



TOWN COUNCIL
Work Session
Cape Charles Civic Center
July 31, 2014
5:30 PM

At 5:30 p.m., Mayor George Proto, having established a quorum, called to order the Town Council Work Session. In addition to Mayor Proto, present were Vice Mayor Bannon, Councilmen Bennett, Brown and Wendell and Councilwoman Natali. Councilman Godwin was not in attendance. Also present were Town Manager Heather Arcos, Assistant Town Manager Bob Panek, Code Official Jeb Brady and Town Clerk Libby Hume. There were no members of the public in attendance.

Mayor Proto announced the business for the evening would be to discuss commercial connection fees.

Assistant Town Manager Bob Panek stated that Council had previously met to discuss the commercial water and wastewater facility fees at the February 8, 2014 Retreat, a Work Session on March 6, 2014 and a Work Session on June 5, 2014. Based on comments provided by the Council at the last work session, staff developed two alternatives for a new formula and additional changes were incorporated into the proposed modifications to the Town Code §§ 70-35 and 71-42.

Bob Panek reviewed the Class II Connection Charges presentation with the Council. (Please see attached.)

There was much discussion regarding the rates for a 100 room hotel under the current (\$120,840), alternative 1 (\$381,600) and alternative 2 (\$286,200) calculation methods. Bob Panek mentioned that a number of years ago, the developers of the proposed hotel on Route 13 offered the Town \$250K to connect to the Town's wastewater system, so the charge of \$286,200 would not be out-of-line for a hotel of that size. There was some concern regarding the charge deterring hotels from building in Cape Charles. Councilwoman Natali stated that the Planning Commission was currently reviewing possible incentives for a Tourism Zone and added that a hotel would qualify as a tourism-related business and possible incentives could be offered to lower the cost of the facility fee. Council agreed that if a developer was interested in building a 100 room hotel in the area, the Tourism Zone incentives could bring them into Town vs. at the highway. Economic benefits would likely offset any discounts offered under the Tourism Zone incentives.

Council asked about methods used by other localities. Code Official Jeb Brady stated that the localities that he reviewed used meter sizes to determine the charge. Comparisons were reviewed at a previous work session.

Council went on to review the proposed modifications to the Town Code and there was much discussion regarding language in § 70-35 (c) which referred to buildings being converted to a different use and the provision to recalculate a new facility fee based on the new use and either charge an additional amount if higher or refund an amount if lower than the previous use. There was some concern regarding having to refund a large amount of money. Councilwoman Natali pointed out that the monies collected from facility fees were placed in a reserve account specifically for plant expansion, so therefore the refund would come from the reserve account and not the General Fund.

Mayor Proto asked Council for a consensus regarding moving forward. All the Council members were in agreement with alternative 2.

Mayor Proto stated that this item would be on the August 21, 2014 Regular Meeting agenda to schedule a public hearing in September.

Motion made by Councilman Brown, seconded by Councilman Bennett to adjourn the Town Council Work Session. The motion was unanimously approved.

Mayor Proto

Town Clerk

Class II Connection Charges

Council Work Session

July 31, 2014

Class II Connection Charges

- Class II water and wastewater connection charges apply to construction of new commercial or industrial buildings.
- Most of it is the Facility Fee to generate funds for plant capacity.
- Developers view it as a barrier to bringing economic activity to town.
- Reviewed at Retreat (2-8-2014) and Work Sessions (3-6 & 6-5-2014).
- Consensus:
 - ✓ Use realistic usage factors with upward rounding.
 - ✓ Eliminate high and low volume inequity due to Class I floor.
 - ✓ Minimum fee equal to Class I with fewer than 2 bedrooms (\$5,300).
 - ✓ Town Manager to estimate usage for water incorporated into products.
 - ✓ Include provision for a significant change in building use.
 - ✓ Lingering concern over amount of fee for high volume user, e.g., hotel.

Class II Connection Charges

Proposed Factors Based on Current Usage (rounded up)

<u>Building Use</u>	<u>Gallons Per Day</u>
Food & Beverage, sit down	10 per seat
Food & Beverage, carry out	115
Lodging	45 per room
Retail Sales	20 up to 5,000 sq ft*
Office	25 up to 5,000 sq ft*
Medical Office	50 per provider
Manufacturing**, Distributing, Service	135 up to 30,000 sq ft*
*plus an increment per additional 1,000 sq ft	
**excluding water incorporated into a product	

Class II Connection Charges

Sample Facility Fee Calculations

With Minimum (Class I, fewer than 2 BR)

		<u>Unadjusted</u>
• Retail store	\$ 5,300	(1,696)
• Accountant's office	\$ 5,300	(2,120)
• Doctor's office	\$ 5,300	(4,240)
• Ice cream parlor	\$ 9,752	
• Automotive service	\$ 11,448	
• 50 seat restaurant	\$ 42,400	
• 100 room hotel	\$381,600	

Class II Connection Charges

Sample Facility Fee Calculations With Minimum & Discounted 25%

		<u>Unadjusted</u>
• Retail store	\$ 5,300	(1,696)
• Accountant's office	\$ 5,300	(2,120)
• Doctor's office	\$ 5,300	(4,240)
• Ice cream parlor	\$ 7,314	(9,752)
• Automotive service	\$ 8,586	(11,448)
• 50 seat restaurant	\$ 31,800	(42,400)
• 100 room hotel	\$286,200	(381,600)

Class II Connection Charges

Current vs. Proposed

	<u>Current</u>	<u>Alt. 1</u>	<u>Alt. 2</u>
• Retail store	\$ 21,200	\$ 5,300	\$ 5,300
• Accountant's office	\$ 11,448	\$ 5,300	\$ 5,300
• Doctor's office	\$ 14,840	\$ 5,300	\$ 5,300
• Ice cream parlor	\$ 19,080	\$ 9,752	\$ 7,314
• Automotive service	\$ 11,448	\$ 11,448	\$ 8,586
• 50 seat restaurant	\$ 31,800	\$ 42,400	\$ 31,800
• 100 room hotel	\$120,840	\$381,600	\$286,200

Class II Connection Charges

- Both alternatives eliminate inequity between low and high volume uses and lower the entry bar for small businesses.
- Both alternatives are competitive with estimates for on-site sewage treatment and water supply for a hotel.
- Alternative 2 is more attractive for a potential hotel. Economic benefits would likely offset 25% discount.
- Infinite number of alternatives by changing discount factor.

Class II Connection Charges

- Decide on the new formula.
- Draft revision of Town Code, redline & smooth, attached for review.
- Next steps:
 - ✓ Prepare ordinance with revisions.
 - ✓ Set public hearing at August 21 Council Meeting.
 - ✓ Hold public hearing; consider adopting ordinance at Sep. 18 Council Meeting.