

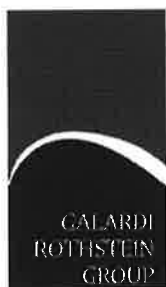
Methodology Report

Parks System Development Charges

Prepared For



February 25, 2016



Introduction

System development charges (SDCs) are an important funding source for parks capital improvement projects. The City of Carlton last updated its parks SDC methodology in 2008, based on a 2005 Parks and Recreation Capital Improvement Plan. The City adopted a new Parks Development Plan in 2015, which includes an updated list of planned capital improvements and priorities. The proposed parks SDCs presented in this report are intended to bring the SDCs into alignment with current estimates of capital costs, and to expand assessment of parks SDCs to nonresidential development.

Oregon legislation establishes guidelines for the calculation of SDCs. Within these guidelines, local governments have some latitude in selecting technical approaches and establishing policies related to the development and administration of SDCs. A discussion of this legislation follows; the recommended methodology for calculating parks SDCs is presented in Section 2.

SDC Legislation in Oregon

In the 1989 Oregon state legislative session, a bill was passed that created a uniform framework for the imposition of SDCs statewide. This legislation (Oregon Revised Statute [ORS] 223.297-223.314), which became effective on July 1, 1991, (with subsequent amendments), authorizes local governments to assess SDCs for the following types of capital improvements:

- Drainage and flood control
- Water supply, treatment, and distribution
- Wastewater collection, transmission, treatment, and disposal
- Transportation
- Parks and recreation

The legislation provides guidelines on the calculation and modification of SDCs, accounting requirements to track SDC revenues, and the adoption of administrative review procedures.

SDC Structure

SDCs can be developed as: (1) a reimbursement fee, (2) an improvement fee, or (3) a combination of the two. The **reimbursement fee** is based on the costs of capital improvements *already constructed or under construction*. The legislation requires the reimbursement fee to be established or modified by an ordinance or resolution setting forth the methodology used to calculate the charge. This methodology must consider the cost of existing facilities, prior contributions by existing users, gifts or grants from federal or state government or private persons, the value of unused capacity available for future system users, rate-making principles employed to finance the capital improvements, and other

relevant factors. The objective of the methodology must be that future system users contribute no more than an equitable share of the capital costs of *existing* facilities. Reimbursement fee revenues are restricted only to capital expenditures for the specific system which they are assessed, including debt service.

The methodology for establishing or modifying an **improvement fee** must be specified in an ordinance or resolution that demonstrates consideration of the *projected costs of capital improvements identified in an adopted plan and list*, that are needed to increase capacity in the system to meet the demands of new development. Revenues generated through improvement fees are dedicated to capacity-increasing capital improvements or the repayment of debt on such improvements. An increase in capacity is established if an improvement increases the level of service provided by existing facilities or provides new facilities.

In many systems, growth needs will be met through a combination of existing available capacity and future capacity-enhancing improvements. Therefore, the law provides for a **combined fee** (reimbursement plus improvement component). However, when such a fee is developed, the methodology must demonstrate that the charge is not based on providing the same system capacity.

Credits

The legislation requires that a credit be provided against the improvement fee for the construction of "qualified public improvements." Qualified public improvements are improvements that are required as a condition of development approval, identified in the system's capital improvement program, and either (1) not located on or contiguous to the property being developed, or (2) located in whole or in part, on or contiguous to, property that is the subject of development approval and required to be built larger or with greater capacity than is necessary for the particular development project to which the improvement fee is related.

Update and Review

The methodology for establishing or modifying improvement or reimbursement fees shall be available for public inspection. The local government must maintain a list of persons who have made a written request for notification prior to the adoption or amendment of such fees. The legislation includes provisions regarding notification of hearings and filing for reviews. "Periodic application of an adopted specific cost index or... modification to any of the factors related to the rate that are incorporated in the established methodology" are not considered "modifications" to the SDC. As such, the local government is not required to adhere to the notification provisions. The criteria for making adjustments to the SDC rate, which do not constitute a change in the methodology, are further defined as follows:

- "Factors related to the rate" are limited to changes to costs in materials, labor, or real property as applied to projects in the required project list.
- The cost index must consider average change in costs in materials, labor, or real property and must be an index published for purposes other than SDC rate setting.

