

Memorandum Date: May 4, 2009
Order Date: May 20, 2009

W. G. B.

TO: Board of County Commissioners
DEPARTMENT: Public Works
PRESENTED BY: Celia Barry, Transportation Planning
AGENDA ITEM TITLE: Report Back on System Development Charge Study Status

I. **MOTION**

None requested.

II. **AGENDA ITEM SUMMARY**

Commissioners Sorenson and Handy asked for a report on the System Development Charge (SDC) study that was approved for going forward by the Finance and Audit Committee. The consultant, FCS Group, will provide an SDC 101 Power Point presentation and a status report. The status report is Attachment A. The study objective is to institute a new transportation SDC and update the Parks SDC methodology. Mr. Todd Winter will be present for Parks Division questions.

III. **BACKGROUND/IMPLICATIONS OF ACTION**

A. **Board Action and Other History**

Historical Board action occurred in 2006-2007 at the Finance and Audit Committee level. A consultant was hired in August 2008.

Staff can provide copies of materials from the Finance and Audit Committee meetings. It appears written materials were produced for Finance and Audit beginning December 1, 2006, and subsequent discussions occurred in February 2007 and August 2007.

B. **Policy Issues**

Transportation System Plan (TSP) policy 22-a states:

The dedication of adequate right-of-way and construction of road improvements may be required to serve traffic that will be generated due to the development.

Policy 23-b states:

Identify and consider additional potential funding sources and strategies, such as a local option gas tax or vehicle registration fee, in the event of loss or reduction of existing funding sources.

C. **Board Goals**

Two goals from the Strategic Plan, page 13 are related to this item:

- *Contribute to appropriate community development in the areas of transportation and*

telecommunications infrastructure, housing, growth management, and land development.

- *Protect the public's assets by maintaining, replacing or upgrading the County's investments in systems and capital infrastructure.*

D. Financial and/or Resource Considerations

No action is requested so there are no immediate financial impacts as a result of today's item. Staff requests Board direction on whether to pursue city involvement in SDC implementation. The consultant is expected to have additional financial information available by the time the work session takes place. See also Attachment A, page 3, Outstanding Issues.

E. Analysis

SDCs can be a reimbursement fee, an improvement fee, or a combination of both. FCS Group will brief the Board on these approaches, regulated by ORS 223.297-314. Essentially, a reimbursement SDC charges individual developments (by building permit) based upon the relative benefit that development receives from the existing road system. Improvement fee SDCs collect the fee for future road improvements necessary to serve the development, based upon its impacts relative to the value of a future project list.

Direction given by Finance and Audit was to hire a consultant to help implement a reimbursement SDC outside of the Eugene-Springfield urban growth boundary (UGB), and to also look at an urban SDC, particularly if it could be combined with a county-wide gas tax and vehicle registration fee, as a funding package that could facilitate city-county collaboration. A storm water fee was also considered but due to anticipated difficulty in collecting it, was not explored further.

When it became known that renewal of Secure Rural Schools money was unlikely the Board became interested in pursuing other sources of stable funding. Interest increased when Ballot Measure 37 was enacted resulting in the potential for major developments outside of urban growth boundaries. Ballot Measure 49 replaced Ballot Measure 37, reducing the number of potential lots resulting from valid claims, from limitless to three per claim.

The limitations on development permitted outside UGBs under state land use law, and the good condition of the County Road system, means a reimbursement fee approach is likely to be more lucrative than the improvement fee approach outside urban growth boundaries.

The County Road system includes many roads within cities. In order for these roads to be included when implementing an SDC, the respective city must agree. Staff thinks some cities would have a potential gain by joining the County in a single, county-wide SDC. Staff is unsure of the status of these discussions and requests Board approval to resurrect them. We would also like to request Board direction regarding the form of these discussions. For instance, staff could provide a letter for Board Chair signature to individual cities describing the number of county road miles within the city and potential benefits, and staff could follow-up with contact to the cities after mailing the letters.

If cities are not involved in implementing a county-wide SDC, then staff believes revenue from SDCs may be much less significant due to state land use law limitations on development outside UGBs. In any case, implementation of an SDC is timely given the decline or loss of

other revenues. FCS Group will likely have a draft transportation SDC fee for review by the time of the work session. The Parks SDC is dependent on population forecast numbers, not yet adopted.

The County's TSP was used to develop a project list for the improvement SDC. County staff did extensive analysis used by FCS Group for further analysis, to come up with potential transportation SDC rates for Board consideration. The analysis generally involves the existing condition of the road system, its capacity, and value of future projects. FCS Group will provide additional information at the work session.

f. Alternatives/Options

While this is a report back and no formal action is necessary, Board direction on whether to approach cities and the form of that approach is requested as described in the previous section. In addition, FCS Group is expected to have a draft transportation SDC rate for your reaction. Questions and concerns at this time would be appreciated.

V. TIMING/IMPLEMENTATION

Once population forecasts are adopted FCS Group can move forward with a Parks SDC proposal. Upon approval to move forward with the draft rate anticipated to be available at your work session, the public process for the transportation SDC can begin. In order to contain consultant costs staff recommends only one public process for both the Parks and Transportation SDCs. The consultant can provide additional timing details.

VI. RECOMMENDATION

Not applicable at this time.

VII. FOLLOW-UP

The public process required by the SDC ORS will follow upon availability of a draft SDC proposal. The SDC will provide more detail at your work session.

