



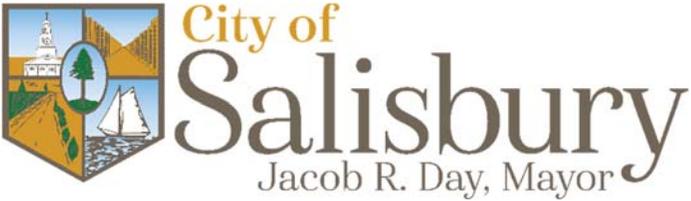
**SALISBURY CITY COUNCIL
WORK SESSION AGENDA**

**AUGUST 17, 2020
ZOOM MEETING**

- 4:30 p.m. **SPECIAL MEETING** (separate agenda)
- 4:45 p.m. **WORK SESSION**
- 4:45 p.m. Donation of residential property located at 300 Delaware Avenue- Housing & Community Development Director Ron Strickler
- 4:55 p.m. ESIMBA MOU for new mountain bike trails- Department of Infrastructure & Development (DID) Director Amanda Pollack
- 5:10 p.m. Comprehensive Connection Charge Code changes- DID Director Amanda Pollack
- 5:25 p.m. TIF discussion for “Old Mall” property (Civic Avenue)- Finance Director Keith Cordrey, Emily Metzler, MUNICAP, Inc., Senior Vice President
- 5:55 p.m. Council remarks
- 6:00 p.m. Adjournment

*Times shown are approximate. Council reserves the right to adjust the agenda as circumstances warrant.
The Council reserves the right to convene in Closed Session as permitted under the Annotated Code of Maryland 3-305(b).*

Join Zoom Meeting
<https://us02web.zoom.us/j/5362772908>
Meeting ID: 536 277 2908
One tap mobile
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+19292056099,,5362772908# US (New York)



MEMORANDUM

To: Andy Kitzrow
From: Ronald L. Strickler, Jr, Director of HCDD
Date: August 7, 2020
Re: Property Donation – 300 Delaware Avenue

Attached please find a resolution to accept a property donation of 300 Delaware Avenue from G.N.I. Properties, Inc. The property currently has no outstanding fees/fines due to the City of Salisbury.

HCDD will utilize our current Maryland Historic Trust Strategic Demolition Grant to cover closing cost and the possible demolition of the existing structure after acquiring said property.

The use following acquisition of the property has yet to be determined. It is possible the building may be repairable and could be sold with a contingent rehabilitation plan in place. If demolished, due to the property's close proximity to the Police Station I feel it could be utilized for parking, some type of tribute to our first responders and/or a small open space for use by the community.

Unless you have any questions or require additional information please forward this information to the Mayor and city council for consideration.



City of Salisbury

Real Estate

[View Bill](#)

[View bill image](#)

As of	8/7/2020
Bill Year	2021
Bill	2105644
Owner	GNI LLC
Parcel ID	09045767

[View payments/adjustments](#)

Installment	Pay By	Amount	Payments/Credits	Balance	Interest	Due
1	9/29/2020	\$242.53	\$0.00	\$242.53	\$0.00	\$242.53
TOTAL		\$242.53	\$0.00	\$242.53	\$0.00	\$242.53

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Wicomico County Maryland

Real Estate

[View Bill](#)

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As of	8/7/2020
Bill Year	2021
Bill	21025912
Owner	GNI LLC
Parcel ID	09045767

[View payments/adjustments](#)

Installment	Pay By	Amount	Payments/Credits	Balance	Interest	Due
<input type="checkbox"/> 1	9/30/2020	\$235.52	\$0.00	\$235.52	\$0.00	\$235.52
Discount †				(2.10)		(\$2.10)
TOTAL		\$235.52	\$0.00	\$235.52	\$0.00	\$233.42
Total selected:						\$0.00
Adjusted discount:						\$0.00

Pay Selected Installments

† Discount amounts shown are estimated, and may not be applicable to your selected installments.

1
2
3 RESOLUTION NO. _____
4

5 A RESOLUTION OF THE CITY OF SALISBURY ACCEPTING THE DONATION OF
6 IMPROVED REAL PROPERTY LOCATED AT 300 DELAWARE AVENUE, SALISBURY,
7 MARYLAND 21801, FROM G.N.I. PROPERTIES, INC.
8

9 WHEREAS, the donor, G.N.I. Properties, INC., desires to donate the improved residential
10 property located at 300 Delaware Avenue, Salisbury, Maryland 21801, which was acquired by deed
11 dated October 28, 1999 and recorded in the Wicomico County, Maryland Land Records in Liber
12 MSB No. 1713, Folio 568; and
13

14 WHEREAS, the City of Salisbury is interested in obtaining foreclosed and/or abandoned
15 properties which create a blighting influence on our neighborhoods, so that said properties may be
16 rehabilitated for resale or demolished to make way for new construction; and
17

18 WHEREAS, the City of Salisbury has a condemn order on this property; and
19

20 WHEREAS, the approval of the acceptance of this property by the City of Salisbury is
21 contingent upon the demolition of the existing structure to make way for future use as determined by
22 the City of Salisbury; and
23

24 WHEREAS, there are outstanding taxes owed on this property for fiscal year 2021 in the
25 amount of \$233.42 for Wicomico County and \$242.53 for the City of Salisbury; and
26

27 WHEREAS, the City of Salisbury will utilize the existing Maryland Historic Trust Strategic
28 Demolition Grant monies to cover closing costs and demolition of the structure on the property; and
29

30 WHEREAS, no title search has been performed by the City of Salisbury yet, and the status of
31 the title is unknown at this time.
32

33 NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Salisbury,
34 Maryland does hereby approve the payment of the County taxes and waiver of the City taxes and
35 fees, and hereby accepts the donation of the real property located at 300 Delaware Avenue,
36 Salisbury, Maryland 21801, from G.N.I. Properties, INC., contingent on a clear title based on a title
37 search conducted by the City's Solicitor's office.
38

39 THE ABOVE RESOLUTION was introduced, read and passed at the regular meeting of the
40 Council of the City of Salisbury held on this ____ day of _____, 2020 and is to become
41 effective immediately upon adoption.
42

43 ATTEST:
44

45 _____
46 Kimberly R. Nichols
47 CITY CLERK
48

49 _____
50 John R. Heath
51 PRESIDENT, City Council

49 APPROVED by me this ____ day of _____, 2020
50

51 _____
52 Julia Glanz, City Administrator,
53 for and with the authority of
54 Jacob R. Day, MAYOR



City of
Salisbury
Jacob R. Day, Mayor

To: Julia Glanz, City Administrator
From: Amanda Pollack, P.E., Director of Infrastructure and Development AP
Date: August 5, 2020
Re: Resolution authorizing the Mayor to sign a MOU with ESIMBA to expand the off-street mountain biking trail network

Salisbury Department of Infrastructure and Development (DID) supports an expansion of the Mountain Biking Trail Complex within the Naylor Mill Forest Conservation Area, which is maintained by the Eastern Shore chapter of International Mountain Bicycling Association (ESIMBA). DID and ESIMBA have developed the attached Memorandum of Understanding (MOU) regarding the development and maintenance of additional mountain bike trails in the vicinity of the forest conservation easement along Naylor Mill Road. These new trails will extend along and spur off from the Rail Trail section Phase 7B which is undergoing final design.

The purpose of the MOU is to delineate the responsibility of ESIMBA and the City. ESIMBA will design the trails, obtain necessary permits and approvals for construction of trails, supervise volunteers during construction and maintenance of trails, coordinate with the City on trail modifications, and purchase and install all trail signs. The City will review the design and implementation plans, encourage police patrols of the trails, authorize ESIMBA to have informational displays about the trails, and acknowledge that ESIMBA built and maintains the trails.

The resolution includes language about semi-annual updates and future participation in the Planning process regarding expansion of the Rail Trail system beyond its initial eight phases (Phase 1-7b).

Attached is a Resolution authorizing the Mayor to sign the MOU. Unless you or the Mayor has further questions, please forward the resolution, MOU and supporting materials to the City Council.

1 RESOLUTION NO. ____

2
3 A RESOLUTION OF THE CITY OF SALISBURY AUTHORIZING THE MAYOR TO SIGN
4 THE MEMORANDUM OF UNDERSTANDING WITH THE EASTERN SHORE CHAPTER
5 OF THE INTERNATIONAL MOUNTAIN BICYCLING ASSOCIATION REGARDING AN
6 EXPANSION OF THE MOUNTAIN BIKE PATH NETWORK IN THE VICINITY OF THE
7 NAYLOR MILL FOREST CONSERVATION EASEMENT AND NORTHERN SECTION OF
8 THE RAIL TRAIL.

9
10 WHEREAS, the Eastern Shore chapter of the International Mountain Bicycling Association is
11 interested in promoting mountain biking as an outdoor recreation and fitness activity; and

12
13 WHEREAS, the Eastern Shore chapter of the International Mountain Bicycling Association
14 desires to develop and maintain safe, sustainable and environmentally sound trails for cyclists of
15 all ability levels in the vicinity of the Rail Trail and expand the existing trail complex in the
16 Naylor Mill Forest Conservation Easement; and

17
18 WHEREAS, the Eastern Shore chapter of the International Mountain Bicycling Association and
19 the Department of Infrastructure & Development developed the attached Memorandum of
20 Understanding that defines the responsibilities of each party regarding trail design and
21 maintenance; and

22
23 WHEREAS, the City seeks to partner with the Eastern Shore chapter of the International
24 Mountain Bicycling Association to develop trails on City property along the Rail Trail corridor
25 where safe connections between trail complexes can be provided; and

26
27 WHEREAS, the Eastern Shore chapter of the International Mountain Bicycling Association will
28 provide semi-annual updates about its mountain bike trail activities to the City through the
29 Bicycle and Pedestrian Advisory Committee; and

30
31 WHEREAS, the City desires the Eastern Shore chapter of the International Mountain Bicycling
32 Association to be an active participant in the Rail Trail development and planning for future
33 spurs from the Rail Trail.

