

City of Veneta

PARKS SYSTEM DEVELOPMENT CHARGE UPDATE

Draft Report
December 23, 2021

Washington
7525 166th Avenue NE, Ste. D215
Redmond, WA 98052
425.867.1802

Oregon
5335 Meadows Road, Ste 330
Lake Oswego, OR 97035
503.841.6543

Colorado
PO Box 19114
Boulder, CO 80301-9998
719.284.9168

www.fcsgroup.com

This entire report is made of readily recyclable materials, including the bronze wire binding and the front and back cover, which are made from post-consumer recycled plastic bottles.



 **FCS GROUP**
Solutions-Oriented Consulting

TABLE OF CONTENTS

Table of Contents	ii
Section I. Introduction	1
I.A. Project.....	1
I.B. Policy	1
Section II. SDC Analysis	3
II.A. Growth	3
II.B. Improvement Fee.....	6
II.C. Reimbursement Fee	10
II.D. Calculated SDC.....	10
Section III. Fee-in-Lieu Analysis	14
III.A. Land Dedication Requirement	14
III.B. Land Acquisition Costs	14
III.C. Calculated Fee-in-Lieu.....	14
Section IV. Implementation.....	16
IV.A. Fee-in-Lieu Changes	16
IV.B. Indexing.....	16

Exhibits

Table 1 – Population and Employment, 2018	4
Table 2 – Park System Availability Estimates.....	5
Table 3 – Total Hours per Week of Park Availability	5
Table 4 – Residential Equivalents Forecast	6
Table 5 – SDC Eligibility (Current Level of Service)	7
Table 6 – SDC Eligibility (Future Level of Service).....	8

Table 7 – Expansion Projects	8
Table 8 – Infill Projects	9
Table 9 – Improvement Fee Cost Basis.....	10
Table 10 – Cost Basis Adjustments.....	11
Table 11 – Calculated SDC	11
Table 12 – Employment Density	12
Table 13 – Parks SDC Comparison	13
Table 14 – Fee-in-Lieu Calculation	14
Table 15 – Calculated SDC and Fee-in-Lieu	15

Section I. INTRODUCTION

This section describes the project scope and policy context upon which the body of this report is based.

I.A. PROJECT

The City of Veneta (City) imposes a system development charge (SDC) to provide partial funding for the capital needs of its parks system. The current SDC is charged only to residential developments based on the number of equivalent dwelling units (EDUs). The rate is currently \$5,109 per EDU.

In addition, at the City's discretion, the City may charge developers a fee in lieu of land dedication for parkland (fee-in-lieu). The fee-in-lieu is calculated by multiplying the average cost of land in the City by the number of acres required for land dedication. The City currently expects developers to dedicate 0.0084 acres per resident expected in the development, and the cost per acre is estimated to be \$77,700 as established by Resolution 937.

In 2021, the City engaged FCS GROUP to update the City's parks SDC based on their 2020 parks master plan, and to update the fee-in-lieu based on more recent land acquisition cost estimates and level-of-service calculations.

I.B. POLICY

SDCs are enabled by state statutes, authorized by local ordinance, and constrained by the United States Constitution.

I.B.1. State Statutes

Oregon Revised Statutes (ORS) 223.297 to 223.314 enable local governments to establish SDCs, which are one-time fees on development that are paid at the time of development or redevelopment that creates additional demand for park facilities. SDCs are intended to recover a fair share of the cost of existing and planned facilities that provide capacity to serve future users -- growth.

ORS 223.299 defines two types of SDC:

- A reimbursement fee that is designed to recover “costs associated with capital improvements already constructed, or under construction when the fee is established, for which the local government determines that capacity exists”
- An improvement fee that is designed to recover “costs associated with capital improvements to be constructed”

ORS 223.304(1) states, in part, that a reimbursement fee must be based on “the value of unused capacity available to future system users or the cost of existing facilities” and must account for prior contributions by existing users and any gifted or grant-funded facilities. The calculation must “promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities.” A reimbursement fee may be spent on any capital improvement related to the system for which it is being charged (whether cash-financed or debt-financed).

ORS 223.304(2) states, in part, that an improvement fee must be calculated to include only the cost of projected capital improvements needed to increase system capacity for future users. In other words, the cost of planned projects that correct existing deficiencies or that do not otherwise increase capacity for future users may not be included in the improvement fee calculation. An improvement fee may be spent only on capital improvements (or portions thereof) that increase the capacity of the system for which it is being charged (whether cash-financed or debt-financed).

