



## Staff Report

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**File #:** 19-123

**Version:** 1

**Date:** 3/11/2019

**Item #:** 7.2 b.

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**TO:** Mayor and City Council

**THROUGH:** Steve Powers, City Manager

**FROM:** Peter Fernandez, PE, Public Works Director

### **SUBJECT:**

Salem Revised Code amendments for System Development Charge Methodology

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 Council conduct second reading to enact Ordinance Bill No. 01-19 (Attachment 1), amending Salem Revised Code (SRC) General Assessment Procedures (Chapter 21), Development Fee (Chapter 41), Water (Chapter 72) and Wastewater (Chapter 73) related to a System Development Charge Methodology Update.

### **RECOMMENDATION:**

Conduct second reading to enact Ordinance Bill No. 01-19, which amends Salem Revised Code (SRC) Chapters 21, 41, 72, 73 related to a System Development Charge Methodology Update.

### **SUMMARY:**

Ordinance 01-19 implements policy changes for System Development Charges (SDCs) as recommended in an update to SDC Methodologies under Resolution 2019-7.

### **FACTS AND FINDINGS:**

As part of the SDC Methodology update under Resolution 2019-7, policy changes are required to the SRC:

1. General Assessment Procedures (Chapter 21) - Water and wastewater connection fees are being eliminated and replaced by an increase to the Water and Wastewater SDC Reimbursement Fees.
2. Development Fee (Chapter 41)
  - a. The SDC exemption for low-income housing is being broadened to include all housing units guaranteed to remain affordable for households with an income at or below 80 percent of the area median income. This change maximizes the eligibility of low-income housing projects that can be exempted from SDCs.
  - b. Accessory dwelling units are exempted from SDCs for a trial period of five years.
  - c. The limitation to SDC credits for water, sewer, and stormwater lines constructed within or abutting a development site are clarified.
  - d. Other minor modifications are proposed that have been compiled over time as staff has discovered, during the course of business, inconsistencies or missing information in the SRC.
3. Water (Chapter 72) and Wastewater (Chapter 73) - Remove references to connection fees and SRC Chapter 21.

First reading and public hearing of the proposed ordinance was held February 25, 2019.

## **BACKGROUND:**

Ordinance 01-19 implements a number policy changes related to System Development Charges (SDCs) as proposed in an update to SDC Methodologies under Resolution 2019-7. The methodology update process has been overseen by a seven-member SDC Methodology Committee that 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 policy changes recommended by the SDC Methodology Committee are summarized below:

1. Connection fees collected pursuant to SRC Chapter 21 are a cost-prohibitive fee required in unique circumstances that has often been a disincentive for development in older neighborhoods. Ordinance 01-19 eliminates connection fees without reducing revenues through the addition of a modest SDC increase for all projects.
2. SDC exemptions are being expanded to include additional low-income housing and a five-year exemption for new accessory dwelling units, which terminates in July 2024.
3. Other minor modifications that have been compiled over time as staff has discovered

inconsistencies or missing information in the SRC.

The SDC Methodology Committee recommended that staff investigate options for offering exemptions for residential developments in the downtown area. Staff does not recommend an exemption for residential developments at this time because insufficient data are available to determine the benefits and impacts of an exemption. In addition, the current exemption for preexisting development in SRC 41.150(a)(6) provides a significant reduction in Transportation SDCs for most downtown projects.

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

**Attachments:**

1. Ordinance 01-19
2. Exhibit A - SRC Amendments