The notification requirements for changes to the fees that *do* represent a modification to the methodology are 90-day written notice prior to first public hearing, with the SDC methodology available for review 60 days prior to public hearing.

Other Provisions

Other provisions of the legislation require:

- Preparation of a capital improvement program or comparable plan (prior to the establishment of a SDC), that includes a list of the improvements that the jurisdiction intends to fund with improvement fee revenues and the estimated timing, cost, and eligible portion of each improvement.
- Deposit of SDC revenues into dedicated accounts and annual accounting of revenues and expenditures, including a list of the amount spent on each project funded, in whole or in part, by SDC revenues.
- Creation of an administrative appeals procedure, in accordance with the legislation, whereby a citizen or other interested party may challenge an expenditure of SDC revenues.

The provisions of the legislation are invalidated if they are construed to impair the local government's bond obligations or the ability of the local government to issue new bonds or other financing.

SDC Methodology

Overview

The methodology used to calculate parks SDCs begins with determination of the “cost basis” (the costs in aggregate associated with meeting the capacity needs of growth). Then, growth costs are divided by the projected growth units (population and employees) to determine the system-wide unit costs of capacity. Finally, the SDC schedule is developed which identifies how the system-wide costs will be assessed to individual development types.

Population and Employment

Park capacity is generally measured in terms of people served – which generally includes resident population and resident and nonresident employees. Table 1 provides population and employment data derived from the Parks Development Plan and the City’s Comprehensive Plan for use in the SDC analysis.

Table 1
City of Carlton
Parks SDC Analysis
Population and Employment Data

Year	Population ¹	Employment ²	Equivalent Population ³
2005		789	
2007	1,755		
Current ³	2,065	882	2,181
2027	2,379	1,070	
2035	2,890	1,197	3,048
Future Growth	825	316	867
% of 2035	28.5%	26.4%	28.4%
Recent Growth ⁴	310		
% of 2035	10.7%		

¹ 2007 population from 2008 System Development Charge report; current and 2035 from Parks Development Plan.

² 2005 and 2027 based on Carlton Comprehensive Plan; other years estimated based on 1.4% average annual growth rate (from Comprehensive Plan).

³ Population plus equivalent employee population (one employee = 13.2% equivalent population).

⁴ Population increase from 2007 to current.

The Parks Development Plan provides population figures as of December 2013 which are the most current figures available. The Parks Development Plan also provides projected population figures for the end of the planning period (2035). Employment figures are based on 2005 data from the Comprehensive Plan, and have been brought to current estimates (and projected to 2035) by using the assumed average annual growth between 2005 and 2027 contained in Comprehensive Plan (average of 1.4 percent annually).

The concept of equivalent population is used to recognize different utilization levels of parks by the general population (used to estimate residential development capacity needs) and employees (used to estimate nonresidential development needs). For purposes of this analysis, the equivalent population for nonresidential development is equal to 13.2 percent of total employees. This analysis reflects the ratio of estimated future park use by residents to park use by employees (see Appendix Tables A-1 and A-2 for more details).

As shown in Table 1, future growth in population and employees from current estimates through 2035 is estimated to be 825 and 316, respectively. Future growth represents about 28.5 percent of total future 2035 population and 26.4 percent of employment. The City has been collecting SDCs since 2007 to pay for a portion of the improvements to existing parks. That recent growth represents almost 11 percent of the 2035 planning period population, and represents the portion of costs that may be funded through existing SDC reserves. Growth in equivalent population is estimated to be 867, or 28.4 percent of the projected 2035 total, and is used as a basis for allocating planned improvement costs to future growth for calculating the updated SDCs (discussed further below).

Cost Basis

Improvement Fee

The Parks Development Plan includes approximately \$3.0 million in improvements to existing parks and acquisition of additional park acreage and facilities. Table 2 provides a summary of park improvements during the planning period. The improvements will be funded through a combination of debt, existing and future SDC reserves and revenues, and other sources. Voters approved a General Obligation (GO) bond in 2015 to fund approximately \$0.925 million of the costs to rebuild the pool at Upper Wennerberg Park. Both existing and future development will pay for its proportionate share of the \$0.925 million debt costs through property taxes used to retire the bonds. The remaining \$2.1 million in total project list costs are allocated between existing and future development, as shown in Table 2, to determine the SDC cost basis.