In addition to the reimbursement and improvement fees, ORS 223.307(5) states, in part, that “system development charge revenues may be expended on the costs of complying” with state statutes concerning SDCs, including “the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures.”

I.B.2. Local Ordinance

Chapter 13.25 of the Veneta Municipal Code (VMC) authorizes and governs the imposition and expenditure of parks SDCs in Veneta. Veneta Land Development Ordinance No. 493 authorizes and governs the imposition of the fee-in-lieu. Resolution 937 set the current fee-in-lieu. The City will need to modify its ordinance and pass a new resolution to allow for the changes to the fee-in-lieu discussed in this report, as discussed in Section IV.A of this report.

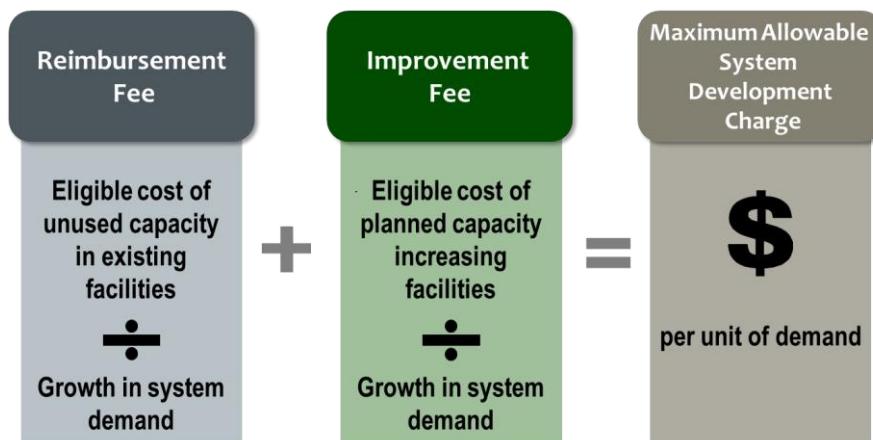
I.B.3. United States Constitution

The United States Supreme Court has determined that SDCs, impact fees, or other exactions that comply with state and/or local law may still violate the United States Constitution if they are not proportionate to the impact of the development. The SDCs calculated in this report are designed to meet all constitutional and statutory requirements.

Section II. SDC ANALYSIS

This section provides the detailed calculations of the maximum allowable parks SDC.

In general, SDCs are calculated by adding a reimbursement fee component (if applicable) and an improvement fee component—both with potential adjustments. Each component is calculated by dividing the eligible cost by growth in units of demand. The unit of demand becomes the basis of the charge. Below is an illustration of this calculation:



II.A. GROWTH

The calculation of projected growth begins with defining the units by which current and future demand will be measured. Then, using the best available data, we quantify the current level of demand and estimate a future level of demand. The difference between the current level and the future level is the growth in demand that will serve as the denominator in the SDC calculations.

II.A.1. Unit of Measurement

A good unit of measurement allows an agency to quantify the incremental demand of development or redevelopment that creates additional demand for park facilities. A great unit of measurement allows an agency to distinguish different levels of demand added by different kinds of development or redevelopment.

II.A.1.a Options

For parks SDCs, demand that can be attributed to individual developments is usually measured in the number of people who will occupy a development. For residential developments, the number of occupants means the number of residents. We use data from the U. S. Census Bureau to estimate the number of residents for different kinds of dwelling units. For non-residential developments, the number of occupants means the number of employees. We use industry data to estimate the number employees per square foot for different kinds of non-residential developments.

When an agency chooses to impose a parks SDC on both residential and non-residential developments, the demand of one additional resident must be carefully distinguished from the demand of one additional employee. This is usually accomplished by the calculation of a residential equivalent. One resident is equal to one residential equivalent, and one employee is typically less than one residential equivalent.

II.A.1.b Recommendation

The City finds that non-residential developments are a source of demand for parks facilities. We therefore recommend that the City begin to charge parks SDCs for non-residential development while continuing to charge parks SDCs for residential development.

II.A.2. Demand Adjustment for Non-Residential Users

To charge parks SDCs to both residential and non-residential developments, we must estimate both (1) how much availability non-residential occupants (i.e., employees) have to use parks facilities and (2) how that availability differs from residential occupants (i.e., residents).

The calculation begins with the most recent counts for population and employment in Veneta. As shown below, in 2018 (the most recent year for which both population and employment data were available), 4,891 residents live in Veneta, and 977 employees work in Veneta. Of these, 104 people both live and work in Veneta.

