Changes to the Water & Sewer Facility Oversizing Credit Policy

Request to Authorize Public Hearing

July 24, 2013

OVERVIEW

- Actions to date
- Credit Policy Comparison
- Summary of Current Credit Policy
- Goals of Current Credit Policy
- Proposed Changes
- Expected Outcomes of Proposed Changes
- Comments Received
- Summary of Proposed Credit Policy
- Recommended Action

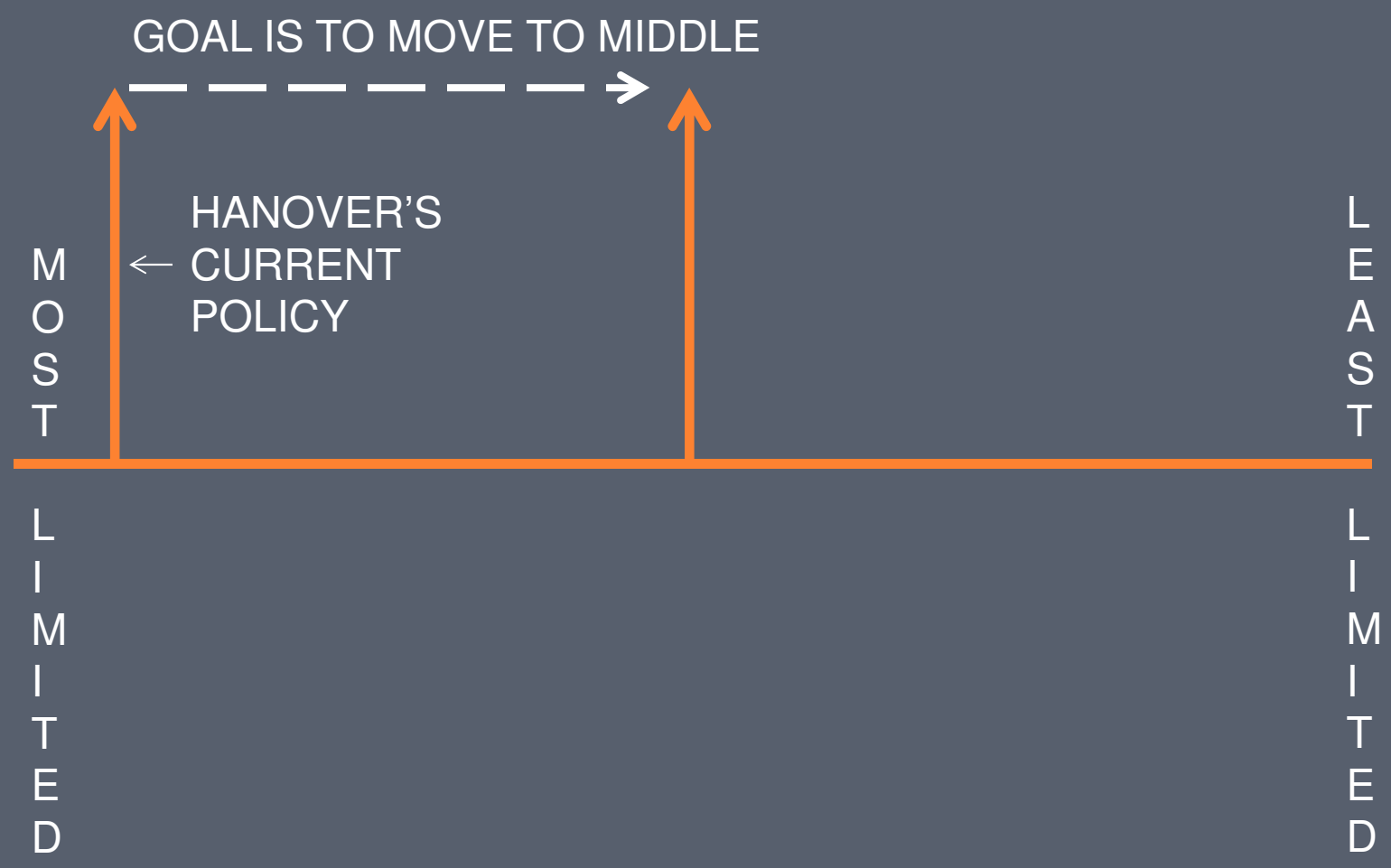
ACTIONS TO DATE

- Reviewed Hanover's current policy and conducted an evaluation of other jurisdiction's oversizing credit policies
- May 13, 2013 - Presented recommended changes to BOS Community Development Committee (CDC)
- CDC generally supported and directed staff to develop draft code and share with the community for comment
- June 5, 2013 - Emailed draft code & summary of changes to the 140+ interested parties on the County's Quarterly Developer Meeting email list
- June 24, 2013 – Reported to CDC that no comments had been received (CDC requested that a reminder email be sent and comments from three parties were received)

