

**Bend Metro Park & Recreation District
Board of Directors
Executive Session, Regular Meeting & Public Hearing
January 20, 2009**

BOARD PRESENT: Bob Woodward, Ted Schoenborn, George Thayer and Ruth Williamson.

STAFF PRESENT: Don Horton, Bruce Ronning, Lindsey Lombard, Wayne Smith, Jan Taylor and Paula Lowery.

LEGAL COUNSEL: Neil Bryant.

MEDIA: Erin Golden, The Bulletin, Dave Adams, KBND.

CONSULTANTS: D. J. Heffernan, Angelo Planning Group.

VISITORS: See attached list.

EXECUTIVE SESSION

Chair Bob Woodward convened an executive session at 6:45 pm, pursuant to ORS 192.660 (2) (i) for the purpose of review and evaluation of the performance of the chief executive officer.

REGULAR MEETING

Chair Bob Woodward called the regular meeting to order at 7:00 pm.

Chair Bob Woodward announced that Lynne (Mac) MacNeill, a long-time volunteer in the district's outdoor programs, had recently passed away.

BUSINESS SESSION

Neil Bryant, district legal counsel, explained the statutory process being followed in the meeting was created by the Oregon State Legislature and went into effect on July 1, 1991. He stated the purpose of tonight's meeting is for the board to receive comment on the methodology and proposed ordinance. He explained the fee setting and implementation would be addressed at a later meeting by resolution sometime between March 3 and May 5. He explained the statutes require a first and second reading of the ordinance with the first reading scheduled for February 3, followed by the second reading on March 3. He stated that public testimony will be accepted orally, in written form and via email and becomes part of the public record. He stated that ultimately the public comment period will be closed by a decision of the board and staff has recommended a closing date of January 26, 2009, at 5:00 pm. He explained the closing date will allow staff an opportunity to review the public comments, answer questions, and make a recommendation to the board on February 3. He stated the board can consider the recommendation and determine whether to make changes to the ordinance or methodology. He stated that the district has an agreement with the city of Bend for the collection of the SDC fees, and it is anticipated that the district will inform the city of the fees to be charged by May 5 for implementation beginning July 1. He explained that the board reviews the SDC fees annually in May of each year and they are allowed to increase or decrease the fee based upon the methodology and indices used by the methodology. He stated the methodology and ordinance are reviewed every five years and the board appointed an advisory group of representatives

of all entities of the community including the public, builders, realtors and public agencies. He stated that oral testimony at tonight's hearing would be limited to three minutes. He stated the board welcomes your testimony and participation in this process.

SDC Ordinance & Methodology Staff Report

Bruce Ronning, Director of Planning and Development, opened the staff report with introductions of district staff, Lindsey Lombard, Finance Director, Don Horton, Executive Director, consultant D. J. Heffernan, of Angelo Planning Group and district legal counsel, Neil Bryant and Paul Taylor. He explained the board had appointed an advisory group in February 2008 and identified the group members as: Andy High, Central Oregon Builders Association, Bill Robie, Central Oregon Association of Realtors, Michael Graham, citizen at large, Dean Harris, citizen at large, Dale VanValkenburg, Brooks Resources, Vern Palmer, Palmer Homes, Anna Zirker, Bend Neighborhood Association representative, Christine Lewis, Central Oregon Regional Housing, Shelly Palmer, Central Oregon Coalition on Access, Gary Davis, Bend Park and Recreation Foundation, Scott Wallace, Bend Park & Recreation District Board of Directors, George Thayer, Bend Park & Recreation District Board of Directors, Mel Oberst, City of Bend Planning Department, Peter Gutowsky, Deschutes County Community Development, and John Rexford, Bend-La Pine School District. He noted that Hallie Dew from the Central Oregon Association of Realtors, and Brett Caldwell, Bend Neighborhood Association were alternate members. He explained the advisory group met nine times over a period of seven months and forwarded recommendations in the form of seven issue summaries to the district board. He stated those materials have been posted on the district's web site and the notifications according to statutory requirements were mailed on October 20. Bruce noted that the ordinance and methodology along with a map and list of SDC funded projects is being provided for those in attendance. He explained the list of projects identifies those projects the district has used SDC funding for since 1997 when the district took the SDC program in-house. He stated that prior to 1997 the SDC fees were collected and administered by the city of Bend.

