



**PARKS AND RECREATION
SYSTEM DEVELOPMENT CHARGES
METHODOLOGY UPDATE**

as of
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CITY OF MEDFORD

Parks and Recreation System Development Charges Methodology Update

1.0 INTRODUCTION

System Development Charges (SDCs) are one-time fees charged to new development to help pay a portion of the costs associated with building capital facilities to meet needs created by growth. SDCs are authorized for five types of capital facilities including transportation, water, sewer, stormwater, and parks and recreation. The City of Medford adopted the current parks and recreation SDCs methodology in 1993. In December 2004, the City engaged Don Ganer & Associates, Inc. to update the City's Parks and Recreation SDC methodology to reflect growth needs identified in the updated Leisure Services Plan (underway).

Section 2.0 of this report presents authority and background information including (1) legislative authority for SDCs; (2) an explanation of "improvement fee" and "reimbursement fee" SDCs; (3) requirements and options for credits, exemptions and discounts; and (4) alternative methodology approaches. Section 3.0 presents the methodology used to update the Parks and Recreation SDCs, section 4.0 presents the calculation of Residential Parks and Recreation SDC Rates, section 5.0 presents the calculation of Non-Residential Parks and Recreation SDC Rates, and section 6.0 discusses annual adjustment of the SDC rates. A Parks and Recreation SDC Capacity Improvements Plan (SDC-CIP) listing projects that may be funded with SDC revenues is included as an Appendix to this report.

2.0 AUTHORITY AND BACKGROUND INFORMATION

A. Legislative Authority

The source of authority for the adoption of SDCs is found both in state statute and in the City's own plenary authority to adopt this type of fee. While SDCs have been in use in Oregon since the mid-1970's, State legislation regarding SDCs was not adopted until 1989, when the Oregon Systems Development Act (ORS 223.297 - 223.314) was passed. The purpose of this Act was to "...provide a uniform framework for the imposition of system development charges..". Additions and modifications to the Oregon Systems Development Act have been made in 1993, 1999, 2001, and 2003. Together, these pieces of legislation require local governments that enact SDCs to:

- adopt SDCs by ordinance or resolution;
- develop a methodology outlining how the SDCs were developed;
- adopt a capital improvements program to designate capital improvements that can be funded with "improvement fee" SDC revenues;
- provide credit against the amount of the SDC for the construction of certain "qualified public improvements";
- separately account for and report receipt and expenditure of SDC revenues, and develop procedures for challenging expenditures; and
- use SDC revenues only for capital expenditures (operations and maintenance uses are prohibited).

B. "Improvement fee" and "Reimbursement fee" SDCs

The Oregon Systems Development Act provides for the imposition of two types of SDCs: (1) "improvement fee" SDCs, and (2) "reimbursement fee" SDCs. "Improvement fee" SDCs may be charged for new capital improvements that will increase capacity. Revenues from "improvement fee" SDCs may be spent only on capacity-increasing capital improvements identified in the required capital improvements program that lists each project, and the expected timing, cost, and growth-required percentage of each project. "Reimbursement fee" SDCs may be charged for the costs of existing capital facilities if "excess capacity" is available to accommodate growth. Revenues from "reimbursement fees" may be used on *any* capital improvement project, including major repairs, upgrades, or renovations. Capital improvements funded with "reimbursement fee" SDCs do not need to increase capacity, but they must be included in the list of projects to be funded with SDC revenues.

C. Requirements and Options for Credits, Exemptions, and Discounts

(1) Credits

A credit is a reduction in the amount of the SDC for a specific development. The Oregon SDC Act requires that credit be allowed for the construction of a "qualified public improvement" which (1) is required as a condition of development approval, (2) is identified in the City's capital improvements program, and (3) either is not located on or contiguous to property that is the subject of development approval, or is located on or contiguous to such property and is required to be built larger or with greater capacity than is necessary for the particular development project. The credit for a qualified public improvement may only be applied against an SDC for the same type of improvement (e.g., a parks and recreation improvement can only be used for a credit for a parks and recreation SDC), and may be granted only for the cost of that portion of an improvement which exceeds the minimum standard facility size or capacity needed to serve the particular project. For multi-phase projects, any excess credit may be applied against SDCs that accrue in subsequent phases of the original development project.