34
35 NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Salisbury,
36 Maryland does hereby authorize the Mayor, or his authorized designee, to sign the attached
37 Memorandum of Understanding accepting the responsibilities of each party regarding design and
38 maintenance of trails in the Naylor Mill Forest Conservation Easement and in the vicinity of the
39 northern end of the Rail Trail.

40
41 THE ABOVE RESOLUTION was introduced and read and passed at the regular meeting of the
42 Council of the City of Salisbury held on this ____ day of _____, 2020 and is to become
43 effective immediately upon adoption.

44
45 ATTEST:
46

47 _____
48 Kimberly R. Nichols
49 CITY CLERK

John R. Heath
PRESIDENT, City Council

50
51 APPROVED BY ME THIS _____ day of _____, 2020

52
53 _____
54 Julia Glanz, City Administrator
55 for and with the authority of Jacob R. Day, Mayor

A MEMORANDUM OF UNDERSTANDING BETWEEN
THE CITY OF SALISBURY, MARYLAND AND
EASTERN SHORE INTERNATIONAL MOUNTAIN BICYCLING ASSOCIATION
(a 501c3 nonprofit chapter of the International Mountain Bicycling Association)

THIS MEMORANDUM OF UNDERSTANDING is executed in duplicate, made effective this _____ day of _____, 2020 by and between the Mayor and Council of the City of Salisbury, hereinafter called "CITY", and the Eastern Shore chapter of the International Mountain Bicycling Association, hereinafter called "ESIMBA".

WHEREAS, the City and ESIMBA are interested in promoting mountain biking as an outdoor recreation and fitness activity, and in developing and maintaining safe, sustainable and environmentally sound trails for cyclists of all ability levels in Naylor Mill Forest Conservation and northern Rail Trail area.

The purpose of this Memorandum of Understanding is to state the terms and conditions under which ESIMBA will provide services, including the design updates of technical mountain bike trail features for the refurbishment and maintenance of existing single track trails, design and construction of any future single-track trails, trail maintenance, and special event activities, which ESIMBA volunteers have agreed to provide as a service to the City, establish the responsibilities and conditions under which that volunteer service will be provided, and delineate the responsibilities of the CITY.

WHEREAS, this Memorandum of Understanding shall be in effect upon execution by both the CITY and ESIMBA. It may only be modified by mutual agreement in writing signed by the parties and shall continue in force until terminated by either party in writing, upon delivery of written notice.

WHEREAS, all improvements, constructed on the land of the CITY, shall be, and remain the property of the CITY. All materials, including records, data, and other information acquired, developed or documented under this MOU shall be the property of the originating party, unless otherwise mutually agreed upon in writing by both parties. ESIMBA will make the information available to the CITY when requested.

WHEREAS, ESIMBA encourages, welcomes and promotes the use of these trails by other user groups including but not necessarily limited to hikers, disc golfers, fishermen, naturalists and joggers, but asks that the City allow ESIMBA to design, build and maintain the trails for use as natural surface, single-track cycling trails and to maintain and protect the right of cyclists to use these trails. NOW, THEREFORE, in consideration of the mutual understandings and agreements contained herein, the parties covenant and agree as follows:

I. ESIMBA shall:

1. Provide technical support to the CITY in determining the design updates of technical and trail features for the existing trails within the Naylor Mill Forest Conservation/northern Rail Trail area and any future new trail locations, consistent with the planned ability level

of the trail segment in accordance with the International Mountain Bike Association (IMBA) guidelines. ESIMBA shall submit design plans to the City for approval showing separate existing conditions drawings and proposed improvements plan drawings. At a minimum the plans shall show bike paths, above ground features such as trees, structures, signs, landscaping, utilities, topography, limits of disturbance, rights-of-ways and easements.

2. Obtain all necessary approvals from the appropriate agencies including but not limited to Wicomico Soil Conservation District, Maryland Department of the Environment Non-Tidal Wetlands Division, Salisbury-Wicomico Planning and Zoning Department Forest Conservation & Maryland Critical Area Commission.
3. Assure all ESIMBA volunteers assigned to work under this agreement in Salisbury City Park are volunteers of ESIMBA and are covered under the insurance policies and building and safety procedures of ESIMBA in relation to volunteer organization and management. Volunteers are not employees of or individual volunteers of the CITY. ESIMBA shall produce copies of their certificates of insurance and carry the same level of coverage as the CITY.
4. Provide and supervise volunteers in the construction of approved technical features and alignment changes. ESIMBA shall;
 - Utilize tools owned by ESIMBA.
 - Design technical features and alignment changes that conform to IMBA guidelines and CITY approval.
 - Train and supervise volunteers in appropriate construction techniques in accordance with IMBA guidelines.
 - Identify a current contact list of ESIMBA and City primary contacts for the purposes of ongoing maintenance and trail related questions;
 - Tres Denk, ESIMBA President, 410-430-4992, tres@esimba.org
 - Mike Perry, ESIMBA Vice- President, 410- 726- 1333, mhperry@gmail.com
 - Amanda Pollack, Director of Infrastructure & Development, 410-548-3170, apollack@salisbury.md
 - William White, Transportation Projects Specialist, 410-548-3170, wwwhite@salisbury.md
 - A designee may be appointed by the City Director of Infrastructure & Development, currently William White (“Transportation Projects Specialist”), to

coordinate work schedule and on-site public notification, when needed, with the Transportation Projects Specialist or appointed designee.

- If necessary, ESIMBA volunteers may operate an IMBA-owned or rented mini-excavator for the initial construction of some technical features, but only if absolutely necessary and with prior approval of the Transportation Projects Specialist.
 - ESIMBA volunteers may use bikes in the on-site planning and testing of technical features prior to official trail opening as coordinated with the Transportation Projects Specialist.
5. Provide volunteers to inspect and do hand-work maintenance of the trail.
- Ensure that all such volunteers have received training in trail inspection and maintenance responsibilities.
 - ESIMBA volunteers are authorized to sculpt and/or remove downed trees found on the trail tread.
 - Perform routine maintenance activities as outlined below. In the event that ESIMBA is unable to safely and promptly address an identified issue that may create an unsafe situation, the ESIMBA volunteer should notify the Transportation Projects Specialist.
 - ESIMBA shall notify the designated Transportation Projects Specialist when there are fallen trees that an ESIMBA volunteer feels he/ she cannot safely remove from the bike trail, either due to size or unsafe conditions. City crews will be responsible for clearing such trees if the clearing or removal is feasible.
6. Prior to making any trail alignment changes, submit recommendations to the Transportation Projects Specialist for changes that may be contemplated by ESIMBA in carrying out the volunteer duties as outlined in the MOU.
- Any planned reroute that brings a new trail closer to a wetland may require additional approvals. Changes that do not need Transportation Projects Specialist approval are trail re-routings within 20 feet of the existing trail centerline and shorter than 200 feet in length that do not impact wetland areas.
7. Recommend, purchase and install (with approval by Transportation Projects Specialist) the types, location and language for trail directional, cautionary and informational signs. Signs at the beginning of each trail should indicate that the hours of operation for the trails are sunrise to sunset and notify riders of the specific trail difficulty.
8. Except as addressed elsewhere in this Agreement, agree that it will be responsible for its own acts and the results thereof and shall not be responsible for the acts of the other party and the results thereof. ESIMBA, therefore, agrees that it will assume all risk and

liability to itself, its agents or employees, for the injury to persons or property resulting in any manner from the conduct of its own operations, and the operation of its agents or employees under this agreement, for any loss, cost, damage, or expense resulting at any time from any and all causes due to any acts or acts of negligence, or the failure to exercise proper precautions, of or by itself or its own agents or its own employees, while occupying or visiting the premises under and pursuant to the agreement.

9. Hold the CITY, its elected and appointed officials, employees, and volunteers and others working on behalf of CITY, harmless from and against all loss, cost, expense, damage, liability or claims, whether groundless or not, arising out of the bodily injury, sickness or disease including death resulting at any time therefrom) which may be sustained or claimed by any person or persons, or the damage or destruction of any property, including the loss of use thereof, based on any act or omission, negligent or otherwise, of the ESIMBA, or anyone acting on its behalf in connection with or incident to the ESIMBA, except the ESIMBA shall not be responsible to the CITY on indemnity for damages caused by or resulting from the CITY's sole negligence; and the ESIMBA shall, at its own cost and expense, defend any such claims and any suits, action, or proceeding which may be commenced thereunder, and the ESIMBA shall pay any and all judgments which may be recovered in any suit, action or proceeding, and any and all expense including, but not limited to, costs, attorney's fees and settlement expenses, which may be incurred therein.
10. ESIMBA shall comply with all Federal, State and Local laws and regulations when designing and installing the trails and not take any actions that will cause the City to be in violation of any laws and regulations.

II. The CITY shall:

1. Assign the Transportation Projects Specialist as the CITY contact.
2. Review and approve design and implementation plans for all agreed to volunteer activities in a timely manner. ESIMBA will certify that the submissions meet IMBA guidelines and technical requirements.
3. Encourage CITY bike, foot or horse mounted police officers to patrol the trails.
4. Provide wayfinding signage along the Rail Trail to provide direction and distance to the Trail Complex
5. Review and approve recommended technical feature designs, construction schedules and trail maintenance schedules such as bridges or lengthy boardwalks, should these projects ever become necessary. ESIMBA will certify that the submissions meet IMBA guidelines and technical requirements.

