

BEFORE THE CITY COUNCIL OF THE CITY OF INDEPENDENCE
STATE OF OREGON, COUNTY OF POLK

A Resolution Adopting a Parks]
System Development Charge]
Methodology and Associated Fee]

RESOLUTION #16-1426

WHEREAS, the City Council for the City of Independence (City) has adopted Independence Municipal Code (IMC) Chapter 34, Article VII, authorizing the establishment of System Development Charges (SDCs); and

WHEREAS, the City adopted a 2015 Parks and Open Space Master Plan Update (Master Plan) prepared by Greenworks, PC on July 21, 2015, which includes a Park Capital Improvement Plan (CIP); and

WHEREAS, City engaged Shaun Pigott Associates, LLC to prepare a Parks SDC Methodology Update (Methodology Update) based upon the 2015 Master Plan, which was presented at a properly noticed public hearing on March 8, 2016; and

WHEREAS, based upon its review of the 2015 Master Plan and Methodology Update, the City Council wishes to allocate the costs of City park capital improvements required for new development to new growth; and

WHEREAS, pursuant to ORS 223.304 and IMC 34-442, the City must adopt a methodology by Council resolution in order to impose SDC fees; and

WHEREAS, the City wishes to impose park SDC improvement and administrative fees, but not a park reimbursement fee; and

WHEREAS, IMC 34-441(b) directs that adopted park SDC fees be increased on a periodic basis by the cost of inflation based upon the Engineering News Record Construction Index (ENR Index) for Seattle, Washington.

NOW, THEREFORE, the Independence City Council resolves as follows:

Section 1. Methodology Update and CIP. The City of Independence hereby adopts the Methodology Update and the 2015 Master Plan CIP, attached as Exhibits 1 and 2, respectively, and incorporated herein by this reference, as the basis for the City's desired park SDC improvement fee in accordance with ORS 223.304, ORS 223.309, IMC 34-442 and IMC 34-445.

Section 2. Establishment of City Park Improvement Fee. A combined park SDC improvement and administrative fee of \$4,009, as more fully set out in the Methodology Update is hereby established as the City's Park SDC Fee.

Section 3. Charge Increase. The park SDC fee imposed herein may increase on or about January 1 of each year, following adoption of this Resolution, by the cost of inflation upon increases in the ENR Index/CCI without the need for modification of this Resolution or a corresponding SDC fee increase process.

Section 4. Collection of Charges. City park SDCs are payable as set forth within IMC 34-446.

Section 5. SDC Credits for Qualified Public Improvements. Credits for Qualified Public Improvements may be granted per IMC 34-448, and as also addressed in Exhibit 1. Credits must be used within ten (10) years from the date granted.

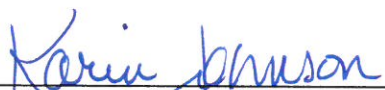
Section 6. Repeal. All previously adopted resolutions establishing City park SDC fees, methodologies and CIPs, including but not limited to Resolution No. 04-1139 and the final section of Resolution No. 98-1011, Exhibit A, establishing Park SDCs, are hereby repealed.

PASSED by the City Council: April 12, 2016
SIGNED by the Mayor: April 12, 2016
EFFECTIVE DATE: April 12, 2016



JOHN McCARDLE, MAYOR

ATTEST:



Karin Johnson, MMC
City Recorder

CITY OF INDEPENDENCE

PARKS SYSTEM DEVELOPMENT CHARGE UPDATE -METHODOLOGY-

Shaun Pigott Associates, LLC has prepared this summary report describing the methodology for the city of Independence's (City) Parks system development charge (SDC). This has been done in conjunction with City staff and the 2015 Parks and Open Space Master Plan Update (Master Plan) prepared by GreenWorks, PC. The Master Plan was adopted by the City Council on July 21, 2015 and reflects a 20 year program of capital improvements totaling \$23,682,239. Oregon Revised Statute (ORS) 223.297-.314 establishes the framework for SDCs, a framework that has been followed in updating the City's SDC calculation. Under statute, SDCs are a one-time fee imposed on new development within the City and have two (2) specific components: reimbursement (existing capacity) and improvement (planned future capacity). Due to the fact that existing parks infrastructure is at or near capacity and the City's basis for paying for existing parks is largely through grants or other forms of contributed capital, it was determined that, like most cities, there is no basis for applying the reimbursement portion of the Parks SDC. In addition, the primary users of parks are residents and therefore the basis for the SDC is per capita based on occupancy within both single family residences (SFR) and multi family residences (MFR). Finally, the City has historically charged a 5% compliance and administrative fee for staff time and expense related to applying SDCs in the City. That compliance fee is allowed under ORS 223.307(5) and is included in the revised SDC methodology. The analysis has calculated the following Parks SDC per SFR:

