

ITEM # : 32
DATE: 11-26-19

COUNCIL ACTION FORM

SUBJECT: EAST INDUSTRIAL AREA UTILITY CONNECTION FEES

BACKGROUND:

On November 12, 2019, staff provided City Council with a report regarding utility connection fees associated with the upcoming East Industrial area sewer and water main extension project. The report was in response to a letter received by Josh and Mollie Boersma, who are the current homeowners at 4626 East Lincoln Way. **City Council then directed that this item be placed on a City Council meeting agenda for action. Following below, is the information contained in that November 12 staff report.**

The East Industrial Area Utility Extension Project will extend water and sewer main along East Lincoln Way from 4100 East Lincoln Way (just east of Country Landscapes) to 6501 East Lincoln Way (just west of Potter Ave). In order to recover construction costs resulting from this project, **the City will establish sewer and water connection fee districts for new industrial development, as directed by City Council** during the July 10, 2018 meeting. After the project is bid, a per acre connection fee will be determined based on the amount of developable land (primarily farmland) to be served by these utilities. Therefore, as development occurs along this portion of East Lincoln Way, the connection district fees will begin to repay the project construction costs.

For the existing residences, however, it was previously directed by City Council during the July 10, 2018 meeting that they would not be included in the connection fee districts to connect their homes, but would instead pay the standard connection fee of \$20 per linear foot of property frontage as stipulated in Appendix F of the Ames Municipal Code. In general, the residential lots in this area are significantly larger than in the urban residential zones within Ames. In some cases, the residences are located on their own individual parcel of land. However, some residences are located on part of a much larger, farmland parcel. Thus, using the parcel frontage for those home not split off from the larger farm parcels significantly increases the connection fees associated with those properties. Additionally, for these cases where the home is located on the larger farmed parcel, the City would end up collecting both a frontage fee and a connection district fee from the same parcel of land when it develops.

It should be emphasized that current residences can continue using their existing rural water services and septic systems and, therefore, a property owner would not be required to buy out Rural Water. However, if their septic system fails, per Iowa Code

they will be required to connect to the City sewer if their property is within 200 feet of a sewer main.

If a current resident chooses to connect to City water, they will then need to pay a \$2,500 per acre purchase price as described in the Water Service Territory Agreement with Central Iowa Water Association (now Iowa Regional Utilities Association) for this area recorded on March 21, 2016. (This buy-out price from Rural Water is in addition to the previously mentioned \$20 connection fee per linear foot of property frontage for each water and sanitary.) The property owners would also be responsible for all construction and plumbing costs associated with the installation of their new water or sewer services from the main to their residence. The project plans do not include water or sewer service stubs to any existing properties.

A similar case occurred when utilities were installed north along Grant (Hyde) Avenue. As part of the Pre-Annexation Agreements negotiated and signed for residential properties within this north growth area, language was included such that:

The City agrees that the Owners shall be allowed to make a single connection to the City water distribution system and a single connection to the City sanitary sewer system to serve their existing homestead at a time of the Owner's choosing, once that infrastructure had been installed and made operational. At the time the Owners choose to connect for each of these services, the City will require the Owners to pay the connection fee for an 80 lineal foot width lot at the connection fee rate then in effect under the City Code (the rate presently in effect for connection is \$18 per lineal foot).

This arrangement allowed existing residences to connect to water and sewer using the current frontage rate (now \$20/LF) and a typical developed lot frontage of 80 ft.

ALTERNATIVES:

1. Set a connection fee using similar language as the pre-annexation agreements for residential properties along Grant (Hyde) Avenue (as shown above) for homestead in the East Industrial Area Utilities project area. Using this language, with the current rate of \$20/LF, residential properties could make a one-time connection using 80 lineal foot width for the connection fee calculation. If the land is further subdivided for development, additional connection fees using the connection district fees would be required for the larger developed parcel.
2. Waive the connection fees associated with homes in this area and incorporate all developable land (including existing residences) into the future connection fee district. With large-scale industrial development anticipated in this area, it can be reasonably assumed that at least a portion of the existing residences will be purchased and absorbed into those future developments. **Under this option, all**

future land developers would be subsidizing current residences even though the homeowners are receiving the benefit of the infrastructure connections.

3. Keep the original direction of charging \$20 per linear frontage foot, no matter the length of the residential property. For residential properties not subdivided from the larger agriculture parcel, the homeowner would be required to pay a substantially higher connection fee than any of the other options. No action would be required from City Council for this option.

MANAGER'S RECOMMENDED ACTION:

Staff believes that it is appropriate to offer the same option to the homeowners along E. Lincoln Way that was offered to the residents along Grant (Hyde) Avenue. **Therefore, it is the recommendation of the City Manager that the City Council adopt Alternative No. 1, as noted above.**