In addition to these required credits, the City may, if it so chooses, provide a greater credit, establish a system providing for the transferability of credits, provide a credit for a capital improvement not identified in the City's capital improvements program, or provide a share of the cost of an improvement by other means (i.e., partnerships, other City revenues, etc.).

(2) Exemptions

The City may "exempt" certain types of development, such as "non-residential development" from the requirement to pay parks SDCs. Exemptions reduce SDC revenues and, therefore, increase the amounts that must come from other sources, such as bonds and property taxes.

(3) Discounts

The City may "discount" the amount of the SDC by reducing the portion of growth-required improvements to be funded with SDCs. A discount in the SDC may also be applied on a pro-rata basis to any identified deficiencies to be funded from non-SDC sources. For example, the City may decide to charge new development an SDC rate sufficient to pay for some types of facilities but not for others (i.e., neighborhood parks but not trails, etc.), or to pay only a percentage (i.e., 80%, 50%, etc.) of identified growth-required costs. The portion of growth-required costs to be funded with SDCs must be identified in the City's capital improvements program.

Because discounts reduce SDC revenues, they increase the amounts that must come from other sources, such as bonds or general fund contributions, in order to achieve or maintain adopted levels of service.

D. Alternative Methodology Approaches

There are three basic approaches used to develop improvement fee SDCs; "standards-driven", "improvements-driven", and "combination/hybrid".

(1) Standards-Driven Approach

The "standards-driven" approach is based on the application of Level of Service (LOS) Standards for facilities such as neighborhood parks, community parks, etc. Facility needs are determined by applying the LOS Standards to projected future population and employment, as applicable. SDC-eligible amounts are calculated based on the costs of facilities needed to serve growth. This approach works best where current and planned levels of service have been identified but no specific list of projects is available.

(2) Improvements-Driven Approach

The “improvements-driven” approach is based on a specific list of planned capacity-increasing capital improvements. The portion of each project that is attributable to growth is determined, and the SDC-eligible costs are calculated by dividing the total costs of growth-required projects by the projected increase in population and employment, as applicable. This approach works best where a detailed master plan or project list is available and the benefits of projects can be readily apportioned between growth and current users.

(3) Combination/Hybrid Approach

The combination/hybrid-approach includes elements of both the “improvements-driven” and “standards-driven” approaches. Level of Service standards may be used to create a list of planned capacity-increasing projects, and the growth-required portions of projects can then be used as the basis for determining SDC-eligible costs. This approach works best where Levels of Service have been identified and the benefits of individual projects are not easily apportioned between growth and current users.

3.0 PARKS AND RECREATION SDC METHODOLOGY

The Improvements-Driven approach has been used to develop the updated Parks and Recreation SDC methodology. The updated Leisure Services Plan (underway) identifies projects designed to repair deficiencies and address growth needs within the City’s planning area. The SDC Capacity Improvements Plan (Appendix) includes these projects and identifies the growth-required percentage (if any), the estimated cost, and the estimated timing (priority) of each project.

Parks and recreation facilities benefit City residents, businesses, non-resident employees, and visitors. The methodology used to update the City's Parks and Recreation SDCs establishes the required connection between the demands of growth and the SDC by identifying specific types of parks and recreation facilities and analyzing the proportionate need of each type of facility for use by residents and employees. The SDCs to be paid by a development meet statutory requirements because they are based on the nature of the development and the extent of the impact of the development on the types of parks and recreation facilities for which they are charged. The Parks and Recreation SDCs are based on population and employment, and the SDC rates are calculated based on the specific impact a development is expected to have on the City's population and employment. For facilities that are not generally used by employees (e.g., neighborhood parks), only a residential parks and recreation SDC may be charged. For facilities that benefit both residents and employees (i.e., community parks, etc.), parks and recreation SDCs may be charged for both residential and non-residential development.

A. Population and Employment Growth

The Parks and Recreation SDCs are based on costs per "capita" (person). Estimates of current and projected population and employment within the City's planning area were calculated using data from the Leisure Services Plan and the Medford Transportation System Plan.