6. Allow the display of a message about the ESIMBA organization and event opportunities in manner approved by the CITY at a location approved by the Transportation Projects Specialist.
 7. Authorize ESIMBA to have an informational display/booth at the trailhead periodically for the purposes of providing information about ESIMBA memberships and mountain biking events, as approved and coordinated with the Transportation Projects Specialist. Informational displays may also be approved for CITY permitted mountain bike races or events.
 8. Recognize ESIMBA built or maintained trails as assets of the CITY park system and protect them accordingly.
- III. It is agreed by both parties that this Agreement shall be governed by and construed in accordance with the laws of the State of Maryland.
- IV. It is further agreed that, should any provision of this Agreement be found, held, or deemed to be unenforceable, voidable, as contrary to law or public policy under the laws of Maryland, or the federal government, the parties intend that the remaining provisions of this Agreement shall nevertheless continue in full force and be binding upon the parties, its assigns and successors.
- V. Amendment of Agreement. This MOU shall not be altered, changed or amended except by written mutual agreement of the parties.

IN WITNESS WHEREOF, the parties hereto have set their hands as of the date first above written.

Julia Glanz, City Administrator
for and with the authority of
Jacob R. Day, Mayor
City of Salisbury
125 N. Division St
Salisbury, MD 21801

Tres Denk, President
Eastern Shore Chapter,
International Mountain
Bicycling Association
22 Moonraker Court
Berlin, MD 21811



City of
Salisbury
 Jacob R. Day, Mayor

To: Julia Glanz, City Administrator
 From: Amanda Pollack, P.E., Director of Infrastructure and Development AP
 Date: August 6, 2020
 Re: Ordinance for code changes to Comprehensive Connection Charges and to set fees for FY21

Per discussions at the June 2020 work sessions, the Department of Infrastructure and Development is seeking to revise the code associated with calculations of Comprehensive Connection Charges. In July 2018, Stantec Consultants completed their assessment for the City’s Water and Sewer Rate Study. Part of the evaluation included an analysis of the City’s Comprehensive Connection Charges. The Comprehensive Connection Charges are outlined in the City Code Chapter 13. The Department of Infrastructure and Development has reviewed the report findings and recommends proceeding with the recommendations, which are summarized below:

Current Code	Proposed Code	Reason for Change
Water and Sewer Capacity Fees (based on 10 year CIP)	Connection Fees (based on value and capacity of water and sewer system)	Connection fees based on purchasing equity in the existing utility system
Central System Line Fees (based on size of parcel)		
Sewer Connection and Water Meter/Tap fees	Sewer Lateral and Water Meter/Tap fees	Clarify what this is for. If Field Operations performs the work, then shall be reimbursed for actual costs
Facility Fees Line Fees	Infrastructure Reimbursement Fee	Clarify what this is for. Applies to City extension of services as well as developer extension of infrastructure.

The proposed code changes modify the terminology and calculations of rates. The current Capacity Fees are \$3,533 per EDU (\$1,513 for water and \$2,020 for sewer). Based on the equity calculations, the proposed maximum Connection Fee is \$9,746 per EDU (\$5,058 for water and \$4,688 for sewer), with no central system line fee.

The Department of Infrastructure and Development does not recommend implementing the full equity fee at this time, but instead increasing it over time. The attached ordinance provides for the new fee recommendations. The recommendation is for an increase of 5% over the existing capacity fees since the new connection fees also include the central system line fees. The new rates would be a Connection Fee of \$3,710 per EDU (\$1,925 for water and \$1,785 for sewer). These rates are 38% of the full equity buy in amount. We recommend increases annually until full equity buy in can be achieved.



City of
Salisbury
Jacob R. Day, Mayor

In addition to the Comprehensive Connection Charge modifications, there are proposed changes to the existing Incentive programs. Below is a summary of the changes to the Incentive Programs:

Incentive Program	In Code?	Proposed Changes
Affordable Housing	Yes	<ul style="list-style-type: none">• Add that the waiver is valid for two years and is renewable for up to two one-year terms.• Add that the waiver is non-transferrable.
Development and Redevelopment EDU Waiver	Yes	<ul style="list-style-type: none">• No proposed changes since a new Development waiver process is proposed via separate Ordinance.
Single Family Permit Fee Waivers	No	<ul style="list-style-type: none">• Add to the code in Section 13.02.080.• Waiver apply to only lots platted as of the date of the passing of this Ordinance (infill only).

Unless you have further questions, please forward a copy of the memo and the Ordinance to the City Council.

44 **Exhibit 1 – amended FY 20201 Fee Schedule**

45

Department of Infrastructure and Development		
Water and Sewer Connection Capacity Fee (Per Code 13.02.070)		
Comprehensive Connection Charge of Connection Capacity fee for the Developer's share in the equity of the existing utility system cost of growth related infrastructure improvements.	\$3,710.00 3,533.00	Per Equivalent Dwelling Unit (water \$1,513, sewer \$2,020) (\$1,925 for water and \$1,785 for sewer)
Water and Sewer Infrastructure Reimbursement Facility Fee (Per Code 13.02.070)		
Comprehensive Connection Charge for Infrastructure Reimbursement Facility Fees is based on actual costs of water and sewer infrastructure installed by a Developer.	*	* Fee amount is project dependent. Infrastructure Reimbursement Facility Fee is the prorated share of the cost of the water and sewer mains based on this project's percentage of the capacity of the proposed infrastructure project.
Infrastructure Reimbursement Administrative Fee (Per Code 13.02.090)		
Administrative fee assessed on Facility Fee for processing	*	0.1 percent of the Infrastructure Reimbursement Facility Fee
Water and Sewer Line Fee (Per Code 13.020.070)		
Comprehensive Connection Charge of Line fee is based on the actual costs of the public water and sewer.	*	* Fee amount is project dependent
Central System Line Fee (Per Code 13.02.070)		
Comprehensive Connection Charge of Central System Line Fee for water and sewer services connecting directly to the City's Central System.	64.50	Per linear foot based on the area of the property and is the square root of the lot area, in square feet
Administrative Fee for Connection Capacity Fee payment Plans (R 2029)		
Administrative Fee for Connection Capacity Fee payment Plans	25.00	

46

ORDINANCE No. _____

AN ORDINANCE OF THE CITY OF SALISBURY TO AMEND THE FOLLOWING SECTIONS OF TITLE 13, PUBLIC SERVICES OF THE SALISBURY MUNICIPAL CODE: CHAPTER 13.01.030, 13.02.020B.3.,7.,8., 13.02.050, 13.02.060E., 13.02.070, 13.02.080, AND 13.02.090 TO REVISE THE COMPREHENSIVE CONNECTION CHARGES DEFINITION AND APPLICATIONS.

WHEREAS, the ongoing application, administration and enforcement of the City of Salisbury Municipal Code demonstrates the need for periodic review, evaluation and amendment; and

WHEREAS, a water and sewer rate study was performed in 2018 in which comprehensive connection charges were evaluated; and

WHEREAS, the study recommended adopting an equity based fee instead of a capacity fee and central system line fee; and

WHEREAS, the equity based fee is recommended to be called a connection fee and replaces the capacity fee and the central system line fee; and

WHEREAS, the Director of the Department of Infrastructure and Development recommends other modifications to the comprehensive connection charges code to clarify the intent of various fees and programs.

NOW, THERFORE, be it enacted and ordained by the City of Salisbury, that Chapters 13.01.030, 13.02.020B.3.,7.,8., 13.02.050, 13.02.060E., 13.02.070, 13.02.080, and 13.02.090 of the City of Salisbury Municipal Code be amended as follows:

Chapter 13.01 - ABBREVIATIONS AND DEFINITIONS

13.01.030 - Definitions.

"*Connection* **[[Capacity]]** fee" is based on the number of EDUs that the customer is projected to generate at total build-out of the development project. It is calculated by multiplying the *connection* **[[capacity]]** unit fee by the projected EDU value (average daily water) for a particular development project. The fee shall be charged for each new connection to the city's system, regardless of location, to pay for *equity in the City's utility systems*. **[[the systems' growth and expansion projects as outlined in the city's water and sewer CIP.]]**

"*Connection* **[[Capacity]]** unit fee" **[[means intended to pay for capacity in the "central system." It is based on the growth and expansion projects as outlined in the city's water and sewer CIP. The fee]]** is a unit rate based on the *equity value of the water and sewer systems* **[[capacity costs]]** expressed in dollars per EDU.

46 "Capital improvement plan" means a *five* **[[ten]]**-year plan showing the city's capital outlay
47 needs for the water treatment plant, water distribution system, wastewater collection system and
48 wastewater treatment plant and setting forth a plan for financing those needs.

49
50 **[["Central system line fee" means the line fee for new water and sewer users within the
51 city's central system where there are existing mains from which the property is to be
52 served. This fee reimburses the city for the construction costs of the existing mains that
53 serve the property and is proportional to the size of the property to be served.**

54
55 **"Central system line unit fee" means the in-place construction cost per linear foot for
56 eight-inch diameter water and sewer mains. The fee is calculated as the average
57 construction contract cost for installing eight-inch water and sewer mains throughout the
58 city water and sewer systems for the previous twelve (12) months as determined by the
59 Department of Infrastructure and Development.]]**

60
61 "Comprehensive connection charge" means the charge to new customers connecting to the
62 system that includes the *connection fee, infrastructure reimbursement fee, sewer lateral*
63 **[[capacity fee, facility fee, line fee, and sewer-connection]]** and water-meter/tap fee.

