



# Meeting Summary

## Parks System Development Charge (SDC) Methodology Update Stakeholder Introductory Meeting

Wednesday, October 24, 2018, 1:30 p.m. – 3:30 p.m.

Bend Park & Recreation District Office

799 SW Columbia St., Bend, OR 97702

### Purpose of Meeting

- Provide information about the Parks SDC methodology update process
- Engage community members and seek feedback on key issues
- Identify additional issues for consideration in the SDC update

### Welcome and Introductions

Michelle Healy, Bend Parks & Recreation District (BPRD), welcomed participants and thanked them for their engagement. She explained that the main objective of the Parks System Development Charge (SDC) Methodology Update is to consider funding needs in the context of the recently completed Comprehensive Plan, and then to evaluate how best to spread costs across different development types based on system impacts.

Sylvia Ciborowski, Kearns & West, introduced herself as meeting facilitator and reviewed the agenda and purpose of this meeting. She explained that the group is gathered as a sounding board to provide feedback and will continue to be engaged as the process moves forward.

Meeting participants introduced themselves.

### Project Background and Key Issues

Michelle gave a brief introduction on the update. She noted that policy and ordinance suggest that BPRD conduct regular updates and last the update was completed in 2009. The Bend community has grown tremendously since then.

The SDC update will consider a number of components, and four key issues proposed for discussion with stakeholders today include:

1. **Changes to SDC-eligible project types and level of service (LOS) targets** in the context of the Comprehensive Plan

2. **Affordable housing:** ways the park SDC could align with community affordable housing goals and potential limitations
3. **Potential nonresidential SDC:** basis and how it could be assessed
4. **Administrative issues:** how SDCs are administered today, and options for changes in timing of collection, deferrals, etc.

Many of these issues were raised during the recent Comprehensive Planning process and in other forums as issues that could be addressed in conjunction with an SDC update.

## Overview of SDC Methodology Update Project

Deb Galardi, Galardi Rothstein Group, presented a high-level overview of the methodology update and provided context for the four key issues.

Sylvia provided an overview of the stakeholder engagement process. Two stakeholder meetings are planned (October 2018 and January 2019), and additional conversations will occur as needed to understand concerns and gather input.

## Group Discussion on the Four Key Issues

Deb presented a PowerPoint presentation to provide greater context around the four key issues, and participants discussed and asked questions. Key themes from their questions and discussion are included below.

### 1. Changes to SDC-eligible project types and level of service (LOS) targets

- Participants asked about the current LOS targets, and how they compare to previous targets. Staff noted that in the past, community and neighborhood parks were counted separately. The LOS for neighborhood parks was reduced; it was realized how difficult it was to provide a neighborhood park for everyone within ½ mile walking distance, and that community parks serve the same purpose if you live within a ½ mile.
- Participants were interested in providing reimbursements for park lands already purchased or otherwise acquired.
- Participants expressed concern that there is not a legal limit to LOS, and that the LOS could be increased indefinitely based on community desires. It would be useful to compare the LOS in Bend to that of comparable cities.
- Participants discussed whether it would be appropriate to use SDC revenues to build recreation facilities. They noted that indoor facilities (such as an indoor pool), should avoid competing with private indoor facilities. Many housing communities have built neighborhood pools and community centers. BPRD staff agreed that the intent is not to compete with the private market, and in fact year-round indoor swimming facilities are very expensive and the private market usually does not provide them.

- Participants asked how BPRD will work with developers in UGB expansion areas to meet open space requirements. BPRD staff responded that open space requirements do exist for master planned areas; if those lands can be donated to BPRD, it could help bring down the overall SDC fee because donations help reduce project costs.
- Participants suggested that the SDC project list should correlate to areas of Bend that have a deficit of park infrastructure. The SDC project list should be a subset of projects from the Comprehensive Plan project list.
- Participants suggest focusing on the less expensive projects first.
- Participants expressed a desire for a fair funding strategy, in which park projects are not solely funded by fees on builders and developers.
- Participants had questions about which projects are intended to be built with bond revenue; which are built with SDC revenues; and whether there is any resulting offset for SDCs. BPRD staff noted that the Larkspur community center will be partially funded by savings and partially funded by SDC revenues. BPRD will look at other funding sources and how they may reduce SDC fees. Staff added that BPRD has implemented two bonds in 100 years; bond revenues are typically used to fund projects that cannot be funded through SDCs.