Improvements to existing parks (including rebuild of the pool) will benefit both existing and future development through enhanced levels of performance of park and recreation facilities. Therefore, the costs for these improvements (net of GO bond funding) are all allocated between existing and future development in proportion to each group's share of the 2035 equivalent population (28.4 percent for growth, as shown in Table 1). Similarly new special facilities (like the skate park) provide new types of recreation opportunities for both existing and future development, and are therefore allocated proportionately.

Table 2							
City of Carlton							
Parks SDC Analysis							
<i>SDC Project List</i>							
	Time Period			Other Funding	Net Cost	Future Growth	
	1-5	5-10	Total			%	\$
Existing Parks							
Wennerberg Upper City Park							
Rebuild Pool	\$1,527,612		\$1,527,612	\$926,500	\$601,112	28.4%	\$170,915
Park Storage/Restrooms	\$80,052		\$80,052		\$80,052	28.4%	\$22,761
Splash Fountain		\$50,000	\$50,000		\$50,000	28.4%	\$14,217
Play Structure Consolidation	\$50,000		\$50,000		\$50,000	28.4%	\$14,217
Benches for Pool area		\$5,500	\$5,500		\$5,500	28.4%	\$1,564
Picnic pavilion	\$30,000		\$30,000		\$30,000	28.4%	\$8,530
Refurbish Ladd fountain	\$15,600		\$15,600		\$15,600	28.4%	\$4,436
Additional pool lanes		\$175,000	\$175,000		\$175,000	28.4%	\$49,758
Landscaping improvement	\$10,000		\$10,000		\$10,000	28.4%	\$2,843
Trash receptacles		\$2,000	\$2,000		\$2,000	28.4%	\$569
Downtown park renovation improvements	\$50,000		\$50,000		\$50,000	28.4%	\$14,217
Subtotal	\$1,763,264	\$232,500	\$1,995,764	\$926,500	\$1,069,264		\$304,025
Wennerberg Lower Park							
Restroom	\$35,000		\$35,000		\$35,000	28.4%	\$9,952
Picnic tables		\$16,000	\$16,000		\$16,000	28.4%	\$4,549
Playground equipment	\$75,000		\$75,000		\$75,000	28.4%	\$21,325
Day use facility	\$150,000		\$150,000		\$150,000	28.4%	\$42,650
Subtotal	\$260,000	\$16,000	\$276,000	\$0	\$276,000		\$78,475
Hawn Creek Park							
Play structure	\$45,000		\$45,000		\$45,000	28.4%	\$12,795
General construction	\$26,540		\$26,540		\$26,540	28.4%	\$7,546
Landscaping	\$29,000		\$29,000		\$29,000	28.4%	\$8,246
Furnishings	\$8,700		\$8,700		\$8,700	28.4%	\$2,474
Basketball court		\$10,500	\$10,500		\$10,500	28.4%	\$2,985
Shelter	\$32,800		\$32,800		\$32,800	28.4%	\$9,326
Subtotal	\$142,040	\$10,500	\$152,540	\$0	\$152,540		\$43,372
Skate Park							
Skate facility	\$350,000		\$350,000		\$350,000	28.4%	\$99,516
Picnic tables (2)	\$2,000		\$2,000		\$2,000	28.4%	\$569
Trash	\$1,000		\$1,000		\$1,000	28.4%	\$284
Landscaping	\$15,000		\$15,000		\$15,000	28.4%	\$4,265
General construction	\$25,000		\$25,000		\$25,000	28.4%	\$7,108
Subtotal	\$393,000	\$0	\$393,000	\$0	\$393,000		\$111,742
Subtotal Existing Parks	\$2,558,304	\$259,000	\$2,817,304	\$926,500	\$1,890,804		\$537,615
Additional Acreage							
Neighborhood (0.65)		\$41,364	\$41,364		\$41,364	100%	\$41,364
Community (2.87)		\$182,636	\$182,636		\$182,636	100%	\$182,636
Subtotal	\$0	\$224,000	\$224,000	\$0	\$224,000		\$224,000
Total	\$2,558,304	\$483,000	\$3,041,304	\$926,500	\$2,114,804		\$761,615

Source: Carlton Parks Development Plan (December 2014); some updated costs to reflect more current bid data

As shown in Table 2, the Parks Development Plan includes acquisition of additional neighborhood and community park acreage in order to maintain existing levels of service (as measured by acres per 1,000 population.) Table 3 shows existing acreage for each classification of park, and the additional acreage needed to maintain the current level of service as the City's population increases. To be consistent with the current Comprehensive Plan, the Parks Development Plan only includes costs to expand park acreage through 2027.