64
65 **[["Facility fee" is based on the number of EDUs that the customer is projected to
66 generate at total build-out of the development project. It is calculated by multiplying the
67 facility unit fee by the projected EDU value (average daily water) for a particular
68 development project. The fee shall be charged to properties connecting to water/sewer
69 extensions outside of the city's core or central system.**

70
71 **"Facility unit fee" is intended to recover the costs of system extensions to a service area
72 outside of the central system. These facilities will typically be the "backbone" of a new
73 service area and may include major water and sewer transmission mains, pumping
74 stations, and water storage tanks. The fee is a unit rate based on the cost of the system
75 extension expressed in dollars per EDU.]]**

76
77 *"Infrastructure Reimbursement fee" is based on the number of EDUs that the customer is
78 projected to generate at total build-out of the development project. It is calculated by multiplying
79 the infrastructure reimbursement unit fee by the projected EDU value (average daily water) for a
80 particular development project.*

81
82 *"Infrastructure Reimbursement unit fee" is intended to recover the costs of system extensions
83 to a service area outside of the central system. These facilities will typically be the "backbone" of
84 a new service area and may include major water and sewer transmission mains, pumping
85 stations, and water storage tanks. The fee is a unit rate based on the cost of the system extension
86 expressed in dollars per EDU. The system extension may have been performed by the City or a
87 private entity.*

88
89 **[["Line fee" means the cost of extending water distribution and sewage collection
90 mains to exclusively serve a specific geographic area, development or neighborhood.]]**

91

92 "Sewer-lateral **[[connection]]** and water-meter/tap fee" is intended to cover the cost of
93 tapping the water and sewer mains and providing the *lateral, service*, water meter, corporation
94 stop, *cleanout* and stub out for the **[[user]]** water and sewer connections.
95

96 Chapter 13.02 - GENERAL PROVISIONS—CONNECTION TO THE CITY'S WATER AND
97 SEWER MAINS
98

99 13.02.020 - Legislative intent.
100

101 B. Goals. The goals of the comprehensive connection charge are as follows:

- 102 3. New or increased water or sewer usage will be charged *for equity in the existing system*
103 *through a connection fee* **[[a portion of the cost of the central or core system through**
104 **a "capacity fee"]]**;
- 105 7. The *infrastructure reimbursement* **[[facility]]** fees are to be indexed yearly in order to
106 cover the costs of inflation impacting the costs of past improvements;
- 107 8. Basis of proposed methodology for *connection* **[[capacity]]** fee is that the "value of
108 service" is equal to all users;
109

110 13.02.050 - Responsibilities.

111 A. The director of infrastructure and development shall:

- 112 1. Develop and maintain a policy and procedures handbook which provides detailed
113 information, procedures, and examples of the comprehensive connection charge,
114 *infrastructure* **[[developer]]** reimbursement and other relevant development policies;
- 115 2. Review and update the city's water and sewer master plan periodically;
- 116 3. Provide recommended adjustments for annual variances in the comprehensive
117 connection charge structure in coordination with the Director of Finance to the office of
118 the mayor and city council on or before March 15 of each year. The proposed
119 comprehensive connection charge structure, if approved, shall become effective on July
120 1 of that same year. The specific recommendation, at a minimum, shall include **[[a.**
121 **T]]** the *connection* **[[capacity]]** unit fee based on the *value of the utility systems and the*
122 *capacity of the systems*. **[[ten-year water and sewer capital improvement plan**
123 **approved by the mayor and city council,]]**

124 **[[b. The sewer-connection and water-tap/meter fee based on the actual costs for**
125 **the previous fiscal year. To provide a transition from 1999 rates, a one-time**
126 **adjustment period shall be calculated as follows: actual costs in 2005 exceed the**
127 **2005 sewer-connection and water-tap/meter fee by varying amounts depending**
128 **on the size of the service. There will be a phase-in period from 20[0]6 through**
129 **2008 in which the sewer-connection and water-tap/meter fee will only partially**
130 **recover actual costs through 2007 but will be incrementally increased to**
131 **completely recover actual costs by 2008.**

132 **The computed fee in those years will be as follows:**

133 **2006 Fee = 2005 Fee + (2005 Costs — 2005 Fee) × 33%,**

134 **2007 Fee = 2006 Fee + (2006 Costs — 2006 Fee) × 66%,**

135 **2008 Fee = 2007 Fee + (2007 Costs — 2007 Fee) × 100%,**

- 136 **c. The central system line fee for new water and/or sewer users within the city's**
137 **central system where there are existing mains. This central system line fee will**

138 be based on the average contract cost for installing eight-inch diameter water
139 and sewer mains for the previous twelve (12) months.]]

140 B. The director of finance shall:

- 141 [[1. Provide a recommended comprehensive connection charge structure in
142 coordination with the Director of Infrastructure and Development on an annual
143 basis to the office of the mayor and city council on or before March 15 of each year.
144 The proposed comprehensive connection charge structure, if approved, shall
145 become effective on July 1 of that same year. This rate structure shall include an
146 administrative fee for recordkeeping and payment of processing costs;
- 147 2. Provide a report to the Mayor and City Council on an annual basis on or before
148 March 15 of each year, which will include a list of:
- 149 a. The Consumer Price Index for urban areas, commonly abbreviated as the CPI-
150 U,
151 b. Developer reimbursements for the previous fiscal year,
152 c. Unreimbursed developer costs as of the end of the city's fiscal year and indexed
153 using the Consumer Price Index for urban areas (CPI-U);
- 154 3. Develop and implement procedures for collecting and recording developer
155 reimbursements;
- 156 4.]] Deposit comprehensive connection charges in an appropriate special fund to insure that
157 the fees and all interest accruing to the special fund are designated for improvements
158 reasonably attributable to new or increased growth and are expended to reasonably
159 benefit the new or increased growth.

160
161 13.02.060 - General connection policies.

162 E. Property owners requesting connection to the city's public water and/or sewer systems that are
163 not located within the city's corporate limit shall either submit a request for annexation if the
164 property is contiguous with the city's corporate limit or execute a pre-annexation agreement
165 if the property is not contiguous to the city's corporate limit **[[if a public health emergency
166 exists pursuant to subsection G of this section]].**

167
168 13.02.070 - Comprehensive connection charge.

169 A. Overview and General Policies.

- 170 1. The comprehensive connection charge includes *connection fee, infrastructure*
171 *reimbursement fee, sewer lateral fee, [[four specific fees, which are: capacity fee,*
172 *facility fee, line fee, and sewer-connection]]* and water-meter/tap fee. The
173 comprehensive connection charge for all customers will be calculated under the
174 methodologies discussed in this chapter.
- 175 a. The *connection* **[[capacity]]** fee will apply to all new or increased water and/or sewer
176 usage. The *connection* **[[capacity]]** fee is based on the number of EDUs that the user
177 is projected to generate.
- 178 b. The *infrastructure reimbursement* **[[facility fee and the line]]** fee portions will vary
179 depending on a user's location and the required infrastructure that must *either* be
180 installed *or was previously installed* for service to that user.
- 181 c. The *sewer lateral* **[[connection]]** and water-meter/tap fee is based on the size *and*
182 *installation complexity* of the user's water and/or sewer connections.

- 183 2. The *connection fee and infrastructure reimbursement fee* **[[capacity fee, facility fee, and**
184 **line fee]]** are the respective amounts of each fee that a property owner will pay for water
185 and/or sewer services for a specific property, development project, redevelopment
186 project, or change in and/or water usage.
- 187 3. The *connection unit fee and infrastructure reimbursement unit fee* **[[capacity unit fee**
188 **and facility unit fee]]** are the respective amounts of each fee's cost per EDU.
- 189 4. The *infrastructure reimbursement* **[[facility]]** unit fee will be indexed yearly in order to
190 cover the costs of inflation impacting the costs of past improvements.
- 191 **[[5. There are two types of new water and/or sewer users: a) property owners**
192 **contiguous to the city's central system; b) property owners not contiguous to the**
193 **city's central system. The city's central system is defined as the publicly owned water**
194 **and sewer infrastructure that was operational on January 1, 2005.**
- 195 a. The first type of new user shall be charged a line fee for connection to existing
196 water and/or sewer mains, called the central system line fee, in addition to other
197 applicable fees of the comprehensive connection charge. Additional information
198 on the central system line fee is in Section 13.02.080. The central system unit
199 line fee will be established on an annual basis by the department of
200 infrastructure and development and approved by the city council through
201 resolution.
- 202 b. The second type of user shall be charged a facility fee for a new service area, in
203 addition to other applicable fees of the comprehensive connection charge. A
204 "new service area" consists of an area outside the "central" system.]]
- 205 **[[6.]]5.** The extension of water and/or sewer mains outside the city's *existing* **[[central]]**
206 system may require major infrastructure (i.e., pumping stations, water and sewer mains
207 greater than eight inches in diameter, storage tanks, etc.), oversized to serve the needs of
208 the service area, as determined by the city.
- 209 **[[7.]]6.** The city will identify the new service area to be served by extensions. The city will
210 require a water and sewer plan and estimated cost for the extension of infrastructure.
- 211 **[[8.]]7.** The city reserves the right to negotiate the property owner's payment, in full or part,
212 for capital improvement plan projects which are required to be constructed earlier than
213 planned, due to the demands of proposed development projects. Subsequent adjustments
214 in the *infrastructure reimbursement* **[[capacity]]** fee may be required.
- 215 **[[9.]]8.** The mayor and council may adopt a policy by separate resolution, which would
216 allow discounts, deferrals, and payment plans for the comprehensive connection charge
217 to encourage water and sewer usage that is consistent with the city's goals.
- 218 **[[10.]]9.** All comprehensive connection charge fees shall be paid before the first water meter
219 is set or sewer service is provided to the property by the City, whichever is the first to
220 occur.
- 221 **[[11.]]10.** The property owner shall pay the applicable comprehensive connection charge
222 fees **[[capacity, line, central system line, facility, and sewer-connection and water-**
223 **meter/tap fees]]** when due for each phase of the development.
- 224 **[[12.]]11.** The comprehensive connection charge fees for water and sewer service to a
225 particular building unit shall be based on the unit rates in effect at the time that the fee is
226 paid for that building unit so long as the time limit set forth in section 13.02.070A.13 has
227 not expired.

