

## BOARD AGENDA COMMUNICATION

- AGENDA DATE:** March 3, 2009
- SUBJECT:** BMPRD Ordinance No. 8 ó System Development Charges, the accompanying Resolution No. 311 A Methodology for Calculating Park System Development Charges, and Resolution No. 312 setting a 2009-10 SDC fee schedule.
- STAFF RESOURCE:** Don Horton, Executive Director  
Bruce Ronning, Director of Planning and Development  
Lindsey Lombard, Director of Finance
- PREVIOUS BOARD ACTION:** On January 20, 2009 a public hearing was held pursuant to ORS 223.297 et seq. to receive public testimony on proposed modifications to the BMPRD SDC ordinance and methodology. On February 3, 2009 the board discussed and held a first reading of Ordinance No. 8.
- ACTION PROPOSED:** Board to conduct a second reading and adopt BMPRD Ordinance No. 8 ó System Development Charges and adopt the accompanying Resolution No. 311, A Methodology for Calculating Park System Development Charges as well as Resolution No. 312 setting a 2009-10 SDC Fee Schedule.

### **BACKGROUND**

The district adopted its first systems development charge (óSDCö) methodology and set fees in October 1997 and followed with an Ordinance Establishing a Parks and Recreation Systems Development Charge (BMPRD Ordinance No.1) in June 1999. Since then the district has expended over \$28,000,000 on SDC funded park system improvements. Twenty new neighborhood parks have been acquired and/or developed with SDC funds. Six community park improvement projects have been funded with SDCs and six community park land acquisitions have also been partially or fully funded with SDCs since 1997. In addition, several significant primary trail improvements have been partially or fully funded with SDCs, including the South Canyon Trail Bridge.

On November 21, 2007 the board directed staff to conduct a comprehensive review of the community's future park and recreation facility needs, a revision of the district's long term Capital Improvement Plan (óCIPö) and the periodic review of the 2003 SDC methodology that is called for in Section 11 of BMPRD Ordinance No. 6 - Systems Development Charges. The district engaged Angelo Planning Group (óAPGö) to assist with the CIP/ SDC review and in February 2008, a Community Advisory Group (ócommitteeö) consisting of a broad range of stakeholders was formed to review the CIP and to assist with the anticipated SDC revision. The committee examined and discussed the variables and formulas used in the 2003 methodology, the increased costs of park acquisition and development, and several issues that were identified by staff and the board in 2007 as in need of review. The committee's recommendations regarding the proposed SDC ordinance and

methodology revisions are identified in a series of seven issue papers prepared by APG. The issue summaries are posted on the district's website, [www.bendparksandrec.org](http://www.bendparksandrec.org).

After reviewing and discussing the committee's SDC recommendations during several work sessions, the board determined that elements of the committee's proposal constituted a change of the adopted SDC methodology under ORS 223.297 et seq. and directed staff to prepare for a public hearing as called for in the statute.

### **SDC Ordinance**

On January 20, 2009, the board held a public hearing to receive comment on the revised BMPRD Ordinance No. 8 ó System Development Charges, and the accompanying methodology contained in Resolution 311 Exhibit A, óA Methodology for Calculating Park System Development Chargesö. After review of the hearings record, the board held a first reading of the new Ordinance on February 3, 2009 and scheduled a second reading and adoption on March 3, 2009.

The BMPRD SDC ordinance is an administrative framework that provides for the imposition, collection and accounting of park system development charges pursuant to ORS 223.297 et seq. Changes proposed to the ordinance include an amendment to Section 6 óCollectionsö that would allow the board to determine a different timing for collection of the fee. (E.g. collection at the time of occupancy rather than at the issue of building permit as has been the procedure.) An amendment to Section 10 óRefunds, Waivers and Deferralsö would allow for waivers and/or deferrals of the fee for particular classes of housing. The methodology used to establish or modify the improvement fee, reimbursement fee and administrative fee allowed under the ordinance is contained in a separate resolution. The methodology described in the accompanying resolution as óA Methodology for Calculating Park System Development Chargesö, and its assumptions, conclusions and findings are adopted by reference in the ordinance. In order to understand the full meaning and effect of the ordinance it is necessary to consider the referenced methodology as an integral component.

