March 30, 2005

TO: John Szerlag, City Manager

FROM: Brian Murphy, Assistant City Manager/Services
Mark Stimac, Director of Building and Zoning
Nino Licari, City Assessor
Steven Vandette, City Engineer

SUBJECT: **Agenda Item** – Update of Sanitary Sewer Benefit Fees

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Sewer Benefit Fee Background:

The Sewer Benefit fees, last revised in 1989, are intended to represent the approximate cost of construction of that portion of the sewer benefiting properties within the various Troy zoning districts. Whenever a structure connects to an existing public sewer and the property never participated in any special assessment project for sewer construction, the Sewer Benefit fee is paid. Property owners participating in a special assessment project do not pay this fee.

It has been the City's practice and policy that when an existing on-site sewerage disposal system fails and it cannot be repaired or replaced, a sanitary sewer line is extended to service the subject property. The City last constructed sewers on Larayne Street in 1999 to address a septic failure, and used the Sewer Benefit fee method in lieu of special assessment for the cost of extending the sewer.

Sewer Benefit fees are set by resolution of City Council on a per-zoning classification basis for the five (5) residential zones. Payments are made over a 40-year period for existing structures at 6% interest on the unpaid balance. Vacant lots must pay the Sewer Benefit Fee, in total, at the time of building permit issuance.

Proposed Benefit Fees:

Historically, the Benefit Fee has been calculated by estimating the cost per foot of sewer construction and dividing that in half because the assumption was that one sewer would service properties on both sides of the street. In 1989, half the estimated cost per foot of sewer was $40 and this cost was applied to the minimum lot widths within each zoning district. The current cost per foot of sewer is $50. The proposed fees based on $50 per foot and the current $40/foot rate are shown in the following table.

Single Family Residences

Zone Districts	Min. Lot Size	Existing Fee	Proposed Fee
R-1E	60	$2,400	$3,000
R-1D	75	$3,000	$3,750
R-1C	85	$3,400	$4,250
R-1B	100	$4,000	$5,000
R-1A	120	$4,800	$6,000
All Other Uses and Zones			$50/front foot Minimum $3,000

Recommendation:

We recommend that council approve the suggested resolution adopting the foregoing rates but we do not recommend that these rates be used to construct sewers to address septic system failures or to construct sewers using the Benefit Fee method, such as in the Charnwood Hills area.

There are several reasons why the recommended fees do not work in Charnwood and also do not work in the majority of locations where sewers are missing.

In the Charnwood case, the majority of the lots are much larger than the R-1A district minimum of 120 feet. The average Charnwood lot is approximately 220 feet wide and lot widths range from a handful of cul-de-sac lots at 81-108 feet to the largest lot at 424 feet. This results in considerably more sewer construction and cost to serve a relatively small number of lots. Also, the sewers must also be brought in from adjoining areas, passing properties along the way that already have sewer available. This additional cost is not considered in the Benefit fees calculated on a zoning classification basis.

For example, applying the proposed Sewer Benefit fee of $6,000 for R-1A to all 165 Charnwood lots, and assuming sewers are constructed throughout the entire area, the net loss to the City of Troy due to the foregoing factors would be $1,603,750 in sewer construction costs. Clearly, the proposed Benefit fee of $6,000 vs. the estimated sewer cost of $15,720 per lot, as determined for the defeated special assessment project, does not work.

Additionally, we analyzed all locations throughout Troy where sewers are missing and determined that most properties, sixty-seven percent (67%), are located on major roads where most sewer extensions would serve only one side of the street; this is "single sided" vs. "double sided " which is what is assumed in the Benefit fee calculations. We estimate that applying the proposed Benefit fees to these property locations would result in similar losses to the City when sewers are constructed. Excluding Charnwood, approximately 29,460 feet of sewers need to be constructed to service only 132 lots spread among all zoning districts. Applying the benefit fees to these parcels on a per-zoning basis would produce only $588,000 while resulting in a net loss of nearly $2.4 million dollars.

We are proposing that a new method be used for calculating Benefit fees for any sewer extension constructed by the city. We propose that whenever a sewer is constructed by the City of Troy to address a septic system failure, to construct as part of a major road project or to construct as directed by council using the Benefit Fee method, instead of special assessment, that the Benefit fee be determined on a project-by-project basis. The Benefit fee would be unique to each project and be based on the total cost of the sewer extension divided by the number of properties benefiting from the sewer at the time of construction. This Benefit fee would be established by a resolution of City Council for each sewer project. So for properties where a new sewer is constructed by the City of Troy, each structure at the time of connection would pay the proportionate cost of the sewer construction, effective on the date of adoption of the Sewer Benefit Fee resolution.

For properties that currently have sewer available to them but are not connected, such as when the structure is more than 200 feet from the sewer and connection is not required, these properties would pay the benefit fee based on zoning in lieu of paying the cost of constructing the sewer, which occurred sometime in the past. Also, for sewers constructed after the date Council adopts the Benefit Fee resolution by any entity or agency other than the City of Troy, such as a developer or private party, the Sewer Benefit fee payable by all properties benefiting from the sewer construction would be based on the zoning classification of the property.

Resolution to Revise Sewer Benefit Fees C-9

Resolution #89-648
Moved by Johnson
Supported by Husk

BE IT RESOLVED, that the Sewer Benefit Fees as provided in Chapter 20 of the Code of the City of Troy are hereby revised as recommended in a report from the City Engineer dated June 22, 1989, a copy of which shall be attached to and made a part of the original minutes of this meeting, as follows:

Zone Districts	Min. Lot Size	Existing Fee	Proposed Fee
R-1E	60'	$1,500	$2,400
R-1D	75'	1,875	3,000
R-1C	85'	2,125	3,400
R-1B	100'	2,500	4,000
R-1A	120'	3,000	4,800
All Other Zones		$25/f.f. Minimum $1,500	$40/f.f. Minimum $2,400

BE IT FURTHER RESOLVED, that said revisions shall be effective for installations made on or after January 1, 1990.

Yeas: Doyle, Husk, Johnson, Stine
Absent: Allemon, Pallotta, Schilling

Resolution to Approve Assessor's Plat #1 C-10

No Action was taken.

Resolution to Approve Concept Plan for Beaver Creek Park C-11

James Scott explained the various plans and answered questions for Council.

Resolution #89-649
Moved by Husk
Supported by Stine

RESOLVED, that Concept Plan No.8 for Beaver Creek Park as presented on this date by the firm of James C. Scott & Associates is hereby approved; and

BE IT FURTHER RESOLVED, that the City Manager is hereby authorized to direct preparation of a final concept plan to be used in preparation of construction plans for further review and consideration of this City Council.

Yeas: Doyle, Husk, Johnson, Stine
Absent: Allemon, Pallotta, Schilling