VII. ATTACHMENTS

A. FCS Group Memorandum, Status Report



Memorandum

To: Celia Barry

Date: April 24, 2009

From: John Ghilarducci

RE: Transportation & Parks System Development Charge Study Status Report

Lane County contracted with the FCS GROUP project team in August 2008 to perform a transportation and parks system development charge (SDC) study. The County does not currently charge a transportation SDC; the existing parks SDC is \$404 per dwelling unit. System development charges are one-time fees paid by new development at the time of development, and are intended to represent a share of the system capacity needed to serve that new development.

The agreed-upon work plan for the study is summarized below. My comments about the status of each task are provided in boxed italics following each task description.

1. Collect and Review Data

- i. Provide a data needs list to the County. Meet with County staff to review initial data, discuss policy objectives, and kickoff the study. Collected data would include the County's information on other jurisdictions' SDC methodologies. Obtain preliminary direction on key policy questions.

We kicked off the study in October 2008, after furnishing a data needs list, and reviewed and discussed data sources at length at that meeting. We also discussed a number of key policy issues to address in the study, most notably the applicability of a reimbursement fee for the transportation SDC.

The reimbursement fee discussion led to some extra research and a follow-up meeting with County attorney Andy Clark to work through potential legal issues. At that meeting we agreed on a reimbursement fee cost basis that would include the cost of unused capacity in the County's road system that had been paid for by Federal timber and timber replacement receipts. County staff researched historical timber revenues for this purpose. That information, combined with information developed in a very thorough in-house analysis, will now be used to develop a transportation reimbursement fee.

2. Develop and Complete Technical Analyses

- i. Finalize SDC project lists. Using the Parks Master Plan, the Parks Inventory, the Capital Improvement Program, the Transportation System Plan, growth data, and County staff input, FCS GROUP and DKS Associates will finalize the lists of parks and transportation projects, respectively, and update costs to be used as the initial SDC improvement fee bases. The lists will include an estimate of the capacity-increasing portion of each project for inclusion in the improvement fee for each service.

Subconsultant DKS Associates has provided a draft transportation project list, with initial allocations of project costs to growth for inclusion in the transportation improvement fee. We only recently passed this list on to County staff for review.

FCS GROUP senior project manager Don Ganer is working with staff-provided parks project lists and other parks information to complete a preliminary master list of parks projects.

- ii. Estimate other key inputs. Refine growth estimates, and, in the case of parks, unit cost information to be used in estimating standards-based charges or supplemental projects intended to meet adopted parks standards.

We await population growth estimates. Population growth is a key factor in the calculation of the parks SDC. We understand that the County is close to finalizing its growth forecasts.

- iii. Set up a spreadsheet model (or models) for the SDC analyses, based on the preliminary policy direction from Task 1.

The spreadsheet models are set up and being utilized and updated as we receive and/or develop new information.

- iv. Meet with County staff to refine calculation inputs and discuss the impacts of policy direction.

This meeting may be combined with the meeting referenced in Task 2.vii..

- v. Calculate the reimbursement fees, as applicable, from information on the costs of existing infrastructure.

At the time of this briefing, we will likely have calculated a draft transportation reimbursement fee. The parks SDC will include only an improvement fee.

- vi. Calculate the improvement fees, again as applicable, from information on the costs of planned future facilities.

At the time of this briefing, we will likely have calculated a draft transportation improvement fee. We will calculate the parks improvement fee after resolving what population forecast assumptions to use.

- vii. Meet with County staff to review findings.

To occur in the coming weeks.

3. Documentation

- i. Prepare draft report describing policy recommendations, methodology, and results for review. The report will include guidelines for implementation and administration of the SDCs, including a strategy and process for future adjustments.
- ii. Provide final draft report integrating review comments.
- iii. Prepare draft ordinances reflecting the recommended fees and fee structures.
- iv. Provide final report after public process (Task 4).

4. Public Process

- i. Prepare for and meet up to four times with an advisory committee (or committees) of stakeholders to discuss the following topics:
 - Key SDC policy options and recommendations.
 - Analytical findings and results.
 - Implementation of recommended charges.
- ii. Prepare for and attend up to two meetings with the Board of Commissioners.

The May 6 meeting is the first of these two planned meetings.

Outstanding Issues for Consideration by the Board

There are a number of policy issues which will require the direction of the Board, either on May 6 or in the near future – with the likely availability of calculated fee alternatives.

Collaboration with Other Jurisdictions in the County. There are a number of options for how the transportation and parks SDC could be calculated and applied – in the “rural” County only, based on rural projects and forecasted rural growth; in the rural County and separately in the urban growth areas (UGAs) outside of cities; and in the rural County and separately in the urban growth boundaries (including within city boundaries as applicable). We understand that both Eugene and Springfield have permitting authority for their UGAs. Obviously, imposing a County charge in the UGAs and/or within city boundaries will require the cooperation of the cities for the simple reason that the County may not be able to collect the fee without an agreement with those cities. In any case, when calculating SDC alternatives, we take great care to ensure that the geographic area addressed by the project list (the numerator) is the same as the geographic area of the growth forecast (the denominator). This internal consistency is critical to developing an equitable fee structure.

Realistic Project List. The list of projects used to develop the SDC improvement fee should represent the list that would be accomplished if funding were not a constraint. In many cases, SDC funding may allow for projects that were partially funded to be constructed. Of course, the list of projects to be funded by SDCs will include many projects for which there will be an SDC-eligible portion and a non growth-related portion for which other funding will be necessary. The County should include projects on the list that it intends to construct during the planning period.

Population Forecasts. As stated previously, the population forecast is a critical input in the parks SDC calculation. It is important to note that the definition of a “conservative” assumption differs from a planning and a financial perspective. Planners use high growth estimates to be conservative and ensure planned facilities are sized sufficiently to meet growth needs. Meanwhile, financial analysts use low growth estimates to create conservative financial forecasts so that financial health can be sustained even in slow growth period.