## 2. Affordable Housing

- Participants had questions about whether individual affordable housing projects can be exempted from SDCs. It is likely that categories of development can be exempted, but not individual projects.
- Affordable housing participants suggested that the best way to support affordable housing projects is by exempting these projects from SDC fees, or offering a heavy discount, rather than by offering deferral of fees. Some participants were concerned that if affordable housing projects are offered a credit, this may result in a greater SDC share for market-rate developers and builders. BPRD staff noted that affordable housing developments make up a very small share of the SDC revenue source.
- Participants suggested offering an SDC credit to multifamily developers that offer community rooms, playgrounds and other facilities, since these offerings likely reduce the impact on SDC-funded parks projects.
- Overall, participants agreed with assessing SDCs based on square footage of homes. They noted that a flat SDC rate incentivizes larger homes. Some noted that an SDC based on square footage is more effective than one based on number of bedrooms; because an SDC based on the number of bedrooms leads to creative ways to categorize rooms as dens, offices, studies, etc. so that they are not counted as bedrooms. City and County representatives agreed that the “by bedroom” model can lead to administrative difficulties.
- Participants recognized the need to support both *affordable housing* and *housing that is affordable* – i.e., housing that is affordable for first time homebuyers and middle-class workers. They suggested developing a clear definition for affordable housing, perhaps using the City’s

definition of 80% AMI for consistency. HUD also defines affordable housing and has specific criteria for meeting affordability. Currently, SDC fees are very high for middle market housing, and participants suggest a credit to homeowners or some other adjustment in fees for this housing type.

- A participant suggested matching up realistic SDC revenue and then assessing how to address housing affordability.
- Participants noted that it seems that, overall, SDC fees have increased greatly over the past few years, as compared to inflation.
- Participants agreed that it is important for BPRD and the SDC update to help address housing affordability issues, along with other federal, state, city, and local agencies.
- There was some support for financing mechanisms that provide for flexibility in payment types, payment over time, or other deferral schemes.
- Participants supported methods to support middle-market homes. They noted that currently, the SDC fee for a \$1 million home is the same as for a \$500,000 home.

### 3. Potential nonresidential SDC

- Overall, participants support consideration of a nonresidential SDC. They have interest in understanding the proposal for how the nonresidential SDC would be assessed, and on what basis.
- Many supported an exemption for schools. There was some concern that such an exemption would place a larger burden on other nonresidential categories.
- Some expressed concern that a nonresidential SDC seems like double-charging, since it is on top of the residential SDC. BPRD staff responded that nonresidential units would be charged a fraction of residential, and the intent is to capture visitors and out-of-Bend employees.
- Participants suggested that the nonresidential SDC should only be assessed on initial construction, not on remodels or additions.
- Participants noted that the nonresidential SDC should be assessed differently for different types of commercial developments depending on how many employees that type of development would typically have. BPRD staff agreed and clarified that the nonresidential SDC would be based on class of use.
- Participants agreed that visitors have an impact on the parks system; and the question is how to fairly capture their impact and assess appropriately.
- An agency representative recommended using the ITE rate-trip generation model as a basis for assessing SDCs. Others had concern that this model is suburban in nature and does not fit the Bend community well. Additionally, number of trips does not seem like an appropriate nexus to parks.
- Participants asked whether the nonresidential SDC would reduce the residential SDC, and by how much. BPRD noted that this will be determined later in the process.
- Participants support using square footage as a basis for assessing the nonresidential SDC.

