



A place where families and businesses thrive.

CITY RECORDER USE ONLY:

AGENDA ITEM #: _____

MEETING DATE: _____

FINAL ACTION: _____

CITY COUNCIL STAFF REPORT

JOINT WORK SESSION:

TO: *City Council*

FROM: *Jesse VanderZanden, City Manager*

PROJECT TEAM: *Tom Gamble, Director, Parks and Recreation
Paul Downey, Director, Administrative Services*

MEETING DATE: *February 27, 2017*

SUBJECT TITLE: *Work Session Parks System Development Charges*

ACTION REQUESTED:

☐	☐	☐	☐	☐	☒	☐
	Ordinance	Order	Resolution	Motion	X	Informational

X all that apply

ISSUE STATEMENT:

The City of Forest Grove has a current System Development Charge (SDC) used to develop new park facilities. The newly adopted 2016 Parks, Recreation and Open Space Master Plan included a Capital Improvement Plan (CIP). The CIP includes funding options that include SDC's as a funding source for future parks develop.

This Work Session is to inform the City Council and Recreation Commission of SDC regulations (O.R.S.) and considerations taken into account in the development of a new methodology and fees for future parks SDC's.

No Action will be required as a result of the discussion at this work session.

ATTACHMENT(s): PowerPoint

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Park SDC Methodology Update

Presentation to City Council and Parks
and Recreation Commission

February 27, 2017

A place where families and businesses thrive.

Presentation Purpose

- SDC Context
- Provide overview of system development charges (SDCs)
- Describe methodology update process
- Discuss proposed methodology for parks SDCs
- Answer questions
- Consider next steps in process, i.e., publishing public notice of intent to update SDC methodology (as first step in SDC methodology review and adoption process)

Relationship with Parks Master Plan

- SDC element included in the 2016 Parks Master Plan
- Parks Master Plan approved by Council in November, 2016
- Council approval followed extensive public outreach related to the Capital Improvements Program (CIP).
 - Telephone survey
 - Online survey
 - Community workshops in English and Spanish

System Development Charges (SDCs)

- **System Development Charges (SDCs)** are fees assessed to new development and changes in use. The fees are collected to offset the impact that development has on a city's infrastructure:
 - Storm drainage and sanitary sewer
 - Parks and recreation facilities
 - Water
 - Transportation
- SDCs help Forest Grove pay for the additional infrastructure needed because of new growth and development.

SDC Methodology

- A local SDC fee methodology must be adopted for each SDC fee that is collected.
- The methodology is the rate-setting analysis that identifies:
 - Service levels for the fee program
 - How the fee is calculated
 - The amount of the fee
 - The type of development subject to the fee

SDC Fee Programs

- Are regulated by State law (ORS 223.297 et seq.)
- Must be based on a capital improvement plan, master plan or comparable plan that includes:
 - *A list of the capital improvements that the city intends to fund with SDC revenues;*
 - *The estimated cost, timing and % of costs to be funded with SDC revenues for each improvement (ORS 223.309(1))*

SDC Fee Program Options

Fee program may:

- Apply to residential and/or non-residential development
- Charge different rates by dwelling types (e.g., single family units vs. multi-family units)
- Be indexed to adjust rates annually for inflation
- Be based on:
 - Improvement fees – the estimated cost to expand infrastructure for the benefit of new residents; and
 - Reimbursement fees – fees that recover the value of prior investments in projects that will serve future development

Parks SDC Methodology

Category	2002 Methodology	2016 Methodology
Residential development	✓	✓
Non-residential development	Allowed but not applied	No
Improvement fee	✓	✓
Reimbursement fee	No	No
Different fees for unit types	No	No
Indexed for inflation	No	✓

2016 Methodology Update (Land)

- Acreage based on 10-year dwelling unit forecast from Comp Plan
- Takes into account undeveloped park land already owned
- Land costs estimated at \$200,000 per acre

Park Land Needs and Costs

Park Type	Forecasted Need	Additional Park Acreage Needed
Neighborhood	4.7 acres	4.7 acres
Community	12.3 acres	12.3 acres
Open Space, Trails and Greenways	14.2 acres	0 acres (land already owned)
Special Use	1.0 acres	0 acres (land already owned)
Total Park Needs		17.0 acres
TOTAL COST		\$3,400,000