CREDIT POLICY COMPARISON

Credit Policy Comparision	Hanover	Chesterfield	Henrico	Spottslyvania	Stafford	Albemarle	Loudoun	Fairfax	Goochland	Richmond*
Credits:										
On-site	X	X	X		X	X			X	
Off-site	X	X	X		X	X			X	
Refunds:										
On-site		X		X	X	X	X	X		
Off-site		X		X	X	X	X	X		
General:										
Director Approves Cost Difference	X	X	X	X	X		X	X	X	
Board May Extend Time Limit	X	X	X	X	X	X	X	X	X	
Requires Contract	X	X		X	X	X	X	X	X	
* Richmond does not have a credit policy										
Note: Details of each localities' policy vary										

CREDIT POLICY COMPARISON



SUMMARY OF CURRENT CREDIT POLICY

- Oversizing credits are based on difference in material cost only
- Credits are valid for 3 years (BOS can approve a longer period and extensions)
- Water credits can be utilized for water capacity fees and sewer credits can be used for sewer capacity fees
- Credits may only be utilized on the property(ies) identified in the Utility Service Agreement (the property(ies) being developed related to the improvements)
- Credits expire if they are not utilized by the expiration date unless an extension is approve by the BOS
- Credits not fully utilized by a development are retired

GOALS OF CURRENT CREDIT POLICY

- Encourage compact contiguous development within the Suburban Service Area (material cost only)
- Encourage development to move forward once construction is initiated (credits have a limited time frame and specific properties on which they can be used)
- Provide for the logical development of the utility system (improvements are sized to serve an area and not a project)
- Equity (County participates in cost of oversized lines and facilities)

PROPOSED CHANGES

- Change basis for on-site credits
  - Change from difference in material costs to difference in construction costs associate with oversized lines
    - Example: 1,000 feet 8” sewer line oversized to 24”

      Current policy (Material Cost Only):

      1,000 feet x $110/ft = $1,100,000 credit

      Construction Cost:

      1,000 feet x $220/ft = $2,200,000 credit

PROPOSED CHANGES

- Change basis for off-site credits
  - For oversized offsite improvements and facilities also share in soft project costs
    - Example: 1,000 feet 8” sewer line oversized to 24”

      Current policy (Material Cost Only):

      1,000 feet x $110/ft = $1,100,000 credit

      Construction Cost/Plus 20% Soft Costs:

      1,000 feet x $260/ft = $2,200,000 + $440,000 = $2,640,000 credit

PROPOSED CHANGES

- Increase standard period during which credits are valid
  - Increase from current three years to five years
    - Three year period was selected during more active development period
    - Five years seems more appropriate based on current levels of development activity
    - Extension can be approved by the BOS

EXPECTED OUTCOMES OF PROPOSED CHANGES

- Make Hanover's utility oversizing credit policy more comparable to neighboring jurisdictions
- Make more property viable for development on public water and sewer within the Suburban Service Area
- Encourage development that is in accordance with the County's Comprehensive Plan
- Additional support for the County's economic development strategy

COMMENTS RECEIVED

- All three commenters supported the proposed changes, one without qualification
  - Two commenters suggested that offsite credits should be more generous, up to 100% eligible
    - (DPU recommendation – No change)
  - One commenter suggested that the use of credits should not be limited to a specific property
    - (DPU recommendation – No change)
  - One commenter suggested that additional construction costs associated with increased sewer depth to meet regional needs be eligible for credits
    - (DPU recommendation – Agree and modified language)

COMMENTS RECEIVED

- Sec 20-27 (2) Credits for oversizing of lines and facilities by property owners. Where the property owner extending the public sewer system is required to oversize lines or other facilities for the convenience of the county, which includes increasing the depth of lines or other facilities, credits, not to exceed the cost of such oversizing or extension, may be allowed in accordance with the following:

SUMMARY OF PROPOSED CREDIT POLICY

- On-site oversizing credits are based on the difference in construction costs
- Off-site oversizing credits are based on the difference in construction costs plus 20 percent
- Credits are valid for 5 years (BOS can approve longer period and/or extensions)
- Water credits can be utilized for water capacity fees and sewer credits can be used for sewer capacity fees
- Credits may only be utilized on the property(ies) identified in the Utility Service Agreement (the property(ies) being developed related to the improvements)
- Credits expire if they are not utilized by the expiration date unless an extension is approve by the BOS
- Credits not fully utilized by a development are retired

RECOMMENDED ACTION

Authorize the advertisement of a public hearing for September 11, 2013 on ordinance 13-06 amending sections 20-27 and 23-26 of the Hanover County Code to revise the County's water and sewer oversize credit policy