SDC Element	Existing SDC	Proposed SDC
Reimbursement	\$ 0	\$ 0
Improvement	\$1,741	\$3,818
Administrative Fee	\$ 0	\$ 191
Total Parks SDC	\$1,741	\$4,009

The **improvement fee** portion of the SDC is based on the cost of facilities which either expand the parks system's capacity to accommodate growth or increase its level of performance. In developing this improvement portion of the fee, each project in the City's 2015 Parks and Open Space Master Plan has been evaluated to ensure that costs related to correcting existing system deficiencies or upgrading for historic lack of capacity have been excluded. Therefore, only capacity increasing/level of performance costs provide the basis for the SDC calculation as reflected in the capital improvement schedule contained in this report and detailed in the Master Plan. The improvement SDC is calculated as a function of the estimated number of additional residents in the City and is based on occupancy within single family residences (SFR) and multi family residences (MFR) served by the City's parks facilities over the 20 year planning period.

Introduction

Independence's current Parks SDC has been in place since 2004. With the preparation/adoption of the 2015 Master Plan, the City also conducted a review of its Parks SDC. The City has stated a number of objectives for this review:

- Review the basis for the charge to ensure a consistent methodology;
- Determine the most appropriate and defensible fee, ensuring that development is paying its fair share;
- Consider possible revisions to the structure or basis of the charge which might improve equity or proportionality to demand; and
- Provide clear, orderly documentation of the assumptions, methodology and results, so that City staff could, by reference, respond to questions or concerns from the public.

This methodology report provides the results of this review.

Current Parks SDC in Independence

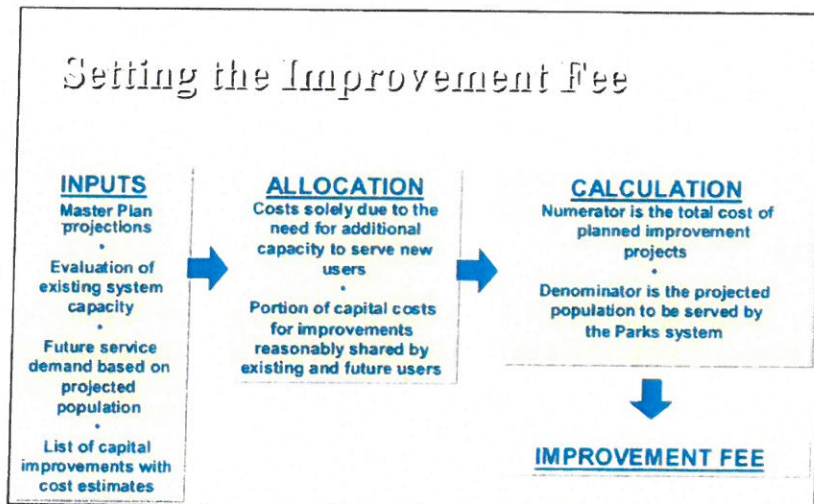
Independence first established its authority to implement SDCs in June 1991 through Ordinance No. 1241 "An Ordinance Establishing System Development Charges for Development in the City of Independence." Current SDC authorization is contained in the City of Independence Municipal Code Chapter 13.24, which stipulates in 13.24.5(C) that "the methodologies used to establish system development charges shall be adopted by resolution of Council." The most recent revision to the Parks SDC methodology and amount was done through adoption of Resolution No. 04-1139 effective September 15, 2004. This produced a Parks SDC fee of \$1,682 for a SFR. This fee was based on parks capital costs allocated to growth of \$1,932,025 and an increase in future population of 3,330. The City Parks SDC is currently \$1,741 for a single family home. The \$59 increase reflects inflationary adjustments to the capital project costs since 2004.

SDC Legal Authorization

System Development Charges (SDCs) are authorized by Oregon Revised Statute (ORS) 223.297-314. The statute is specific in its definition of system development charges, their application, and their accounting. In general, an SDC is a one-time fee imposed on new development (or expansion of an existing development) and assessed at the time of development approval or increased usage of the system. It is intended to promote equity between new and existing customers by recovering a proportionate share of the cost of existing and planned/future capital facilities which serve or will serve the developing property.

