



BARCLAYS NORTH INC.

A Developer of Distinction

BY FAX AND IN PERSON

June 8, 2004

City Council
City of Sultan
PO Box 1199
Sultan, WA 98294

RE: Water and Sewer Connection Fees

Dear Council members:

On behalf of Barclays North, Inc. (BNI), I am writing to comment on the City's proposed water and sewer connection fee alternatives. Specifically, I am writing to request (a) the Council retain a lower fee to encourage both economic and residential development and (b) the Council add a provision to the connection fee that provides for vesting.

The Fee Calculation

BNI has taken the time to review the draft calculations prepared by the City's consultants. Upon review we have several questions. First, how do the existing LIDs fit within the study and the proposed fee increase? We believe that the LID improvements should not be included in the connection rate for new customers. Second, why is it only assumed that the City will use either general obligation or revenue bonds to pay for system improvements – couldn't the City obtain public works trust fund loans at a lower interest rate? If so, how would this impact the various calculations and alternatives?

Upon reviewing the alternatives and their fee structures, we are concerned that a significant fee increase would have a negative impact on Sultan's economic development and residential growth. As the City knows, it desperately needs new commercial and retail development, as well as additional residential growth as a support base for those businesses.

Increasing the sewer and water connection fees will likely have a negative impact on economic development opportunities, which not only affects the initial connection fees the City can expect, but alters the expectations for those bi-monthly customer fees the City programs for both system maintenance and improvements. Thus, we believe that several of the alternatives are not reasonable.

Lastly, we are concerned about the interest estimates used in the consultant study.

**Vesting**

Recently, the City of Lake Stevens adopted increases to its sewer connection fee. After several public hearings on the issue, the City Council adopted a vesting provision into code that establishes certainty and predictability for new development. The code amendment provides for the "locking in" of the sewer connection fee rate at the time a development application is deemed complete. **We urge the City of Sultan to do the same.**

Should the City of Sultan not adopt a vesting provision, this proposed increase, as well as any future increase, would have a significant negative impact on encouraging new development. For example, if a 100 lot single family development applied for approval under the current sewer fee of \$4,496 and during the development process the City increased that fee to \$10,010¹, the fee increase would have a \$551,400 impact on the development. Such an impact would not only create such an economic hardship that the development may no longer be able to proceed, but likely persuade other development opportunities from looking in Sultan.



We encourage the City to review more balanced alternatives that will keep the connection fees relatively stable at their current rate. Further, we ask that the City implement a vesting provision that gives new development certainty and predictability.

Thank you for the opportunity to comment. Should you have any questions, please do not hesitate to contact me at 425-334-4040.

Sincerely,

David K. Toyer
Vice President for Government Affairs

CC:
Mr. Rick Cisar, City Administrator
Ms. Connie Dunn, Public Works Director
Land Development Team - BNI

¹ As shown in Alternative B.