Methodology Update (Improvements)

- Based on cost per acre to develop different types of parks

Park Improvement Needs and Costs

Park Type	Unit Cost Per Acre	Net Need for Improvements	Improvement Cost
Neighborhood	\$300,000	4.7 acres	\$1,410,000
Community	\$400,000	12.3 acres	\$4,920,000
Open Space, Trails and Greenways	\$200,000	14.2 acres	\$2,840,000
Special Use	\$500,000	1.0 acre	\$500,000
TOTAL COST			\$9,670,000

Methodology Update (Admin Fees)

- Based on actual planning costs

Administrative Costs

Administrative Task	Unit Cost	Timing	Discounted Cost *
Financial Review	\$ 1,000	Annual	\$ 9,800
Master Plan Update	100,000	Year 10	78,100
SDC Rate Review	5,000	Year 5	4,400
TOTAL COST			\$92,300

* Future costs are discounted to 2016 dollars using a discount rate of 2.5%

SDC Rate Calculation

- SDC fees are charged per residential dwelling unit
- The City forecasts developing 2,190 new units

SDC Rate Calculation

Cost Factor	Amount
Park Land Costs	\$ 3,400,000
Park Improvement Costs	9,670,000
Administrative Costs	<u>92,300</u>
Total Eligible Costs	\$ 13,162,300
(Divided by) New Dwellings	<u>/ 2,190</u>
SDC RATE PER DWELLING UNIT	\$ 6,010

Forest Grove Parks SDCs

COMMUNITY'S VISION

A system of parks, recreation facilities, trails and programs that serves the entire community, reflects the character of Forest Grove and protects our natural resources.

SDC rates affect the amount of funding available to achieve the community's vision:

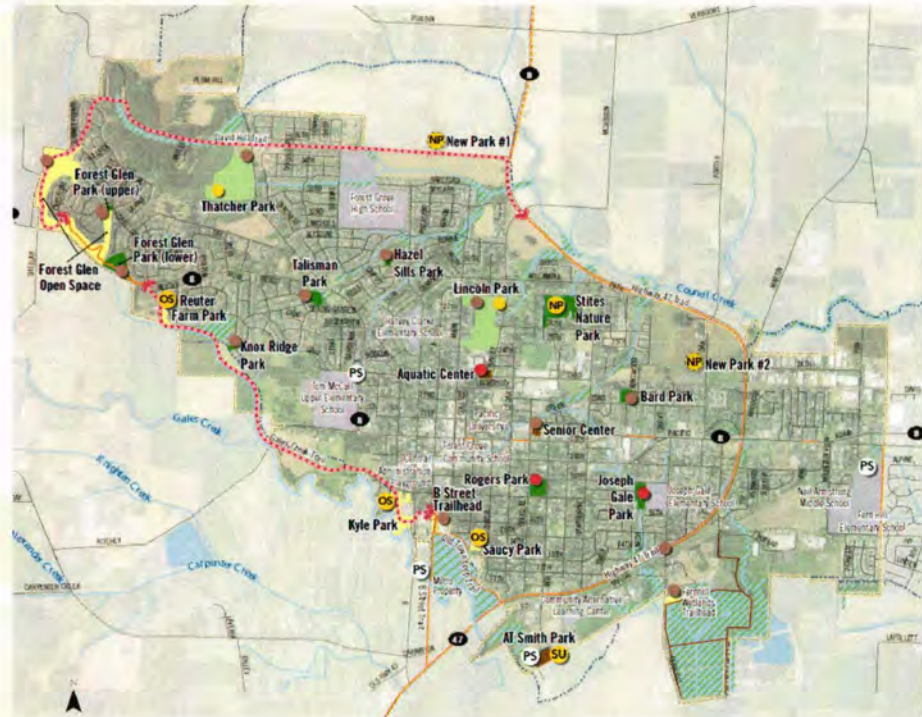
- **2016 calculated rate:** \$6,010 per residential unit
- **2002 calculated rate:** \$6,587 per residential unit (indexed for inflation)
- **Current adopted rate:** \$3,000 per residential unit

SDC CONSIDERATIONS

- The next four slides focus on SDC considerations. Each will be a discussion point following the presentation.
- The SDC considerations are:
 - One City-wide rate versus split rates
 - Single fee for all housing types
 - Indexed for inflation
 - New fee

SDC Fee Consideration

- Charge one rate city-wide. Avoid split-fee rate structures with higher fees in different zones in the city.
- Why? Higher rates in newly developing areas would create an equity issue and disparity in the quality of parks in newer and older areas of the city.