Table 1

Population and Employment, 2018	Living Inside Veneta	Living Outside Veneta	Total
Working Inside Veneta	104	873	977
Working Outside Veneta	2,076		
Not Working	2,711		
Total	4,891		

Source: US Census Bureau, 2014-2018 American Community Survey 5-Year Estimates, Table B01003 (total living inside Veneta); U.S. Census Bureau, OnTheMap Application, 2018 Inflow/Outflow analysis for all jobs (employment data)

Next, we estimate the number of hours per week that each category of person would be available to use the parks facilities in Veneta. Table 2 below shows our estimate of maximum availability. It assumes that 8 hours each day are used for sleeping for all residents of the City. For those who are not working, the remaining 16 hours of each day are available for use of the parks system, giving a total of 112 hours per week of parks system availability. For workers, 8 hours of each day are assumed to be spent at work, which leaves the remaining 8 hours per weekday available for residential use of the parks system. In addition, workers have 16 hours of residential demand each weekend day, for a total of 72 hours per week of residential demand. During work, 2 hours are assumed to be available for workers to use the parks system, giving 10 hours per week of non-residential demand. These estimates are not of actual use, but maximum availability.

Table 2

Hours per week of residential demand	Living Inside Veneta
Working Inside Veneta	72
Working Outside Veneta	72
Not Working	112

Source: FCS GROUP.

Hours per week of non-residential demand	Living Inside Veneta	Living Outside Veneta
Working Inside Veneta	10	10
Working Outside Veneta		
Not Working		

Source: FCS GROUP.

When the hours of availability above are multiplied by the counts presented earlier, we can determine the relative demand of residents and employees. As shown in Table 3 below, the parks demand of one employee is equivalent to the parks demand of about 0.11 resident. To put it another way, the parks demand of 9.42 employees is equivalent to the parks demand of one resident.

Table 3

Total Hours per Week of Park Availability, 2018	Residential	Non-residential	Total Hours
	hours	hours	
Working Inside Veneta	7,488	9,770	17,258
Working Outside Veneta	149,472		
Not Working	303,632		
Total	460,592	9,770	17,258
Hours per resident	94		
Hours per employee		10	
Residents per employee			0.11

Source: Previous tables

II.A.3. Growth in Demand

The current (2020) demand for parks facilities is 4,940 residential equivalents. That number is the sum of 4,837 residents (based on the Population Research Center at Portland State University and the 2020 “City of Veneta Housing Needs Analysis and Economic Opportunities Analysis”), and 103 residential equivalents for 966 employees.

During the forecast period from 2020 to 2040, the residential population is expected to grow by 1,489 residents to a total of 6,326 residents (based on the 2020 “Parks, Recreation, and Open Space Master Plan”). If total residential equivalents remain proportionate to the residential population, then residential equivalents will grow by 1,521 to a total of 6,460 residential equivalents. Therefore, 1,521 residential equivalents will be the denominator for the SDC calculations later in this report.

Table 4 below summarizes these calculations:

Table 4

Residential Equivalents Forecast	2018	2020	2040	CAGR	Growth	Growth Share
Residents	4,891	4,837	6,326	1.35%	1,489	23.54%
Employees	977	966	1,264	1.35%	297	23.54%
Residential-equivalent employees	104	103	134	1.35%	32	23.54%
Total residential equivalents	4,995	4,940	6,460	1.35%	1,521	23.54%

Source: 2020 Parks, Recreation, and Open Space Master Plan, Table 2.4 (residents); previous tables (employees and residential-equivalent employees)

II.B. IMPROVEMENT FEE

An improvement fee is the eligible cost of planned projects per unit of growth that such projects will serve. Since we have already calculated growth (denominator) above, we will focus here on the improvement fee cost basis (numerator).

II.B.1. Eligibility

A project's eligible cost is the product of its total cost and its eligibility percentage. The eligibility percentage represents the portion of the project that creates capacity for future users.

For parks SDCs, eligibility is determined by a level-of-service analysis that quantifies the park facilities that are needed for growth (and are therefore eligible to be included in an improvement fee cost basis). Park facilities can be measured by sorting them into categories such as neighborhood, community, or pocket parks, or by considering their respective units of measurement. Further, in either approach, the current or future level of service may be targeted. These two separate choices create four distinct and equally defensible ways of calculating the eligibility percentage of each project.

Each method will be examined in the sections below.

II.B.1.a Current Level of Service (By Category and Unit of Measurement)

Determining SDC eligibility for parks projects using the current level of service requires determining the quantity of parks facilities needed to maintain the current level of service. Any projects that add facilities in excess of that quantity are ineligible.