Statute further provides the framework for the development and imposition of SDCs and establishes that SDC receipts may only be used for capital improvements. By definition, an SDC is the sum of two components:

- The *reimbursement fee*...designed to recover costs associated with capital improvements already constructed or under construction. The methodology which determines the reimbursement fee portion of the SDC should consider (1) the cost of existing facilities, (2) prior contributions by existing users, (3) the value of unused capacity, (4) rate-making principles, and (5) other factors identified by the jurisdiction imposing the fee. The methodology must “promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities.”
- The *improvement fee*...designed to recover costs associated with capital improvements to be constructed.



The methodology used to determine the improvement fee portion of the SDC must consider the cost of projected capital improvements needed to increase system capacity to accommodate future growth. In other words, the cost(s) of planned projects which correct existing deficiencies, or do not otherwise increase system capacity available for future growth cannot be included in the SDC. Also, the improvement fee must provide a credit for the construction of a qualified public improvement.

SDC Methodology - Reimbursement Fee

The reimbursement fee represents a buy-in to the cost, or value, of parks capacity within the existing system. Generally, if a system were adequately sized for future growth, the reimbursement fee might be the only charge imposed, since the new customer would be buying existing capacity. However, staged system expansion is needed, and an improvement fee is

imposed to allocate those growth related costs. Even in those cases, the new customer also relies on capacity within the existing system, and a reimbursement component is warranted.

In order to determine an equitable reimbursement fee to be used in conjunction with an improvement fee, two points should be highlighted:

- First, the charge is based on the net investment in the system rather than the gross cost. Therefore, donated or contributed facilities, typically including local facilities, and grant-funded facilities, would be excluded from the cost basis. Also, the charge should be based on investments clearly made by the current users of the system and not already supported by new customers. Tax supported activities fail this test since funding sources have historically been from general revenues, or from revenues which emanate, at least in part, from the properties now developing.
- Second, the cost basis is allocated between used and unused capacity, or capacity available to serve growth. In the absence of a detailed asset-by-asset analysis, it is appropriate to allocate the cost of existing facilities between used and available capacity proportionally based on the forecasted population growth as converted to single family and multi-family residences over the planning period. This approach reflects the philosophy, consistent with the City's Master Plan, that facilities have been sized to meet the demands of its total user base within the 20 year planning period.

In applying these factors to the City's Parks SDC, it became clear that the historical basis for funding existing parks infrastructure was largely a function of contributed facilities. It was also the case that the City's existing parks infrastructure is largely at or near capacity meaning that these facilities do not have capacity available to serve new customers/residents.

Therefore, at this point in time, there is no basis for applying the reimbursement portion of the Parks SDC.

SDC Methodology - Improvement Fee

The improvement fee represents a proportionate share of the cost to expand the system to accommodate growth. This charge is based on the capital improvement plan for the system (2015 Parks and Open Space Master Plan Master Plan, adopted by the City in July 2015) and specifically on costs allocable to growth. Statute requires that the capital improvements used as a basis for the charge be a part of an adopted capital improvement schedule, whether as part of a system plan or independently developed, and that the improvements are capacity expanding. The improvement fee is intended to protect existing customers from the cost burden and impact of expanding a system which is already adequate for their own needs in the absence of growth.

The key step in determining the improvement fee is identifying capital improvement projects which expand the system, and the share of those projects attributable to growth. The

improvement portion of the SDC is based on the proportional approach toward capacity and cost allocation in that only those facilities (or portions of facilities) which either expand the parks system's capacity to accommodate growth or increase its level of performance have been included in the cost basis of the fee. In developing this improvement portion of the fee, the project team has evaluated each project to ensure that costs related to correcting existing system deficiencies or upgrading for historic lack of capacity have been excluded. Therefore, only capacity increasing/level of performance costs provide the basis for the SDC calculation as reflected in the capital improvement schedule. Population and future demand analysis are based on the City's projections used in the Master Plan. The improvement fee is calculated as a function of the estimated number of residents to be served by the City's parks facilities over the 2034 planning horizon.

