



Meeting Summary

Park System Development Charge (SDC) Methodology Update Stakeholder Meeting on Issue Analysis

Wednesday, January 16, 2019, 1:00 p.m. – 3:00 p.m.
Bend Senior Center
1600 SE Reed Market Rd, Bend, OR 97702

Purpose of Meeting

- Share the analysis of SDC options including residential Parks SDC assessment options and a potential nonresidential Parks SDC.
- Engage community members and seek feedback on the analysis of options for the Parks SDC update.

Welcome and Introductions

Michelle Healy, Bend Park & Recreation District (BPRD), welcomed participants and thanked them for their engagement.

Sylvia Ciborowski, Kearns & West, introduced herself as meeting facilitator and asked meeting participants to introduce themselves.

Sylvia reviewed the agenda and the purpose of this meeting. She noted that in past meetings, stakeholders were provided with an introduction to the SDC update and discussed the following four key issues:

- 1) Level of service (LOS) and changes to SDC-eligible project types in the context of the Comprehensive Plan
- 2) Ways the Parks SDC could align with community affordable housing goals
- 3) A potential nonresidential SDC
- 4) Administrative issues.

The team has conducted analysis, gathered data, and considered stakeholder feedback on these issues to develop a number of options for the SDC update. Today, the team will present options on two topics in particular—a potential nonresidential SDC and scaling options for the residential SDC—and seek feedback on these topics prior to the January 29 BPRD Board meeting.

Update on Progress since Introductory Stakeholder Meetings

Deb Galardi, Galardi Rothstein Group, reminded participants of the timeline for the process, which includes a January 29 work session with the BPRD Board of Directors. The team has conducted the majority of the preliminary technical analysis and has some options to present today. In the coming month, the team will refine the options and analysis and then will draft the SDC Methodology Report. A sixty-day comment period of the report will be available prior to the final Public Hearing set for May 21, 2019.

Sarah Bodo, BPRD, provided the progress and timeline of public engagement, which includes:

- October 24, 2018 – Stakeholder introductory meeting on SDCs
- November 6 – Board meeting to provide update on SDC process
- December 6, 2018 – Second stakeholder introductory meeting on SDCs
- Ongoing – Individual meetings with stakeholders to provide more context and to gather feedback
- January 16, 2019 – Stakeholder meeting to present findings and issue analysis
- January 29, 2019 – Board meeting/work session

Deb Galardi provided an update on the SDC methodology and SDC project list. The presentation included:

- Progress on methodology, including development of a cost basis, cost per equivalent population, and SDC calculation
- Note that all calculations presented today are preliminary, as additional analysis needs to be completed, compliance costs and bond credits need to be factored in, and there are several policy decisions that can impact the final calculations
- Summary of the SDC project list and estimated costs to build projects
- Existing and future levels of service, and implications of the level service for the SDC cost basis
- Preliminary improvement SDC cost basis and preliminary reimbursement SDC cost basis

Discussion on Methodology and Cost Basis

Participants asked clarifying questions and made comments regarding the methodology and cost basis, including:

- A participant asked for an example of improved level of performance/development, and Deb indicated that Big Sky Park development is an existing park where additional acreage is being developed so is included in this category on the SDC project list.
- A participant asked how developer reimbursements are factored in (i.e., developer oversizing reimbursement and instances when the District reimburses developers for directly providing park capacity improvements).
- Participants asked clarifying questions regarding the LOS targets for neighborhood and community parks. Staff replied that the current LOS goal in the Comprehensive Plan is 7.85, which represents a combination of LOS for community and neighborhood parks following

completion of all of the improvements identified in the Comprehensive Plan. The current actual LOS (8.0) is slightly higher than the LOS goal; the preliminary 10-year SDC project list results in a future planned LOS of 7.88, consistent with the target. Without park improvements there will be a reduction in LOS as population growth occurs (by the end of the 10-year timeframe).