D. J. Heffernan, Angelo Planning Group, reviewed the components of the SDC fee program and explained the principle of the program. He explained the methodology is composed of formulas that are followed to determine the SDC fee. He stated that the process before the board is not a change to the methodology, rather an update of the input to the formulas which are very different today than in 2003 when the formulas were developed. He stated the updated input information reflects the changes that have occurred in Bend and central Oregon since 2003. He stated SDCs are regulated by law and the law is very prescriptive about how SDCs can be collected, what the funds can be used for, and how they are calculated. He reviewed the application of the reimbursement and improvement fees and how that affects setting the SDC rate based on the Level of Service (LOS) at the time the fee is calculated. He noted the SDC fees are collected when building permits are issued. He explained that there are certain services not included in the district's SDC program including indoor recreation facilities (e.g. Juniper Swim & Fitness Center), natural areas, administrative facilities and operations and maintenance. He stated these facilities are being funded through other funding sources. D. J. then reviewed who pays the district's park SDC fee including new residential development (new single family homes including duplexes) and new multi-family development (triplexes and apartments) and new motel/hotel development (on a per room basis). He noted that commercial and employment related development does not pay a district park SDC. Bruce Ronning reviewed the advisory group's task to review the current SDC methodology and suggest changes, review of SDC fees for the ability to meet stated program objectives, review SDC administrative procedures especially with regard to potential discounts and waivers, review the annual fee indexing method and make recommendations to the board. D. J. Heffernan reviewed the committee recommendations with regard to

technical updates addressing demographic and cost data, including an update of population data, an update of the park inventory and LOS factors, an update of the future need analysis and an update of land acquisition and construction cost factors. He noted the detail of these factors is available in the issue papers posted on the district's web site. He reviewed comparative land acquisition costs comparing 2003 and 2009, inside the UGB in residential areas and outside the UGB for regional parks. He also reviewed comparative park and trail development costs for 2003 and 2009 for primary recreation trails (per mile), neighborhood parks (per acre), community parks (per acre) and regional parks (per acre). Bruce Ronning explained the administrative structure for the fee lies in the ordinance which does not speak to setting the fee, rather incorporates the methodology which is a separate resolution by way of reference. He explained the calculation and technical aspects of the calculation are in the methodology which is adopted by separate resolution, whereas the administrative framework for the program is in the ordinance. He stated there are certain changes or amendments to the ordinance proposed by the committee including fee waivers and deferrals and to allow for some flexibility and timing of the fee collection. He stated the fee might be collected at the time of occupancy rather than at the time the building permit is issued. He noted the staff recommendation is slightly different than the committee's with respect to the regional park acquisition. He stated the staff has made no recommendation at this time as to what the fee should be set at, rather to keep the calculation for regional park acquisition in the methodology. He stated the board can choose whether to impose that portion of the fee or not. He stated the fee schedule is adopted under separate resolution. Bruce reviewed the revised SDC fee calculations as they currently exist: \$3,507, single family; \$3,147, multi-family and \$1,386, hotel/motel rooms. He stated the fee calculations would be \$5,043, \$4,718 and \$2,034 respectively without regional parks and \$7,240, \$6,772 and \$2,919 respectively with regional parks. He explained the fees represent the maximum amount of the fee that could be imposed based upon the mathematical formula that determines the true cost burden a single individual moving into the community places on the parks system. He stated the board has a set of options for fee setting including implementing the full 2008 SDC fee, phasing in a fee adjustment with or without the indexing over a defined time-frame (he noted that phasing the fee in eventually catches up to the methodology, but in the interim the LOS erodes because the full fee necessary to maintain the LOS is not being collected) or a percentage of the full fee in which case the LOS would erode, unless funding for those elements of the park system could be alternately funded. He also stated the board has the option to make no fee changes, in which case the LOS would continue to erode as the population grows, unless alternative funding was secured. Bruce explained the LOS is the actual measure of level of service that exists today, not the standard identified in the district's comprehensive plan. He stated that in 2003 when the current methodology was adopted, the LOS for neighborhood parks was approximately 1.9 acres per thousand, and since 2003, although the district has added a lot neighborhood park facilities, the LOS has declined to about 1.6 acres per thousand. He stated that in the same period of time the LOS for community parks has risen because the district has used funding sources other than SDCs to both acquire and develop the larger community parks such as Farewell Bend Park, Riverbend Park, Pine Nursery Park, Larkspur Park, the sports fields at Big Sky, etc. He stated those projects had a mix of SDC funding and alternative funding sources. He noted the methodology combines the LOS of neighborhood and community parks and that combined LOS in 2003 was 5.6 acres per thousand and the combined LOS has declined to approximately 4.9 per thousand since 2003. Bruce asked that written comments received in December and those email comments received recently be incorporated into the record.

