

# **Policy for funding the Undergrounding of Overhead Utility Lines Adopted by the Madison Common Council on March 29, 2011**

## **Background**

There has been an increased interest in the undergrounding of overhead utility lines. Funding has come exclusively from Tax Incremental Financing in recent years. The cost of underground the utilities vary depending upon how many utilities are on the utility poles and the type of facility on the poles. Cost for distribution lines generally range from \$30,000 to \$100,000 per 100 feet. The cost to undergrounding a high voltage transmission line is considerably more expensive.

## **Engineering Design Considerations**

The overhead lines are generally placed underground in utility conduits. Electric transformers, which are generally on the poles, must be replaced with pad mounted transformers. These pad mounted transformers occupy about a five foot by five foot space and are generally located on private property in easements. In addition, service pedestals are often required for each utility. The utilities must acquire the easements and there can be aesthetic concerns associated with the transformer boxes and pedestals. Services to homes and businesses, which were above ground, are routed below ground and the wiring may have to be modified in the home or business to accommodate the new underground service. When the home or business owner is required to modify the wiring in the building, typical costs are about \$2000 however in some instances costs can be far greater.

## **Urban Design Considerations**

The undergrounding of overhead utilities enhances the overall appearance of the streets. The appearance is improved because the poles and wires are removed and because larger trees can be planted in the absence of the wires. In addition, there is no need to trim the trees around the wires. It is possible to see an increased interest in the refurbishing of adjacent projects once significant improvements are made to the appearance of the street thereby having a positive economic development impact. The undergrounding of the utility wires is also likely to have a positive effect on property values.

## **Gateway Streets**

This policy shall give special preference to gateway streets such as Park Street, University Ave, Washington Ave, STH 113, John Nolen Dr and other important collector and arterial streets because we recognize that these streets are streets that will have the greatest effect on the overall impression that visitors and residents have in respect to our city. This policy enhances our past practice of improving these gateway streets by providing another important tool to be used to make these streets unique and special.

## **Funding Policy for Overhead Utility Lines**

The City of Madison is not able to fund undergrounding of overhead utilities with general obligation borrowing on a large scale due to other priorities. The City will continue to use Tax Incremental Financing (TIF) funds when authorized in the relevant Tax Incremental District (TID) Project Plan approved by the TIF Joint Review Board for undergrounding of overhead lines.

Streets may qualify for the use of general obligation borrowing for the undergrounding of overhead utility lines in the following two ways:

### **1. Collector or arterial streets with commercial development may qualify for general obligation borrowing if all of the following items are met.**

1. Funding is available.
2. The project is part of a street reconstruction project or conduit has been installed as part of a previous project to facilitate the undergrounding of utilities.
3. The street is a collector street or an arterial street.
4. The properties abutting the street are commercial or the abutting properties consists of a mix of uses and has a substantial amount of commercial development.
5. One of the five following items must apply.
  - a. Greater than 50% of the properties abutting the project are ready to accept underground service , or
  - b. Utility poles have already been removed for the majority of the block such that less than 50% the properties remain served above ground.
  - c. The street is located inside a Façade Grant Target Area.
  - d. The street is located inside an Urban Design District.
  - e. The properties adjacent to the street are considered blighted. The City will use the same standards as outlined in State Tax Incremental Financing Statutes to determine if the area in question is blighted.

### **2. Any Street may qualify for general obligation borrowing if all of the following items are all met.**

1. Funding is available.
2. The project is part of a street reconstruction project or conduit has been installed as part of a previous project to facilitate the undergrounding of utilities.
3. One of the two following items must be satisfied.
  - a. More than 50% of the cost is paid for by another source such as a private utility or another municipality.
  - b. The majority of the poles are being relocated as part of the project and the utility(s) is/are contributing that amount to the cost of the undergrounding.

The City shall not contribute funds from general obligation borrowing where the undergrounding is intended to benefit a specific developer. In these instances, the cost shall be paid for by the developer or by tax incremental financing.

**NOTE:** In addition to funding limitations, there is a limit to the number of projects that can be undertaken by the Utilities in any given year due to the limited staff resources that they have available. Four or five blocks total City wide, depending on the complexity and the number of properties involved, is at the upper limit of the Utilities ability to accomplish the undergrounding projects.

## **Reimbursement Policy For Wiring of Buildings not Ready to Accept the Underground Wire**

Buildings taking underground service today will generally have a 200 amp service with a meter on the outside of the building. Buildings within an undergrounding project will generally fall under one of these three categories:

1. The building is already served underground.
2. The building is served overhead but wiring within the building has previously taken place and the building is ready to accept underground service.
3. The building is served overhead and is not ready for underground service.

Buildings in categories one and two above require no modification inside the building and are easy to serve. Buildings in category 3 may require some modification to the wiring in the building and those costs average about \$2,000. The City shall pay 50% of the cost to modify the wiring within the building to accept the service provided the costs do not exceed \$1,000. This policy anticipates the passage of a City Undergrounding Ordinance and it is anticipated that the ordinance will require the following:

1. The City of Madison Common Council establishes an Underground Utility District when the City desires to place overhead services underground.
2. The City of Madison notifies all property owners within the district who have overhead service of the establishment of the district and the requirements of the property owners within the district by class 1 notice.
3. All properties within the district have up to 24 months from the date the district was established by the Common Council to modify their service to accept the underground service.
4. The City shall reimburse the property owner for 50% of the property owners cost to rewire the building to accept the underground service. The reimbursement to the property owner shall not exceed \$1,000. The maximum reimbursement amount shall be adjusted on January 1 of every year in accordance with the Construction Cost Index as published by the Engineering News Record or a similar index if the Engineering News Record index does not exist.
5. Properties not rewired to accept underground service prior to the time specified in section 3 are subject to fines of up to \$ 100 per day. In addition, if any property owner fails to meet the time frame specified in section 3, the property owner shall not be eligible for reimbursement by the City under section 4.
6. The City Engineer may grant an extension of the time frame for compliance specified in the ordinance where the Property Owner meets the Comptroller's income requirements which would allow for the deferral of special assessments or the cost is greater than 3 times the maximum amount the City will reimburse the property owner under the ordinance.
7. Only property owners within the Underground Utility District shall be reimbursed by the City for a portion of the cost to rewire their building to accept underground service.