- A participant asked whether there is a standard LOS in the industry. Staff replied there is no standard; instead, LOS is community-based and depends on how much the community values park facilities.
- A participant asked whether projected population growth factors in UGB expansion and staff replied that it does. The participant noted that Woodside Ranch is not within the District boundary, yet all its residents enjoy District parks without paying into the system. It seems those out-of-District users should be asked to pay, rather than asking for increased fees for those within the District.
- A participant asked about District park utilization rates. The staff responded that there is some sense of utilization rates from recreation surveys, park system reservation data, and trail counters. Bend appears to have high levels of use of parks and trails, and anecdotal information would be helpful in providing baseline justification. Participants are interested in seeing how the use of Bend parks compares to other communities.
- A participant asked how and whether the parks project costs are being considered in coordination with the operating budget and how property taxes are used to fund parks. Staff responded that the SDC project list does not include cost of asset management or replacement projects. Property tax revenues are used to cover maintenance. Some facilities also have reserves already built up; for example, \$11 million has already been saved by BPRD for the future Larkspur Center.
- A member asked whether BPRD is seeing economies of scale; for example, with additional parks do administrative costs grow at a less rapid pace? Staff responded that there are some economies of scale, however new park facilities increase operational costs.
- Participants asked how the Comprehensive Plan public process sought input from the public regarding the public's level of desire to put more funding into the parks system. They asked whether the public was asked to weigh or prioritize parks against other important needs such as housing affordability, and whether any cost estimates were provided for parks projects for the public to reflect on. The staff responded that the District has conducted perception surveys to understand how much people value parks compared to other public services, such as libraries, streets, police, etc., and the outcomes showed that people value parks highly. There were not costs associated with specific parks as part of the Comprehensive Plan public process; the questions asked were bigger picture questions around perceptions on Bend's densification and growth.
- A participant asked what the SDC cost basis was for the prior SDC update. The staff responded that they would need to find that information.
- Some participants suggested reducing the Parks SDC project list in order to reduce the cost basis. The staff responded that they are trying to update the SDC methodology so that it more equitably spreads the SDC. The intent is not to try to increase the SDC.
- A participant asked whether the BPRD Parks SDC methodology is consistent with other similar markets, how it compares with other communities, and whether it keeps Bend a competitive market to attract developers. The staff responded that the current and updated methodologies

are consistent with industry standard approaches. Key methodology changes being considered in this update (i.e., whether to include indoor facilities as part of the Parks SDC project list, whether to include a nonresidential fee that would be a conservative estimate of a worker's opportunity to use parks in Bend, and whether to scale the residential SDC based on occupancy ranges) are also consistent with parks SDC methodology trends in other communities.

Potential Nonresidential Parks SDC

Deb presented the analysis and findings regarding a potential nonresidential component for the Parks SDC. She noted that there is an accepted nexus between nonresidential development and park capacity needs. Other jurisdictions tend to use an equivalency model based on hours of opportunity that employees have to use parks. She presented a proposed equivalency of 0.126 for a potential nonresidential Parks SDC for BPRD. She noted that this figure is seasonally adjusted to take into account that people are more likely to use parks in warmer summer months, and it includes outside District employees only. This proposed equivalency is on the low end of what is used in other jurisdictions, in response to preliminary feedback from stakeholders at prior meetings.

She presented calculations on how a nonresidential SDC would impact the residential SDC. She noted that if the District were to adopt a nonresidential SDC, this would lower the combined SDC for residential developments by about \$150 per person.

Deb then presented sample nonresidential SDC calculations for various development types. She noted that different development types would be placed into categories based on how many employees are typical for that kind of development. For example, an office tends to have more employees per square foot than an industrial development, so the SDC fee for an industrial development would be lower than for an office building of similar size.

Discussion on Potential Non-Residential SDC

Sylvia invited participants to ask questions and provide comments regarding a potential non-residential SDC. Questions posed for discussion included:

- What are your thoughts on including a nonresidential SDC?
- Any reflections on the analysis, its outcomes, or the recommendation?

Key themes from the discussion are included below.

- A participant noted that it would be helpful to see the total SDC cost to developers, rather than looking at just the Parks SDC, and that it would also be helpful to compare the total SDC cost in Bend to that of other Central Oregon communities. The staff responded that they can work with City staff to develop a total SDC amount, including parks, transportation, water and sewer SDCs, and see how that compares to similar communities.
- A participant expressed concern about basing the nonresidential SDC on zones and adding complexity to the SDC calculation. Staff responded that BPRD would work with the City to

simplify the nonresidential SDC categories and keep them consistent, while still providing equity for different commercial development types.

