



MONROE CITY COUNCIL

Agenda Bill No. 19-091

SUBJECT:	Ordinance No. 006/2019(SUB), Amending MMC 13.04 and 13.08 Affordable Housing Utility Capital Fees; Final Reading
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DATE:	DEPT:	CONTACT:	PRESENTER:	ITEM:
04/23/2019	Public Works	Brad Feilberg	Brad Feilberg	Consent Agenda #7

Discussion: 04/09/2019, 04/23/2019
Committee: 03/26/2019
First Reading: 04/09/2019
Attachments: 1. Proposed Ordinance

REQUESTED ACTION: Move to adopt Ordinance No. 006/2019(SUB), amending Monroe Municipal Code Chapter 13.04, Water Regulations, Rates, and Charges, and Chapter 13.08, Sewer System Regulations; providing for reduced system development charges for affordable housing in the downtown commercial zone, providing for severability; and establishing an effective date.

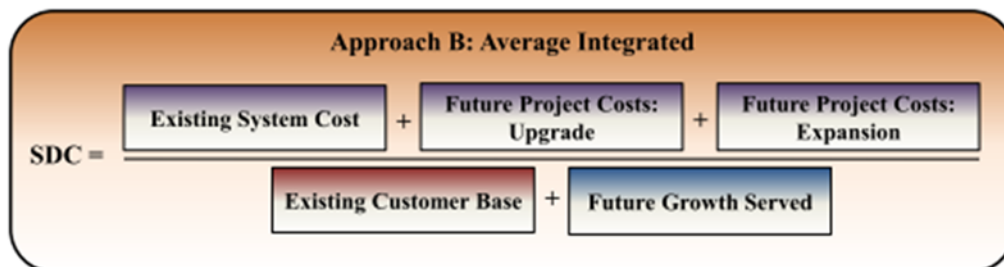
NOTE: First reading of Ordinance No. 006/2019 was accepted on April 9, 2019; since that time the standard for determining the area median income has been modified from 60 percent of the Snohomish County estimate provided by the Washington State Office of Financial Management to 60 percent of the median income for the Seattle-Bellevue, WA HUD Metro FMR Area as published by the Department of Housing and Urban Development. These changes are presented in the substitute ordinance.

POLICY CONSIDERATIONS

The City Council can provide waivers for connection fees for low income persons per RCW 35.92.380.

DESCRIPTION/BACKGROUND

System development charges are a method of recovering from new customers a proportionate share of the utility’s investment in capital capacity – both in the historical cost of existing capital assets and the planned cost of future capital improvements. System development charges serve two main purposes: to provide equity between existing and new customers and to provide a source of utility capital funding. Monroe’s system development charges were determined during the 2015 utility rate study conducted by FCS Group by dividing existing and future capital costs by the sum of existing and future customers using the average integrated approach shown below:



The Monroe Municipal Code imposes water system development (MMC 13.04.025) and sewer system development (MMC 13.08.270) charges for new connection to the Monroe Water System, as summarized below:

The amount set by such resolution shall be the amount paid per meter capacity equivalents (MCEs). Residential structures shall be charged for one MCE per dwelling unit. MCEs for nonresidential (see definition below) new customers shall be based on the size of water meter needed to supply the customer’s calculated peak demand:

Meter size	MCEs
5/8 x 3/4 inch	1
1 inch	2.5
1-1/2 inches	5
2 inches	8
3 inches	16
4 inches	25
6 inches	50
8 inches	80

Nonresidential definition: 13.04.010(B)(3) and 13.08.010(B)(3) “Nonresidential” means any use other than a dwelling unit served by a single meter. Buildings containing dwelling units and commercial, retail, industrial, manufacturing, and other nonresidential units served by the same water meter are considered nonresidential for the purposes of this chapter.

We have recently encountered a situation where the definition of “nonresidential” is causing a disparity in the charges to very similar buildings. For example, a 36 unit residential building would be charged \$416,412. However if one of the residential units was converted to a retail space the charge would only be \$92,536. This disparity greatly increases the cost to develop affordable housing.