The total cost of the City's Master Plan is \$23,682,239. This includes parks projects in the following categories:

Improvements to Existing Parks		\$ 15,684,501
Pfaff	\$ 628,463	
Pioneer	\$ 358,231	
Mt Fir	\$ 1,286,526	
Un-Named	\$ 467,018	
Henry Hill	\$ 975,227	
Riverview	\$ 2,343,835	
Willamette River Front	\$ 5,854,570	
(includes both N & S River Front)		
Independence Sports Park	\$ 2,642,226	
Wildfang	\$ 1,128,405	
New Neighborhood Parks		\$ 2,803,655
North Independence	\$ 416,208	
South Independence	\$ 804,013	
West Side	\$ 501,965	
13th Street	\$ 706,544	
Polk Street	\$ 374,925	
New Trails		\$ 5,194,083
TOTAL		\$ 23,682,239

The Master Plan also established service levels for each of these parks categories. Service levels are significant because the Parks SDC must account for costs and categories of parks which have an existing deficiency in terms of capacity to serve current City residents. In other words, future parks

users cannot be required to pay for existing system deficiencies. Such a deficiency was identified in the category of “new neighborhood parks” which requires that the City have 9.25 acres of developed neighborhood parks available to serve current residents of Independence. The City has only .63 acres of developed neighborhood parks which leaves a deficiency of 8.62 acres. The estimated cost to acquire and develop these types of parks is \$294,391 per acre. Therefore the total deficiency equals \$2,537,650. This deficiency cost factor must be and is reflected in the final calculation of the SDC as applied to new neighborhood parks.

Based on the Master Plan, no other parks categories show an existing acreage deficiency and do not require adjustment in the final SDC calculation.

Existing and Future Demand

The planning period for the Master Plan is 20 years extending through 2034. Based on a report prepared by Johnson Economics and incorporated into the Master Plan, the 2014 population of Independence is 8,585. Growth over the 20 year planning period is 6,747 creating a future projected population of 15,332 in 2034. Their analysis also concluded that the average household size in Independence is 2.99 persons. The City’s estimate of average size for multifamily units is 2.7 persons.

Adjustments to Future Parks Costs Allocated to Growth

The City has determined that funding for both new neighborhood parks (\$2,803,655) and the new trails (\$5,194,083) will, in part, be dependent on the availability of grants. Because grants are considered contributed capital for purposes of SDC calculation and are not SDC eligible, a factor of 25% has been applied to these costs. This reflects what the City expects to receive in total grant support. Therefore, the SDC cost basis for new neighborhood parks is \$2,102,741 and for the new trails \$3,895,562.

The funding of improvements to existing parks (\$15,684,501) is not expected to be supported by grants.

Allocation of Parks Costs to Growth

The improvement portion of the SDC is premised on allocating to growth only those capacity costs attributable to new users of the system. In the case of parks, the basis for this allocation is population and since new users of the system are also City residents, the population of Independence is the primary allocator of use. The key test in determining the legitimacy of an improvement SDC is whether it meets the test of “proportionality”. This test requires that new connections/users pay only for their fair/proportional share of the cost of new facilities whether those are in water, wastewater, stormwater, transportation or parks. In the case of parks, proportionality is defined as establishing a reasonable balance between what existing vs. future

park users will pay for the new parks infrastructure which all residents will have access to and use.

In lieu of evaluating each of the improved or new parks identified in the Master Plan to determine how much of each park's capacity is designed to accommodate growth, the City has opted for a proportional methodology which allocates SDC expense to growth by apportioning overall parks cost to BOTH new and existing City residents. This approach takes eligible SDC parks costs as the numerator and the total 2034 population as the denominator to determine the Parks SDC per capita. By using the total population figure, proportionality between existing and future system users is assured and the sometimes spurious logic applied to individual assessments of whether/how much a new park provides future capacity is avoided.

It is also critical to highlight that improvements to existing parks are not repairs and replacements of worn-out parks infrastructure. These improvements are enhancements to the parks which create an expanded and improved park experience that provides a higher level of parks performance and new capacity for all users not available under the City's existing parks system.

SDC Calculation

I. Improvements to Existing Parks

The Master Plan identifies \$15,684,501 in planned enhancements/improvements to existing parks. In evaluating each of these projects, the Master Plan concluded that the improvements identified do not constitute repairs or replacements but actual improvements that provide a new park experience and add to the capacity of parks for future users. Accordingly, it is appropriate to allocate that expense over the entire existing and future user base of 15,332 residents. This equals \$1,023 per capita or \$3,059 per SFR (using the 2.99 household size cited in the Johnson Economics Report).