TABLE 3.1

**PROJECTED POPULATION AND EMPLOYMENT
INCREASES FROM NEW DEVELOPMENT (2005 - 2030)**

	<u>2030 (Projected)</u>	-	<u>Estimated 2005</u>	=	<u>Projected Increase</u>
Population:	93,770	-	69,222	=	24,548
Employment:	59,765	-	41,449	=	18,316

B. Persons Per Dwelling Unit

The Residential Parks and Recreation SDC rates are based on costs per capita and are calculated based on the number of persons per dwelling unit. Dwelling units typically house different numbers of persons depending on the type of unit (i.e., single family, multi-family, etc.). To determine the appropriate number of persons per dwelling unit, official U.S. Census data gathered for Medford in 2000 was analyzed, and the resulting calculations are displayed in Table 3.2, page 7.

TABLE 3.2

**CITY OF MEDFORD
AVERAGE PERSONS PER DWELLING UNIT**

<u>Type of Unit</u>	<u>2000 Census Avg. Persons Per Dwelling Unit</u>
Single-Family	2.69
Multi-Family	1.79
Manufactured Housing	2.04

C. Benefit of Facilities

Facility needs must consider the proportionate benefit each type of facility has for residents and employees. A resident is any person whose place of residence is within the Medford planning area. An employee is any person who receives remuneration for services, and whose services are directed and controlled either by the employee (self-employed) or by another person or organization. The parks and recreation facilities discussed in this report are defined in the Leisure Services Plan (underway). For purposes of this report, mini parks, neighborhood parks, and youth softball/baseball fields are considered to be used by residents, rather than by employees. All other facilities including community parks, open space, special use facilities, etc., are considered to be used by both residents and employees.

The amount of time parks and recreation facilities are available for use by employees is not the same as for residents. In order to equitably apportion facilities between employees and residents, an employee-to-resident demand ratio was developed based on the potential time these facilities are available for use.

First, estimates for the average number of hours per day these facilities are available for use were identified. Children's ages, adult employment status, work location (inside or outside the City), and seasonal variances were taken into account and are displayed in Table 3.3, page 8.

The Annual Weighted Average Hours of availability was calculated for each category of resident and employee using the following formula:

$$(Summer\ Hours/Day \times 3 [months] + Spring/Fall\ Hours/Day \times 6 + Winter\ Hours/Day \times 3)/12$$

TABLE 3.3**ESTIMATES OF AVERAGE DAILY
AVAILABILITY OF PARKS AND RECREATION FACILITIES**

	<u>Non-Employed Adult (18+)</u>	<u>5-17 Kids</u>	<u>Live In/ Work In</u>	<u>Live In/ Work Out</u>	<u>Live Out/ Work In</u>	<u>Total</u>
Summer (June-Sept)						
<u>Weekday</u>						
Before Work			1		1	2
Meals/Breaks			1		1	2
After Work			2		2	4
Other Leisure	12	12	2	2		28
Sub-Total	12	12	6	2	4	36
<u>Weekend</u>						
Leisure	12	12	12	12	0	48
Sub-Total	12	12	12	12	0	48
Summer Hrs/Day	12	12	7.71	4.86	2.86	39.43
Spring/Fall (April-May, Oct-Nov)						
<u>Weekday</u>						
Before Work			0.5		0.5	1
Meals/Breaks			1		1	2
After Work			1		1	2
Other Leisure	10	4	2	2		18
Sub-Total	10	4	4.5	2	2.5	23
<u>Weekend</u>						
Leisure	10	10	10	10	0	40
Sub-Total	10	10	10	10	0	40
Spring/Fall Hours/Day	10	5.71	6.07	4.29	1.79	27.86
Winter (December-March)						
<u>Weekday</u>						
Before Work			0.5		0.5	1
Meals/Breaks			1		1	2
After Work			0.5		0.5	1
Other Leisure	8	2	1	1		12
Sub-Total	8	2	3	1	2	16
<u>Weekend</u>						
Leisure	8	8	8	8	0	32
Sub-Total	8	8	8	8	0	32
Winter Hours/Day	8	3.71	4.43	3	1.43	20.57
Annual Weighted Avg. Hours	10	7.14	6.07	4.05	2.02	29.29

Next, the Annual Weighted Average Hours (from Table 3.3) were applied to population and employment data (2000 Census) to determine the Total Annual Weighted Average Hours for each category of Resident and Employee. The results are displayed in Table 3.4, page 9.