228 ~~[[13.]]~~12. Comprehensive connection charge fees shall not be paid prior to the execution of
229 the Development Agreement. Once any comprehensive connection charge fees are paid,
230 the first water meter shall be set and/or sewer service provided within two years, unless
231 a request for an extension of time to set the water meter and/or provide sewer service at
232 the same comprehensive connection charge fees previously paid is made to the Director
233 of Infrastructure and Development in writing prior to the expiration of the two year time
234 limit. Any extension granted shall not exceed one year. Up to two, one year extensions
235 may be granted. The Director of Infrastructure and Development may refuse to grant a
236 requested extension where the Director of Infrastructure and Development finds that the
237 property owner is not making good faith efforts to conclude the development of the
238 project to the point where the water meter will be set and/or sewer service is provided. If
239 the first water meter has not been set and/or sewer service has not been provided within
240 two years of any comprehensive connection charge fee payment or any approved one year
241 extension, the comprehensive connection charge fees in effect at the time that the water
242 meter is set and/or sewer service provided shall apply. After the expiration of the time set
243 forth herein, the property owner will be required to pay any increase in comprehensive
244 connection charge fees which has occurred and the property owner will not be guaranteed
245 the same allotment of EDUs on which the prior comprehensive connection charge fees
246 were based.

247 ~~[[14.]]~~13. Comprehensive connection charge fees, once paid, shall remain the property of
248 the City and shall not be refunded if the unit rates decline or the project is not constructed.
249 Instead, the money collected for fees shall be allocated to the property for which those
250 fees were paid as a credit for future comprehensive connection charge fees owed with
251 regard to the property.

252 B. *Connection* ~~[[Capacity]]~~ Fee.

253 1. The *connection* ~~[[capacity]]~~ unit fee shall be based on *the value of the utility system, the*
254 *existing utility system debt, the amount of grants used to fund the utility system and the*
255 *existing capacity of the utility system.* **[[recent improvements and a ten-year water**
256 **and sewer capital improvement plan approved by the city council. The CIP includes**
257 **proposed major projects and equipment expenditures for the next ten budget years.**
258 **The department of infrastructure and development will identify the "capacity**
259 **expansion" vs. "maintenance and replacement" components of all water and sewer**
260 **capital improvement plan projects and equipment. The capacity expansion**
261 **component is solely for additional capacity to accommodate growth and will be paid**
262 **through the capacity unit fee. All water and sewer users will fund the maintenance**
263 **and replacement components through user rates.]]**

264 2. New or increase water and/or sewer usage by a property owner shall pay a *connection*
265 *fee adjustment* ~~[[one-time adjustable capacity fee]]~~ that is intended to recover the capital
266 costs of *equity* ~~[[capacity]]~~ in the water and sewer system that is used by or reserved for
267 new or increased usage.

268 ~~[[3.~~ The capacity unit fee shall be based on recent improvements and a ten-year water
269 and sewer capital improvement plan approved by the city council. The CIP includes
270 proposed major projects and equipment expenditures for the next ten budget years.
271 The department of public works will identify the "capacity expansion" vs.
272 "maintenance and replacement" components of all water and sewer capital
273 improvement plan projects and equipment. The capacity expansion component is

274 solely for additional capacity to accommodate growth and will be paid through the
275 capacity unit fee. All water and sewer users will fund the maintenance and
276 replacement components through user rates.]]

277 **[[4.]]3.** The *connection* **[[capacity]]** unit fee shall be calculated by *determining the*
278 *depreciated value of the utility system in terms of current costs for replacement. For both*
279 *water and sewer, the calculation is based on value of the utility asset minus the credit*
280 *from outstanding debt or grant funding, divided by the system capacity in equivalent*
281 *dwelling units (EDU). **[[dividing the capital costs of capacity by the incremental***
282 **capacity of the improvement (in gallons) which results in a capital cost per gallon of**
283 **capacity. Such costs may be expressed in terms of capital costs per equivalent**
284 **dwelling unit (EDU). This cost shall be defined to be the capital cost per gallon of**
285 **capacity multiplied by two hundred fifty (250).]]**

286 **[[5.]]4.** *Connection* **[[Capacity]]** fees may be expressed in multiples *and fractions* of EDUs
287 for various size water meters, using equivalent meters as defined by the American Water
288 Works Association Manual M1, Water Rates, or some other generally recognized
289 industry standard. *The minimum for any property is one (1) EDU.*

290 **[[6.** The cost of the wastewater treatment plant improvement project will be broken
291 down into "expansion" vs. "regulatory" based on the city's rationale of cost
292 distribution funding sources, etc. Expansion costs shall be paid through the capacity
293 fee. All sewer users shall share regulatory costs through the sewer usage rate
294 structure or some other billing surcharge.

295 **7.** The director of infrastructure and development shall define and establish capacity
296 fees for unique customer needs, or to affect other policy goals of the city government.

297 **8.** The capacity unit fee is based on dollars per gallon derivation for all planned
298 water/sewer projects, which provide expansion capacity. Therefore, the capacity fee
299 at the time of connection is two hundred fifty (250) gal/EDU × \$/gal for expansion
300 projects. Commercial or industrial users requiring larger service will be charged for
301 the equivalent number of EDUs used.]]

302 **[[9.]]5.** The projected EDU value (average daily water usage) for a particular property
303 owner will be determined initially by the city and a *connection* **[[capacity]]** fee collected,
304 and *either the City or the property owner* may request one subsequent adjustment, based
305 on actual daily water usage as measured and recorded by water meter. When the
306 project/building is fully occupied, the *connection* **[[capacity]]** fee may then be adjusted
307 and additions or deductions applied accordingly based on an average of a minimum two
308 consecutive years of water meter billings and other documentation as required by the
309 department of infrastructure and development. The *connection* **[[capacity]]** fee may be
310 increased based on average of two consecutive years of water meter billings and other
311 documentation. Any reimbursement of *connection* **[[capacity]]** fee shall be without
312 interest.

313 **[[10.]]6.** *Connection* **[[Capacity]]** Fee Waiver for Public Sponsored or Affordable Housing.

314 a. "Public sponsored or affordable housing" means any dwelling unit built or financed
315 under a government program, regulation, or binding agreement that limits for at least
316 ten years the price or rent charged for the unit in order to make the unit affordable to
317 households earning less than sixty (60) percent of the area median income, adjusted
318 for family size.

- 319 b. Requests for a public sponsored or affordable housing *connection* **[[capacity]]** fee
320 waiver are submitted to the Director of Infrastructure and Development for review.
321 After review, the department of infrastructure and development shall submit the
322 waiver request as a resolution for city council approval.
- 323 c. *The resolution for each property will specify that the connection fee waiver is valid*
324 *for two years, with the option to extend the waiver for two one-year terms if approved*
325 *in writing by the Director of Infrastructure and Development prior to expiration of*
326 *the term. The Director of Infrastructure and Development may refuse to grant a*
327 *requested extension if the Director of Infrastructure and Development finds that the*
328 *property owner is not making good faith efforts to complete the project.*
- 329 d. *The two-year waiver begins to run from the time of the signing of the resolution*
330 *awarding the waiver.*
- 331 e. *The waiver is assigned to a project and to the property on which the project is*
332 *located, and cannot be transferred by the recipient.*

333 C. *Infrastructure Reimbursement* **[[Facility]]** Fee.

- 334 1. *Infrastructure Reimbursement* **[[Facility]]** Fee's Purpose. The *infrastructure*
335 *reimbursement* **[[facilities]]** fee is intended to recover the costs of system extensions to a
336 service area outside of the central system. These facilities will typically be the "backbone"
337 of a new service area and may include major water and sewer transmission mains,
338 pumping stations, and water storage tanks. The fee shall be charged to properties
339 connecting to water and/or sewer extensions outside of the city's core or central system.
- 340 2. If a developer, community association, property owner, or other entity requests that the
341 city extend water or sewer service to a geographic area currently not served by the city's
342 water or sewer systems, the city at its sole discretion may elect to serve such a geographic
343 area. In such cases, the entity requesting the provision of water or sewer service shall pay
344 for the entire costs of extending the backbone system of the water or sewer utility to such
345 geographic area, and the city may require the requesting party to oversize the lines, pump
346 stations, storage facilities or other capital facilities to accommodate future utility
347 customers in or adjacent to the area requesting service.
- 348 3. All such extensions of the backbone systems shall be built in city-owned easements
349 and/or rights-of-way in accordance with city specifications, and shall be inspected and
350 require approval by the city. The title to such facilities shall be vested in the name of the
351 city, unless the city determines that it is to its advantage to title such facilities in the name
352 of another entity. A portion of, or the entire costs less the property owner's facilities fee
353 may be reimbursed to the property owner responsible for installing the facilities. The
354 city's reimbursement policy is set forth in Section 13.02.090, extension reimbursement
355 policy.
- 356 4. The *infrastructure reimbursement* **[[facility]]** fee will use an incremental method to
357 determine the cost. The incremental method is based solely on the actual
358 incremental/sequential costs of property owner projects as they are added to the system.
359 Property owners will "oversize" facilities in accordance with the city's directives to serve
360 the entire service area.
- 361 5. Fees and service areas are adjusted for each area served. The incremental method is based
362 on actual costs of backbone infrastructure needed to serve new areas. As a consequence,
363 the more remote the service from the city's core system, the higher the fee because of
364 greater infrastructure needs.

- 365 6. The *infrastructure reimbursement* **[[facility]]** unit fee shall be calculated by dividing the
366 capital costs of capacity by the incremental capacity of the proposed *water or sewer main*
367 improvement (in gallons) which results in a capital cost per gallon of capacity. At the
368 city's discretion, the *infrastructure reimbursement* **[[facility]]** unit fee may be calculated
369 by dividing the capital costs of capacity by the estimated ultimate flow in the proposed
370 *water or sewer main*. Such costs may be expressed in terms of capital costs per equivalent
371 dwelling unit (EDU). This cost shall be defined to be the capital cost per gallon of
372 capacity multiplied by two hundred fifty (250).
- 373 7. The city reserves the right to charge an *infrastructure reimbursement* **[[a facility]]** fee for
374 any infrastructure project, the construction of which has been authorized by the city prior
375 to the effective date of the ordinance codified in this chapter, and for which the city has
376 not been fully reimbursed.