If the City Council is interested in promoting the construction of affordable housing, it is within the Council’s purview to modify the Monroe Municipal Code as allowed by RCW 35.92.380 to waive connection fees for low income persons.

It is suggested that the waiver be for 80 percent of the fee for low income (60 percent of AMI) residential only building and that a covenant is recorded that prohibits using the property for any purpose other than for low-income housing.

This is a temporary measure to encourage the development of affordable housing in the Downtown area until the Planning Commission has a chance to develop a comprehensive affordable housing strategy.

FISCAL IMPACTS

Less fees collected for water and sewer system capital projects on the order of \$9,250 per unit of affordable housing. For example, a 36 unit market rate residential building would be charged \$416,412 while an affordable housing 36 unit building would pay \$83,282 in system development charges; a difference of \$333,130.

While this reduction in system development charges would be available to all properties in the Downtown Commercial zoning district, there are approximately three properties that are likely candidates to take advantage of the reduce charges with a possibility of approximately 275 units. This could result in up to \$2,543.750 of lost revenue to the water and sewer capital funds. This lost revenue stream may result in the need to increase system development charges for other users to meet future needs.

TIME CONSTRAINTS

An affordable housing project is waiting to determine feasibility depending on capital fees.

ALTERNATIVES TO REQUESTED ACTION

1. Expand fee reduction to affordable housing in all zoning districts.
2. Wait until Planning Commission completes an affordable housing strategy.

**CITY OF MONROE
ORDINANCE NO. 006/2019(SUB)**

AN ORDINANCE OF THE CITY OF MONROE, WASHINGTON, AMENDING MONROE MUNICIPAL CODE CHAPTER 13.04, WATER REGULATIONS, RATES AND CHARGES, AND CHAPTER 13.08, SEWER SYSTEM REGULATIONS; PROVIDING FOR REDUCED SYSTEM DEVELOPMENT CHARGES FOR AFFORDABLE HOUSING IN THE DOWNTOWN COMMERCIAL ZONE; PROVIDING FOR SEVERABILITY; AND ESTABLISHING AN EFFECTIVE DATE

WHEREAS, the City of Monroe wishes to encourage the construction of affordable housing for low income persons within the City's Downtown Commercial zone; and

WHEREAS, RCW 35.92.380 recognizes the authority of cities to waive or delay utility connection and hookup fees for low income persons based upon a local program established by ordinance; and

WHEREAS, the Monroe City Council has determined it would be in the best interest of the City to establish a program providing for a reduction in the otherwise-applicable water system development charge and sewer system development charge for affordable housing that serves low income persons in the Downtown Commercial zone;

NOW THEREFORE, THE CITY COUNCIL OF THE CITY OF MONROE DO ORDAIN AS FOLLOWS:

Section 1. Adoption of MMC 13.04.027, Reduction of water system development charge for affordable housing - Downtown Commercial zoning district. A new Section 13.04.027 of the Monroe Municipal Code is hereby added to provide as follows:

13.04.027 Reduction of water system development charge for affordable housing - Downtown Commercial zoning district.

A. The water system development charge imposed by MMC 13.04.025 shall be reduced by eighty percent for affordable housing located in the Downtown Commercial zoning district. For purposes of this section, "affordable housing" shall mean residential units: (i) that are occupied by renters having an annual household income of sixty percent or less of the Snohomish County area median income estimate for the Seattle-Bellevue, WA HUD Metro FMR Area as published by the Department of Housing and Urban Development, and (ii) for which the monthly rental amount is no more than thirty percent of the household income.