TABLE 3.4

**TOTAL ANNUAL AVAILABILITY
OF PARKS AND RECREATION FACILITIES**

	<u>Non-Employed Adult (18+)</u>	<u>5-17 Kids</u>	<u>Live In/ Work In</u>	<u>Live In/ Work Out</u>	<u>Live Out/ Work In</u>	<u>Total</u>
Population & Employment Data (2000 Census)	19,484	11,556	18,044	9,535	20,814	79,433
Annual Weighted Avg. Hours	<u>10</u>	<u>7.14</u>	<u>6.07</u>	<u>4.05</u>	<u>2.02</u>	<u>29.29</u>
Tot. Annual Weighted Avg. Hrs.	194,840	82,543	109,553	38,594	42,124	467,653

Next, the available hours (from Table 3.4) were allocated between residents and non-resident employees, as displayed in Table 3.5.

TABLE 3.5

**TOTAL RESIDENCE AND NON-RESIDENT EMPLOYMENT RELATED
AVAILABILITY OF PARKS AND RECREATION FACILITIES**

	<u>Hours</u>
<u>Resident Demand</u>	
Non-Employed Adult	194,840
5-17 Kids	82,543
Live In/Work In	109,553
Live In/Work Out	<u>38,594</u>
Total Resident Hours	425,529
<u>Non-Resident Employment Demand</u>	
Non-Resident Employee Hours	42,124

Finally, the Non-Resident Employee to Resident Parks Demand Percentage was calculated by dividing the total non-resident employee hours by the total resident hours (from Table 3.5), with results summarized in Table 3.6, below.

TABLE 3.6

**NON-RESIDENT EMPLOYEE-TO-RESIDENT
PARKS DEMAND PERCENTAGE**

<u>Weighted Average Hours/Non-Resident Employee</u>		<u>Weighted Average Hours Resident</u>		<u>Non-Resident Employee To Resident Demand Percentage</u>
42,124	÷	425,529	=	9.9%

D. Facility Needs

The Leisure Services Plan (underway) identifies facility needs through 2030. These needs have been used to develop the Parks SDC Capacity Improvements Plan included as an Appendix to this report.

Table 3.7, below, presents a summary of facility needs through the year 2030, both for growth and to repair deficiencies for current residents and employees. Table 3.7 includes only those facilities for which SDC funding may be used. The "Current Inventory" includes both existing and funded facilities. The "Current Need" is the proportionate share needed to provide facilities to current residents and employees (if applicable) at the levels of service resulting from facilities planned for 2030. The "Growth Need" is the proportionate share needed to provide facilities to future residents and employees (if applicable) at the levels of service resulting from facilities planned for 2030.

TABLE 3.7

**FACILITY NEEDS FOR POPULATION AND
EMPLOYMENT GROWTH AND DEFICIENCY REPAIR**

<u>Facility Type</u>	<u>2030 LOS (Units/1000)</u>	<u>Current Inventory</u>	<u>Current Need</u>	<u>Surplus or (Deficiency)</u>	<u>2030 Planned Units</u>	<u>Growth Need</u>
Mini-Neighborhood Parks (acres)	1.56	114.61	107.68	6.93	145.86	31.25
Large Urban/Community Parks (acres)	1.66	120.09	121.99	(1.90)	165.84	43.85
Youth Baseball/Softball Fields (each)	0.26	6.00	17.72	(11.72)	24.00	6.28
Adult Softball Fields (each)	0.14	6.00	10.30	(4.30)	14.00	3.07
Soccer Fields (each)	0.30	18.00	20.66	(2.66)	28.00	7.34
Gymnasium Basketball Courts (each)	0.25	22.00	17.68	4.32	24.00	2.00
Trails (miles)	0.08	6.00	6.22	(0.22)	8.45	2.23

There are deficiencies in Large Urban/Community Parks, Youth Baseball/Softball Fields, Adult Softball Fields, Soccer Fields, and Trails. Improvement fee SDC revenues must be used only for growth needs, and may not be used to remedy deficiencies. Alternative non-SDC revenues must be used to repair deficiencies.