II. New Neighborhood Parks

The Master Plan also identifies \$2,803,655 in new neighborhood parks. The City anticipates that these parks will be funded with some grant resources estimated to be 25% of the total cost. Since these grant monies would not be SDC eligible, the total SDC eligible cost would be \$2,102,741. It was also noted that based on the City's defined service levels, there is a current capacity deficiency in neighborhood parks of 8.62 acres. Costs estimates developed during the Master Plan process show an average cost per acre for new neighborhood parks (acquisition and development) of \$294,391. The total deficiency cost is calculated by multiply average cost per acre x 8.62 which equals \$2,537,650. This deficiency costs exceeds the SDC eligible costs. As a result, there is no basis for applying an SDC for new neighborhood parks

III. New Trails

The new projects in the Master Plan also recommend \$5,194,083 for new trails. As is the case with the new neighborhood parks, the City assumes 25% grant funding for these new trails. This would leave the total SDC eligible cost at \$3,895,562. This cost is allocated over the entire existing and future user base of 15,332 residents which equals \$254 per capita or \$759 per SFR.

IV. SDC Compliance Expense

As authorized in statute, the SDC may include the administrative costs associated with its management, compliance and application. The amount of this expense is 5% of the SDC amount and is based on City's SDC related expense paid through the General Fund.

Parks SDC Summary

SDC ELEMENT	per SFR	per MFR
I. Improvements to Existing Parks	\$3,059	\$2,762
II. New Neighborhood Parks	\$ 0	\$ 0
III. New Trails	\$ 759	\$ 686
IV. SDC Admin and Compliance	\$ 191	\$ 172
TOTAL PARKS SDC	\$4,009	\$3,620

Credits

ORS 223.304(4) requires that a credit be allowed for the construction of a "qualified public improvement" by a new development. The credit for a qualified public improvement may only be applied against an SDC for the same type of improvement (in this case parks) and is calculated as a function of the portion of the improvement that exceeds the capacity requirements necessary to serve a specific development project. The credited improvement must also be required as a condition of development approval, identified in the Master Plan and "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 to meet the needs of the development."

The City may also consider exemptions of certain property types such as affordable housing from the Parks SDC. However, exemptions do not eliminate parks capital costs but transfer those costs to other funding sources.

SDCs & Competitiveness

The design of an SDC is focused on assigning to new development a proportionate share of the parks system project costs. The proportionality is determined based on the extent to which existing and future parks projects provide capacity for new residents in Independence. As outlined above, State Statute and City Code lay out the framework for calculating this proportionality. At the same time, there is a real or perceived notion that SDCs are a prime determinant of the City's competitiveness to attract new development and jobs. Competitiveness is typically defined in terms of how much neighboring cities charge for their SDCs and how Independence ranks relative to these other cities. The case can also be made that a city's relative position in this competitiveness ranking is a function of the timing for capital facilities planning. Much like a conveyor, as cities develop new capital plans they move up the relative rankings scale and decline as other cities develop their own updated capital requirements. Regardless, the rankings are part of developing SDCs and the following local comparisons are provided based on a current survey of other local communities:

CITY	PARKS	WATER	SEWER	STORM	TRANS.	TOTAL
Portland	9,090	5,842	5,867	884	2,814	24,497
Philomath	857	7,803	7,163	1,353	4,371	21,547
Silverton	4,885	5,491	5,005	843	3,973	20,197
Corvallis	5,574	4,605	5,976	267	2,691	19,113
Salem	4,237	4,505	3,498	540	1,954	14,734
Independence	4,009 *	2,445	3,573	823	3,231	14,081
Aumsville	2,611	4,187	5,568	0	1,000	13,366
Dallas	2,343	4,046	4,136	957	1,199	12,681
Lafayette **	811	2,565	3,720	0	5,513	12,609
Lincoln City	1,957	2,899	6,055	42	680	11,633
Stayton	2,305	2,670	3,528	0	2,562	11,065
Albany	1,735	2,435	2,966	0	3,568	10,704
Monmouth	1,838	1,560	3,039	255	3,448 ***	10,140
McMinnville	2,118	0	2,870	0	2,288	7,276