B. As a condition of qualifying for the affordable housing reduction authorized by this section, the property owner shall record an instrument prepared by the city attorney,

which shall contain the following content, in addition to any other provisions deemed necessary and appropriate by the public works director:

1. The amount of the water system development charge that would apply pursuant to MMC 13.04.025 without the affordable housing reduction authorized under this section.
2. The amount of the affordable housing reduction authorized by this section.
3. A restrictive covenant limiting the use of the underlying property to affordable housing.
4. A requirement that if the use of the underlying property is changed in a manner that no longer qualifies for the affordable housing reduction, the property owner shall immediately remit payment to the city of the difference between the amounts of subsection (B)(1) and subsection (B)(2), respectively, together with interest calculated at twelve percent per annum, or the highest legally available amount, whichever is greater, beginning on the date of execution of the covenant.
5. A requirement that the covenant will run with the title of the property and bind future owners thereof.
6. A provision allowing for specific enforcement of the restrictive covenant required pursuant to subsection (B)(3) until the payment required pursuant to subsection (B)(4) has been remitted in full.
7. Appropriate provisions for jurisdiction, venue, governing law, and attorneys' fees recoupment for the prevailing party in any litigation arising out of the covenant.

C. There is no requirement for the reduced portion of the water system development charge to be paid or otherwise reimbursed from public funds.

Section 2. Adoption of MMC 13.08.276, Reduction of sewer system development charge for affordable housing - Downtown Commercial zoning district.
A new Section 13.08.276 of the Monroe Municipal Code is hereby added to provide as follows:

13.08.276 Reduction of sewer system development charge for affordable housing - Downtown Commercial zoning district.

A. The sewer system development charge imposed by MMC 13.08.270 shall be reduced by eighty percent for affordable housing located in the Downtown Commercial zoning district. For purposes of this section, "affordable housing" shall mean residential units: (i) that are occupied by renters having an annual household income of sixty percent or less of the area median income for Snohomish County, as published by the Washington State Office of Financial Management, and (ii) for which the monthly rental amount is no more than thirty percent of the household income.

B. As a condition of qualifying for the affordable housing reduction authorized by this section, the property owner shall record an instrument prepared by the city attorney, which shall contain the following content, in addition to any other provisions deemed necessary and appropriate by the public works director:

1. The amount of the sewer system development charge that would apply pursuant to MMC 13.08.270 without the affordable housing reduction authorized under this section.
2. The amount of the affordable housing reduction authorized by this section.
3. A restrictive covenant limiting the use of the underlying property to affordable housing.
4. A requirement that if the use of the underlying property is changed in a manner that no longer qualifies for the affordable housing reduction, the property owner shall immediately remit payment to the city of the difference between the amounts of subsection (B)(1) and subsection (B)(2), respectively, together with interest calculated at twelve percent per annum, or the highest legally available amount, whichever is greater, beginning on the date of execution of the covenant.
5. A requirement that the covenant will run with the title of the property and bind future owners thereof.
6. A provision allowing for specific enforcement of the restrictive covenant required pursuant to subsection (B)(3) until the payment required pursuant to subsection (B)(4) has been remitted in full.
7. Appropriate provisions for jurisdiction, venue, governing law, and attorneys' fees recoupment for the prevailing party in any litigation arising out of the covenant.

C. There is no requirement for the reduced portion of the sewer system development charge to be paid or otherwise reimbursed from public funds.

Section 3. Severability. If any section, sentence, clause or phrase of this ordinance should be held to be invalid or unconstitutional by a court of competent jurisdiction, such invalidity or unconstitutionality shall not affect the validity or constitutionality of any other section, sentence, clause or phrase of this ordinance.

Section 4. Effective Date. This ordinance shall be published in the official newspaper of the City and shall take effect and be in full force five days after the date of publication.

PASSED by the City Council and APPROVED by the Mayor of the City of Monroe, at a regular meeting held this _____ day of _____, 2019.

First Reading: April 9, 2019
Final Reading: April 23, 2019
Published: April 26, 2019
Effective: May 1, 2019

CITY OF MONROE, WASHINGTON:

(SEAL)

Geoffrey Thomas, Mayor

ATTEST:

APPROVED AS TO FORM:

Elizabeth M. Adkisson, MMC, City Clerk

J. Zachary Lell, City Attorney