

Staff Report

File #: 20-266**Version:** 1**Date:** 7/13/2020**Item #:** 7.1b.

TO: Mayor and City Council
THROUGH: Steve Powers, City Manager
FROM: Peter Fernandez, PE, Public Works Director

SUBJECT:

Amending Salem Revised Code Chapter 41, Development Fee.

Ward(s): All Wards
Councilor(s): All Councilors
Neighborhood(s): All Neighborhoods
Result Area(s): Safe, Reliable, and Efficient Infrastructure

ISSUE:

Shall the City Council conduct first reading and advance Ordinance Bill No. 9-20, amending *Salem Revised Code* Chapter 41, to second reading for adoption?

RECOMMENDATION:

Conduct first reading of Ordinance Bill No. 9-20, amending *Salem Revised Code* Chapter 41, and advance the ordinance bill to second reading for adoption.

SUMMARY:

Ordinance Bill No. 9-20 (Attachment 1) amends Chapter 41 of the *Salem Revised Code* (SRC). When SRC Chapter 41 was amended in March 2019 under Ordinance Bill No. 01-19, the criteria for exemptions in SRC 41.150 were changed to increase the number of affordable housing projects that are eligible for reduction of System Development Charges (SDCs). Under Ordinance Bill No. 01-19, SDCs are exempted entirely when affordable housing is assured for a minimum of 30 years.

Ordinance Bill No. 9-20 allows partial SDC exemptions for housing projects that guarantee affordable housing for less than 30 years. Ordinance Bill No. 9-20 reduces SDC charges at a rate of 1/30th of the SDC amount for each year of affordability. Other minor revisions are proposed to the chapter to improve program administration. The complete text of the proposed amendments is included in Exhibit A of Ordinance Bill No. 9-20 (Attachment 2).

FACTS AND FINDINGS:

Ordinance Bill No. 9-20 amends SRC Chapter 41 as described below:

1. The title of the chapter is changed from Development Fee to System Development Charges in accordance with *Oregon Revised Statutes* 223.299(4). All inconsistencies in the use of the term "System Development Charges" are corrected throughout.
2. SRC 41.140(c) is amended to allow applicants to request a refund of SDCs when a permit expires. When permits have expired in the past, staff has often been unable to determine what party is eligible for the refund payment, especially when a property is in foreclosure or has been sold.
3. SRC 41.150(a)(5) currently allows for a complete exemption of SDCs when affordable housing is assured for a minimum of 30 years. Ordinance Bill No. 9-20 amends SRC 41.150(a)(5) to allow partial SDC exemptions for housing projects that guarantee affordable housing for less than 30 years at a rate of 1/30th of the SDC amount due for each year of affordability. This change provides greater flexibility for affordable housing projects.
4. SRC 41.150(a)(6) is added to clarify unique characteristics of owner-occupied affordable housing as requested by Habitat for Humanity. Staff worked closely with the Habitat for Humanity to generate requirements that ensure on-going affordability for exempted housing projects.
5. SRC 41.160(c) is amended to correct an unintended consequence of the existing ordinance. When developers of large building projects construct qualified public improvements (QPIs), they are eligible for true SDC credits. The intent of true credits is that the SDCs collected at the time of building permit should be reduced by the SDC-eligible costs of the QPIs. However, the current ordinance limits true credits from being given to developers until after the QPIs are constructed and costs have been certified. Because QPIs are always constructed after SDCs are paid, developers must pay their SDCs in full when eligible for true credits, and they also pay in full for construction of the QPIs. SDCs in these cases are essentially a deposit that is refunded after costs are certified. Ordinance Bill No. 9-20 authorizes true credits to be based on the engineer's estimated cost of construction to eliminate the need for SDCs to be paid up front when QPIs are eligible for true credits.

City Council may proceed to second reading for enactment or decline to advance the proposed ordinance.

BACKGROUND:

Staff has learned that developers will be more likely to offer affordable housing if more options were

available for expanding the eligibility of affordable housing developments. One factor limiting options for affordable housing is that SRC 41.150 requires housing to remain affordable for a minimum of 30 years. This 30-year limitation was added in March 2019 under Ordinance Bill No. 01-19 when the criteria for exemptions in SRC 41.150 were changed to increase the number of affordable housing projects that are eligible for reduction of SDCs. In order to further expand the eligibility of affordable housing projects, Ordinance Bill No. 9-20 allows partial SDC exemptions for housing projects that guarantee affordable housing for less than 30 years at a rate of 1/30th of the SDC amount due for each year of affordability. Other minor revisions are proposed to the chapter to improve program administration.

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

Attachments:

1. Ordinance Bill No. 9-20
2. Exhibit A to Ordinance Bill No. 9-20