- A participant asked whether the LOS would decrease if a nonresidential component has been factored in. Staff responded that the current LOS calculation does not capture parks users who live outside the District; although when BPRD calculated the LOS, they recognized that there is impact from visitors and nonresident employment.
- Damon Runberg pointed out that the nonresidential SDC categories used in the analysis were based on the Metro Urban Growth Report. Damon said that he can provide Bend-specific data around average number of employees for the various nonresidential development types, to make the nonresidential SDC calculation more in line with local commercial use.
- Staff indicated that there are only about 1,000 additional residents of the District vs. the City of Bend.
- Damon Runberg offered to provide more specific data on Bend employees that reside outside of the District and within the District.
- A participant noted that the nonresidential SDC only slightly lowers the residential SDC (by approximately \$150/person) and has a nominal impact on housing prices; it may not be worth making the SDC more complex for a small difference. The relative benefit may not be worth the added complexity.
- A participant questioned the accuracy of using “hours of opportunity” rather than real data on parks use by employees. The participant asked whether the data takes into account that parks are more heavily used on weekends and in summer months, the differences in use based on a commercial development’s proximity to parks, and whether employees really use the parks very much. The staff responded that the “hours of opportunity” model does take into account various nuanced factors, and that the residential SDC component is also based on “hours of opportunity” which is a standard model used in Oregon. The City of Eugene conducted a study to assess real parks use by employees and found a higher level of usage than the models predict.
- A participant asked if since the proposed nonresidential methodology adds in employees that live outside of Bend but work and use parks in Bend—does it also subtract those that live in Bend but work and use parks outside of Bend? Staff responded that inside District residents that work outside the area are assumed to have fewer hours available for BPRD park use and this is factored into the calculations.
- A participant noted that there are many homes/developers that did not pay an SDC because they were built before the SDC program, and there is an equity concern around having new developers shoulder more of the burden of paying for parks. Staff noted that there was a fee paid prior to the SDC program, and that the current SDC payments seek to address parks needed for new populations and future growth.
- Some participants advocated for reducing the \$93 million project list and putting out a bond measure to pay for some park projects and expressed that asking taxpayers to vote and chip in to pay for parks would be an equitable way to fund parks.
- A participant asked if developers can still get credits for trails or parks that the developer builds. Staff noted that credits are available if the project built is on the SDC project list.
- Some participants expressed concern that the nonresidential SDC seems like double-charging.

- A participant supported the nonresidential SDC as a way to more equitably spread park development costs to non-resident employees who might use parks on lunch breaks and for other reasons.
- Some participants expressed that they do not support a nonresidential SDC.

Residential SDC Assessment Options

Deb presented various options to scale the residential SDC based on dwelling size to improve equity and address some affordability concerns. She added that the SDC will also seek to address income-qualified Affordable Housing, but those discussions are still ongoing and not part of today's agenda.

She noted that at the October and December stakeholder meetings, stakeholders expressed an interest in analyzing options to scale the residential SDC based on dwelling size.

Deb presented various scaling options and the preliminary SDC calculation for those options. The SDC can be scaled based on number of bedrooms, or by square footage. Under both of these options, the SDC cost would be lower for residences with fewer people per dwelling unit, and higher for residences with more people per dwelling unit. These scaling options can be applied to both single family and multifamily residences. The preliminary calculations developed and presented today are based on data and collaboration with two professors who are experts at statistical analysis, and the various data sources that support the analysis (i.e., census data, tax lot information from the Assessor's office, and a number of other surveys). The proposed square footage tiers do not further break up smaller homes into tiny homes or ADUs because the data sample size was too small to be statistically valid for the District's service area. However, there is national data on the typical people per dwelling unit in these smaller development types. Deb added that all of the scaling options would require additional administration.

Discussion on Residential SDC Assessment Options

Sylvia invited participants to ask questions and provide comments regarding a residential SDC assessment options. Questions posed for discussion included:

- What are your thoughts on tiering/scaling the SDC based on average household size?
 - Single family? Multifamily?
 - Is it more appropriate to use the square footage or bedroom basis for scaling the SDC?

Key themes from their questions and discussion are included below.

- A participant noted that scaling based on square footage might be easier to administer than scaling based on number of bedrooms.
- A participant suggested scaling in a way that makes starter and workforce housing as affordable as possible; it would be best to scale with the largest gap so that smaller homes are assessed a smaller SDC.
- A participant reiterated that even with scaling, the SDC on workforce housing seems too high, that SDCs are increasing quickly, and the District should consider reducing the project list to

reduce the cost basis as well as putting park development costs out for a bond. Staff added that the SDC calculations do assume that SDCs would be used to fund a portion of Larkspur Center, which is a policy question for the Board. On the issue of bonds, staff responded that BPRD has put out limited bonds in the past, but it is important to remember that bonds also add to the cost of living. If BPRD were to move from the SDC model to the bond revenue model, it would result in asking those who have already paid an SDC to again pay into the parks system. The Board has demonstrated that it would like to reserve capacity for bonds for big projects, but not for general parks projects to serve new growth.