### **SDC Methodology**

The purpose of the BMPRD SDC methodology is to identify the impacts of future population growth on the levels of park and trail service and to calculate the costs of capital improvements necessary to maintain levels of service as growth occurs. The 2008 methodology revision includes adjustments to the district's SDC fee calculation resultant of updated land and construction cost factors and decreased household occupancy rates. It also updates facility inventories and resets levels of service measured in acres of park land per 1000 population. During the February 3, 2009 discussion of the hearings record, the board asked staff to review the land cost basis contained in the methodology.

### **Level of Service Analysis**

The 2008 level of service analysis is based on current inventories of neighborhood, community and regional parks and trails. No new categories of recreation facility have been added to the SDC calculation, although the potential for including community recreation centers and meeting facilities was discussed by the committee and the board.

Despite the adoption of the current SDC methodology and fee on January 4, 2003, level of service (LOS) for neighborhood parks has declined approximately 16%, from 1.9 acres/1000 to 1.6 acres/1000 during the period 2002 through 2008. This decline in neighborhood park LOS is largely

due to the rising cost of land that has resulted in smaller neighborhood parks being acquired and developed. During the same period the community park LOS has risen from 3.7 acres/1000 to 4.5 acres/1000. The rise in community park LOS is due to the district's acquisition and development of community park lands, including Riverbend and Pine Nursery Parks now under construction. A substantial portion of the new community park land was acquired with non SDC funds. No new regional park land has been acquired or developed since 2002 resulting in a decline in LOS from 15.1/1000 to 10.8 acres/1000 during the period. This decline in service is the best illustration of the effect significant population growth has on a static facility inventory.

### **Residential Land Cost Basis**

The residential land cost basis used in the 2003 methodology was \$75,000/acre. The figure used in the draft 2008 methodology revision was \$233,000/acre, as determined by a weighted average cost of district neighborhood and community park land acquisitions within the UGB during the period 2003 through 2008. The \$233,000/acre number and the method by which it was derived were challenged in the hearings testimony as not being currently accurate. At the February 17, 2009 work session the board determined to reduce the land cost basis used in the draft methodology calculation from \$233,000/acre to \$145,000/acre, a figure the board found to more accurately reflect the cost of acquiring park land in the current Bend real estate market. Staff has now revised the final draft of the 2008 methodology to reflect the change in land cost basis.

### **Regional Park Acquisition Funding**

The advisory committee recommended removing the cost of future regional park acquisition from the 2008 methodology and calculation. Removing the calculation of future regional park land cost would constitute a change in the methodology under ORS 223.297 et seq. and therefore required the January 20, 2009 public hearing. After discussing the committee recommendation and the hearings record, the board elected to retain the regional park element in the 2008 methodology.

### **SDC Indexing Method**

Changes to the indices used to adjust the fee that were recommended by the committee included replacing the Engineers News Record (ENR) Seattle WA Construction Cost Index with the ENR U.S. 20-City Construction Cost Index and reinterpreting the method by which the balance of land cost to construction costs is annually apportioned in the index. The board accepted the committee recommendations regarding annual fee indexing and the changes are included in the final methodology draft.

### **Revised Fee Calculation**

The table below compares the full amount of SDC fees as calculated in the 2003 methodology (after application of annual indexed adjustments) and in the 2008 methodology. Both calculations are based upon assumed acquisition and development costs, household occupancy rates and levels of service existing at the time. The occupancy rates used in the 2008 methodology have changed slightly from those used in 2003 in order to be consistent with those used in the 2005 city of Bend Residential Lands Study. The basis for the rate calculation is the incremental cost of improvements, required to maintain levels of service that a single new district resident (person) will place on the combination of park system elements included in the methodology. The rate per person is coincidentally the same as the hotel/motel guest room fee because the hotel/motel occupancy rate is one person per room per night.