E. New Facility Costs

The Parks SDC Capacity Improvements Plan (SDC-CIP), included as an Appendix, identifies new facilities on which SDC revenues may be used for parks and recreation needs of the City through the year 2030. Table 3.8, below, shows a breakout of the residential and non-residential share of costs for these new facilities. Because employees need fewer facilities than those required for a resident, the non-residential share of growth costs is 6.9% of the total for most facilities that benefit both residential and non-residential development (i.e., community parks, open space, etc.). The non-residential share is lower for football fields (2.17%), soccer fields (0.91%), and gymnasium basketball courts (4.51%); and is 0% for those facilities that benefit residential development only (e.g., mini/neighborhood parks and youth baseball/softball fields) to reflect limited adult use and access to these facilities.

TABLE 3.8

**RESIDENTIAL AND NON-RESIDENTIAL
GROWTH-REQUIRED NEW FACILITY COSTS**

<u>Facility</u>	<u>Cost Per Unit</u>	<u>Total New Facility Costs</u>	<u>New Facility Growth Costs</u>	<u>Residential Growth Costs</u>	<u>Non- Residential Growth Costs</u>
Mini-Neighborhood Parks Land (acres)	\$200,000	\$ 2,400,000	\$ 2,400,000	\$ 2,400,000	\$ 0
Mini-Neighborhood Parks Develop (acres)	210,000	6,562,500	6,562,500	6,562,500	0
Community Parks Land (acres)	100,000	3,000,000	3,000,000	2,793,000	207,000
Community Parks Develop (acres)	180,000	8,235,000	7,897,365	7,352,447	544,918
Youth Baseball/Softball Fields (each)	100,000	1,800,000	628,200	628,200	0
Adult Softball Fields (each)	200,000	1,600,000	619,200	576,475	45,725
Soccer Fields (each)	200,000	2,000,000	1,022,000	1,012,700	9,300
Gymnasium Basketball Courts (each)	500,000	1,000,000	1,000,000	954,900	45,100
Trails (miles)	500,000	<u>1,225,000</u>	<u>1,126,020</u>	<u>1,048,325</u>	<u>77,695</u>
Totals		\$27,822,500	\$24,255,285	\$23,328,546	\$926,739
Percentage of Growth Costs				96.18%	3.82%

F. Compliance/Administrative Costs

The City incurs costs in the development and administration of the SDCs and may recoup a portion of those costs in accordance with ORS 223.307(5). Compliance/administrative costs during the 25-year collection period have been estimated as follows:

Leisure Services Plan Updates (5 X \$200,000 for consulting and staff services)	\$1,000,000
Annual SDC-CIP Management, Accounting and Reporting Costs (approximately \$20,000 per year for consulting, legal, audit, financial reporting and staff services)	\$500,000
SDC Methodology Reviews and Updates (5 X \$15,000 for consulting services)	\$75,000
Total Estimated 25-year Compliance/Administrative Costs	\$1,575,000

These costs are allocated between population and employment based on the growth share percentages included in Table 3.8, page 11, and are shown in Table 3.9, below.

TABLE 3.9

COMPLIANCE/ADMINISTRATIVE COST ALLOCATIONS

<u>Type of Development</u>	<u>Share of Growth Costs</u>	<u>Estimated 25-year Compliance/ Administrative Costs</u>	<u>Compliance/ Administrative Cost Allocation</u>
Population (Residential)	96.18%	\$1,575,000	\$1,514,823
Employment (Non-residential)	3.82%	1,575,000	60,177

4.0 RESIDENTIAL PARKS AND RECREATION SDC RATES

The City's Residential Parks and Recreation SDC rates are calculated using a series of sequential formulas which, when completed, yield the total SDC rates for each new dwelling unit in the City. The formulas identify:

- a) the net residential SDC-eligible costs (Formula 4a, below)
- b) the residential improvements cost per capita (Formula 4b, page 14),
- c) the residential improvements cost per dwelling unit (Formula 4c, page 14),
- d) the residential SDC tax credit per dwelling unit (Formula 4d, page 15), and
- e) the residential SDC per dwelling unit (Formula 4e, page 16).

The Residential SDC rate is an "improvement fee" only, and does not include a "reimbursement fee" component.

A. Formula 4a: Net Residential SDC Eligible Costs

The net residential SDC-eligible costs are calculated by adding the residential portion of growth-required improvements cost (identified in Table 3.8, page 11) and Compliance/Administrative Costs (Table 3.9, page 12).

$$\begin{array}{rcccl}
 & \text{Residential} & & \text{Compliance/} & & \text{Net Residential} \\
 4a. & \text{New Facility} & + & \text{Administrative} & = & \text{SDC - Eligible} \\
 & \text{Costs} & & \text{Costs} & & \text{Costs}
 \end{array}$$

Table 4.1 presents the calculation of the net total SDC-eligible costs.