- A participant suggested including more tiers, and larger gaps in cost per tier to help make housing more affordable.
- City participants noted that it will be important for BPRD and the City to coordinate on scaling so that the Parks and Transportation SDCs are based on the same scaling methodology.
- A participant suggested eliminating the tiers, and instead basing the SDC on a regression analysis and including a coefficient of square footage to avoid developers gaming of the system (i.e., proposing a house size just below the next higher tier).
- A participant noted that homeowners are surprised to learn how much of their home purchase price goes towards paying for parks (ex: 2% of a \$400,000 home purchase price goes towards paying for parks).
- A participant asked about the trends in what percentage of a home's purchase price goes towards the Parks SDC. Staff responded that they could look into data on the SDC over the past ten years, as compared to the average home price to see if the percentage going towards SDC is rising or changing over time.
- A participant noted that SDC charges in Bend are double of that in Redmond.
- A participant was concerned about the SDC's impact on Bend's competitiveness. Developers and businesses moving to Bend want to know that their employees can afford to buy a house here. Bend should try to be more competitive with other West Coast cities to attract businesses and developers.
- A participant wondered if a higher SDC fee might discourage developers from moving here, and thus reduce growth. Others responded that there are other factors besides fees that make it very expensive to build in Bend. Land costs are also rising, and that trend is likely to have more of an impact on developer location decisions than an increase in fees.

Overall levels of support: The facilitator asked participants for their overall support of the various options and ideas presented today. Overall, participants agreed with the following:

- Overall, participants agreed that if the District decides to move forward with a scaled residential SDC, they are supportive of scaling based on square footage rather than by number of bedrooms. They noted that scaling based on number of bedrooms leads to gaming of the system.
- Overall, participants support a similar square footage basis scaling for multifamily housing.
- Overall, participants support considering a regression analysis and including a coefficient of square footage.

Next Steps and Action Items

Staff thanked participants for their engagement. Michelle reviewed the next steps in the process, including a final review of the technical analysis and development of compliance costs and credits. The BPRD will continue to conduct individual outreach and will provide an update to the Board at the January 29, 2019 meeting.

Michelle encouraged participants to provide additional comments if they think of anything after this meeting and thanked them for their honest and direct feedback that will help inform the process.

Action Items

Next steps and actions for the BPRD team to take include:

- Find out what the SDC cost basis was for the prior SDC update.
- Work with Shannon Levine to develop a total SDC amount, including parks, transportation, water and sewer SDCs, and see how that compares to similar communities.

Nonresidential SDC Analysis:

- Work with the City to simplify the nonresidential SDC categories and keep them consistent, while still providing equity for different commercial development types.
- Work with Damon Runberg to gather Bend-specific data around average number of employees for the various nonresidential development types in order to make the nonresidential SDC calculation more in line with local commercial use.
- Work with Damon Runberg and Josh Lehner to refine the assumptions on the number of outside District employees.

Residential Scaling Options Analysis:

- Coordinate with the City on scaling so that the Parks and Transportation SDCs are based on the same scaling methodology.
- Consider a regression analysis and including a coefficient for square footage.
- Look into data on the SDC over the past ten years, as compared to the average home price, to evaluate if the percentage going towards SDC is rising or changing over time.

Meeting Attendance

The following individuals participated in the meeting:

Participants

1. Kip Barrett – Economic Development for Central Oregon
2. Anna Bozich – Pahlisch Homes
3. David Brant – Housing Works
4. Gina Dahl – City of Bend
5. John Gilbert – Pacific Crest Affordable Housing
6. Karna Gustafson – Oregon Home Builders Association
7. Russell Grayson – City of Bend
8. Meghan Hall – Brooks Resources
9. Geoff Harris – Hayden Homes
10. Dan Kemp – Compass Commercial Real Estate Services
11. Brent Landels – The Cascadia Group
12. Josh Lehner – Oregon Office of Economic Analysis
13. Shannon Levine – City of Bend
14. Jennifer Limoges – NAI Cascade
15. Lynne McConnell – City of Bend
16. Tyler Neese – Central Oregon Association of Realtors

17. Scott Rohrer – Habitat for Humanity
18. Damon Runberg – Oregon Employment Department
19. Peter Russell – Deschutes County
20. Bill Smith – William Smith Properties
21. Todd Taylor – Taylor NW
22. Ron White – Tennant Development

BPRD Staff and Consultant Team

1. Don Horton – Bend Park and Recreation District
2. Michelle Healy – Bend Park and Recreation District
3. Julie Brown – Bend Park and Recreation District
4. Sarah Bodo – Bend Park and Recreation District
5. Betsy Tucker, Bend Park and Recreation District
6. Paul Taylor – Bryant Lovlien & Jarvis
7. Deb Galardi – Galardi Rothstein Group
8. Sylvia Ciborowski – Kearns & West