

RESOLUTION NO. 1998 - 53

A Resolution amending Resolution No. 1991-20 Section 1(b) adopting a revised methodology for determining the amount of system development charges for Parks and Recreation facilities, and establishing revised charges.

RECITALS:

Whereas, the City Council finds that new residential development within the City of McMinnville contributes to the need for capacity increases and upgrades to capital improvements for Parks and Recreation facilities, and, new residential development should contribute to the funding for such capital improvements; and

Whereas, the System Development Charge for Parks and Recreation Facilities will fund a portion of the needed capacity increases for Parks and Recreation facilities as identified in the City of McMinnville Parks, Recreation, and Open Space Master Plan; and

Whereas, the funding provided by the Resolution constitutes a mandatory collection method based upon the guidelines set forth in ORS 223.297 through 223.314 to assure the construction of capacity increasing improvements to Parks and Recreation facilities as contemplated and identified in the City of McMinnville Parks, Recreation, and Open Space Master Plan and the City of McMinnville Parks and Recreation System Development Charges Methodology Report (dated October 27, 1998); and

Whereas, this Resolution is intended to be a mechanism for financing a portion of the needed capacity-increasing Parks and Recreation facilities associated with new residential development and does not provide a means to fund maintenance of existing facilities or the elimination of existing deficiencies; and

Whereas, the City has received a report entitled "City of McMinnville Parks and Recreation System Development Charges Methodology Report" (dated October 27, 1998), and incorporates herein by this reference the assumptions, conclusions, and findings in the report which refer to the determination of anticipated costs of capital improvements required to accommodate growth, and this report is hereinafter referred to as "The SDC Methodology Report"; and

Whereas, the City Council has the authority to amend or adopt a new SDC Methodology Report and rate by resolution,

NOW, THEREFORE BE IT RESOLVED BY THE COMMON COUNCIL OF THE CITY OF McMINNVILLE, as follows:

Section 1. Adoption of Methodology. The City Council hereby adopts that certain report entitled "City of McMinnville Parks and Recreation System Development Charges Methodology Report", and incorporates herein by this reference the assumptions, conclusions, and findings in the report which refer to the determination of anticipated costs of capital improvements required to

accommodate growth, and this report is hereinafter referred to as "The Parks and Recreation SDC Methodology Report".

Section 2. Establishment of Revised Parks and Recreation SDC rate. The City Council hereby selects Option D of Table 3.6 as set forth in the Parks and Recreation Methodology Report and establishes a revised Parks and Recreation SDC fee to be implemented according to the following schedule:

July 1, 1999	\$ 1,000
January 1, 2000	1,500
July 1, 2000	2,000

per dwelling unit or equivalent dwelling unit.

Section 3. Effective date for the Revised Parks and Recreation SDC Fee. The revised Parks and Recreation SDC fee established by this resolution shall be effective for all applicable building permits filed on or after July 1, 1999 and shall be based on the effective date of building permit application.

Adopted by the Common Council of the City of McMinnville at a regular meeting held the 8th day of December 1998, by the following votes:

Ayes: Aleman, Gormley, Payne, Windle

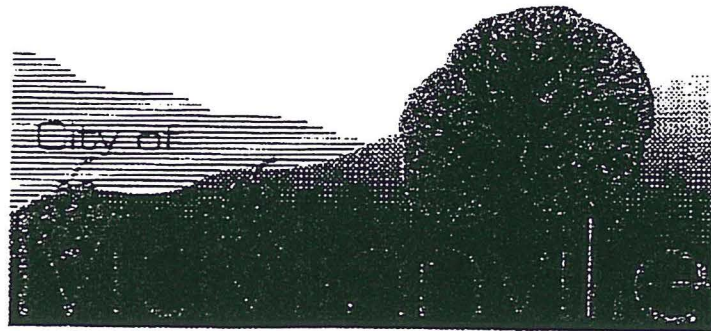
Nays: Hughes, Kirchner, Massey

Approved this 8th day of December, 1998.