377 **[[D. Line Fee.**

- 378 1. **Line Fee's Purpose.** The line fee is intended to cover the costs of extending water
379 distribution and sewage collection mains to exclusively serve a specific geographic
380 area, development or neighborhood. The line fee charge is paid by the property
381 owner directly to his contractor for the cost of water distribution mains and collector
382 sewers installed within a community or development, which feed into the backbone
383 infrastructure.
- 384 2. If a property owner, community association or other entity requests that properties
385 in a specific neighborhood, development or other similarly defined geographic area
386 receive city water and/or sewer service, then the entity requesting such service shall
387 be responsible for designing and constructing such water distribution and/or sewer
388 collection system (including any related appurtenances such as storage facilities or
389 pumping stations), using design and construction standards as may be specified by
390 the city. Upon acceptance of such facilities by the city, title to such facilities shall be
391 vested in the name of the city.
- 392 3. The city may, at its sole discretion (e.g., in the case of homes with failing septic
393 systems), provide financing for the design and construction costs of such distribution
394 system/collection system facilities (including related appurtenances), with recovery
395 of the eligible capital costs and related interest costs to be effected via a payment
396 mechanism to be established by the city, such as a one-time fee, a lien on real
397 property to be repaid over time, a front foot assessment or any other such payment
398 mechanism that is lawful and available for use by the city. The city may also require
399 property owner construction of these facilities; therefore, no fees would be collected
400 particularly if it is self-contained.
- 401 4. The director of infrastructure and development shall have sole discretion in
402 determining which proposed improvements constitute "backbone infrastructure of
403 water/sewer facilities," subject to property owner upfront funding and
404 reimbursement under the extension policy and which improvements are subject to
405 the "line fee" policy.
- 406 5. New development line fee water and sewer mains shall be constructed to city
407 standards by a property owner and then turned over to the city.
- 408 6. In the event that lines are required to serve existing subdivisions, such as those with
409 failing septic systems, this fee will enable the city to recover the cost of installing the
410 lines.]]

- 411 **[[E.]]D.** Sewer-*Lateral* **[[Connection]]** and Water-Meter/Tap Fee.
- 412 1. Sewer- *Lateral* **[[Connection]]** and Water-Meter/Tap Fee's Purpose. This fee is intended
- 413 to cover the *actual* cost of tapping the water and sewer mains and providing the *lateral,*
- 414 *service,* water meter, corporation stop, *cleanout,* and stub out for the **[[user]]** water and
- 415 sewer connections, *if these services are provided by the City.*
- 416 2. The cost of this fee *will be the actual labor and materials costs incurred by the*
- 417 *Department of Field Operations to perform the sewer connection or water tap. The fee*
- 418 *will be estimated prior to performing the work. **[[should be proportional to the***
- 419 **projected domestic water demands, which will be reflected in the required meter**
- 420 **size.]]**
- 421 **[[3. These fees shall be reviewed annually by the department of infrastructure and**
- 422 **development to ensure that actual costs are being captured.]]**
- 423 **[[4.]]3.** All other tap sizes, including combinations of meter sizes and service line size, shall
- 424 be computed by the Department of Infrastructure and Development for that particular
- 425 application. The cost shall be based on time, equipment and material involved with a
- 426 thirty (30) percent markup on direct labor costs and fifteen (15) percent markup on
- 427 equipment and materials.
- 428

429 13.02.080 - City infill or redevelopment projects.

- 430 **[[A. For owners of property requesting water and sewer service within the city's central**
- 431 **system and to whose property existing water and sewer mains are adjacent to the**
- 432 **property, the property owner will pay a city central system line fee, in addition to any**
- 433 **other applicable fees of the comprehensive connection charge. The city central system**
- 434 **line fee shall not apply to redevelopment of property with existing water and sewer**
- 435 **service.**
- 436 **B. The central system line unit fee will be based on the average contract cost per linear**
- 437 **foot for installing eight-inch diameter water and sewer mains for the previous twelve**
- 438 **(12) months. It will be adjusted annually by resolution of the city council.**
- 439 **C. A specific property's central system line fee is calculated by taking the square root of**
- 440 **the property's area in square feet and then multiplying the result by the central system**
- 441 **line unit fee.**
- 442 **D. There may be proposed projects inside the city's central system, which trigger**
- 443 **reinforcing of the existing system due to inadequate capacity. In some areas, the city may**
- 444 **be planning a future project in the water/sewer capital improvement plan to address the**
- 445 **problem. At the city's discretion, the developer shall fund all or a portion of the project.]]**
- 446 **[[E.]]A.** Property owners with existing water and/or sewer service, who increase usage of water
- 447 or sewer, shall pay the *Connection Fee adjustment* **[[applicable comprehensive connection**
- 448 **charges, to include the capacity fee]]** for the additional water and sewer volumes.
- 449 **[[F.]]B.** **[[The capacity unit fee is based on dollars per gallon derivation for all planned**
- 450 **water/sewer projects, which provide expansion capacity. Therefore, the capacity fee at**
- 451 **the time of connection is two hundred fifty (250) gal/EDU × \$/gal for expansion**
- 452 **projects.]]** Commercial or industrial users requiring larger service will be charged for the
- 453 equivalent number of EDUs used.
- 454 **[[G.]]C.** The projected EDU value (average daily water usage) for a particular property owner
- 455 will be determined initially by the city and a *connection* **[[capacity]]** fee collected, and *either*
- 456 *the City or* the property owner may request on subsequent adjustment, based on actual daily

457 water usage as measured and recorded by water meter. When the project/building is fully
458 occupied, the *connection* **[[capacity]]** fee may then be adjusted and additions or deductions
459 applied accordingly based on an average of a minimum two consecutive years of water meter
460 billings and other documentation as required by the Department of Infrastructure and
461 Development. The *connection* **[[capacity]]** fee may be increased based on average of two
462 consecutive years of water meter billings and other documentation. Any reimbursement of
463 *connection* **[[capacity]]** fee shall be without interest.

464 D. *Permit and Connection Fee Waiver for Single Family Detached Dwelling Units*

- 465 1. *This section establishes the criteria for the waiver of building permit fees, plan review*
466 *fees, plumbing fees, mechanical permit fees and connection fees imposed by the City for*
467 *construction of new single family detached dwelling units. The single family parcels*
468 *shall be recorded as of the date of the passing of this ordinance therefore, the waiver is*
469 *for infill properties only.*
- 470 2. *The single-family detached dwelling proposed to be built shall conform to existing*
471 *single-family detached homes in the neighborhood in which it is to be constructed and*
472 *meet all required square footage and architecture requirements.*
- 473 3. *Requests for single family permit and connection fee waivers are submitted to the*
474 *Director of Infrastructure and Development for review and internal processing.*
- 475 4. *The fee waiver is assigned to a project and to the property on which the project is*
476 *located, and cannot be transferred by the recipient.*
- 477 5. *The fees waived for the construction of new single family detached dwellings shall apply*
478 *only to new homes built for and sold to individuals who will reside in the structures as*
479 *homeowner-occupied dwellings. Homeownership will be confirmed through the records*
480 *of the Maryland Department of Assessments and Taxation upon sale and closing of the*
481 *real estate transaction and by the homeowner upon demand by the City. The structure*
482 *shall remain homeowner occupied for a period of not less than five (5) years.*
- 483 6. *In the event the homeowner ceases to occupy the property or if the property is sold and*
484 *no longer remains a homeowner occupied structure, prior to the end of the five year*
485 *period, waived permit fees, utility fees and other waived fees shall be due and payable to*
486 *the City.*
- 487 7. *The fees waived as part of this program shall be a lien against the real property in*
488 *question and shall be recorded, charged and collected as real property taxes owed upon*
489 *a property on which there is a structure that ceased to be utilized as a homeowner-*
490 *occupied structure during the five (5) year period. A notice of lien shall be recorded*
491 *with the City's Finance Department and also in the Land Records of Wicomico County,*
492 *if desired, by the City, detailing the types and amounts of fees that were waived in*
493 *connection with the design, permitting, and construction process for each single-family*
494 *home covered by the program described in this Resolution. A copy of the notice of lien*
495 *shall also be provided to the homeowner. An administrative fee of \$500 shall also be*
496 *collected if a structure ceases to be utilized as a homeowner-occupied structure during*
497 *the five (5) year period referenced above.*
- 498 8. *The fees to be recovered pursuant to the lien will decline by twenty percent (20%) for*
499 *each full year that the property remains homeowner-occupied. The administrative fee*
500 *will not decline pursuant to this five (5) year schedule.*