As shown in Table 2, the additional costs associated with adding 0.65 and 2.87 acres of neighborhood and community parks, respectively is projected to total \$0.2 million. Because this additional acreage is needed only for future development, these costs are allocated 100 percent to growth.

Table 3
 City of Carlton
 Parks SDC Analysis
 Existing and Future Planned Park Acreage

Parks Inventory	acres	Acres per 1,000 Population	
		Current	Additional
Neighborhood	4.34	2.10	0.65
Community	18.86	9.13	2.87
Total	23.2	11.23	3.52

**Source: Parks Development Plan (based on 2027 population)*

As shown in Table 2, the total improvement fee cost basis is equal to \$0.76 million.

Reimbursement Fee

The improvement fee cost basis includes significant improvement and replacement of existing park facilities, and additional acreage to fully service the needs of future growth. Therefore, a reimbursement fee is not included in the methodology.

Compliance Costs

Local governments are entitled to include in the SDCs, the costs associated with complying with the SDC statutes. Compliance costs include costs related to developing the SDC methodology and project list (i.e., a portion of planning costs), and annual budgeting and reporting. As shown in Table 4, the estimated compliance costs over the 20-year planning period are \$80,000.

Table 4
 City of Carlton
 Parks SDC Analysis
 Compliance Costs

	Total
Parks Plan	\$15,000
SDC Methodology	\$15,000
Accounting, Reporting	\$50,000
Total	\$80,000

SDC Schedule

Unit Costs

To determine the SDC schedule, the system-wide unit costs of capacity are first determined, as shown in Table 5. The unit cost calculations begin with allocation of the cost basis between residential and nonresidential development. For SDC development purposes, existing and future neighborhood park costs (with the exception of Wennerberg Park located in the downtown area), are allocated to residential development only. All other park costs are allocated to both residential and nonresidential development based on each group's share of future equivalent population. As shown in Table 1, total growth in equivalent population is estimated to be 867, including 825 new residents (95 percent) and 42 nonresidential equivalents (5 percent). Based on these allocations, residential development is allocated \$0.73 million, and nonresidential is allocated \$0.03 million of future growth-related park costs from Table 2. Compliance costs are allocated to each group in proportion to the total capital costs.

Table 5
City of Carlton
Parks SDC Analysis
SDC Unit Cost Calculation

	Capital	Growth \$ Compliance	Total	Growth Units	\$/Unit
Growth Costs					
Residential	\$729,157	\$76,591	\$805,748	825	\$977
Nonresidential	\$32,457	\$3,409	\$35,867	316	\$114
Total	\$761,615	\$80,000	\$841,615		

The growth capacity units for both residential and nonresidential developments are people; in the case of residential it is total population, and in the case of nonresidential the unit of measure is employment. The growth in population and employment during the 20-year planning period is estimated to be 825 and 316, respectively. Dividing the residential cost by the total growth in population yields a unit cost per person of \$977. Similarly, the unit cost for nonresidential is determined to be \$114 per employee.

SDC Schedule

SDCs are assessed to different development types based on average dwelling occupancy and employee density (employees per thousand square feet), as estimated by local or regional data. Data for the City of Carlton from the American Community Survey (2009-2013) was used to determine the average occupants per household. As shown in table 6, single family dwellings average 2.94 persons per household, compared to 2.13 for multifamily and 2.77 for mobile homes. Based on these occupancy levels, the revised SDCs for residential dwellings range from \$2,080 (for multifamily), to \$2,871 for single family.