PUBLIC HEARING – SDC ORDINANCE & METHODOLOGY

Chair Bob Woodward opened the public hearing to receive comment regarding proposed changes to the district's SDC ordinance and methodology.

David Love, representing Habitat for Humanity addressed the board. He stated that when he came to Habitat for Humanity he abandoned all of the rules and methodology because the method that Habitat had set up was developed in 1976. He stated he tried to bring in common sense that says to him today that we have to protect the beauty of our community and parks. He stated that when he and his wife moved here the parks were an asset, but common sense says we have to protect the people here, the jobs that are here. He stated the increases that are suggested by the methodology outlined tonight are going to cost construction jobs in town and keep the price of houses high when we are at a time in our economy that we have to keep the prices low and keep people working. He stated he was pleased to see the possibility of deferral or possible exemptions, however, he is willing to forgo that and pay more for a Habitat home because he has more assets to keep people working. He stated we cannot allow the dogma of methodology to override common sense. He stated we need to create a synergy amongst ourselves that is held by the Covey principle to seek first to understand. He stated he hopes the board will listen to these people tonight and recognize that without the jobs and housing our parks are going to be secondary.

Nancy O'Connor addressed the board. She stated she has lived in Bend for 39 years. She stated that in looking at the three-year averaging of land costs, she questions the land cost of \$233,000 because she does commercial lending and her focus has been on acquisition and development. She stated that she orders appraisals on a consistent basis and what she sees is if someone can get \$233,000 for their property today, they would be elated. She stated she is not seeing those numbers and she thinks today as far as fees go, you need to be at today's price of land, not looking back and including any one year in the average that was a phenomenal year. She asked the board not to use that number because she doesn't think it is realistic. She stated that she gets bare land appraisals anywhere from \$100,000 to \$125,000 an acre. She stated that when you look at subdivisions that are already developed with a price of \$51,000 for a lot, and then back out \$35,000 in development costs, that land is worth \$15,000 per lot with an average of six to seven lots per acre, you are looking at \$90,000 to \$105,000 an acre. She stated she thinks that is the real number that should be used.

Bryan Smith addressed the board. He stated the level of service seems to be tied into the 2020 population forecast and that is running upwards of 15% per year between 2005 and 2010. He stated that actual building permits showed a 32% decline in 2005-2006, a 53% decline in 2006-07 and a 59% in 2007-08, and overall decline over that three year period of 90%. He stated the index you are using is basically not functioning in the current economic climate. He referred to the land values shown as inflating and stated that in actuality land values are declining. He urged the board to make no changes and possibly look at sticking with the existing formula or drilling into the formula and looking at the realities of today's market.

Erich Hohengarten addressed the board. He stated he has been a resident of Bend for six years, he is in the construction industry and he has two toddlers and uses the parks a lot. He asked the board to consider the cost of pulling a permit for a 2,500 square foot house. He stated it is \$22,000 and asked the board to keep that in mind when considering the SDC fee.

