

Carolina Beach To Consider Changes To Water And Sewer Impact Fees

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By WILLARD KILLOUGH III
Managing Editor

CAROLINA BEACH - The Carolina Beach Town Council will consider a recommendation to change the way water and sewer impact fees are charged for new home construction at their upcoming November 12, meeting at 6:30PM. According to Assistant Town Manager Ed Parvin, "The Town is evaluating the effectiveness of our system for charging water and sewer impact fees for residential dwellings. The current method relies on rooms which is often a subjective number that is contingent on the home design. Staff's desire was to uncover a comparable standard that utilizes a more objective way for calculating impact fees."

Parvin explained the impact fee is intended to recover costs associated with system capacity development. Water system capacity features include source water supply and collection, treatment facilities, storage, pumps and distribution. Sewer system capacity features include collection systems and mains as well as treatment and discharge facilities.

Parvin explained, "Ideally, impact fee amounts would have some reasonable connection to the size of the demand exerted on system capacity by new development. In short, the fees help us make sure all of Carolina Beach's citizens and businesses always have fresh, clean water whenever they want it."

Currently the Town's Budget states that water and sewer impact fees are: \$750 for water and \$750 for sewer for "All residential uses/bedroom" and the same for "Home Offices/Computer Rooms/Entertainment Rooms/Dens". Additionally, the budget states the fees for home offices, computer rooms, entertainment rooms and dens can be waived, "At the discretion of the Town Manager with a sign affidavit by the owner stating that the room(s) will not be used for a bedroom or converted to a bedroom. In the event that the room is converted to a bedroom at a later date, the owner will be required to pay the standard per bedroom impact fee at the time of the conversion."

Parvin explained, "Based on a study conducted by NC School of Government (see appendix 2) 77 percent of water and 74 percent of wastewater rate structures with impact fees charge a fixed fee for all customers with the same meter size. The remaining rate structures used a variety of techniques to charge customers that are expected to use more water or produce more wastewater, thereby paying their fair share towards the system capacity cost. These techniques include charging based on the size of the house (number of bedrooms, square footage), or size of the land (acreage), or by estimating the usage amount of the residence."

Parvin explained the Town of Cary and Orange Water and Sewer Authority (OWASA) base their fees on both the size of the meter size and the square footage for new residential connections while they use meter size for non-residential connections.

He explained, "The justification for a square footage basis comes from an OWASA study showing disproportionately

greater consumption by residential customers with larger homes."

He explained, "Most of the remaining 15% of utilities use some combination of the above parameters in setting impact fees. The Town of Apex, for example, has a design flow schedule depending on the "land use category" (e.g. 300 gallons per day (gpd) / bed for hospitals vs. 500 gpd/machine for laundries vs. 250 gpd/unit for multi-family residential complexes, etc.). They charge \$15 per gpd for combined water/sewer service. They also charge an acreage fee based on the zoning district, e.g., the fee is \$2,437 / acre for medium density residential zoning."

Parvin explained, "Water/sewer usage in Carolina Beach fluctuates drastically from home to home and use to use. The assumption utilized for this study is the same as when the Town moved away from charging a restaurant by seats and started charged based on square footage. This assumption being that when a larger home is built there is a larger impact on the Town's system, although this does not always occur."

He explained that for comparison a small beachfront home could have a tremendous impact vs. a larger home off the beach that has limited occupants. Similarly, a small restaurant could have tremendous impact pending the successfulness of the business.

Parvin elaborated on equitable charging of Impact Fees explaining, "Another aspect of impact fees at Carolina Beach is how they are administered to new projects. For instance, the Town has historically given credit for previous uses on a lot. If this is the standard, then each new home should be treated equitably in that the highest use on record for that property should apply to a credit against impact fees owed. For example, Tangerines was a beach store, gas station and restaurant. The restaurant was the use having the highest impact so Tangerines received credit for the prior use of the property as a restaurant. Likewise, when a home is demolished the number of bedrooms is recorded by the building inspector. When someone rebuilds on the lot they would get credit for that number of rooms. If we switched to heated square footage, then this number would be recorded and credit would be given accordingly."

Parvin explained, "The purpose of the current study is to find a new method for calculating impact fee for residential development at an equitable rate to the existing impact fees. A new study should be conducted to determine if impact fees are going to be raised or lowered. This study would need to look all adjacent communities, but more importantly we should determine the actual costs/impact a new home has on Carolina Beach's water and sewer system. If we know what level of impact (production, distribution and expansion needs) residential development has on the Town's water and sewer then a baseline could be configured from calculating how much it costs to process water and sewer."

He explained that once that is determined, fees could be allocated to the different uses based on their level of impact. For instance, if the gallon per day (gpd) cost for water and sewer is known and the Town has a design flow of 120 gallons per "x" sq. ft., then a "y" sq. ft. house would be charged a impact fee of $(\text{gpd cost}) * (\text{"y" sq. ft.}) = \text{impact fee.}$

Parvin explained the Town randomly chose 83 existing homes and recorded the number of bedrooms, impact fees paid and the heated square footage. The columns of data were averaged. The average impact fee was divided by the average heated square footage to determine a cost per heated square foot. The findings show how the proposed impact fee would have impacted existing development. 27 homes would have paid more money while 56 would have seen a cost savings.

Parvin explained if a new fee is adopted it would not be retroactive. In other words, those who have already paid under the old system cannot be asked to be reanalyzed under the new system in hopes of getting a refund.

He explained, "However when existing homes add square footage to their home staff will review these modifications to determine what additional impact fees are owed under the new calculation."

Parvin explained that based on their analysis they recommend:

1. All uses in town should be given credit for prior water and sewer impact fees paid for that site. Where properties have had several use changes on record, credit shall be based on the previous use having the largest impact.
2. Water and sewer impact fees for residential uses should be based on square footage. The cost should be based on the study conducted by staff.
3. A study should be conducted by the Public Utilities Department to determine the actual cost of providing/treating a gallon of water. This number should be compared to the impact fees charged by adjacent communities.

The Council will consider the recommendations at their November 12th, meeting at 6:30PM at Town Hall in the Council meeting room.