MAYOR

Attest:


RECORDER



**PARKS AND RECREATION
SYSTEM DEVELOPMENT CHARGES
METHODOLOGY UPDATE REPORT**

prepared by

Don Ganer & Associates

in association with MIG, Inc.

as of
October 27, 1998

TABLE OF CONTENTS

	<u>page</u>
1.0 INTRODUCTION	1
2.0 AUTHORITY AND BACKGROUND INFORMATION	2
A. Legislative Authority	2
B. "Improvement fee" and "Reimbursement fee" SDC's	3
C. Requirements and Options for Credits, Exemptions, and Discounts	3
D. Guiding Concepts	5
E. Alternative Methodology Approaches	6
F. Population Growth and Persons per Dwelling Unit	7
3.0 CALCULATION OF PARKS AND RECREATION SDC	8
A. Formula 1: Total Growth-Required Facilities Costs	8
B. Formula 2: Net SDC-Funded Growth-Required Facilities	9
C. Formula 3: SDC-Funded Facilities Cost per Capita	9
D. Formula 4: Compliance/ Administration Cost per Capita	10
E. Formula 5: Total SDC per Capita	11
F. Formula 6: SDC per Dwelling Unit	11

LIST OF TABLES

<u>Table</u>	<u>page</u>
2.1 ESTIMATED CITY POPULATION INCREASE	7
2.2 AVERAGE PERSONS PER DWELLING UNIT	7
3.1 TOTAL GROWTH-REQUIRED FACILITIES NEEDS	8
3.2 NET SDC-FUNDED GROWTH-REQUIRED FACILITIES COSTS	9
3.3 SDC-FUNDED FACILITIES COST PER CAPITA	10
3.4 COMPLIANCE/ ADMINISTRATION COST PER CAPITA	10
3.5 SDC PER CAPITA	11
3.6 SDC PER DWELLING UNIT	12

**CITY OF MCMINNVILLE
PARKS AND RECREATION
System Development Charges Methodology Update**

1.0 INTRODUCTION

System Development Charges are fees charged to new development to help pay a portion of the costs associated with building capital facilities to meet the needs created by growth. In June 1991, the City of McMinnville adopted an SDC ordinance and a resolution setting SDC rates for parks and recreation facilities at \$300 per residential dwelling unit.

In 1996, the City engaged MIG, Inc. to prepare a Parks, Recreation & Open Space Master Plan to address the City's parks and recreation facilities needs through the year 2017. As a part of the Master Plan effort, a review of the City's parks and recreation SDC ordinance, resolution, and rates was performed. This report updates the methodology used to develop the City's parks and recreation SDC, based on the growth-required capital facility needs identified in the Master Plan, and documents the calculation of the updated SDC rate.

2.0 AUTHORITY AND BACKGROUND INFORMATION

This section of the report presents the rationale for how the updated SDC rates were developed. In particular, this section of the report:

- A. Discusses the legislative authority for the SDC,
- B. Explains the difference between "improvement fee" and "reimbursement fee" SDC's,
- C. Outlines requirements and options for Credits, Exemptions, and Discounts,
- D. Presents the guiding concepts used to develop the SDC,
- E. Discusses alternative approaches to SDC's, and the methodology used to develop the SDC, and
- F. Presents growth projections and summarizes census data regarding persons per dwelling unit.

A. Legislative Authority

While SDC's have been in use in Oregon since the mid-1970's, State legislation regarding SDC's was not adopted until 1989, when the Oregon Systems Development Act (ORS 223.297 - 223.314) was passed. The purpose of this Act was to "...provide a uniform framework for the imposition of system development charges...". In 1993, SB 122 was passed to include additional statutory provisions. Together, these pieces of legislation require local governments to:

- A. Enact SDC's by ordinance or resolution;
- B. Develop a methodology outlining how the SDC's were developed;
- C. Adopt a Master Plan or Capital Improvement Program to designate improvements to be funded with "improvement fee" SDC revenues;
- D. Provide credit against the amount of the SDC for the construction of certain "qualified public improvements";
- E. Separately account for and report receipt and expenditure of SDC revenues; and develop procedures for challenging expenditures; and
- F. Use SDC revenues only for capital expenditures.