Bill Robie, representing the Central Oregon Association of Realtors, addressed the board. He also presented a written statement from which he read, briefly summarized as follows and provided in its entirety for the board. He noted that he had served on the SDC Advisory Group. He stated the organization's concern for the impact of fees on affordable housing in the community that currently suffers from a lack of affordable housing. He stated that at this time such increases are particularly significant because the

decline in the housing market has led to an economic slow-down that impacts everyone in the community. He stated with respect to the policy decisions they believe the park district should take into consideration the available outdoor recreation opportunities surrounding Bend on public land. He stated that in going forward it is unrealistic in planning for services that the district needs to provide every possible outdoor recreation amenity for Bend's citizens and leads to an excessive needs estimate and higher SDC. He stated they also oppose a revised methodology that includes the acquisition of regional park land as it is their understanding there is a surplus of regional park land now, even though there may be an eventual deficit according to the park district's desired level of service. He stated an SDC increase would be a blow to a housing market already experiencing an unprecedented decline. He stated that going forward the market will be even more sensitive to cost because of tighter lending standards, less credit availability and high unemployment. He stated SDCs and other regulatory costs will add proportionally even more to the cost of a new house because of price reductions. He stated they believe the best possible outcome for Bend's public and private sector is a restoration of healthy, managed growth and wealth creation through home ownership. He stated that the only way to return to a dynamic and prosperous economy is by reducing barriers to investment and job creation and now is not the time to be imposing higher costs on the risk takers and job creators in our community.

Dan Goodman, representing Pahlisch Homes, addressed the board. He presented a letter from Pahlisch Homes and noted the document had been emailed to the board earlier today. He stated that over the years Pahlisch Homes has had a great relationship with the district, building two neighborhood parks in northeast and southeast Bend. He stated the most recent park, now known as Boyd Park, was originally estimated and approved by the board at \$560,000 in construction costs; however, we brought it in at \$399,000, a 30% reduction from the original estimate. He stated the \$233,000 an acre is what McCall Landing (Boyd Park) was purchased for, but a lot has changed and he thinks the land costs and construction costs in the methodology should be revised.

Andy High, representing the Central Oregon Builders Association, addressed the board. He also presented a written statement provided in its entirety for the board. He noted that he had served on the SDC Advisory Group. He stated part of their biggest concern is the land acquisition cost and they feel they are inaccurate. He stated that 2004, 2005 and 2006 were anomalies and we have other factors lining up now that we didn't have in 2003. He stated with the recent work and passage of the UGB we should never again be in the position where we are constrained by land availability, and we shouldn't see land costs escalate as they did over those five years. He stated with the collective cost of SDCs we are going to be close to \$30,000 and right now with the bulk of lots at \$30,000, land is worth almost nothing. He stated Bend is currently ranked the eighth highest park SDC in the state, and if the \$7,200 is adopted, it will be second highest. He asked the board to send the methodology back to the committee and look at recent appraisals.

Gil Geihs addressed the board. He stated he is on the homeowner's board for River Rim. He cited his experience in commercial and industrial real estate. He asked if we need all of the parks and suggested going to a new model. He stated we are surrounded by thousands of acres of public land for recreation. He stated his retirement income dropped by 35% and he has to ratchet back and maybe the parks department has to ratchet back. He stated that whatever formula you use, if the rate goes up that is the fastest way to kill an industry that is already flat on its back. He stated you guys aren't going to collect any SDCs because there is no building. He stated you ought to think about lowering your SDC charge with the methodology because we're shrinking. He stated he wanted to build a tri-plex, but the building permits

would be close to 18% of the construction costs so there is no affordability to be obtained there and you can't get it with these kinds of costs.