SDC Fee Consideration

- Charge one rate for all housing types. Avoid different rates for single-family and multi-family housing.
 - Why? This approach is consistent with current SDC policy.



SDC Fee Consideration

- Index fees to adjust them annually for inflation.
 - Why? This approach would help SDC revenues remain in line with actual costs over time.
 - The Engineers News Record Construction Index is recommended for indexing.



SDC Fee Consideration

- Increase the adopted SDC rate to support the desired park level of service.
- Lower fees than the statute allows will reduce the amount and quality of new parks and recreation facilities provided—and will not meet community expectations for new park development.

Potential SDC Revenue

SDC's	Potential Revenue in 10 Years	
	Low Estimate	High Estimate
System Development Charges (SDCs)	\$6,570,000	\$13,160,000
Park Acquisition and Development Fund (Fund Balance)	\$1,500,000	\$1,500,000
Total	\$8,070,000	\$14,660,000

SDC low amount based on current rate (\$3000/du).

SDC high amount based on full rate (\$6,010/du).

Primary Priority Projects

Primary Projects: most important for completion within the 10-year planning horizon. Primary Projects include:

- SDC eligible projects at existing parks (\$5M):
 - Rogers Park (Capacity Enhancement)
 - Lincoln Park (Addition)
 - Thatcher Park (Phase 2)
 - Joseph Gale Park (Capacity Enhancement)



Primary Priority Projects

- SDC eligible new park projects (\$7.3M):
 - Saucy Park (trailhead for Old Town Loop)
 - Stites Nature Park
 - New Neighborhood Park # 1 (David Hill)
 - North Segment of Loop Trail (David Hill)



Total Primary Priority Projects = \$12.3 Million

Desired Projects

Desired Projects: second-tier community priorities to complete if funding and/or partner support is available (approximately \$7 million are SDC eligible)

- SDC eligible new park projects:
 - A.T. Smith Park (City) and Amphitheater (FHFG)
 - Neil Armstrong MS Sports Fields
 - School sports field projects
 - South Segment of Loop Trail (Gales Creek)
 - New Neighborhood Park # 2 (Oak Street)



SDC Funded Projects

Low level: \$8,070,000 (including reserves)

- Many **Primary** projects
- No Stites Nature Park (owned for over 30 years)
- No Thatcher Phase 2 (Phase 1 done 8 years ago)
- No **Desired** projects



High level: \$14,660,000 (including reserves)

- All **Primary** projects
- Only one additional **Desired** project
 - A.T. Smith
 - Sports field complex; or
 - Gales Creek Trail



SDC Rate Comparison

Jurisdiction	SFR Rate	Non-residential Fee?	Dwelling Type Fees?	Indexed Fee?
Beaverton ¹	\$16,047	Yes	No	Yes
Hillsboro ²	Variable	No	No	Yes
King City	\$1,627	No	No	No
Lake Oswego	\$11,650	Yes	No	No
Milwaukie	\$3,895	Yes	No	No
No Plains	\$3,910	No	No	No
THPRD ³	\$10,800+	Yes	Yes	Yes
Tualatin	\$3,892	No	No	Yes
Wilsonville	\$3,221	Yes	No	No

Source: League of Oregon Cities 2013 SDC Survey except Hillsboro and THPRD, which reflect current rates

1 Beaverton imposes a separate \$5,247 park fee in addition to THPRD fees.

2. Hillsboro's Park SDC fees vary from \$4647 on older neighborhoods to \$8600 in So. Hillsboro.

3. THPRD's fee is \$10,800 in most of the district but increases to \$12,790 in Cooper Mt. and \$12,695 in Bethany.

Discussion Points

- One City-wide rate versus split rates
- Residential only
- Single fee for all housing types
- Indexed for inflation
- New fee

Process Required by ORS

- Publish 90-day notice of intent to update SDC methodology
- Make proposed SDC Program modifications available for public review (at least 60 days before public hearing)
- Hold City Council Park SDC Methodology hearing to adopt a new methodology and fee