The City has five relevant parks categories for determining its level of service by category. These are shown in the upper panel of the first column in Table 5. Each category receives its own level of service. Using pocket parks as an example, the City currently has 1.35 acres of pocket parks. Using the 2020 population discussed above, this implies that there is 0.28 acres of pocket parks per 1,000 residents. The parks project list, when completed, will add 0.30 acres of pocket parks. Based on the 2040 population and the current level of service, 0.42 acres of pocket parks are needed. So, all the City's pocket park projects are eligible for inclusion in the improvement fee cost basis.

The same line of reasoning is used to develop the eligibility percentages for other parks categories. Further, calculating eligibility using level of service by unit of measurement follows the same

approach. The eligibility percentage for each parks category or unit of measurement is shown in the last column of Table 5.

Table 5

	Units	2020 Units per 1,000 Residents	Change in Quantity	Additional Needed to Maintain LoS	Eligibility
By category:					
Pocket Park	Acres	1.35	0.28	0.30	0.42 100.00%
Community Park	Acres	11.46	2.37	0.00	3.53 0.00%
Special Use Park	Acres	10.70	2.21	0.00	3.29 0.00%
Neighborhood Park	Acres	0.00	0.00	13.23	0.00 0.00%
Undeveloped	Acres	7.00	1.45	-3.23	2.15 0.00%
By Unit of Measurement:					
Acres of Parks and Natural Areas	Acres	30.51	6.31	10.30	9.39 91.19%

Source: 2020 Parks, Recreation, and Open Space Master Plan, Table 2.2 (2020 quantity*), Table CIP-1 (change in quantity); previous tables (population estimates)

*Note that the City expects to sell 5th Street Park and Ralph Johnson Park which is why the 2020 quantity for the Pocket Park category is lower than what's listed in Table 2.2 of the 2020 Parks, Recreation, and Open Space Master Plan.

II.B.1.b Future Level of Service (By Category and Unit of Measurement)

To determine SDC eligibility using the future level of service, the proposed additional quantity of parks facilities is added to the current quantity of parks facilities. Using the future population, a future level of service is then calculated. Then, that level of service is compared to the current parks system to determine if any deficiencies exist. Only the portions of parks projects that do not cure existing deficiencies are considered eligible for the improvement fee cost basis under this method.

As in the previous section, calculating SDC eligibility based on future level of service can be done both when measuring parks facilities by category and when measuring by unit of measurement. Table 6 below outlines both methods using the future level of service. Using neighborhood parks as an example, the City currently has 0 acres of neighborhood parks. The parks project list, when completed, will add 13.23 acres of neighborhood parks. This results in a future level of service of 2.09 acres of neighborhood parks per 1,000 residents in 2040. If that level of service was applied to the 2020 population, a minimum of 10.12 acres would be needed. However, there are currently 0 acres of neighborhood parks. Thus, 10.12 acres must be added to the parks system to cure the deficiency in the parks system. So, only the remaining 3.11 acres added by the project list, or 23.54 percent of neighborhood parks projects, are eligible for inclusion in the improvement fee cost basis under this method.

The same approach is used to develop the eligibility percentages for other parks categories. Further, calculating eligibility using level of service by unit of measurement follows the same logic. The eligibility percentage for each parks category or unit of measurement is shown in the “Eligibility” column of Table 6 below.

When calculating an SDC based on the future level of service, it is possible that there may be park facilities eligible for inclusion in a reimbursement fee. This occurs when the future level of service for a parks category or unit of measurement is lower than the current level of service. If this is the case, then it follows that the parks system has available capacity in its parks facilities. The final

column of Table 6, “Reimbursable Quantity,” shows the reimbursable quantity of parks facilities by category and unit of measurement.

Table 6

	Units	2020 Quantity	Change in Quantity	2040 Units per 1,000 Residents	2020 Minimum Quantity	Eligibility	Reimbursable Quantity
By category:							
Pocket Park	Acres	1.35	0.30	0.26	1.26	100.00%	0.09
Community Park	Acres	11.46	0.00	1.81	8.76	0.00%	2.70
Special Use Park	Acres	10.70	0.00	1.69	8.18	0.00%	2.52
Neighborhood Park	Acres	0.00	13.23	2.09	10.12	23.54%	-
Undeveloped	Acres	7.00	-3.23	0.60	2.88	0.00%	4.12
By Unit of Measurement:							
Acres of Parks and Natural Areas	Acres	30.51	10.30	6.45	31.20	93.26%	-

Source: 2020 Parks, Recreation, and Open Space Master Plan, Table 2.2 (2020 quantity), Table CIP-1 (change in quantity); previous tables (population estimates)*

**Note that the City expects to sell 5th Street Park and Ralph Johnson Park which is why the 2020 quantity for the Pocket Park category is lower than what's listed in Table 2.2 of the 2020 Parks, Recreation, and Open Space Master Plan.*

II.B.2. Expansion Projects

The first of the City’s two project lists includes projects that will expand the inventory of the parks system and are therefore subject to the eligibility calculations described above. Table 7 below displays all four methods of calculating eligibility in four separate panels.