Terry Luelling addressed the board. He stated the district's multi-million dollar building down on the river on the most prime real estate on this side of the Cascades is the equivalent of him flying down in your corporate jet for a bailout. He stated this doesn't start out good for you wanting to raise your fees. He stated the parks department has a desire and a lot of people have a desire. He stated he thinks you should level off and stop for a little while until the economy is better. He stated that in the presentation you said that development pays the SDCs and that's not right. He stated the end user pays the SDCs whether it's the homeowner, or in his case, he builds rental properties, he passes them on to the tenant. He stated he does entry levels when he can. He urged the board to lower the SDCs. He stated that more parks mean more upkeep and more expense and we are in the worst economic time since the 1930s. He stated that he is sure things are way different now than when the committee first met. He stated he it appears you are trying to build a parks empire and we need to put that on hold. He stated we are years from digging out of this.

Dick Lowell addressed the board. He stated he is a homebuilder with Westbrook Homes. He stated he would echo what has been said before. He stated he testified at the last SDC hearing. He stated that we are back to 2003 in the housing and real estate market. He stated you are in competition with developers for a piece of land and what you have to do is move back to 2003, because we are at 2003 headed for 2000. He stated when he started building houses the cost of a building permit was \$6,600.

Jack Jones addressed the board. He stated he is confused by the presentation and he has not heard one positive thing for an increase. He estimated there are 4,000 lots sitting empty and 1,000 bank owned homes, some on the market, some not, from one bank. He referred to the new district building for \$7.5 million and stated it would be \$12 million before it is finished. He stated you can't blame these people here as that idea came about two or three years ago so this was a progression in keeping with the public and five years ago we were looking good and going strong. He stated in his estimation we have two to three years before the building trade will ever come back. He stated this SDC business has got to stop.

Mike Lovely addressed the board. He stated that he disagrees with everything everybody said here tonight. He stated he has learned over the years you can determine the quality of a city by how well maintained the parks and cemeteries are. He stated that part of the problem with the parks and city over the years and one of the reasons we are in trouble is that there has not been enough SDCs and fees charged to maintain infrastructure. He stated if it is so bad, why all of the realtors and contractors flock here. He stated if it is too expensive to do business here, why are they here. He stated there are parts of the city that don't even have any parks. He stated he is for keeping the parks fees; he doesn't care about the methodology, things increase. He stated he thinks we need more parks and he is getting tired about the whining about the new district building. He stated everybody thinks only the rich people should have the river property and use it for commercial and he disagrees with that. He stated he has never heard anybody complaining that we have too many parks, or too much over-equipped parks. He stated Bend's economy was already hurting before this hit. He stated nobody wants to look at the future.

Steve Herbert addressed the board. He stated he lives in Redmond and does business in Bend. He stated he was on the citizen advisory committee for the parks master plan in Redmond. He stated we did it for

less than \$3,000 and you guys are already at \$3,500. He stated we have the same lofty goals and we are going to do it for a lot less than you guys are already charging.

Chair Bob Woodward closed the public hearing and thanked everyone for their comments. He stated the board would continue to accept written comment until 5:00 pm, Monday, January 26.

EXECUTIVE DIRECTOR'S REPORT

Don Horton gave an update of the Greenprint Plan process. He stated the process is being led by Trust for Public Lands (TPL) and he attended the first formal meeting of all stakeholders last week. He stated there have been ongoing meetings between the Deschutes Basin Land Trust and the park district over the past three months. He stated the process has been discussed along with who should be on the interview list and established a time-frame for completing the report within a year. He stated he will continue to provide updates and he believes the project will be very well supported by the agencies across Deschutes County. He stated it is his hope that the plan identifies some properties within our district as well as county-wide that should be preserved for use by future residents of the county.

Don Horton reported applications are being received for the two vacancies on the budget committee and asked the board to contact anyone they might know who is interested in serving on the committee to encourage them to apply. He stated applications will be received until February 6 and the board will receive them for review on February 17 and is scheduled to make the appointments March 3.

As there was no further business the meeting was adjourned at 8:26 pm.

Prepared by,

Paula Lowery
Executive Assistant

Bob Woodward, Chair

Scott Wallace, Vice-Chair

Ted Schoenborn

George Thayer

Ruth Williamson