six-year CIP. This applies even if the improvements are to be dedicated to the City.

- If sanitary improvements that serve more than the development are provided and those were improvements that were planned in the City's approved CIP, then credit will be provided for the value of that the improvement provides to the greater community over and above the benefits to the development site. In this situation the current \$100 minimum fee per unit will still apply.
- If the costs of the improvements that benefit the greater community are required above and beyond what the redevelopment project needs in order to be adequately served by the City, and the cost of those improvements exceeds the maximum applicable credit, then if funds are available the City would either reimburse the developer, or would withdraw the requirement for the added improvements.
- Credit for the provision by a developer of added trunk line capacity would be given for the value of the added capacity to the development, but also in this situation the current \$100-minimum per unit would still apply.
- For multi-phased projects, credit would be given for the provision of added trunk line capacity that serves the development, with allocation of the credits among the development phases.

The above is general representative language and is subject to refinement and change. In any event, the specific language eventually included in the City ordinances on this subject will govern any determination of future fee liability.

Proposed - Draft - April 1, 2002

SANITARY SEWER CONNECTION FEE

Water Meter Size

Meter Size (inches)	Max Cap. (GPM)	3/4" Meter Equivalent	Connection Fee
5/8	15	0.50	\$2,100
3/4	30	1.00 ¹	\$4,200
1	50	1.67	\$7,000
1 ½	100	3.33	\$14,000
2	160	5.33	\$22,400
3	320	10.76	\$45,200
4	500	16.67	\$70,000
6	1000	33.33	\$140,000
8	1600	53.33	\$224,000
10	2300	76.67	\$322,000

¹ = 1" service and 3/4" meter for new services (Virginia American Water Company)

City of Alexandria - Housing Trust Fund

- Over the last year the City Council initiated an Affordable Housing Task Force comprised of City Council members, members of the development community, non-profits, civic activists and a wide-range of other interests.
- With the costs of rent and home ownership increasing at a faster pace than many person's incomes, the gap between the cost of housing in the City and the ability of low and moderate income persons to afford it has been widening quickly.
- For example the average rent for a multi-family unit increased 64% from \$708 per month in 1992, when the current 50 cent per gross square foot contribution was established, to \$1,156 per month by early 2002. A one bedroom unit rent's average increase was 66% during this same ten-year period period.
- Not only had the gaps widened, but City housing policies and practices in the area of affordable housing needed to be reviewed and updated. This included the 50 cent per gross square foot developer contribution to the City's Housing Trust Fund. This rate had been established in 1992 and no longer has the leverage to produce affordable housing that it did at the time it was established.
- The Task Force issued a report to the City Council in late 2001 with Council adopting a series of a affordable housing goals, objectives and amendments to existing City affordable housing programs.
- The Task Force recognized that without a more active role by the City in the production of affordable housing, the makeup and character of Alexandria would change forever.
- City tax supported funding was also increased in both FY 2002 and FY 2003 by \$300,000 in each year. This is intended to be an ongoing annual City funding stream to be added to the Housing Trust Fund monies to create a substantial affordable housing production effort.
- In addition the FY 2003 budget includes \$1,500,000 in capital funding allocated towards the redevelopment and replacement of public housing units.
- A number of recommendations of the Task Force were approved by City Council in early 2002. In regard to the developer contribution to affordable housing, City Council agreed to consider the issue of raising the 50 cent per gross square foot fee as part of the FY 2003 budget process.

- The recommendation to be placed before City Council will be to raise the 50 cent per square foot developer contribution rate to \$1 per square foot. This increase will not only recover the economic value lost since 1992, but also will provide funds to be able to accelerate the City's ability to preserve affordable housing as rents, land values, construction costs and home values continue to increase in real terms.
- These contributions will be used for on and off-site rental and/or home ownership opportunities.

April 1, 2002