



CITY OF EDINA

Deferral Policy for Metropolitan Council Sewer Availability Charge (SAC)

Background

The Metropolitan Council's Environmental Services division (MCES) provides sanitary sewer treatment for wastewater generated from properties in the City of Edina and the Twin Cities metropolitan area. A "Sewer Availability Charge" or SAC is collected from each property based on the amount of wastewater that it is anticipated to generate. This fee contributes to the construction and maintenance of the regional sewer system and sanitary sewage treatment facilities. The SAC charge is collected prior to the facility being occupied since much of the sewer system is already in place and operational.

In addition to the MCES's SAC charge, the City of Edina also charges Residential Equivalency Charge (REC) fees. These fees help pay for the construction and maintenance of the local sewer system that runs from the site to the regional sewer system.

These fees can create a significant hurdle for growing businesses. While the charge is typically collected up front, the business will only use the local and regional sewer systems over time. If the business is not successful, the fees are not returned to the business but SAC credits remain with the property for future use.

In order to reduce this barrier to entry for new start up and expanding businesses, the MCES offers a Deferral Program which allows eligible businesses to pay the SAC fee over time with interest charges. The City of Edina would like to participate in this program to help lower the financial hurdle to new and expanding businesses.

Eligible Businesses

Any new building or existing building undergoing a significant renovation for a commercial business, school, hospital, non-for-profit organization or house of worship are eligible provided that the SAC determination is at least 5 units but no more than 25 units before any credits are applied. Some industrial businesses may also be eligible provided that they do not discharge Industrial Wastewater as defined by the Metropolitan Council.

Applicants for the Deferral Program will be disqualified if any of the following conditions exist:

- Any portion of the property is used for residential purposes
- Property taxes are delinquent
- Applicant is not in good standing with the State of Minnesota
- Applicant is in violation of Edina City Code
- Applicant fails to meet the definition of eligible commercial property in the Metropolitan Council's SAC Deferral Program

Conditions and Structure of Deferral Process

The structure of the Deferral Process follows the Metropolitan Council's Deferral Program. Applicants seeking to defer SAC fees are subject to the following limitations and conditions:

- 1) The maximum SAC determination is 25 units (before application of any available credits). Businesses with more than 25 units are not eligible for the Deferral Program.
- 2) Deferral must be for 5 or more SAC credits.
- 3) The deferral term is 5 years.
- 4) The business owner must complete an application and execute the Deferred Payment Agreement to be eligible for the program.
- 5) If the business is leasing the space, the property owner must also agree to the terms and conditions of the Deferral Agreement, including waiving the right to appeal assessments for unpaid fees.
- 6) A down payment equal to 20% of the total SAC fee (after credits are applied), is due at the time of application – typically at the issuance of a full Building Permit. Prepayment of an amount equal to six monthly payments must be received prior to the issuance of an Occupancy Permit from the Building Department. An occupancy permit will not be issued until the down payment is submitted and Deferral Agreement executed.
- 7) The applicable interest rate is determined by the Met. Council. The interest rate is determined upon the execution of the Deferral Agreement and remains fixed for the duration of the deferral.
- 8) The business will be billed on a monthly basis. Payment is expected within 30 calendar days. A late fee will be added to payments received after 30 calendar days.
- 9) There is no penalty for early payment of the outstanding balance.
- 10) In the event of a business closure, the business owner must notify the City's Finance Department. The City will verify the closure and notify the Metropolitan Council of the closure. Future payments will be waived after verification of the closure. Any outstanding payments due prior to the verification of the business closure will not be waived and will be assessed to the property.
- 11) In the event of a default, any outstanding fees will be assessed to the property and the property owner waives the right to contest the assessment.
- 12) Any SAC credits available as a result of business closure or default are non-transferable. They will be available to future occupants of the property from which they were collected.

The City reserves the right to modify, suspend or terminate the program if the Metropolitan Council amends or terminates the program.

Deferral Examples

Three examples are provided to illustrate how the Deferral Program is applied under different conditions. Each example includes the 2017 SAC unit fee of \$2,485. The actual amount is updated annually by the Met. Council. Each example also uses a fixed interest rate of 3.2%. The actual interest rate is determined by Met. Council and reflects the average cost of debt.

Example #1 - New Business with 10 SAC units						
Calculation of Fee	Total Amount Typically Due	20% Application Payment	Amount Payable over 5-year term	Estimate Monthly Payment *	Initial Payment	Total Cumulative Payments
10 units x \$2,485	\$24,850	\$4,970	\$19,880	\$359	\$2,154	\$26,509

* 3.2% annual interest rate

Example #2 - Expanding Business with 8 SAC units and 2 SAC credits available						
Calculation of Fee	Total Amount Typically Due	20% Application Payment	Amount Payable over 5-year term	Estimate Monthly Payment*	Initial Payment	Total Cumulative Payments
8 units x \$2,485 minus 2 credits x \$2,485 each	\$14,910	\$2,982	\$11,928	\$215	\$1,292	\$15,906

* 3.2% annual interest rate

Example #3 - New Business with 24 SAC units						
Calculation of Fee	Total Amount Typically Due	20% Application Payment	Amount Payable over 5-year term	Estimate Monthly Payment*	Initial Payment	Total Cumulative Payments
24 units x \$2,485	\$59,640	\$11,928	\$47,712	\$862	\$5,169	\$63,622

* 3.2% annual interest rate