TABLE 4.1

NET RESIDENTIAL SDC-ELIGIBLE COSTS

	<u>Residential SDC Eligible Costs</u>
Growth-Required Facilities	\$23,328,546
PLUS: Compliance/Administrative Costs	<u>1,514,823</u>
EQUALS: Total Growth-Required Costs	\$24,843,369

B. Formula 4b: Residential Improvements Cost Per Capita

The residential improvements cost per capita is calculated by dividing the net residential SDC-eligible portion of growth-required improvements cost (identified in Table 4.1, page 13) by the increase in the City's population expected to be created by new development through 2030 (from Table 3.1, page 6).

$$4b. \quad \begin{array}{c} \text{Net Residential} \\ \text{SDC-Eligible} \\ \text{Costs} \end{array} \div \begin{array}{c} \text{Population} \\ \text{Increase} \end{array} = \begin{array}{c} \text{Residential} \\ \text{Improvements Cost} \\ \text{Per Capita} \end{array}$$

Table 4.2 presents the calculation of the facilities cost per capita.

TABLE 4.2

RESIDENTIAL IMPROVEMENTS COST PER CAPITA

	<u>Residential SDC Eligible Costs</u>	÷	<u>Population Increase</u>	=	<u>Residential Improvements Cost Per Capita</u>
Net Residential SDC-Eligible Costs	\$24,843,369		24,548		\$1,012

C. Formula 4c: Residential Improvements Cost Per Dwelling Unit

The residential improvements cost per dwelling unit is calculated by multiplying the average number of persons per dwelling unit (from Table 3.2, page 7) by the residential improvements cost per capita (from Table 4.2, above).

$$4c. \quad \begin{array}{c} \text{Persons Per} \\ \text{Dwelling Unit} \end{array} \times \begin{array}{c} \text{Residential} \\ \text{Improvements Cost} \\ \text{Per Capita} \end{array} = \begin{array}{c} \text{Residential} \\ \text{Improvements Cost Per} \\ \text{Dwelling Unit} \end{array}$$

The results of these calculations are displayed in Table 4.3, page 15.

TABLE 4.3

RESIDENTIAL IMPROVEMENTS COST PER DWELLING UNIT

<u>Type of Dwelling Unit</u>	<u>Average Persons Per Dwelling Unit</u>	X	<u>Total Residential Cost Per Capita</u>	=	<u>Residential Improvements Cost Per Dwelling Unit</u>
Single-Family:	2.69		\$1,012		\$2,722
Multi-Family:	1.79		\$1,012		\$1,812
Manufactured Housing:	2.04		\$1,012		\$2,065

D. Formula 4d: Residential SDC Tax Credit Per Dwelling Unit

Debt instruments will likely be used as a future source for funding improvements needed to repair deficiencies. A portion of funds used to repay these debts may come from property taxes paid by growth. A tax credit has been calculated to account for potential payments in order to avoid charging growth twice; once through the SDC, and a second time through property taxes. A credit has been calculated for each type of dwelling unit using the following assumptions:

- \$4M in 20 year G.O. bonds at 5.5 % issued in 2009,
- 6.0% average annual increase in total City property valuation for taxes,
- 3.0% annual increase in assessed property valuations,
- 3.0% annual inflation (decrease in value of money),
- Average 2005 property valuations for new construction at \$250,000 for single family, \$60,000 for multi-family, and \$85,000 for manufactured housing units (\$75,000 for unit, \$10,000 for lot)

$$4d. \quad \begin{array}{l} \text{Present Value} \\ \text{of Future Property} \\ \text{Tax Payments} \end{array} = \begin{array}{l} \text{SDC Tax} \\ \text{Credit Per} \\ \text{Dwelling Unit} \end{array}$$

The amounts of these credits are shown in Table 4.4, page 16.