- 503 A. Overview.
- 504 1. This policy is intended to reimburse property owners over time for their proportionate
- 505 share of the *infrastructure reimbursement* **[[facility]]** fee based on their initial investment,
- 506 which will be indexed using the Consumer Price Index for urban areas (CPI-U).
- 507 2. Property owner risk will be based on the rate at which the area builds out and the sunset
- 508 on reimbursement.
- 509 3. The maximum reimbursement to the property owner, installing the water and sewer
- 510 infrastructure, will be the entire initial design and construction cost less the
- 511 "*infrastructure reimbursement* **[[facility]]** fee" costs for the number of EDUs to be used
- 512 by the property owner.
- 513 4. This policy involves full property owner funding of extension projects with no out-of-
- 514 pocket costs for the city.
- 515 B. Reimbursement Procedures.
- 516 1. The director of finance, through the collection of the *infrastructure reimbursement*
- 517 **[[facility]]** fee, will reimburse the property owner who installed the water and sewer
- 518 infrastructure, as new users connect to the property owner-constructed system, *as*
- 519 *certified by the Director of Infrastructure and Development*.
- 520 2. The director of finance will reimburse the developer within forty-five (45) calendar days
- 521 of collecting the *infrastructure reimbursement* **[[facility]]** fee from the new user(s).
- 522 3. The director of *Infrastructure and Development* **[[finance]]** shall charge an appropriate
- 523 administrative fee for recordkeeping and to recover any handling charges and/or payment
- 524 processing costs. The administrative fee shall be deducted from the reimbursement
- 525 amount.
- 526 4. The director of *Infrastructure and Development* **[[finance]]** shall calculate the
- 527 reimbursement amount by using original construction cost figures that will be updated to
- 528 current costs using the CPI-U.
- 529 5. It shall be the original property owner's responsibility to furnish the director of
- 530 *Infrastructure and Development* **[[public works]]** with contractor invoices or other forms
- 531 of cost verification to be used by the city for the reimbursement calculation.
- 532 C. Sunset Clause.
- 533 1. The initial reimbursement period to property owner shall be twenty (20) years with an
- 534 additional optional period of ten years.
- 535 2. The ten-year optional period shall be subject to city *council* approval.
- 536 3. The city will consider factors such as the magnitude of the project cost, the city's
- 537 historical growth rate, and the projected time period to reach build out within the area
- 538 served by the water and sewer extension, before making the decision to extend the
- 539 reimbursement period.
- 540

541 Explanation:

542

543 * *ITALICIZED PRINT INDICATES MATERIAL ADDED TO EXISTING LAW.*

544 **Deleted material from the existing Code is indicated by bold double bracketed [[]]**

545 **language.**

546

547 AND BE IT FURTHER ORDAINED AND ENACTED BY THE CITY OF SALISBURY,

548 MARYLAND, that this ordinance shall take effect immediately upon adoption.

TIFs AND SPECIAL TAXING DISTRICTS



National Harbor, Prince George's County, MD

MUNICAP, INC.
— PUBLIC FINANCE —

F&B FUNK & BOLTON
— ATTORNEYS AT LAW —

PRESENTATION OUTLINE

I. TIF

- How TIFs Work
- Considerations Regarding TIF and Special Tax Financing
- TIF/Special Tax Process
- Pros and Cons of TIF

II. Special Tax Back – Up

- TIF/Special Tax Expenditures
- TIF and Special Taxing District Policies and Considerations

III. Next Steps

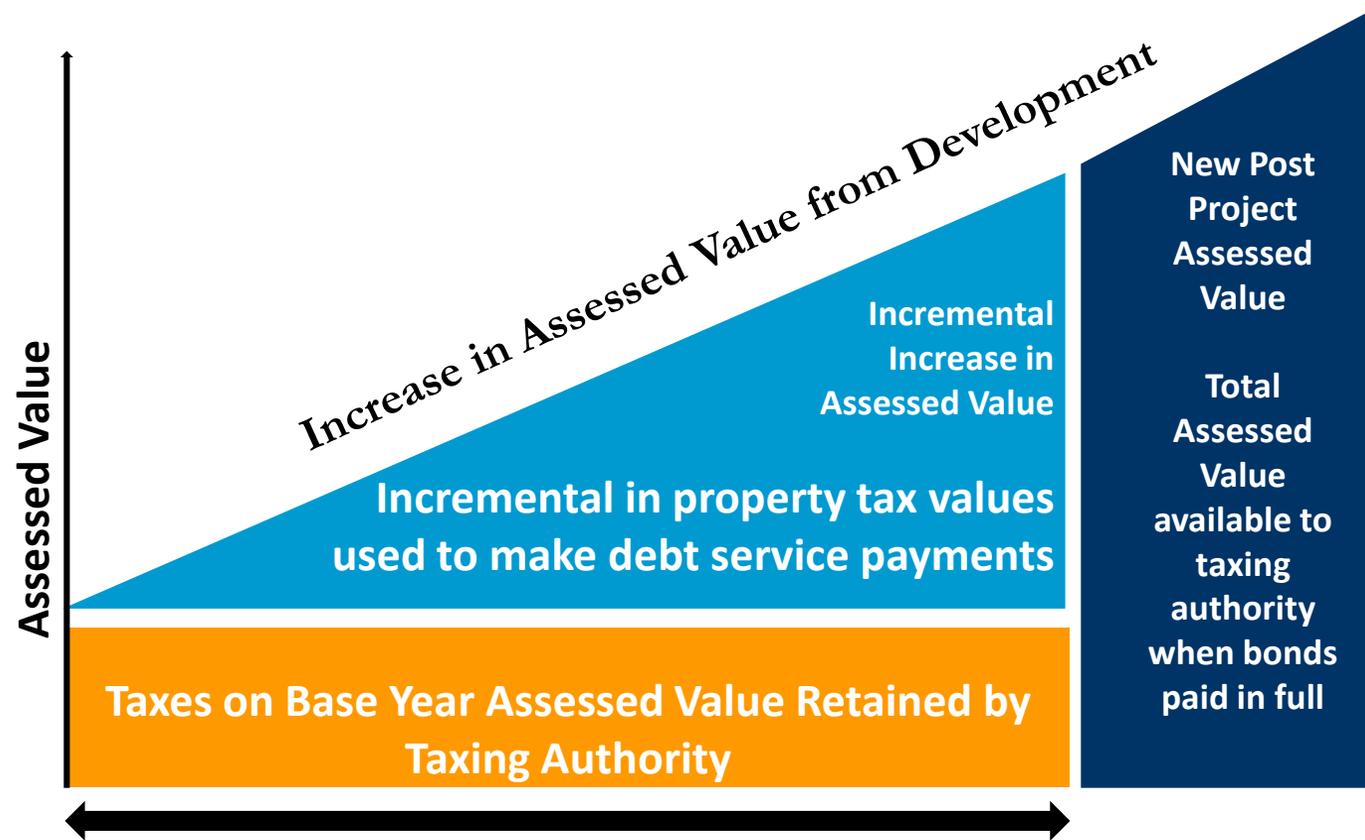
IV. Sample TIF Projects

V. Experiences with TIFs and Special Tax Financing in Maryland

VI. Questions?

HOW TIFs WORK

- **Base value set at assessed value as of January 1 of calendar year preceding District formation**
- **Development increases assessed value**
- **Higher assessed value results in additional real property tax revenues**
 - These revenues are the tax increment revenues
- **Revenues pledged can go beyond incremental real property tax revenues including sales, meals, and hotel tax revenues**

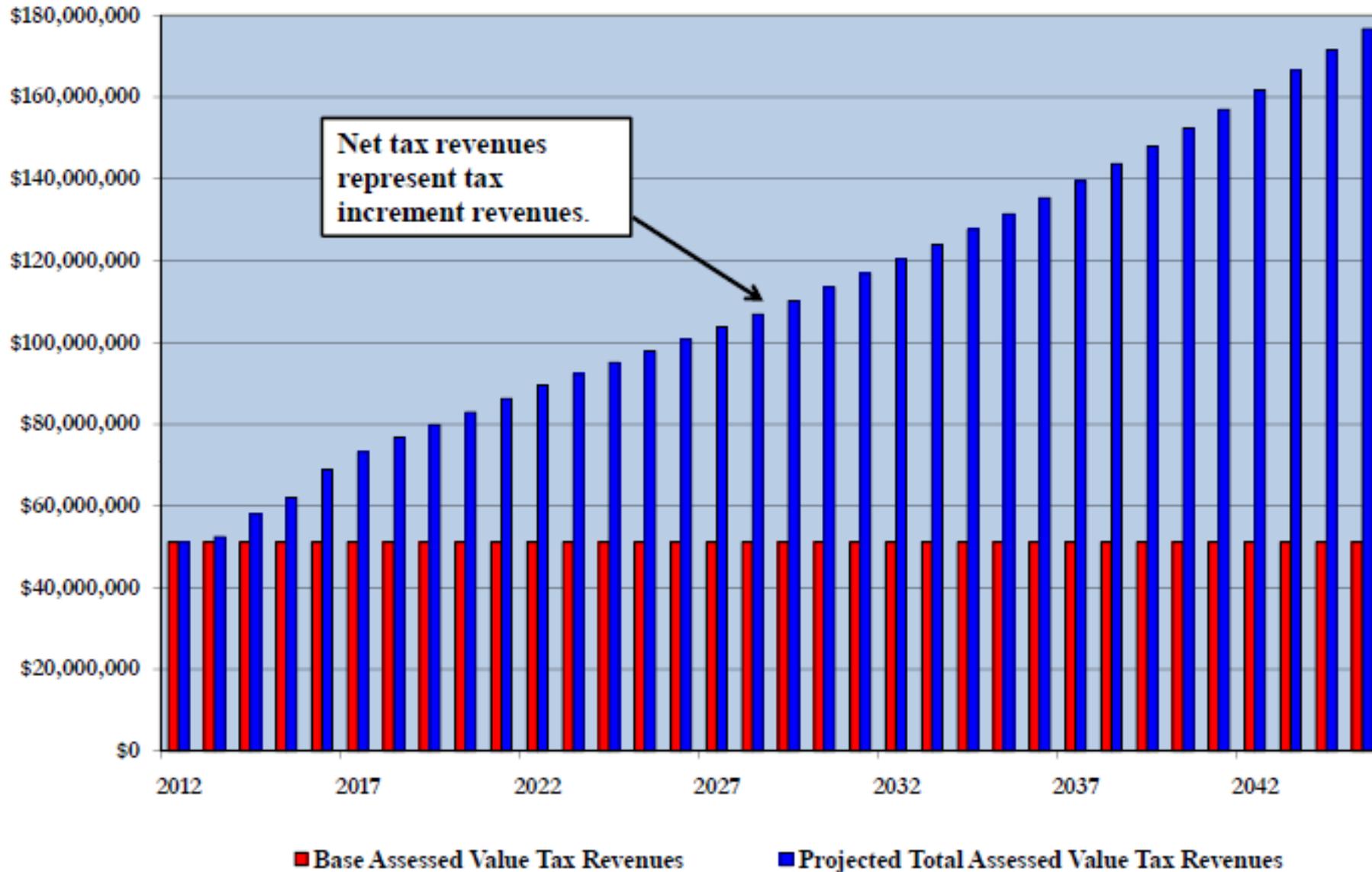


HOW TIFs WORK, CONTINUED

- Jurisdiction commits to use revenue bond proceeds to fund infrastructure improvements that support and encourage desired development
- No tax effect on properties outside of the tax increment finance district

HOW TIFs WORK, CONTINUED

Incremental Revenues



CONSIDERATIONS REGARDING TIF AND ST FINANCING

- Tax increment financing (TIF): real property tax revenues attributable to the increase in assessable base of real property in a designated area over the original assessable base of such real property are captured and segregated. This represents a diversion of money that normally flows to the General Fund. No additional taxes are levied in connection with a tax increment financing.
- Special taxing district financing (ST): special taxes are levied on property in a designated area in addition to general ad valorem real property taxes. Special taxes may be levied on an ad valorem or a non-ad valorem (“special tax”) basis.
- Common practice: issue revenue bonds as hybrid TIF/ST bonds in order to provide special tax back-up. If incremental tax revenues are expected to be insufficient in any bond year, special taxes are imposed on the properties within the district in order to provide additional debt service coverage.
- Issuer needs to consider how it will pay for increased costs of services (e.g., fire, police, road maintenance) related to the development.

