

City of Shakopee, Minnesota

SEWER AVAILABILITY CHARGE (SAC) POLICY

1) POLICY PURPOSE

For the purposes of this document, the term "City" includes the Shakopee City Council, staff, the Economic Development Authority, advisory boards and commissions, financial consultants and legal counsel.

In September 2008, the City received 1,494 Metropolitan Council SAC credits valued at \$3,331,620 when Rahr Malting discontinued use of the regional sanitary sewer system. As a result, the City has a limited 'bank' of SAC credits that can be applied city-wide. The purpose of this policy is to establish procedures to regulate, coordinate, and facilitate the approval of Sewer Availability Charge (SAC) loans or grants for eligible businesses or properties.

The City is committed to promoting quality development, redevelopment and reuse of properties. In certain situations, up front utility costs may prevent business start-ups, renovations or expansions. In any of these situations, the City may consider assessing, granting or loaning the funds necessary for sewer and water availability charges. This will be determined on a case-by-case basis for each fee and/or a combination of all of these fees. At any time, the City may discontinue the option to provide any assistance for these fees and approval is contingent upon funding.

2) BACKGROUND

A. Metropolitan Council Sewer Availability Charge

The Sewer Availability Charge (SAC) is a one-time fee imposed by Metropolitan Council Environmental Services (MCES) to customer communities for each new connection or increase in capacity demand of the metropolitan disposal system.

The customer communities may pass the SAC fee along with possible local fees to the building or property owners. The SAC fee is usually assigned when a building permit is issued for either a new building or a remodeling permit or when a connection permit is issued for an existing building connecting to the sanitary sewer system for the first time. One SAC unit equals 274 gallons of maximum potential daily wastewater flow capacity. A freestanding, single-family residence is charged one SAC unit, a base unit. Other types of buildings may pay a SAC fee based on the estimated potential capacity of wastewater.

The MCES allows cities to appeal determinations for properties built prior to January 1, 1973. To appeal, the City must provide documentation the building was built and/or hooked up to the regional sewer system before January 1, 1973. If connection documentation is not available, MCES may also allow cities to pay a fee at the 1974 rate rather than the present rate, i.e., \$300 per unit as opposed to current rate of \$2,485 per unit.

B. City Sewer Availability Charges

In 1994, the City adopted access fees for the sanitary sewer system (SAC). Those fees are used for construction of other MCES interceptors and long-term maintenance of the City sanitary sewer system. For any construction project or change in use, the City SAC is the same as the number of units determined by the Metropolitan Council. However, city fees will be imposed only for the units resulting from an expansion or a change of use that requires additional charges. The total number of units for a project may be reduced in instances where the use was established prior to adoption of the City fees.

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The City of Shakopee established the fixing of rates and charges for sewerage service in City Code Section 50.02:

50.02 FIXING RATES AND CHARGES FOR SEWERAGE SERVICE.

All rates and charges for sewerage service including, but not by way of limitation, rates for service, availability, connection, disconnection, and reconnection fees, including penalties for non-payment, if any, shall be fixed, determined, and amended by the Council and adopted by resolution. (2013 Code, § 3.02) (Ord. 1, passed 4-1-1978; Ord. 402, passed 2-16-1995).

3) POTENTIAL PROJECTS

The following list provides examples of potential projects/instances where City assistance might be granted:

- a) Extension of sewer services to existing businesses
- b) Reuse or expansion of existing businesses
- c) Development or redevelopment of underutilized commercial properties
- d) Matching grant funds for government programs (housing and/or economic development)
- e) If the request provide the community with:
 - o Increased employment or job retainage
 - o Additional spin-off development
 - o Potential for increased property tax capacity

4) FINANCING STRUCTURE

In addition to the requirements of the application/approval process described below, the following basic tenets shall apply:

- The following table should be used as a guide, the City Council has the authority to deviate from this guide at any time.

LOW INTEREST LOANS	
TOTAL PROJECT COSTS	ASSISTANCE PROVIDED
\$0 - \$200,000	SAC credits will be provided as a 3% interest, 5 year term loan.
\$200,001-\$500,000	SAC credits will be provided as a 3% interest, 7 year term loan.
\$500,001 - \$1,000,000	SAC credits will be provided as a 3% interest, 10 year term loan.
Over \$1,000,000	SAC credits will be provided as a 3% interest, 15 year term loan.
FORGIVABLE GRANT	
Downtown Redevelopment or Proven Hardship (i.e. bedrock, excessive infrastructure costs, etc.)	SAC credits will be provided as a grant with partial repayment (20% reduction annually) required if the property is sold within 5 years.
Job Creation/Retention (1 credit for every 10 full-time positions created or retained paying a minimum of \$19/hour)	SAC credits will be provided as a grant with partial repayment required if job goals are not met within two years.

- The owner of record must execute an agreement and waiver wherein the amount of the assessment or loan (per agreement) shall be recorded and assessable to the property in the event of default.

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5) APPLICATION PROCESS

- a) Applications must be submitted by the property owner(s) or the building tenant in conjunction with the owner(s). The application shall become the property of the City and/or EDA and is subject to Minnesota Statutes, Chapter 13 (the Government Data Practices Statute).
- b) Funds for this program are limited and shall be awarded to qualifying applicants on a first-come, first-served basis.
- c) City staff and/or the Economic Development Advisory Commission shall review the application materials and make a preliminary recommendation regarding the completeness of the application and whether the application meets the criteria outlined in this policy.
- d) In the event that the City Council concurs with the recommendation above, the City Council may either deny or grant final approval of a grant, interest bearing loan or assessment that allows financing of sewer access charges.
- e) When necessary, a “Deferred Payment Agreement” shall be executed between the eligible business, the fee property owner, and the City, and shall be recorded with Scott County.

6. GENERAL TERMS AND CONDITIONS

- a) The City reserves the right to determine and limit the amount of SAC credits that are applied for by any one applicant. This is to allow for the maximum utilization and benefit of the credits. Nothing herein shall imply or suggest that the City is under any obligation to provide incentives to any applicant.
- b) The City may charge a fee for requests under this policy, and these fees will be adopted annually during the fee schedule review.
- c) Any applicant who is not in good standing with the City, in regards to licenses, fees or other specific charges, will not be considered for this program.
- d) Requests specific to construction of single family homes are not eligible under this program.
- e) If the benefiting building is sold within the period of the loan, the loan must repaid. The EDA Board may consider alternatives to immediate repayment, including but not limited to transfer of the loan to a new owner or a mutually agreeable loan repayment schedule.
- f) The City can deviate from this policy for projects that supersede the objectives identified herein.