

CLACKAMAS COUNTY BOARD OF COUNTY COMMISSIONERS

Study Session Worksheet

Presentation Date: October 12, 2010 **Time:** ^{2:00 PM} ~~11:00 a.m.~~ **Length:** 30 minutes

Presentation Title: North Clackamas Revitalization Area (NCRA)
Sewer Project IGA

Department: Development Agency (DTD)

Presenters: Ken Itel and Dan Johnson

POLICY QUESTION

Should the Development Agency and Clackamas County Service District #1 (CCSD#1) amend their existing Intergovernmental Agreement (IGA) to acknowledge changes in sewer service delivery since the original IGA and allow prepayment of sanitary sewer SDCs to all housing units, including manufactured dwellings, apartments and other multi-family housing?

ISSUE & BACKGROUND

The Development Agency and CCSD#1 are currently partnering on a project to provide sewer service to the remaining unsewered area of the NCRA. The area lacking sewer service contained nearly 1,300 properties (over 55% of the district), and was one of the largest urban areas in the state without access to sanitary sewer. The IGA also covers over 100 properties with access to sewer that have never connected.

The Agency and CCSD#1 entered into an IGA, approved by the Board on January 17, 2008, in which the Agency agreed to prepay sewer SDCs at the rate of \$2,200 per Equivalent Dwelling Unit (EDU), the rate in effect when the project was approved.

Subsequent events have occurred requiring an amendment of the IGA between the Agency and CCSD#1. The Agency and CCSD#1 have mutually agreed and propose the IGA be modified to acknowledge:

- The City of Milwaukie elected to provide sewer service to the Dual Interest Area (DIA). See attached map. This reduces the number of possible new connections served by CCSD#1 from approximately 1400 to slightly over 1100, requiring an adjustment of the terms of the promissory note. A housekeeping amendment within the IGA which acknowledges a reduction in properties served by CCSD#1 decreases the amount of SDCs owed by the Agency by \$635,000.
- The Agency agreed to contribute an additional \$1.5 million to sewer construction, reducing the cost of assessments by \$1,250 per property.

- Questions have been raised by residents about the lack of a SDC benefit for manufactured dwellings and multi-family housing. A total of 161 multi-family dwellings, apartments or manufactured homes, along with four single family dwellings, occupy 42 tax lots in the area served by CCSD#1, equaling 132.8 EDUs or SDC credits. This is an increase of 90.8 EDUs/SDC credits over the current IGA.

The proposal was presented to the CCSD#1 River Health Advisory Board (Advisory Board) on September 14, 2010. While recognizing the potential additional decrease in SDC revenue, the majority of the Advisory Board supported the proposal to treat housing types equally.

Agency and CCSD#1 staff support including manufactured dwellings and multi-family housing. Nearly all single family dwellings will receive the SDC prepayment whereas most manufactured or multi-family dwelling units will not receive a benefit. As a higher percentage of residents in manufactured dwellings and apartments are lower income, these residents could be disproportionately affected if property owners pass on higher SDC costs through rent increases.

The proposal is prudent from a public health and sustainability standpoint as it provides additional incentive for manufactured home parks and multi-family properties to connect to sewers. The on-site wastewater systems of multi-unit properties have the potential for a greater impact on the environment than a single family dwelling and the failure of such a system is likely to have a larger public health impact. Timely connection to the sewer system promotes sustainability by reducing the number of septic and cesspool failures in the area, and in turn, preventing groundwater contamination and adverse impacts on Johnson Creek.

To minimize any financial impacts of this decision on WES the Agency is willing to honor an existing promissory note for prepayment of SDC's crafted with approval of the original IGA. The note carries an interest rate of 5.0% which was considered reasonable at the time but is far higher than current rates. Though discussions were underway to revise the rate payment of this note at the current rate, maintaining the existing rate will assist in offsetting any revenue lost by extending service to multifamily dwellings within the district.

QUESTION(S) PRESENTED FOR CONSIDERATION

Shall Agency and CCSD#1 staff proceed with amending the current IGA to include clarification on sanitary service delivery from the City of Milwaukie and prepayment of sanitary sewer SDCs for all dwellings, including manufactured dwellings, apartments and other multi-family dwellings at a rate of \$2,200 per EDU?

Does the Board have policy directions that it wishes the staff to consider or implement for the sewer project in the NCRA?

OPTIONS AVAILABLE

1. Amend current IGA and promissory note to include clarification on sanitary service in the Dual Interest Area and prepay sanitary sewer system development charges in the NCRA for all eligible housing units, including manufactured dwellings, apartments and other multi-family dwellings at a rate of \$2,200 per EDU.
2. Amend current IGA and promissory note to include clarification on sanitary service delivery in the Dual Interest Area and prepay additional sanitary sewer system development charges in the NCRA only for manufactured dwellings, at a rate of \$2,200 per EDU.
3. Retain the current agreement of prepaying sanitary sewer system development charges in the NCRA at one EDU per developed lot, and only amend the current IGA and promissory note to reflect the subtraction of properties within the Dual Interest Area and contribution to construction costs.

RECOMMENDATION(S)

Option 1: The Development Agency respectfully recommends that Agency staff be directed to proceed with amending the current IGA and promissory note to include clarification on sanitary service in the Dual Interest Area and prepay sanitary sewer system development charges in the NCRA for all eligible housing units, including manufactured dwellings, apartments and other multi-family dwellings at a rate of \$2,200 per EDU.

SCHEDULE FOR STUDY SESSION

Division Director/Head Approval _____ *OK per SW*
Department Director/Head Approval _____
County Administrator Approval _____

For information on this issue or copies of attachments, please contact Ken IteI @ 503-742-4324