Using the current level of service by category (top left panel) as an example, the full cost of the expansion list is \$4.0 million. The eligibility percentage is shown in the next column as calculated in the previous section. The next column displays any outside funding for the expansion list that must be deducted from the improvement fee cost basis. In the City’s case, all land acquisition costs are expected to be paid from fees-in-lieu, and so land acquisition costs are deducted from the cost basis.

As shown, the eligible cost of the expansion list ranges from nothing up to \$3.0 million depending on the approach chosen.

Table 7

Expansion Projects						Current LoS			Future LoS		
Project	Type	Timing	Cost	Eligibility	Outside Funding	Eligible Cost	Eligibility	Outside Funding	Eligible Cost	Eligibility	Outside Funding
By Category											
Oak Island Park	Pocket Park	2028-2034	\$ 28,700	100%	\$ 28,700	\$ -	100%	\$ 28,700	\$ -	24%	-
Future SW Area Park	Neighborhood Park	2028-2034	484,500	0%	-	-	24%	-	-	24%	114,041
Future W Area Park	Neighborhood Park	2035-2040	1,750,000	0%	500,000	-	24%	500,000	-	24%	411,911
Future SC Area Park	Neighborhood Park	2035-2040	1,750,000	0%	500,000	-	24%	500,000	-	24%	411,911
		Total	\$ 4,013,200		\$ 1,028,700	\$ -		\$ 1,028,700	\$ 937,863		
By Unit of Measurement											
Acres of Parks and Natural Areas		2020-2040	\$ 4,013,200	91%	\$ 1,028,700	\$ 2,984,500	93%	\$ 1,028,700	\$ 2,984,500	93%	\$ 1,028,700

Source: 2020 Parks, Recreation, and Open Space Master Plan, Chapter 6; previous tables

The costs shown in Table 7 are for development only and do not include land acquisition. The cost of land acquisition is recovered by the fee-in-lieu calculated in Section III and is reported as “Outside Funding” in Table 7.

II.B.3. Infill Projects

The second of the City's two project lists includes projects that will not expand the inventory of the parks system by adding acres but that will nevertheless add capacity for future users by adding amenities. As shown in Table 8 below, this project list has a total cost of \$4.0 million. Each project is assigned one of two eligibility percentages: zero percent if the project is for repair or replacement of existing assets, and 23.50 percent if the project adds new amenities. That 23.50 percent represents the share of total users made up of new users in 2040, and assigning a project that percent recognizes that existing and future users are expected to share new amenities in existing parks proportionately.

Outside funding from the City of Veneta Urban Renewal Agency (URA) is expected to pay for \$2.8 million of the Bolton Hill Park projects. Adjusting for that outside funding, the capacity-expanding portion of the infill list totals to \$517,867.