**Comparative SDC Fees for each Housing Type**

<b>Housing Types [Occupancy Rates]</b>	<b>2003 Fees (as adjusted)</b>	<b>2008 Fees (@ 100%)</b>
<b>Single Family [2.46] (includes duplex units)</b>	<b>\$3,507</b>	<b>\$6,158</b>
<b>Multi-family [2.32] (triplex units and larger)</b>	<b>\$3,147</b>	<b>\$5,760</b>
<b>Hotel/Motel Guest Rooms [1] (Per person SDC rate)</b>	<b>\$1,386</b>	<b>\$2,483</b>

The final 2008 fee calculation reflects the adjusted land cost basis (\$145,000/acre) as well as a small rise in the program administrative costs resultant of the revised population forecast. The board is not constrained to set SDC fees at 100% of the calculated rate, but SDC fees cannot exceed those calculated in the adopted methodology.

During the board discussion on February 17, 2009 a consensus was reached to proceed with adopting the revised methodology, but to also consider imposing the 2009-10 SDC fee schedule at less than 100% of the full rate. This second consideration is based upon testimony at the hearing and subsequent board discussion of the currently depressed Bend residential real estate market and the potential impact on market recovery of imposing the full fee at this time.

**STAFF RECOMMENDATION**

Staff recommends that the board

1. conducts a second reading and adopts BMPRD Ordinance No. 8 ó System Development Charges; **and**
2. adopts Resolution 311 including Exhibit A, A Methodology for Calculating Park System Development Charges.

Under the SDC ordinance, the annual fee schedule is set in a separate board resolution and can be revised at any time. A decision to impose the entire SDC fee resultant of the revised methodology or any lesser amount is taken up subsequent to adoption of the ordinance and methodology.

Regarding the SDC fee schedule, staff recommends that the board:

1. adopts Resolution 312(a) finding that imposing the SDC fee at the full 100% level allowed in the methodology is not practical at this time, setting FY 2009-10 SDC fees at the FY 2008-09 levels and resolving to step the fees up on annual basis until such time as they reach the full 100% level; **or**
2. adopts Resolution 312(b) finding that imposing the SDC fee at the full 100% level allowed in the methodology is not practical at this time, setting FY 2009-10 SDC fees at the FY 2008-09 levels, resolving to step the fees up on annual basis until such time as they reach the full 100% level, and also including the requirement that the Bend population growth rate and other factors be reviewed as of January 1 of each year beginning in 2010 in order to determine if the fee should be immediately imposed at 100%.

## **BUDGETARY IMPACT**

SDC fees have been a substantial source of capital funding for the district since the 2003 ordinance and methodology were adopted. The results of the 2008 SDC methodology revision will likely have similar impacts on available funding for needed future capital facility improvements. A decision to impose SDC fees at less than the fully allowable level for any appreciable period of time may result in a decline of the existing levels of park service that are currently enjoyed by district residents.

## **MOTIONS**

(Each to be acted upon separately)

1. ***"I move to consider this a second reading and to adopt BMPRD Ordinance No. 8 – System Development Charges."***
2. ***"I move to adopt Resolution 311 including Exhibit A, A Methodology for Calculating Park System Development Charges."***
3. ***"I move to adopt Resolution 312 imposing an SDC fee schedule effective July 1, 2009."***

## **ATTACHMENTS** (Inserts)

(This material is also posted on the district's website for public review, [www.bendparksandrec.org](http://www.bendparksandrec.org) )

1. *BMPRD Ordinance No. 8 - System Development Charges*
2. *Resolution 311 "A Methodology for Calculating Park System Development Charges"*
1. A redline version of the 2008 SDC methodology tracking changes made since the February 17, 2009 work session
2. Two alternate versions of *Resolution 312* setting a 2009-10 SDC fee schedule and additional requirements