Background. A system development charge (SDC) requires that all new development projects pay equitability (based on their impact to the utility system) for connection and access to existing utility system infrastructure. These charges are typically in addition to a developer’s cost to bring the utility system to their property (if the main isn’t there) and connect utility services into the building.

The methodology for establishing charge levels is prescribed by State Law with flexibility to set lower levels. SPU’s water charge is currently the lowest in the region. SPU has no SDC charge for wastewater or drainage system connections. Below are the 2014 regional SDCs.

2015-2020 Action Plan. In 2014 SPU proposed an action plan to:

- Establish SDCs requiring new development projects to “buy in” to a share of the City’s existing water, wastewater, and drainage systems.
- Set SDCs at a level comparable to those in other jurisdictions in the region.
- Focus SDC revenues towards: 1) fostering growth and redevelopment where the City desires it; and 2) more fairly distributing the costs of addressing system infrastructure requirements.
SDCs are a highly variable revenue stream since they are based on new growth each year. Estimates conducted in 2014 indicate that SDC revenue could be in a range of:

<table>
<thead>
<tr>
<th></th>
<th>Annual Revenue Forecast</th>
</tr>
</thead>
<tbody>
<tr>
<td>Water SDC</td>
<td>$3.3 M to $4.5 M</td>
</tr>
<tr>
<td>Wastewater SDC</td>
<td>$1.2 M to $2.5 M</td>
</tr>
<tr>
<td>Drainage SDC</td>
<td>$500 k to $1.6 M</td>
</tr>
</tbody>
</table>

In 2015 SPU deferred further work on the action plan to allow the City to focus on the mandatory housing affordability requirements and issues related to housing affordability.

**Next Steps.** SPU is once again looking to increase the water SDC charge and create a drainage and wastewater SDC charge. A significant amount of work is needed before SPU can consider making a proposal to the Mayor’s Office. This includes:

- Researching successful SDC programs in other jurisdictions;
- Estimating the new SDC charges and revenue;
- Evaluating the options to reinvest SDC revenue to address development customer equity concerns; and
- Getting input from the development community.