B. "Improvement fee" and "Reimbursement fee" SDC's

The Oregon Systems Development Act provides for the imposition of two types of SDC's: (1) "improvement fee" SDC's, and (2) "reimbursement fee" SDC's. "Improvement fee" SDC's may be charged for new capital improvements that will increase capacity. Revenues from "improvement fee" SDC's may be spent only on capacity-increasing capital improvements identified in the required Master Plan or Capital Improvement Plan that lists each project, and the expected timing and cost of each project. "Reimbursement fee" SDC's may be charged for the costs of existing capital facilities if "excess capacity" is available to accommodate growth. Revenues from "reimbursement fees" may be used on *any* capital improvement project, including major repairs, upgrades, or renovations. Capital improvements funded with "reimbursement fee" SDC's do not need to increase capacity.

C. Requirements and Options for Credits, Exemptions, and Discounts

(1) Credits

A credit is a reduction in the amount of the SDC for a specific development. The Oregon SDC Act requires that credit be allowed for the construction of a "qualified public improvement" which (1) is required as a condition of development approval, (2) is identified in the capital improvement plan, and (3) either is not located on or contiguous to property that is the subject of development approval, or is located on or contiguous to such property and is required to be built larger or with greater capacity than is necessary for the particular development project. The credit for a qualified public improvement may only be applied against an SDC for the same type of improvement (e.g., a parks and recreation improvement can only be used for a credit for a parks and recreation SDC), and may be granted only for the cost of that portion of an improvement which exceeds the minimum standard facility size or capacity needed to serve the particular project. For multi-phase projects, any excess credit may be applied against SDC's that accrue in subsequent phases of the original development project.

The City must also either give a credit or a discount for payments from other sources, such as property taxes, that will be made by growth for capacity-increasing parks capital improvements, including those that will be used to correct deficiencies in the current levels of service. The Parks and Recreation Master Plan has identified approximately \$22,000,000 in non-growth capital improvements that will be funded through a combination of methods such as general obligation bonds, general fund revenues, and other sources. The estimated net present value (NPV) of future property tax payments required from a typical new dwelling unit to pay for these non-growth items is \$1,628, so the City's Parks SDC must either credit or discount the maximum SDC rates by \$1,628. This methodology uses a "discount" to reduce the maximum SDC rates by at least \$1,628.

In addition to required credits, the City may, if it so chooses, provide a greater credit, establish a system providing for the transferability of credits, provide a credit for a capital improvement not identified in the capital improvement plan, or provide a share of the cost of an improvement by other means.

(2) Exemptions

The City may exempt certain types of development from the requirement to pay the SDC. The City's SDC ordinance exempts from paying SDC's housing for low-income or elderly persons, which is exempt from real property taxes under state law.

(3) Discounts

As discussed under the "Credits" heading, the City must either "discount" the SDC rates to account for payments from other sources, such as property taxes, that will be made by growth for capacity-increasing parks capital improvements, or give a "credit" against the SDC for these payments. This methodology uses a "discount" to reduce the maximum SDC rates by at least \$1,628 (the NPV of future payments from other sources).

The discount may be a percentage or a fixed reduction in the amount of the SDC. For example, the City may charge new development an SDC rate sufficient to recover a set percentage (i.e., 50%, 60%, etc.) or dollar amount (i.e., \$1,800, 2,400, etc.) of identified growth-required costs (e.g. maximum SDC rate). The amount of the discount may be reduced periodically (i.e., monthly, quarterly, etc.) to increase the amount of growth-required costs recovered through the SDC; however, the City may not reduce the discount below the amount needed (\$1,628) to allow for payments growth will make from other sources to pay for parks facilities.

D. Guiding Concepts

In addition to the requirements of the Oregon SDC Act and SB 122, court cases from Oregon and other states provide additional guidance for the methodology to be used in developing SDC's.