TABLE 4.4

TAX CREDIT PER DWELLING UNIT

<u>Type of Dwelling Unit</u>	<u>Tax Credit Per Dwelling Unit</u>
Single-Family:	\$178
Multi-Family:	43
Manufactured Housing:	34

E. Formula 4e: Residential SDC Per Dwelling Unit

The residential SDC rate per dwelling unit is calculated by subtracting the tax credit per dwelling unit (Table 4.4, above) from the residential improvements cost per dwelling unit (Table 4.3, page 15).

$$\begin{array}{rcccl} & \text{Residential} & & \text{SDC Tax} & & \text{Residential} \\ 4e. & \text{Improvements Cost} & - & \text{Credit Per} & = & \text{SDC Per} \\ & \text{Per Dwelling Unit} & & \text{Dwelling Unit} & & \text{Dwelling Unit} \end{array}$$

The results of these calculations are shown in Table 4.5, below.

TABLE 4.5

RESIDENTIAL SDC PER DWELLING UNIT

<u>Type of Dwelling Unit</u>	<u>Residential Improvements Cost Per Dwelling Unit</u>	-	<u>SDC Tax Credit Per Dwelling Unit</u>	=	<u>Residential SDC Per Dwelling Unit</u>
Single-Family:	\$2,722		\$178		\$2,544
Multi-Family:	\$1,812		43		\$1,769
Manufactured Housing:	\$2,065		34		\$2,031

5.0 NON-RESIDENTIAL SDC RATES

The City’s Non-Residential Parks and Recreation SDC rates are calculated using a series of sequential formulas which, when completed, yield the total SDC rates for each new employee added by new development in the City. The formulas identify:

- a) the Non-Residential Improvements Cost Per Employee (Formula 5a, below),
- b) the Tax Credit Per Employee (Formula 5b, page 18); and
- c) the Non-Residential SDC Per Employee (Formula 5c, page 18).

The Non-Residential SDC rates is an “improvement fee” only and does not include a “reimbursement fee” component. The SDC rates are based on costs required for and benefits received by new development only, and do not assume that costs are necessarily incurred for capital improvements when an employer hires an additional employee. SDCs are charged for the activity of development, not employment, and the non-residential parks SDCs are based the impacts new capacity for employees will have on the need for parks facilities.

A. Formula 5a: Net Non-Residential SDC Eligible Costs

The net non-residential SDC-eligible costs are calculated by adding the non-residential portion of growth-required improvements cost (identified in Table 3.8, page 11) and Compliance/Administrative Costs (Table 3.9, page 12).

$$\begin{array}{rcccl}
 \text{Non-Residential} & & \text{Compliance/} & & \text{Net Non-Residential} \\
 \text{5a. New Facility} & + & \text{Administrative} & = & \text{SDC – Eligible} \\
 \text{Costs} & & \text{Costs} & & \text{Costs}
 \end{array}$$

Table 5.1 presents the calculation of the net total SDC-eligible costs.

TABLE 5.1

NET RESIDENTIAL SDC-ELIGIBLE COSTS

	Non-Residential SDC <u>Eligible Costs</u>
Growth-Required Facilities	\$ 926,739
PLUS: Compliance/Administrative Costs	<u>60,177</u>
EQUALS: Total Growth-Required Costs	\$986,916

B. Formula 5b: Non-Residential Improvements Cost Per Employee

The Non-Residential Improvements Cost Per Employee is calculated by dividing the net non-residential SDC-eligible costs (from Table 5.1, page 17) by the increase in the City's employment expected to be created by new development through 2030 (from Table 3.1, page 6).

$$\begin{array}{rclcl}
 \text{5b.} & \text{Net Non-Residential} & & \text{Employment} & & \text{Non-Residential} \\
 & \text{SDC-Eligible} & \div & \text{Increase From} & = & \text{Improvements Cost} \\
 & \text{Costs} & & \text{Development} & & \text{Per Employee}
 \end{array}$$

Table 5.2 presents the calculation of the Non-Residential Improvements Cost Per Employee.