Table 8

Infill Projects							Outside Funding	SDC-Eligible Costs
Project Site	Phase	Timing	Cost	SDC Eligibility				
City Park	Design and development	2020-2027	\$ 400,650	23.5%	\$ -	\$ 94,304		
Territorial Park	Restrooms	2020-2027	117,000	23.5%	-		\$ 27,539	
Territorial Park	Large picnic shelter	2020-2027	35,400	23.5%	-		\$ 8,332	
Territorial Park	Small picnic shelters (2)	2020-2027	26,200	23.5%	-		\$ 6,167	
Territorial Park	Entrance sign and site furnishings	2020-2027	22,700	23.5%	-		\$ 5,343	
Territorial Park	Basketball court recoating	2028-2034	15,500	0.0%	-			
Fern Park	Off-street parking (10 spaces)	2020-2027	85,500	23.5%	-		\$ 20,125	
Fern Park	Small picnic shelter	2020-2027	14,200	23.5%	-		\$ 3,342	
Fern Park	Portable restroom enclosure	2020-2027	5,900	23.5%	-		\$ 1,389	
Fern Park	Entrance sign and site furnishings	2020-2027	9,300	23.5%	-		\$ 2,189	
Fern Park	Landscape plantings	2020-2027	4,200	23.5%	-		\$ 989	
Oak Island Park	Children's playground	2020-2027	134,400	23.5%	-		\$ 31,635	
Oak Island Park	Portable restroom enclosure	2020-2027	5,900	23.5%	-		\$ 1,389	
Oak Island Park	Entrance sign and site furnishings	2020-2027	9,300	23.5%	-		\$ 2,189	
Oak Island Park	Stream renovation	2035-2040	22,500	0.0%	-			
Bolton Hill Park	Off-street parking (200 spaces)	2020-2027	578,000	23.5%	\$ 806,659			
Bolton Hill Park	Children's playground	2020-2027	210,000	23.5%	\$ 271,525			
Bolton Hill Park	Perimeter fencing	2020-2027	57,200	23.5%	\$ 76,520			
Bolton Hill Park	Field improvements	2020-2027	825,000	23.5%	\$ 1,337,347			
Bolton Hill Park	Entrance sign and site furnishings	2020-2027	47,100	23.5%	\$ 76,795			
Bolton Hill Park	Field house	2028-2034	413,000	23.5%	\$ 165,167		\$ 97,211	
Bolton Hill Park	Landscape plantings	2028-2034	165,000	23.5%	\$ 65,987		\$ 38,837	
Bolton Hill Park	Field lighting	2035-2040	731,500	23.5%	-		\$ 172,179	
Trails	Trails Master Plan	2020-2027	20,000	23.5%	-		\$ 4,708	
General	Land acquisition/easements	2035-2040	-	0.0%	-			
General	Connectivity	2035-2040	-	0.0%	-			
			\$ 3,955,450				\$ 2,800,000	\$ 517,867

Source: 2020 Parks, Recreation, and Open Space Master plan, Chapter 6

II.B.4. Calculated Improvement Fee Cost Basis

After determining the costs dedicated to expanding capacity on each of the two lists (expansion and infill), the improvement fee cost basis is calculated by multiplying those costs by their respective eligibility percentages. As discussed above, eligibility for capacity-expanding costs on the expansion

list were determined through level-of-service calculations. Projects on the infill list were assigned the growth share percentage if they added amenities to existing parks and assigned zero percent if they were for repair or replacement.

As shown in Table 9 below, the total improvement fee cost basis ranges from \$517,867 under the current level of service by category, up to \$3.5 million under the future level of service by unit of measurement.

Table 9

Improvement Fee Cost Basis	Level of Service	
	Current	Future
Eligible Projects by Category		
Infill Projects	\$ 517,867	\$ 517,867
Expansion Projects	\$ -	\$ 937,863
Total	\$ 517,867	\$ 1,455,729
Eligible Costs by Unit of Measurement		
Infill Projects	\$ 517,867	\$ 517,867
Expansion Projects	\$ 2,984,500	\$ 2,984,500
Total	\$ 3,502,367	\$ 3,502,367

Source: Previous tables.

II.C. REIMBURSEMENT FEE

A reimbursement fee is the eligible cost of the park facilities available for future users per unit of growth that such facilities will serve. Growth was calculated in Section II.A, and Table 6 shows the acres available for inclusion in a reimbursement fee. The remaining piece of the reimbursement calculation is the original cost of reimbursable park acres. However, there is little data on the acquisition date of the City's parks facilities. Without such data, it is difficult to defensibly estimate the original cost of the City's parks system, and so no reimbursement fee is calculated in this report.

II.D. CALCULATED SDC

This section combines the eligible costs from the two project lists and applies adjustments for fund balance and compliance costs. The result is a total SDC per residential equivalent.

We then use census data to estimate the number of residents per dwelling unit and calculate SDCs for residential dwelling units. For non-residential development, we provide both an SDC per employee and an estimate of the number of employees per 1,000 square feet of different types of non-residential development.

II.D.1. Adjustments

The City estimates that it has \$24,903 in its improvement fee fund balance, and \$120,863 in its reimbursement fee fund balance. Unspent improvement fee revenue represents projects that remain unbuilt. Because these projects remain on the project list and are part of the improvement fee cost

basis, it is reasonable to reduce this cost basis by the amount of revenue already received for those projects that remain on the list.

ORS 223.307(5) authorizes the expenditure of SDCs on “the costs of complying with the provisions of ORS 223.297 to 223.314, including the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures.” To avoid spending monies for compliance that might otherwise have been spent on growth-related projects, this report includes an estimate of compliance costs in the SDC cost basis.