Table 6
 City of Carlton
 Parks SDC Analysis
 SDC Unit Cost Calculation

Development Type	Units	SDC
Residential (\$/dwelling unit)	pphh	
Single-Family	2.94	\$2,871
Multifamily (>1 unit)	2.13	\$2,080
Mobile Home	2.77	\$2,705
Nonresidential (\$/1,000 sf)	emp/1000 sf*	
Ag, Forestry, Fishing, Construction, Manufacturing ¹	1.6	\$186
Wholesale Trade, Transportation & Warehousing	0.3	\$35
Retail Trade ²	2.1	\$242
Finance, Insurance & Health Services	2.8	\$316
Non-Health Services	1.3	\$151

*Based on Metro employment density study

¹Includes beverage manufacturing (e.g., wine production)

²Includes eating & drinking places

For nonresidential development, the SDC is assessed based on estimated employment density and building size (as measured in 1,000 gross square feet). Estimated employment per 1,000 square feet is based on regional data (Metro Employment Density Study). The SDC per 1,000 square feet for each nonresidential type is computed by multiplying the cost per employee (\$114) by the estimated employees per 1,000 square feet (ranging from 0.3 to 2.8). The SDC per 1,000 square feet of building area ranges from \$35 warehouse to \$316 for Finance, Insurance and Health Service developments.

Expenditure of Existing SDC Fund Balance

The SDC project list shown in Table 2 identifies the portion of planned capital project costs that are related to future (post 2014) development, for purposes of calculating the updated SDCs. As mentioned previously, the City has been collecting SDCs since 2007 to pay for a portion of the improvements to existing parks. Growth since 2007 (shown as "Recent Growth" in Table 1) represents almost 11 percent of the 2035 planning period population, and represents the portion of costs that may be funded through existing SDC reserves. Appendix Table A-3 shows the total SDC-eligible expenditures for each project, including application of existing reserves for recent growth, and application of new SDC revenues for future growth.

Inflationary Adjustments

In accordance with Oregon statutes, it is recommended that the SDCs be adjusted annually based on a standard inflationary index. Specifically, the City uses the ENR Construction Cost index as the basis for adjusting the SDCs annually.

Appendix

Table A-1
 City of Carlton
 Parks SDC Study
 Weighted Average Park Availability Hours by Class

Season/Period	Residential Not-Employed Adult	Kids (5-17)	Employed Adult	Non- Residential
Summer				
Weekday				
Before Work				1
Breaks				1
After Work				2
Other Leisure	12	12	2	0
Subtotal	12	12	2	4
Weekend				
Leisure	12	12	12	0
Subtotal	12	12	12	0
Hours/Day	12.00	12.00	4.86	2.86
Spring/Fall				
Weekday				
Before Work				0.5
Breaks				1
After Work				1
Other Leisure	10	4	2	0
Subtotal	10	4	2	2.5
Weekend				
Leisure	10	10	10	0
Subtotal	10	10	10	0
Hours/Day	10.00	5.71	4.29	1.79
Winter				
Weekday				
Before Work				0.5
Breaks				1
After Work				0.5
Other Leisure	8	2	1	0
Subtotal	8	2	1	2
Weekend				
Leisure	8	8	8	0
Subtotal	8	8	8	0
Hours/Day	8.00	3.71	3.00	1.43
Annual Avg. Weighted Hours	10.00	7.14	4.05	2.02

Table A-2
City of Carlton
Parks SDC Study
Determination of Parks Equivalent Population Ratio

Category	Growth Units	Avg. Hours Per person/day	Unit Hours/Day	% Total
Population				
Kids (5-17)	199	7.14	1,423	
Non-Employed Adults (18+)	180	10	1,798	
Employed Adults (18+)	399			
Work In City	48	4.05	196	
Work out of City	351	4.05	1,422	
Subtotal	779		4,839	88%
Employees				
Residents	48	2.02	98	
Nonresidents	267	2.02	540	
Subtotal	316		637	12%
Total	1,094		5,477	
<i>Ratio of Employee Units per Day to Population</i>		13.2%		

