

System Development Charge Affordable Housing Incentives

Tacoma Water | Environment and Public Works

October 14, 2026



Environmental
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Overview

- **Follow-up from February 24, 2026, System Development Charge (SDC) Ordinance Second Readings**
- **Objectives**
 - Review Stormwater, Wastewater, & Water affordable housing SDC incentive options
 - Receive PUB feedback

SDC Review

- **One-time charge for new & upsized connections**
- **Water SDCs adopted 1997, Waste & Storm 2026**



*Recovers a Fair Share of
Utility System Cost*



*Funds Capital Projects &
System Expansion*



*Revenue Scales with
the Rate Of Growth*



*Insulates Ratepayers
from the Cost of Growth*



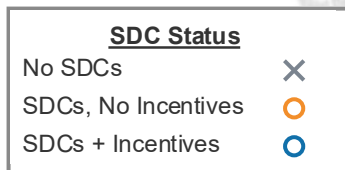
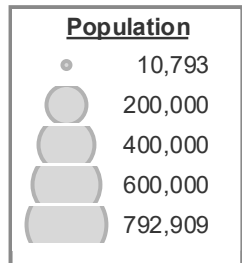
*Common Industry
Funding Mechanism*



*Growth Pays for
Growth*

SDC POLICY REVIEW

10,000+ population Washington cities



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SDC Incentive Types

True Incentives:

- \$ Waiver: City elects not to collect SDC, w/ conditions
- \$ Discount: City elects not to collect portion of SDC, w/ conditions
- ⌚ Deferral: City collects SDC later &/or in installments

Applicability Considerations

- ⚖ Credit: Ensuring SDC charges only “fair share”
- ☒ Exemption: Identifying where SDCs are n/a

Affordable Housing (AH) SDC Incentives

Deferral: Collecting later in permit process or in installments

- Water SDC paid at time of meter purchase (flexible)
- Wastewater SDC due prior to Cert. of Occupancy
- 10-yr payment plan option available for larger SDCs
- ✓ Tacoma already offers some deferral options

Waiver: Electing not to collect SDCs

- RCW 35.92.385: SDCs waived for AH must be paid by non-utility funds (General Funds or grant dollars).
- Need to identify non-utility funding source

AH SDC Waiver Funding Sources

General Fund

- Budgetary capacity very constrained
- ▲ Only an option if Council directs staff to reprioritize funds

WA Dept. of Commerce CHIP Grants



- Funds AH utility connection costs & SDC waivers
- Tacoma averages 1-3 awards per year
- To fund SDCs, CHIP requires adopting ordinance authorizing AH SDC waivers

Recommendation

- **Develop ordinance authorizing SDC waivers for qualifying affordable housing projects, contingent on such projects securing non-utility funds to reimburse the relevant utility.**

Next Steps

Timeframe	Step
Q1-Q3 2026	Affordable Housing SDC incentive workgroup active
October 14, 2026	Present @ Public Utility Board (PUB) Study Session
October 28, 2026	Present to Infrastructure, Planning, and Sustainability Commission (IPS)
Q4 2026	Draft ordinances based on PUB / Council feedback
Q4 2026 - Q1 2027	Bring ordinances for PUB / Council consideration