The City estimates that compliance costs will equal 4.00 percent of the cost basis. That 4.00 percent is added to the cost basis.

These adjustments are shown in Table 10 below.

Table 10

Cost Basis Adjustments	Current by Category		Future by Category		
	Current by Unit	Future by Unit	Current by Unit	Future by Unit	
Unadjusted Improvement Fee Cost Basis	\$ 517,867	\$ 1,455,729	\$ 3,502,367	\$ 3,502,367	
Estimated Improvement Fee Fund Balance	(25,903)	(25,903)	(25,903)	(25,903)	
Estimated Compliance Costs	19,679	57,193	139,059	139,059	
Improvement Fee Cost Basis	\$ 511,642	\$ 1,487,020	\$ 3,615,522	\$ 3,615,522	

Source: Previous tables, city staff

II.D.2. Calculated SDC

Table 11 below is a complete schedule of parks SDCs showing the improvement fee by residential equivalent and by land use for all methods of calculating eligible cost of the expansion list:

Table 11

Calculated SDC	Current by Category		Future by Category		
	Current by Unit	Future by Unit	Current by Unit	Future by Unit	
Improvement Fee Cost Basis	\$ 511,642	\$ 1,487,020	\$ 3,615,522	\$ 3,615,522	
Reimbursement Fee Cost Basis	-	-	-	-	
Total SDC Cost Basis	\$ 511,642	\$ 1,487,020	\$ 3,615,522	\$ 3,615,522	
Growth in Residential Equivalents		1,489	1,489	1,489	1,489
Improvement Fee per Residential Equivalent	\$ 344	\$ 999	\$ 2,428	\$ 2,428	
Reimbursement Fee per Residential Equivalent	-	-	-	-	
Total SDC per Residential Equivalent	\$ 344	\$ 999	\$ 2,428	\$ 2,428	
Fee Schedule:	Residents per Dwelling Unit				
Single-family dwelling unit	2.50	\$ 860	\$ 2,499	\$ 6,076	\$ 6,076
Multi-family dwelling unit	2.40	824	2,396	5,825	5,825
Employee	0.11	36	106	258	258

Source : Previous tables; US Census Bureau, 2015-2019 American Community Survey 5-Year Estimates, Tables B25024 and B25033 (residents per dwelling unit)

As shown above, the maximum allowable charge is \$2,428 per residential equivalent under either the current or future level of service by unit of measurement. The resulting SDC is \$6,076 for a single-

family dwelling unit based on an estimated 2.50 residents per dwelling unit, and \$5,825 for a multi-family dwelling unit based on an estimated 2.40 residents per dwelling unit.

The calculated non-residential SDC of \$258 per employee can be applied by using Table 12 to estimate the number of employees that will work in the proposed development.

Table 12

Employment Density	Industry Grouping (SIC)	Square Feet per Employee	Employees per 1,000 Square Feet
Ag., Fish & Forest Services; Constr.; Mining	1-19	590	1.695
Food & Kindred Projects	20	630	1.587
Textile & Apparel	22, 23	930	1.075
Lumber & Wood	24	640	1.563
Furniture; Clay, Stone & Glass; Misc.	25, 32, 39	760	1.316
Paper & Allied	26	1,600	0.625
Printing, Publishing & Allied	27	450	2.222
Chemicals, Petroleum, Rubber, Leather	28-31	720	1.389
Primary & Fabricated Metals	33, 34	420	2.381
Machinery Equipment	35	300	3.333
Electrical Machinery, Equipment	36, 38	400	2.500
Transportation Equipment	37	700	1.429
TCPU--Transportation and Warehousing	40-42, 44, 45, 47	3,290	0.304
TCPU--Communications and Public Utilities	43, 46, 48, 49	460	2.174
Wholesale Trade	50, 51	1,390	0.719
Retail Trade	52-59	470	2.128
Finance, Insurance & Real Estate	60-68	370	2.703
Non-Health Services	70-79	770	1.299
Health Services	80	350	2.857
Educational, Social, Membership Services	81-89	740	1.351
Government	90-99	530	1.887

Source : Metro, "1999 Employment Density Study," Table 4.

II.D.3. Comparison

This section provides comparisons for the city's current and proposed SDCs against those of comparable jurisdictions. As shown in Table 13, if SDCs are implemented as proposed, the City will continue to have a higher parks SDC than most comparable cities, but will have a lower SDC than some cities in the Portland area.

Table 13



Source: Survey by FCS GROUP, as of 10/31/2021

Section III. FEE-IN-LIEU ANALYSIS

This section provides the detailed calculations of a new fee in lieu of parkland dedication. The City will need to update its ordinances to accommodate the calculation.