(1) "Essential Nexus" Requirement

In a 1987 case, *Nollan v. California Coastal Commission*, the U.S. Supreme Court established that government agencies must show that an "essential nexus" (e.g. reasonable connection) exists between a project's impacts and any dedication requirements. For SDC's the "essential nexus" requirement means there must be a reasonable connection between the nature of the development and the facilities being funded with the SDC revenues. If, for example, a parks and recreation SDC methodology is designed to fund Neighborhood Parks in new residential development areas, then an "essential nexus" exists between new residential development and the new Neighborhood Parks that will be built from SDC revenues.

(2) "Rough Proportionality" Requirement

In its landmark 1994 decision in *Dolan v. City of Tigard*, the U.S. Supreme Court cited the requirement for "rough proportionality" between the requirements placed on a developer by government and the impacts of the development.

This concept of rough proportionality is applied in "improvement fee" SDC's by insuring that new growth is not required to pay to upgrade existing deficiencies or provide new facilities beyond a level "roughly proportionate" with the extent of new development's impact; "improvement fee" SDC's can be charged only for the portion of capital facilities costs that are attributable to growth.

E. Alternative Methodology Approaches

There are two basic approaches used in developing SDC's: (A) Level of Service (LOS)-Driven, and (B) Capital Projects-Driven. Level of Service (LOS)-Driven SDC's work best when individual public facilities cannot be allocated between current and future users on the basis of objective data, and instead are provided on the basis of a level of service. The amount of the SDC is determined by multiplying the proposed LOS for each facility by the estimated cost per unit of facility.

Capital Projects-Driven SDC's are based on a specific list of planned capital improvements, and the amount of the SDC is determined by allocating a portion of the cost of the planned improvements (the "fair share" that can be attributed to growth) among the projected developments that will be paying SDC's. Capital Projects-Driven SDC's work best when individual public facilities can be allocated between current and future users based on objective data.

The City of McMinnville's current Parks SDC was developed using the LOS-driven approach. Because a capital projects list was created as a part of the Master Plan, the Capital Projects-Driven approach has been used for this update. The City of McMinnville provides parks and recreation facilities for both Citywide (community) and neighborhood use. The City's Parks, Recreation, and Open Space Master Plan is designed to increase the LOS provided to all City residents during the next twenty years (1997 - 2017). There is no "excess capacity" available for which a "reimbursement fee" SDC could be charged, but deficiencies exist in neighborhood parks and the trails system. SDC's cannot be used to pay for eliminating deficiencies in the current LOS, or for providing a higher LOS than that which currently exists unless either (1) an alternative non-SDC revenue source is available to pay for eliminating existing deficiencies, or (2) the primary recipients of the higher LOS will be future residents.

The Parks, Recreation, and Open Space Master Plan identifies the capacity-increasing improvements planned for parks and recreation facilities in the City of McMinnville. Because the SDC is an "improvement fee" and includes no reimbursement component, the Master Plan provides the nexus of benefit between the SDC-paying development and the benefit to be received. Project costs that may be attributable to growth are included in the SDC calculations, with the remaining costs to be funded from non-SDC sources.

F. Population Growth and Persons per Dwelling Unit

The SDC is based on projected growth-required capital costs per "capita" (person) and is calculated by dividing the growth-related costs by the projected increase in population during the planning period (1997 - 2017). The estimated population increase through 2017 (from the Master Plan) is shown in Table 2.1.

TABLE 2.1

ESTIMATED CITY POPULATION INCREASE

<u>Projected 2017 Population</u>		<u>Estimated Current Population</u>		<u>Est. Increase in Population</u>
38,000	-	22,880	=	15,120

The increase in population (15,120) will represent approximately 40% of the total City population in 2017 (38,000).

The SDC is based on capital costs per capita and is charged based on the number of persons per dwelling unit. To determine the appropriate number of persons per dwelling unit, census data maintained by the United States Census Bureau was analyzed, and the resulting calculations are displayed in Table 2.2, below.