* proposed ** 2013 data *** effective 1/1/16

Summary

Independence has not revisited its Parks SDC methodology since September 2004. With some inflationary adjustments over the ensuing years, the current SDC is \$1,741 for a single family residence. The 2015 Master Plan calls for significant capital investments of \$23,682,239 over the next 20 years. In the case of neighborhood parks, an existing deficiency was identified which eliminated this cost category from the SDC calculation. In other categories, it was determined that new facilities would increase the level of parks performance and capacity available to both current and future residents of the City. Accordingly, all users, both existing and future, proportionally share in these costs by including the total population of Independence through the 2034 planning period as the basis for the SDC allocation. By including the compliance cost already in place for the City, the revised SDC would be \$4,009 for a single family residence and for units within a multi-family residences, the SDC would be \$3,620.

INDEPENDENCE MASTER PLAN
SUMMARY OF OPINION OF CONSTRUCTION COSTS

April 1, 2016

Park name	Costs	Subtotal	Projected Time for Implementation	Percentage of project Costs Eligible to be funded from the improvement fee	Project Costs Eligible to be funded with revenues from the improvement fee
South River Front Park	\$3,681,299.21	\$15,684,501	2021 - 2026	44%	\$1,619,771.65
North River Front Park	\$2,173,271.10		2016 - 2021	44%	\$956,239.28
Pioneer Park	\$358,231.00		2021 - 2026	44%	\$157,621.64
Unnamed Park	\$467,017.69		2016 - 2021	44%	\$205,487.78
Riverview Park	\$2,343,834.68		2021 - 2026	44%	\$1,031,287.26
Mt. Fir Park	\$1,286,526.15		2021 - 2026	44%	\$566,071.51
Henry Hill Park	\$975,227.18		2026 - 2031	44%	\$429,099.96
Independence Sports Park	\$2,642,226.05		2021 - 2026	44%	\$1,162,579.46
Pfaff Park	\$628,463.06		2026 - 2031	44%	\$276,523.75
Wildfang Park	\$1,128,404.55		2031 - 2036	44%	\$496,498.00
North Independence Mini-Park*	\$416,208.41	\$2,803,655	2026 - 2031	44%	\$183,131.70
South Independence Park*	\$804,012.60		2026 - 2031	44%	\$353,765.54
West Side Park*	\$501,965.10		2031 - 2036	44%	\$220,864.64
13th St. Park*	\$706,544.48		2031 - 2036	44%	\$310,879.57
Polk St. Mini-Park*	\$374,924.55		2031 - 2036	44%	\$164,966.80
Ash Creek Trail-Phase 1	\$3,521,464.58		2031 - 2036	44%	1,549,444.41
N/S Connector Trail 1	\$350,805.00		2016 - 2021	44%	154,354.20
N/S Connector Trail 2	\$295,659.00		2016 - 2021	44%	130,089.96
Mt. Fir Connector Trail	\$355,173.00		2021 - 2026	44%	156,276.12
Mt. Fir Trail - N/S	\$290,747.00		2021 - 2026	44%	127,928.68
Central HS to S. Ind. Trail	\$380,234.00	\$5,194,083	2021 - 2026	44%	167,302.96
Total	\$23,682,238				

NOTE: The percentage allocations contained in this CIP summary sheet represent the estimated amount of project costs attributable to growth. Each project contained in the CIP represents improved or new parks facilities designed to accommodate the requirements of both independence's existing residents in addition to the parks facilities required to accommodate 6,747 future residents through the 20 year planning period. This translates into parks design criteria that reflect this growth and a total user population of 15,332 residents. Of this total user population, 44% will be new/future parks users. Accordingly, parks facilities have been designed to accommodate this growth and future new users are proportionately allocated 44% of these project costs.

It is also critical to highlight that improvements to existing parks are not repairs and replacements of worn-out parks infrastructure. These improvements are enhancements to the parks which create an expanded and improved park experience that provides a higher level of parks performance and additional capacity for future users not available under the City's existing parks system. The percentage (44%) attributable to growth for these projects represent a proportional or fair-share approach toward allocating these parks costs to future users.

*NOTE: For consistency in this CIP summary table, these projects are included with their allocations to growth. However, due to existing acreage deficiencies in parks capacity within the "New Neighborhood Parks" category, the SDC methodology excludes these costs. Existing capacity deficiencies and their costs cannot be allocated to growth and therefore cannot be included in the SDC.