#### 4. Administrative Issues

- An affordable housing participant noted that deferrals or financing support are not an effective way to support affordable housing projects because of the way these projects are funded; instead, exemptions or discounts would be helpful.
- A participant suggested looking at the South Hillsboro model that allows homeowners to pay SDCs over time and interest-free, rather than as a part of the home price. Affordable housing participants added that while this model might be helpful for market rate housing, it would not be helpful for affordable housing projects.
- In general, single-family home builders and developers do not have concerns around time of payment and do not have a strong desire for deferrals. It may be that multi-family home builders would be more interested in deferrals or incremental payment options.
- A participant suggested a discount or credit to developers that build park facilities and amenities as part of their housing projects, such as trails, parks, HOA amenities, etc. These facilities reduce burden on SDC-funded parks.
- A participant suggested that condominiums should be assessed at the multifamily SDC rate, rather than the single-family home rate that is currently used. It would be helpful if the SDC update process could provide better clarity on different categories of housing.

#### Next Steps and Action Items

Staff noted that it will be important to engage additional stakeholders and asked for suggestions on who to engage. Participants provided the following suggestions:

- Chamber of Commerce
- Sunwest Builders
- Skanska
- Killian Pacific Commercial Real Estate Development
- Real estate developers and brokers

Michelle thanked participants for their time and participation at the meeting.

## Meeting Attendance

The following individuals participated in the meeting:

### Participants

- Ana Bozich – Pahlisch Homes
- Geoff Harris – Hayden Homes
- Jade Mayer – Brooks Resources
- Jim Yozamp – PacWest Homes
- John Gilbert – Pacific Crest Affordable Housing
- Karna Gustafson – Oregon Home Builders Association/Central Oregon Builders Association
- Keith Wooden – Housing Works
- Paul Taylor – Bryant Lovlien & Jarvis
- Peter Russell – Deschutes County
- Ron White – Tennant Development
- Russell Grayson – City of Bend
- Scott Rohrer – Habitat for Humanity
- Tyler Neese – Central Oregon Association of Realtors

### BPRD Staff and Consultant Team

- Don Horton – Bend Park and Recreation District
- Julie Brown – Bend Park and Recreation District
- Lindsey Lombard – Bend Park and Recreation District
- Michelle Healy – Bend Park and Recreation District
- Sarah Bodo – Bend Park and Recreation District
- Deb Galardi – Galardi Rothstein Group
- Sylvia Ciborowski – Kearns & West

## Additional Comments Shared with BPRD Following the Meeting

Following the meeting and through November 16, BPRD received three follow up emails with additional recommendations. Additional comments are welcome throughout the project.

- Suggestion to involve economist Damon Runberg, Compass Commercial, and Fratzke.
- Suggestion to scale fees by size and by cost, for the lower 25% or so of the new home market, since home prices are pretty well related to the ability to pay for the home. This would help support housing affordability.
- For nonresidential development, suggestion to exempt certain facilities, like neighborhood parks.
- Another idea would be to only assess an SDC if the facility would be within walking distance to a BPRD facility.
- Agreed that a percentage of the residential rate seems appropriate for nonresidential development, and suggested census commuting data as a source.

- Suggestion to collect demographic data on park facility use by affordable housing residents to determine whether the data supports a reduced SDC rate for affordable housing.
- The level of service for district improvements should remain the same as it currently is. Regardless of the moving parts, attempting to sell the general public on the need to increase the level of service seems like a difficult mountain to climb.
- SDCs should NOT be collected on non-residential construction. Attempting to collect for people that live outside of bend but work in bend will further complicate an already complicated system, with little benefit. Park SDCs are collected on “guest rooms” already, which means tourists are being charged their share.
- SDCs should be eliminated for appropriate affordable housing. However, as there are different types of “affordable” housing, more thought should be given as to what constitutes affordable housing.
- SDCs should be calculated on a graduated basis, based on square footage, whereby smaller houses pay less SDCs and bigger houses pay more SDCs. Utilizing square feet eliminates administrative confusion, will help in providing more housing with smaller footprints and should help increase affordability.