TABLE 2.2

AVERAGE PERSONS PER DWELLING UNIT

<u>Type of Unit</u>	<u>1990 Census Avg. Persons Per Dwelling Unit</u>
Residential Dwelling Unit	2.71

3.0 CALCULATION OF PARKS AND RECREATION FACILITIES SDC

City of McMinnville's updated Parks and Recreation SDC rate is calculated using a series of formulas that calculate:

- a) the total growth-required facilities costs,
- b) the net growth-required facilities costs to be financed with SDC's,
- c) the SDC-funded facilities cost per capita,
- d) the compliance and administrative costs per capita,
- e) the SDC per capita, and
- f) the SDC rate per dwelling unit.

A. Formula 1: Total Growth-Required Facilities Costs

The Master Plan identifies projects designed to repair deficiencies and increase the Levels of Service for the City. The SDC must be based on the growth-required portion of costs, calculated using the following formula.

$$1. \quad \begin{array}{c} \text{Growth-Required} \\ \text{Facilities Units} \end{array} \quad \times \quad \begin{array}{c} \text{Average Cost} \\ \text{Per Unit} \end{array} \quad = \quad \begin{array}{c} \text{Growth-Required} \\ \text{Facilities Costs} \end{array}$$

Table 3.1, page 10, displays the total quantities of facilities planned for the year 2017, and the growth-required portion of those facilities, based on 40% of the 2017 population constituting growth between 1997 and 2017.

TABLE 3.1

TOTAL GROWTH-REQUIRED FACILITIES COSTS

<u>Facility Type</u>	<u>Current Inventory (Developed)</u>	<u>Planned Additions</u>	<u>Total 2017 Facilities</u>	<u>Growth Required Units (40%)</u>		<u>Average Cost/Unit</u>	<u>Growth-Required Facilities Costs</u>
Neighborhood Park (acres)	0	90	90	36	X	\$ 130,000	= \$ 4,680,000
Community Park (acres)	79.0	155.5	234.5	81		96,400	8,965,200
Trail Areas (acres)	142.4	165.08	307.48	122		50,000	6,100,00
Paved Trails (miles)	3.25	26.29	30.79	12		350,000	4,200,000
Soft Surface Trails (miles)	2.8	1.7	4.5	1.7		100,000	170,000
Skateboard/Rollerblade Facility	1	1	2	0.8		120,000	96,000
Botanical/Community Garden	0	1	1	0.4		25,000	10,000
Outdoor Performance Area	0	1	1	0.4		250,000	100,000
TOTAL GROWTH SHARE OF COSTS							<u>\$ 24,321,200</u>

B. Formula 2: Net SDC-funded Growth-Required Facilities

The Net SDC-funded growth-required facilities costs to be included in calculating the SDC rates are determined by subtracting from the total growth-required facilities costs (from Table 3.1) any discounts and estimated amounts that are expected to be paid from non-SDC sources, such as bonds or general tax revenues.

$$\begin{array}{rclcl} 2. & \text{Total} & & \text{Discounts and} & \\ & \text{Growth-Required} & - & \text{Funds From} & = \\ & \text{Facilities Costs} & & \text{Other Sources} & \\ & & & & \text{Net SDC-Funded} \\ & & & & \text{Growth-Required} \\ & & & & \text{Facilities Costs} \end{array}$$

Table 3.2, below presents the net SDC-funded growth-required facilities costs, based on 50% all funds coming from other sources.

TABLE 3.2

NET SDC-FUNDED GROWTH-REQUIRED FACILITIES COSTS

<u>Total Growth-Required Facilities Costs</u>		<u>Discounts and Funds From Other Sources</u>		<u>Net SDC-Funded Growth-Required Facilities Costs</u>
\$ 24,321,200	-	\$ 12,160,600	=	\$ 12,160,600

C. Formula 3: SDC-Funded Facilities Cost per Capita

The SDC-funded facilities cost per capita is calculated by dividing the net SDC-funded growth-required facilities cost by the expected increase in the City's population during the next twenty years.

$$\begin{array}{rclcl} & \text{Net SDC-Funded} & & & \text{SDC-Funded} \\ 3. & \text{Growth-Required} & \div & \text{Population} & = \\ & \text{Facilities Cost} & & \text{Increase} & \text{Facilities Cost} \\ & & & & \text{Per Capita} \end{array}$$

Table 3.3, page 10, presents the calculation of the facilities cost per capita.