CONSIDERATIONS REGARDING TIF AND ST FINANCING, CONTINUED

- TIF or ST bond proceeds are not loaned to developers. The obligation to pay the normal real property ad valorem taxes from which the incremental tax revenues are derived and to pay the special taxes runs with the land. If property owners fail to pay the applicable taxes their properties are subject to foreclosure.
- Issuance of hybrid TIF/ST bonds requires compliance with “lowest common denominators” of both statutes. For example, the TIF statute allows a 40-year maturity but the ST statute allows only a 30-year maturity. The ST statute allows certain legislative approvals to be made by resolution when an ordinance is required for certain legislative approvals with respect to TIF bonds. The capitalized interest period is limited by the ST statute.

TIF/SPECIAL TAX PROCESS

Phase I: Preparing a Plan of Finance

- Financial analysis and revenue projections to support appropriate bond sizing
 - Evaluate constraints to size public financing
- Assist with preparation of fiscal and economic impact analyses, if needed
- Assist with preparing application for public incentives

Phase II: Governmental Approval

- Participate in staff meetings and responding to questions
- Assist with preparation of special tax methodology
- Draft necessary legal documentation creating the district, authorizing the issuance of bonds, and levying the special taxes
- Prepare presentation materials and attend public meetings, as requested

Phase III: Implementation of Financing

- Preparation of revenue/marketing research study needed for key stakeholders
- Assist with due diligence related to the bonds
- Assist with documentation related to financing
- Issue bonds and raise capital

Phase IV: District Management

PROS OF TIF

- Can help stimulate development in an area that has been otherwise difficult to develop, resulting in an increase in the real property tax base.
- A method of financing desired infrastructure improvements that does not require the issuer to issue general obligation bonds backed by its full faith and credit pledge.
- If development occurs as projected, excess incremental tax revenues may be released to the General Fund in accordance with bond document tests after debt service coverage tests are met and administrative costs are covered, and any such released revenues may be used by the issuer for any legal purpose, including purposes unrelated to the development.

CONS OF TIF

- Typically increased costs of services related to development (e.g., fire, police, road maintenance) may be paid for from taxes realized from the developed properties; because incremental tax revenues are pledged to the bonds, such increased tax revenues will not be available for such purpose (unless excess incremental tax revenues meet bond document release tests).
- Tax increment projections are not a guarantee of the incremental tax revenues to be realized, but a reasonable estimate based on information available at the time the projections are developed. However, if projections are not realized, the issuer is NOT obligated to use its other funds to cover deficiencies in debt service.
- 100% of the realized incremental tax revenues must be deposited in the special TIF fund and can be released for use for other purposes only in accordance with the bond document release tests. Accordingly, if the actual incremental tax revenues are sufficient only to cover debt service and administrative costs in each fiscal year, the issuer will not receive real property tax revenues attributable to the increase in assessed value until the bonds have been fully paid.
- If an issuer planned to issue bank-qualified general obligation bonds in the calendar year in question, the size of any TIF/ST issue may prevent the issuer from issuing bank-qualified bonds in that calendar year.

TIF/SPECIAL TAX EXPENDITURES

➤ Public improvements

- Parks
- Utilities
- Roads
- Parking

➤ Acquire property

➤ Site removal

➤ Surveys and studies

➤ Relocate businesses and residents

➤ Construct buildings for governmental use

➤ Principal and interest

➤ Reserves or capitalized interest

➤ Necessary expenses to issue TIF/ST bonds

TIF & SPECIAL TAXING DISTRICT POLICIES AND CONSIDERATIONS

- 1. Is public assistance appropriate for this project?**
 - That is, does the project merit public assistance?
 - Does it implement an adopted public goal?
- 2. “But For” test**
 - Quantitative and qualitative evaluation (not required by statute, but good practice)
- 3. How much assistance is appropriate?**
- 4. What is the sponsoring government agency receiving in return for the TIF/ST? (TIF/ST is both a financial and land use development tool.)**

TIF/ST POLICIES AND CONSIDERATIONS, CONTINUED

5. What is the amount of private investment (is the public adequately leveraging private investment)?
6. Are sufficient surplus tax revenues projected to cover costs of public services required for a project?
7. Is the proposed TIF economically efficient (i.e., more tax revenues or benefits than the no TIF alternative)?
8. Are there clear linkages between the properties in the TIF/ST area, the financed improvements, and the TIF/ST plan?
9. What are the risks associated with the TIF/ST plan and have the risks been addressed?
10. Will the public support the TIF/ST?

TIF/ST POLICIES AND CONSIDERATIONS, CONTINUED

11. Has issuer developed/should issuer develop policies regarding use of TIF and ST financing?
12. What is developer's track record, experience, financial condition?
13. Ad valorem special taxes must satisfy Maryland Constitution uniformity requirement; non-ad valorem special taxes need not be uniform - only need a reasonable basis for apportionment

TIF/ST POLICIES AND CONSIDERATIONS, CONTINUED

14. Bonds DO count against annual calendar year calculation for bank-qualified bonds (current bank-qualification limit: \$10 million)
15. Need whole tax accounts to be included in district
16. Municipal corporations: Is agreement with county needed regarding collection of special taxes?
17. For tax-exempt bonds, must comply with tax code's reimbursement regulations

TIF/ST POLICIES AND CONSIDERATIONS, CONTINUED

18. For tax-exempt bonds, financed improvements must be “owned” (for tax code purposes) by a governmental entity - developer may hold title during construction period
19. Who builds infrastructure improvements - issuer or developer?
20. Is compliance with issuer’s procurement/public works provisions necessary?
21. If developer builds improvements, what are mechanics for transferring/safeguards for ensuring transfer of ownership to governmental entity?

TIF/ST POLICIES AND CONSIDERATIONS, CONTINUED

22. **Mechanics for releasing bond proceeds from construction fund:**
 - In stages or after particular improvement completed?
 - Require lien waivers?
 - Hire separate construction consultant to sign off on draws?
23. **Hire administrator to ensure incremental tax revenues are correctly calculated, special taxes properly calculated/billed/collected or to ensure special tax revenues captured, and to provide ongoing continuing disclosure**
24. **Put sunset date in legislation creating districts and authorizing bond issuance?**
25. **For revenue-producing improvements, consider pledging gross or net revenues as well**

TIF/ST POLICIES AND CONSIDERATIONS, CONTINUED

26. Do TIF or ST Districts bonds count against any statutory debt limit? It depends on how the debt limit is written.
27. For TIF bonds, consider how issuer's homestead tax credit is applied – the percentage cap can impact how quickly incremental tax revenues increase for TIF bonds when development in district is residential
28. Consider requiring a profit-sharing arrangement in which revenue-sharing is implemented after the developer/owner meets a specified revenue target

TIF/ST POLICIES AND CONSIDERATIONS, CONTINUED

29. Factors that influence method of sale:

- ability to obtain investment grade rating
- size of issue
- status of proposed development, approvals and commitments at time of bond sale
- applicability of continuing disclosure requirements

30. What bond document tests must be met to allow release of moneys to issuer from TIF special fund? (no moneys may be released unless debt service is covered for the fiscal year in question)

TIF/ST POLICIES AND CONSIDERATIONS, CONTINUED

31. Will governing body allow chief executive to approve pricing details? (if not, can impact timing of pricing)
32. Will bonds be offered to sophisticated investors or placed with the developer or a related entity or a bank? (lower issuance costs for developer/bank placement)
33. Consider whether less time-consuming/less expensive to issue general obligation bonds if issuer not subject to debt capacity limitations

NEXT STEPS

- **Prepare financial analysis**
 - Estimate incremental tax revenues
 - Size financing
 - Evaluate constraints for proposed structure
- **Return to Council with proposal and receive consent**
- **Prepare special tax methodology and necessary legislation**
- **Government approvals**

SAMPLE TIF AND SPECIAL TAX PROJECTS

Anne Arundel County – Arundel Mills

- Issued \$30,350,000 in bonds
- TIF backed by special taxes

Prince George's County – Hampton Park

- Issued over \$6.6 billion in bonds
- Pledged real property tax increment revenues, county hotel tax revenues, special hotel occupancy tax revenues, and back-up special tax revenues

Prince George's County – National Harbor

- Issuance of approximately \$200 million in bonds
- TIF backed by special taxes
- Pledged real property and hotel tax revenues

Howard County – Downtown Columbia

- Issued \$48,225,000 in tax exempt bonds
- TIF backed by special taxes



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QUESTIONS?

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