III.A. LAND DEDICATION REQUIREMENT

The City currently requires developers to dedicate 0.0084 acres per resident added by a new development to give the City enough parkland to reach its goals for the park system. We recommend that if the City adopts the SDC methodology, it should modify its parkland requirement to match the level of service targeted in the future level of service by unit of measurement calculation. As shown in Table 6, that level of service is 6.45 acres per 1,000 residents, or 0.00645 acres per resident.

Calculating the fee-in-lieu with that level of service will ensure that the land dedication requirement matches the size of the parks system that the City actually intends to provide given the projects in its parks master plan. Consistency between the master plan, parks SDC, and fee-in-lieu will increase the legal defensibility of both the parks SDC and the fee-in-lieu. Such consistency will also have the practical effect of providing the necessary park acres to accommodate the City's plans for the parks system.

III.B. LAND ACQUISITION COSTS

The City currently uses \$77,700 as its estimate for the cost of an acre of land in its fee-in-lieu calculation. However, the recent 2020 parks master plan uses \$100,000 per acre as its estimate of the cost of undeveloped land in the city. We recommend that the City use this more recent estimate in its fee-in-lieu calculation. Doing so ensures consistency between the master plan, the parks SDC, and the fee-in-lieu, and better reflects the costs that the City expects to face when constructing its project list.

III.C. CALCULATED FEE-IN-LIEU

Based on the previous sections, the fee-in-lieu calculation is summarized in Table 14 below. As shown, the calculated fee-in-lieu per resident is \$645.

Table 14

Fee-in-Lieu Calculation	
Current cost per acre	\$100,000
Targeted acres per resident	0.00645
Calculated Fee-in-Lieu per resident	\$645

Source: 2020 Parks, Recreation, and Open Space

Master Plan (cost per acre); Previous tables (targeted acres per resident)

When combined with the maximum defensible SDC calculated in Section II.D.2, the total charge per residential equivalent is \$3,073, as shown in Table 15 below. The total charge is \$7,690 for a single-family dwelling unit, \$7,373 for a multi-family dwelling unit, and \$326 for an employee. The charge can be applied to non-residential land uses using Table 12. However, the City will need to modify its ordinance to allow the fee-in-lieu to be charged to non-residential developments.

Table 15

Calculated SDC and Fee-in-Lieu		SDC	Fee-in-Lieu	Total
Total per Residential Equivalent		\$ 2,428	\$ 645	\$ 3,073
Fee Schedule:	Residents per Dwelling Unit			
Single-family dwelling unit	2.50	\$ 6,076	\$ 1,614	\$ 7,690
Multi-family dwelling unit	2.40	5,825	1,548	7,373
Employee	0.11	258	69	326

Source : Previous tables; US Census Bureau, 2015-2019 American Community Survey 5-Year Estimates, Tables B25024 and B25033 (residents per dwelling unit)

Section IV. IMPLEMENTATION

This section addresses practical aspects of implementing SDCs and an updated fee-in-lieu.

IV.A. FEE-IN-LIEU CHANGES

The City of Veneta's Ordinance 493, Section 5.26(2B) states that the parkland dedication factor is 0.0084 acres per person. This should be adjusted to 0.00645 acres per resident to match the fee-in-lieu calculation in this report, and to match the City's calculated future level of service. In addition, to provide further consistency between the SDC and the fee-in-lieu, the population formula in the same section should be modified to match the population estimates provided in Table 11 and Table 15.

Further, the City must modify its Section 5.26(2) of Ordinance 493 to allow the fee-in-lieu to be charged to non-residential development.

Finally, Section 1 of the City of Veneta's Resolution 937 set the fee-in-lieu to \$77,000 per acre required for dedication. This should be changed to \$100,000 per acre to match both the SDC calculation and the City's parks master plan.

IV.B. INDEXING

ORS 223.304 allows for the periodic indexing of SDCs for inflation, as long as the index used is:

- (A) A relevant measurement of the average change in prices or costs over an identified time period for materials, labor, real property or a combination of the three;
- (B) Published by a recognized organization or agency that produces the index or data source for reasons that are independent of the system development charge methodology; and
- (C) Incorporated as part of the established methodology or identified and adopted in a separate ordinance, resolution or order.

In accordance with Oregon statutes, we recommend that the City use the *Engineering News-Record* (ENR) Construction Cost Index (CCI) 20-City Average as the basis for adjusting SDCs annually.