TABLE 3.3

SDC-FUNDED FACILITIES COST PER CAPITA

<u>SDC-Funded Growth-Required Facilities Cost</u>		<u>Population Increase</u>		<u>SDC-Funded Facilities Cost Per Capita</u>
\$ 12,160,600	÷	15,120	=	\$ 804

D. Formula 4: Compliance/Administration Cost per Capita

ORS 223.307(5) allows the City to recoup the direct costs of complying with Oregon law regarding SDC's. Recoupable costs include consulting, engineering, and legal fees as well as the cost of accounting for revenues and expenditures. The total compliance/administrative cost is estimated to be 10% of collected SDC revenues. The compliance/administrative cost per capita is determined by dividing the estimated total compliance/administration cost by the estimated population increase during the planning period.

$$\begin{array}{ccccc} 4. & \text{Total Compliance/} & & \text{Population} & = & \text{Compliance/ Admin.} \\ & \text{Administration Cost} & \div & \text{Increase} & & \text{Cost Per Capita} \end{array}$$

Table 3.4 presents the calculation of the compliance/administration cost per capita.

TABLE 3.4

COMPLIANCE/ADMINISTRATION COST PER CAPITA

<u>Total Compliance/ Administration Cost</u>		<u>Estimated Population Increase</u>		<u>Compliance/ Admin Cost Per Capita</u>
\$ 1,216,060	÷	15,120	=	\$ 80

E. Formula 5: Total SDC per Capita

The SDC per Capita represents the equivalent amount of revenue required from each new resident to pay for the SDC-funded portion of growth-required capital facilities and compliance/administration costs. The calculation is completed by adding the SDC-funded facilities cost per capita (from Table 3.3) and the compliance/administration cost per capita (from Table 3.4).

$$\begin{array}{rcccl} & \text{Net SDC-Funded} & & & \\ 5. & \text{Facilities Cost} & + & \text{Compliance/Admin} & = & \text{SDC} \\ & \text{Per Capita} & & \text{Cost Per Capita} & & \text{Per Capita} \end{array}$$

This calculation is displayed in Table 3.5.

TABLE 3.5

SDC PER CAPITA

<u>SDC-Funded Facilities Cost</u> <u>Per Capita</u>		<u>Compliance/Admin</u> <u>Cost Per Capita</u>		<u>SDC</u> <u>Per Capita</u>
\$ 804	+	\$ 80	=	\$ 884

F. Formula 6: SDC Per Dwelling Unit

The SDC Per Dwelling Unit is calculated by multiplying the average number of persons per dwelling unit (Table 2.2) by the SDC Per Capita (Table 3.5).

$$\begin{array}{rcccl} 6. & \text{Persons Per} & \times & \text{SDC} & = & \text{SDC Per} \\ & \text{Dwelling Unit} & & \text{Per Capita} & & \text{Dwelling Unit} \end{array}$$

The results of this calculation is displayed in Table 3.6, page 11.

TABLE 3.6

SDC PER DWELLING UNIT

<u>Persons Per Dwelling Unit</u>		<u>SDC Per Capita</u>		<u>SDC Per Dwelling Unit</u>
2.71	+	\$ 884	=	\$ 2,396

The SDC per dwelling unit is based on recovering 50% of the identified growth-required parks and recreation capital facilities costs through the SDC. If 100% of the costs had been included, the resulting rate would have been \$4,792, and a credit of \$1,628 would have been required against this rate to account for expected payments growth will make to pay for non-growth items identified in the Master Plan. Because the rate has been deeply discounted (by reducing the facilities to be funded with SDC's), no additional credit calculation is needed.