TABLE 5.2

NON-RESIDENTIAL IMPROVEMENTS COST PER EMPLOYEE

	Net Non-Residential SDC <u>Eligible Costs</u>		Employment <u>Increase</u>		Non- Residential Improvements Cost <u>Per Employee</u>
Growth-Required Facilities	\$986,916	÷	18,316	=	\$54

C. Formula 5c: Non-Residential Tax Credit Per Employee

Debt instruments will likely be used as a future source for funding improvements needed to repair deficiencies. A portion of funds used to repay these debts may come from property taxes paid by growth. A tax credit has been calculated to account for potential payments in order to avoid charging growth twice; once through the SDC, and a second time through property taxes. A credit has been calculated using the following assumptions:

- \$4M in 20 year G.O. bonds at 5.5 % issued in 2009,
- 6.0% average annual increase in total City property valuation for taxes,
- 3.0% annual increase in assessed property valuations,
- 3.0% annual inflation (decrease in value of money),
- Average 2005 property valuation for non-residential (office) development at \$30 per square foot,
- An average of 470 square feet per employee (retail)

$$\begin{array}{rclcl}
 \text{5c.} & \text{Present Value of} & & \text{Tax} & & \\
 & \text{Tax Payments Per} & = & \text{Credit Per} & & \\
 & \text{Employee} & & \text{Employee} & &
 \end{array}$$

The amount of this credit is shown in Table 5.3, below.

TABLE 5.3

TAX CREDIT PER EMPLOYEE

					Tax Credit Per <u>Employee</u>
	Present Value of Tax Payments	=			\$10

D. Formula 5d: Non-Residential SDC Per Employee

The non-residential SDC rate per employee is calculated by subtracting the tax credit per employee (from Table 5.3, above) from the improvements cost (Table 5.2, page 18).

	Non-Residential		SDC Tax		Non-Residential
5d.	Improvements Cost	-	Credit Per	=	SDC Per
	Per Employee		Employee		Employee

The results of these calculations are shown in Table 5.4, below.

TABLE 5.4

NON-RESIDENTIAL SDC PER EMPLOYEE

	Improvements Cost Per <u>Employee</u>	-	Tax Credit Per <u>Employee</u>	=	Non-Residential SDC <u>Per Employee</u>
	\$54		\$10		\$44

The parks and recreation SDC for a particular non-residential development is determined by:

- 1) dividing the total building space (square feet) in the development by the number of square feet per employee (from the guidelines in Table 5.5, page 20), and
- 2) multiplying the result (from step 1) by the Non-Residential SDC Per Employee (from Table 5.4, above).

For example, the parks and recreation SDC for a 40,000 square foot office building for services such as finance and real estate would be calculated as follows:

- 1) 40,000 (sq. ft. building size) ÷ 370 (sq. ft. per employee) = 108 employees,
- 2) 108 employees X \$44 (SDC rate) = \$4,752.

For non-residential development where more than one SIC may be used, multiple SICs may be applied based on their percentage of the total development.

TABLE 5.5

SQUARE FEET PER EMPLOYEE
(recommended guidelines from *Metro Employment Density Study*)

<u>Standard Industry Classification (SIC)*</u>	<u>Square Feet Per Employee</u>	<u>Standard Industry Classification (SIC)</u>	<u>Square Feet Per Employee</u>
1 - 19	Ag., Fish & Forest Services; Construction; Mining	37	Transportation Equipment 700
20	Food & Kindred Products	40 - 42,	
22,23	Textile & Apparel	44, 45, 47	Transportation and Warehousing 3,290
24	Lumber & Wood	43, 46, 48,	
25, 32,		49	Communications
39	Furniture; Clay, Stone, & Glass; Misc.	50, 51	and Public Utilities 460
26	Paper and Allied	52 - 59	Wholesale Trade 1,390
27	Printing, Publishing & Allied	60 - 68	Retail Trade 470
28 - 31	Chemicals, Petroleum, Rubber, Leather	70 - 79	Finance, Insurance & Real Estate 370
33, 34	Primary & Fabricated Metals	80	Non-Health Services 770
35	Machinery Equipment	81 - 89	Health Services 350
36, 38	Electrical Machinery, Equipment		Educational, Social, Membership Services 740
		90 - 99	Government 530

* Source: U.S. Department of Commerce Standard Industrial Classification Manual

6.0 ANNUAL RATE ADJUSTMENTS

ORS 223.304(8) allows for periodic adjustments to parks SDC rates to account for changes in the costs of acquiring and constructing parks facilities. The SDC rate adjustment should be based on changes in the costs of land and construction. The weight given to each factor (land and construction) should reflect the portion each factor represents of total costs in the Parks SDC Capacity Improvements Plan (Appendix).

