



Staff Report

File #: 19-71

Version: 1

Date: 2/25/2019

Item #: 4. b.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Peter Fernandez, PE, Public Works Director

SUBJECT:

System Development Charge Methodology Update

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Good Governance; Natural Environment Stewardship; Safe, Reliable, and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.

ISSUE:

Shall City Council adopt Resolution No. 2019-7, updating the System Development Charge Methodologies for Parks, Transportation, Water, Wastewater, and Stormwater, including the Majority Opinion from the System Development Charge Methodology Committee?

RECOMMENDATION:

Adopt Resolution No. 2019-7, updating the System Development Charge Methodologies for Parks, Transportation, Water, Wastewater, and Stormwater, including the Majority Opinion from the System Development Charge Methodology Committee.

SUMMARY:

The System Development Charge Methodologies Committee (Committee) recommends adoption of Resolution 2019-7.

System development charges (SDCs) are paid by new development to help fund Parks, Transportation, Water, Wastewater, and Stormwater capital projects and infrastructure improvements. The amount collected is determined by the SDC methodologies. The methodologies ensure SDCs are in accordance with statute and are an equitable cost allocation between new development (growth) and the City (non-growth) for new projects and infrastructure.

Key policy changes contained within the methodologies:

- All - In the current methodologies, accessory dwelling units (ADUs) are not addressed as a distinct use. The updated methodologies establish a separate fee amount for ADUs and propose a five-year moratorium on SDC collection.
- Parks and Transportation - In the current methodologies, a non-SDC funding source is required to construct most new growth-related infrastructure. The new methodologies allow for all growth-related infrastructure to be constructed only with SDC funding without the need for non-SDC funds.
- Parks - Currently, only residential development is subject to SDCs. In the new methodology, SDCs are collected from both residential and non-residential development.
- Transportation - Prior methodologies adopted funding levels at an amount less than was warranted to fund all growth projects. The new methodology establishes SDCs commensurate with community-wide funding levels for major street improvement projects, approximately doubling the current SDC amount.
- Water/Wastewater - The updated methodologies eliminate a connection fee without reducing revenues through the addition of a modest SDC increase for all projects. This modification removes a fee that has often been a disincentive for development in older neighborhoods.

The methodology specifies that SDC changes will be implemented in two phases. Fifty percent of the fee change will take effect on July 1, 2019, and the full fees will take effect on July 1, 2020.

FACTS AND FINDINGS:

The Committee was unable to reach consensus on a component of the Transportation SDC methodology. The committee requested that two approaches, a majority opinion and a minority opinion, be provided to City Council.

	Historic Non-Growth Costs	Divided by Historic Non-Growth Units	Equals Historic Cost Per Unit of Non-Growth	Equals Cost Per Unit of Growth
Majority Opinion	\$280,000,000	702,000 ADT	\$399/ADT	\$399/ADT
Minority Opinion	\$280,000,000	604,000 ADT	\$463/ADT	\$463/ADT

The Committee recommended that the growth component of transportation projects be based on the City's historic investment in the transportation system on a cost- per-unit basis. The City's historic non-growth investment is the total 20-year cost of transportation-related capital improvement projects, excluding those funded with SDCs. The committee unanimously agreed to use 280 million dollars as the 20-year historic non-growth transportation costs.

The Committee agreed that the historic cost per unit of non-growth should be used as the basis for the growth cost per unit. This approach ensures that the growth component of transportation project expenditures equals the community's equivalent level of investment from non-growth funds.

The committee did not reach consensus regarding the non-growth average daily traffic counts (ADT). The majority opinion was supported by four committee members and recommends use of the 2008 ADT, which is the average ADT from the date range of 1998 to 2018. The minority opinion by three committee members adopted the staff recommendation to use the 1998 ADT value. To determine cost per unit, the total 20-year history of non-growth costs is divided by the non-growth average daily trips (ADT).

City Council has three options: (1) adopt the majority opinion, which will result in a cost per unit of growth of \$399 per ADT; (2) adopt the minority opinion, which will result in a cost per unit growth of \$463 per ADT; or (3) adopt an alternate methodology calculation.

The current Transportation SDC is collected at \$204.16 per ADT.

BACKGROUND:

The SDC Methodology Committee included two City Councilors, a member of the Planning Commission, a member of the Salem Parks and Recreation Advisory Board, and three members of the public with experience in development and public infrastructure. The committee was chaired by Councilor Andersen and met approximately once a month through the winter of 2018.

Resolution 2019-7 replaces all prior methodologies for Parks, Transportation, Water, Wastewater, and Stormwater pursuant to *Salem Revised Code* (SRC) Chapter 41.170 (Attachment 1). The original adoption dates of the current methodologies vary from 1999 to 2008. All methodologies are being updated concurrently to ensure consistency of implementation among all types of infrastructure.

Written notice of the hearing was mailed to parties interested in SDC methodology adoption within 90 days prior to the public hearing (Attachment 3). Additional notice was sent electronically to parties interested in administrative rule promulgation and land use matters. The methodology was also made available for review on the City's website and at City Hall within 60 days of the public hearing pursuant to SRC 41.200(a).

Comments received during the public notice period resulted in zone categories Mixed Use I and Mixed Use II being added to the list of mixed use zones in Table 13 of the draft methodology. Also changed was modifying trip length factors and linked-trip factors for various types of land uses based on information contained in the latest edition of the Trip Generation Manual from the Institute of Transportation Engineers.

Changes to *Salem Revised Code* and Administrative Rules are needed in order to implement the updated methodologies. Ordinance 1-19 is proposed for Council adoption, and Administrative Rule 109-200 is proposed for promulgation, concurrent with Council Resolution 2019-7.

Robert D. Chandler, PhD, PE
Assistant Public Works Director

Attachments:

1. Resolution 2019-7, Adopting Updates to System Development Charge Methodologies
2. Exhibit 1: SDC Methodology Report 2019
3. Affidavit of Mailing and Public Hearing Notice