

Senator Tom Ada's Bill #112 Would Ease Burden of System Development Charge on Affordable Housing

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Guam - Senator Tom Ada has introduced a measure aimed at making the Affordable Housing System Development Charge [AHSDC] *"less burdensome for those who are building low cost and affordable homes."*

The System Development Charge [SDC] is a fee imposed on the developer by the Guam Waterworks Authority to cover the cost of hooking that developer up to the water and wastewater system.

Bill #112 would change the due date for the AHSDC, and the charge would also be based on the *"total cost of construction or sale price."*

[READ Bill #112 HERE](#)

The measure applies to residential units that have a total value of up to \$180,000 for land and construction and it would defer payment of the charge to the back end of the construction project.

Senator Ada is quoted in a release as saying that *"We've listened to the concerns of the community and worked closely with the Consolidated Commission on Utilities and the management of GWA in crafting this legislation and I am optimistic that passage of Bill 112-32 will go a long way towards improving the availability of affordable housing on Guam."*

The measure is co-sponsored by Senator Rory Respicio.

READ the release from Senator Ada below:

Senator Tom Ada Introduces Bill to Boost Affordable Housing

Hagåtña, Guam: On Friday, May 10, 2013, Bill 112-32 (COR), an act to create an Affordable Housing System Development Charge (AHSDC), was introduced by Senators Tom Ada and Rory Respicio. "Bill 112-32 proposes to make the System Development Charge less burdensome for those who are building low cost and affordable homes by assessing a SDC fee that is based on the total cost of construction or sale price and changing the timing of when the SDC fee has to be paid," Sen Ada stated. He also added that "Bill 112-32 is not income based and does not eliminate the System Development Charge, as has been proposed by others".

Currently, all new water and sewer connections to the Guam Waterworks Authority's (GWA) system, for Residential dwellings, are assessed a one-time fee of \$2,126 for water connections and \$3,474 for sewer connections (if the area has sewer services). The fee is assessed by GWA to recover a portion of the costs incurred by GWA to accommodate new demands for water and sewer services that arise from the new development.

Bill 112-32 will make the AHSDC applicable to Residential units that have a total value of up to \$180,000 for land and construction, or in the case of ready-to-occupy housing developments, the sales price. Additionally, it will change the current requirement that the SDC be paid at the time construction begins, to requiring payment at time of occupancy. "This deferral of the SDC payment to the back end of the construction project is beneficial because maximum capital can be invested at the early stages of construction to bring the project to completion," stated Senator Respicio.

"Today, SDC's are an industry norm. Developers pay a fee to mitigate the cost of expanding the system," said Senator Tom Ada. "But they are also assured that such collected charges will only be used for system expansion

projects such as developing new water wells, constructing new pumping stations, and increasing throughput at wastewater treatment facilities,” he continued.

Created by Public Laws 19-47 (in 1988) and 26-164 (in 2003), GWA’s System Development Charge was implemented as a means to protect existing ratepayers while allowing developers to fairly fund their own growth; both pieces of legislation received unanimous bi-partisan support in their passage. The System Development Charge is commonly used throughout the U.S. and other developed countries in order to insure there is enough water and sewer capacity to serve community growth and to make “growth pay for growth,” Senator Ada said.

The SDC for new GWA connections is currently set at a rate dependent upon the size of the meter serving the customer. For the typical home construction, which commonly requires a 5/8" x 3/4" size meter, this amounts to an SDC charge of \$5,600 for both water and wastewater service. “Since its adoption and implementation, the SDC has served its purpose well,” said Senator Tom Ada, “but we now have an opportunity to further develop the SDC to incorporate a graduated charge that will encourage the development of affordable housing.”

As envisioned in Bill 112-32, single-family home construction projects costing less than \$180,000 (inclusive of land purchase costs) will have the option of paying a fee equal to 3% of the cost of the project. In areas where there is no sewer services, the fee would be 1.2% of the project cost. This fee, the Affordable Housing System Development Charge (AHSDC), will serve as an alternative to the traditional flat rate of the SDC.

As an example, for a family building a \$70,000 home on property costing \$30,000, the AHSDC for connecting to water and wastewater service with GWA will be \$3,000 ($\$100,000 \times 3\%$), as opposed to the \$5,600 flat rate currently required by the SDC. For a family building a \$180,000 home (land included), the SDC fee would be \$5,400. “As a community, I believe we can all agree to the economic and social benefits of encouraging the development of affordable housing,” said Senator Tom Ada. “I also believe that because the GWA system is a community asset, and because the cost of expansion is never free, we have a duty to invest in the system to the best of our abilities;” continued Senator Ada. “The proposed AHSDC is the best means of protecting existing ratepayers while also allowing each new customer to pay their fair share to the system to the best of their abilities.”

Bill 112-32 also proposes allowing for SDC’s levied on the construction of singlefamily dwellings to be collected upon issuance of an occupancy permit, as opposed to the current practice of collecting upon issuance of a building permit. This shift will allow housing developers to free up additional funds during construction, while still ensuring that GWA will receive the full SDC amount due once the home is completed and receives its occupancy permit.

And lastly, “for the homebuilder who chooses the option of taking advantage of the 15-year amortization of the SDC, Bill 112-32 will enable the new homeowner to initially pay a smaller down payment instead of the flat \$1,000” Sen. Ada stated. He also added that “using the example of the homebuilder who constructs a \$100,000 home (land included) and is assessed a \$3,000 connection fee, he would only have to pay \$600, or 20% of the assessed SDC fee.” “We’ve listened to the concerns of the community and worked closely with the Consolidated Commission on Utilities and the management of GWA in crafting this legislation,” said Senator Tom Ada, “and I am optimistic that passage of Bill 112-32 will go a long way towards improving the availability of affordable housing on Guam.”

A copy of Bill 112-32 (COR) may be downloaded from Senator Tom Ada’s website (www.senatorada.org) and the Guam Legislature website.

For more information, For more information, please contact Senator Tom Ada’s office at 473-3301.