

LEGISLATIVE #

110541A

DATE: November 10, 2011

TO: Commissioner Todd Chase, Chair
Commissioner Randy Wells, Member
Commissioner Jeanna Mastrodicasa, Member
Economic Development/University Community Committee

FROM: Robert E. Hunzinger, General Manager

SUBJECT: Innovation District Water, Sewer and Reclaimed Water Infrastructure Funding

Executive Summary:

GRU's current policy for serving new developments requires the initiating developer to pay for extension costs and connection charges. In order to promote redevelopment within the Innovation District, development interests have requested that GRU pre-construct facilities capable of serving anticipated redevelopment activities. This is a significant departure from the current extension policy, and will require City Commission approval. Staff will present alternative funding mechanisms being considered to pay for the extension of potable water, reclaimed water and sewer system improvements to serve the Innovation District (I-District).

Recommendation:

The EDUCC hear a presentation from staff and recommend to the City Commission that Staff be authorized to prepare an ordinance to establish and adopt a Special Area Infrastructure Charge (applied to new connections within I-District) and a Capital Recovery Charge to Property Owners (annual or monthly fee to property owners within I-District).

Explanation:

Significant capacity improvements to the potable and reclaimed water distribution systems and wastewater collection system will be required to meet projected future demands within the I-District. GRU's general water and wastewater extension policy requires that new development pay for the infrastructure improvements needed to serve it. This includes both additional piping needed to connect the development, and improvements to existing facilities to increase capacity. Under the current policy, developers typically design and install most of these improvements, with GRU review and approval, as part of the design and construction for their development project. GRU may elect to fund "oversizing" of improvements if deemed feasible. This policy is longstanding in the City of Gainesville, is common in many other municipalities.

However, there are some potential concerns with this approach in I-District:

1. The cost of infrastructure improvements may be borne disproportionately by certain projects depending on their timing relative to other projects and capacity availability. This could be a major impediment for some projects; and
2. Design of utilities within the I-District will be challenging due to the high development density, large number of utilities present and limited space allocation available for utilities. Design and construction of utility improvements on a project by project basis may be difficult and result in long lead times for design and construction which may deter development.

In order to address these issues staff is proposing to develop an alternative funding mechanism to pay for water, sewer and reclaimed water improvements in the I-District. GRU would pay for and install the required improvements and recover its costs through this funding mechanism. In addition a master utility plan for all utilities for the I-District will be developed so that design issues can be addressed to the extent practical ahead of time.

Several potential funding mechanisms have been evaluated including:

1. Continue current policies
2. Special Area Infrastructure Charge (applied to new connections within I-District)
3. Capital Recovery Charge to Property Owners (annual or monthly fee to property owners within I-District)
4. Special Tax Assessment
5. Tax Increment Financing
6. I-District Capital Recovery Charge Applied to all GRU Customers

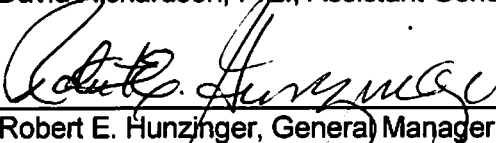
Based on evaluation of these alternatives and discussion between the I-District working group , staff recommends pursuing Alternatives 2 and 3 – Special Area Infrastructure Charge and Capital Recovery Charge. Pursuing these options would provide developers with flexibility to choose whichever worked best for them in a particular case. Implementation of this policy change will require approval by the City Commission and changes to existing ordinances.

Fiscal Impact:

The proposed approach will likely involve capital expenditures by GRU up front, with recovery of these expenditures over time via revenues from future connections and/or annual fees paid by property owners. These costs are not available at this time, but will be determined prior to initiating policy changes.

Prepared by: 

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