Table A-3									
City of Carlton									
Parks SDC Analysis									
SDC Project List									
	Total	Other Funding	Net Cost	Recent Growth ¹		Future Growth		Total SDC-Eligible	
				%	\$	%	\$	%	\$
Existing Parks									
Wennerberg Upper City Park									
Rebuild Pool	\$1,527,612	\$926,500	\$601,112	10.7%	\$64,479	28.4%	\$170,915	39%	\$235,394
Park Storage/Restrooms	\$80,052		\$80,052	10.7%	\$8,587	28.4%	\$22,761	39%	\$31,348
Splash Fountain	\$50,000		\$50,000	10.7%	\$5,363	28.4%	\$14,217	39%	\$19,580
Play Structure Consolidation	\$50,000		\$50,000	10.7%	\$5,363	28.4%	\$14,217	39%	\$19,580
Benches for Pool area	\$5,500		\$5,500	10.7%	\$590	28.4%	\$1,564	39%	\$2,154
Picnic pavilion	\$30,000		\$30,000	10.7%	\$3,218	28.4%	\$8,530	39%	\$11,748
Refurbish Ladd fountain	\$15,600		\$15,600	10.7%	\$1,673	28.4%	\$4,436	39%	\$6,109
Additional pool lanes	\$175,000		\$175,000	10.7%	\$18,772	28.4%	\$49,758	39%	\$68,530
Landscaping Improvement	\$10,000		\$10,000	10.7%	\$1,073	28.4%	\$2,843	39%	\$3,916
Trash receptacles	\$2,000		\$2,000	10.7%	\$215	28.4%	\$569	39%	\$783
Downtown park renovation improvements	\$50,000		\$50,000	10.7%	\$5,363	28.4%	\$14,217	39%	\$19,580
Subtotal	\$1,995,764	\$926,500	\$1,069,264		\$114,696		\$304,025		\$418,721
Wennerberg Lower Park									
Restroom	\$35,000		\$35,000	10.7%	\$3,754	28.4%	\$9,952	39%	\$13,706
Picnic tables	\$16,000		\$16,000	10.7%	\$1,716	28.4%	\$4,549	39%	\$6,266
Playground equipment	\$75,000		\$75,000	10.7%	\$8,045	28.4%	\$21,325	39%	\$29,370
Day use facility	\$150,000		\$150,000	10.7%	\$16,090	28.4%	\$42,650	39%	\$58,740
Subtotal	\$276,000	\$0	\$276,000		\$29,606		\$78,475		\$108,081
Hawn Creek Park									
Play structure	\$45,000		\$45,000	10.7%	\$4,827	28.4%	\$12,795	39%	\$17,622
General construction	\$26,540		\$26,540	10.7%	\$2,847	28.4%	\$7,546	39%	\$10,393
Landscaping	\$29,000		\$29,000	10.7%	\$3,111	28.4%	\$8,246	39%	\$11,356
Furnishings	\$8,700		\$8,700	10.7%	\$933	28.4%	\$2,474	39%	\$3,407
Basketball court	\$10,500		\$10,500	10.7%	\$1,126	28.4%	\$2,985	39%	\$4,112
Shelter	\$32,800		\$32,800	10.7%	\$3,518	28.4%	\$9,326	39%	\$12,844
Subtotal	\$152,540	\$0	\$152,540		\$16,362		\$43,372		\$59,734
Skate Park									
Skate facility	\$350,000		\$350,000	10.7%	\$37,543	28.4%	\$99,516	39%	\$137,059
Picnic tables (2)	\$2,000		\$2,000	10.7%	\$215	28.4%	\$569	39%	\$783
Trash	\$1,000		\$1,000	10.7%	\$107	28.4%	\$284	39%	\$392
Landscaping	\$15,000		\$15,000	10.7%	\$1,609	28.4%	\$4,265	39%	\$5,874
General construction	\$25,000		\$25,000	10.7%	\$2,682	28.4%	\$7,108	39%	\$9,790
Subtotal	\$393,000	\$0	\$393,000		\$42,156		\$111,742		\$153,898
Subtotal Existing Parks	\$2,817,304	\$926,500	\$1,890,804		\$202,820		\$537,615		\$740,434
Additional Acreage									
	\$224,000		\$224,000			100%	\$224,000	100%	\$224,000
Neighborhood (0.65)	\$41,364		\$41,364			100%	\$41,364	100%	\$41,364
Community (2.87)	\$182,636		\$182,636			100%	\$182,636	100%	\$182,636
Subtotal	\$224,000	\$0	\$224,000		\$0		\$224,000		\$224,000
Total	\$3,041,304	\$926,500	\$2,114,804		\$202,820		\$761,615		\$964,434

Source: Carlton Parks Development Plan (December 2014); some updated costs to reflect more current bid data

¹ Costs related to growth since 2007; eligible for expenditure of existing SDC fund balance (estimated at \$191,000)