



July 19, 2017

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The Honorable Kelly Simmons  
Judge of the Mann County Superior Court  
Post Office Box 4988  
San Rafael, CA 94913-4988

Jay Hamilton-Roth, Foreperson  
Marin County Civil Grand Jury  
3501 Civic Center Drive, Room 275  
San Rafael, CA 94903

Re: Response to Civil Grand Jury Report  
*Overcoming Barriers to Housing Affordability*

Dear Honorable Judge Simmons and Mr. Hamilton-Roth:

Per your request, following is North Marin Water District's response to Recommendation 5 of the referenced report.

**Recommendation 5: Each utility district should adopt waivers for hook-up fees for low-income housing projects and accessory dwelling units.**

North Marin Water District's Connection Fee is structured to require new development to pay for itself, rather than be subsidized by existing customers. The connection fee pays for the incremental water system capacity required to serve new development, including source of supply, treatment, pumping, storage, pipelines, recycled water and Sonoma County Water Agency facilities. This approach is universally accepted throughout the state. Waiving the fee for one class of customers would require shifting the cost to other customers, which is not equitable and could subject the North Marin Water District (NMWD) to litigation challenging its compliance with the requirements of Propositions 26 and 218. Unlike general purpose agencies like cities and counties, county water districts do not have broad powers to undertake programs to promote the general welfare, such as the above recommendation, without having a source of revenue not derived from its core enterprises.

That being said, over the years the District has made the following revisions to its connection fees/capacity charges in relation to low-income housing projects and accessory dwelling units:

- 1) In 2006 NMWD added Regulation 1.c. (5) allowing deferral of payment of connection fees for projects that include housing units affordable to lower income households. Payment for affordable units may be deferred until a certificate of occupancy is issued. This provision assists developers in financing affordable housing projects by allowing them to recover their costs quickly through sale of the built project virtually simultaneously with payment of the connection fee.
- 2) In 2013 NMWD reduced the connection fee for accessory dwelling units in Novato by 11% (to \$10,000) based upon a study comparing the relative peak demands of the various classes of residential housing units in Novato.

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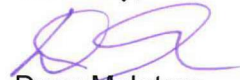
OFFICERS: DREW MCINTYRE, General Manager • KATIE YOUNG, District Secretary • DAVID L. BENTLEY, Auditor-Controller • ROCKY VOGLER, Chief Engineer

- 3) In 2015, at the request of the City of Novato, NMWD waived the connection fee for Junior Accessory Dwelling Units (JADUs).

Moreover, state legislation, specifically SB 1069 enacted in 2016 and effective January 1, 2017, is likely to result in waivers of the connection fee for accessory dwelling units that are contained within the existing space of a single-family residence or accessory structure.

Finally, legislation enacted in 2015 (AB 401) requires the State Water Resources Control Board to develop a plan for the funding and implementation of a Low-Income Water Rate Assistance (LIRA) Program by January 1, 2018. This Low Income Rate Assistance Plan should help special districts, including NMWD, address this issue without using revenues derived from their core enterprises (which as noted above could subject NMWD to litigation challenging its compliance with the requirements of Propositions 26 and 218).

Sincerely,



Drew McIntyre  
General Manager

- c: The Honorable Kelly Simmons, Marin County Superior Court  
Dennis Rodoni, Supervisor, Marin County Board of Supervisors  
Judy Arnold, Supervisor, Marin County Board of Supervisors