City of Veneta

TRANSPORTATION SYSTEM DEVELOPMENT CHARGE UPDATE

FINAL REPORT

December 18, 2019

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Section I. INTRODUCTION

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

I.A. PROJECT

The City of Veneta (City) charges a transportation system development charge (SDC) to provide partial funding for new capital projects in the transportation system. The current transportation SDC is $2,496 per equivalent dwelling unit (EDU). The SDC is currently imposed on residential, commercial, and industrial developments.

In April 2019, the City finished its transportation system plan (TSP). In June 2019, the City contracted with FCS GROUP to perform a transportation SDC update to provide partial funding for the capital projects outlined in the master plan.

We conducted the study in the following three phases:

1. **Policy Framework for Charges**. In this step, we worked with City staff to identify and agree on the approach to be used and the components to be included in the analysis. The City provided input and data on these and other issues that guided portions of the technical analysis.
2. **Technical Analysis**. We analyzed data provided by the City within the constraints of the policy direction provided by staff. We calculated the maximum defensible transportation SDC as described in this report. We presented the results of the technical analysis to staff.
3. **Communication Phase.** In addition to this report, we presented our findings and recommendations at two public meetings.

I.B. SYSTEM DEVELOPMENT CHARGES

Oregon Revised Statutes (ORS) 223.297 to 223.314 authorize local governments to establish SDCs. These are one-time fees on new development paid at the time of development. SDCs are intended to recover a fair share of the cost of existing and planned facilities that provide capacity to serve future growth.

ORS 223.299 defines two types of SDCs:

4. 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"
5. An improvement fee that is designed to recover "costs associated with capital improvements to be constructed"

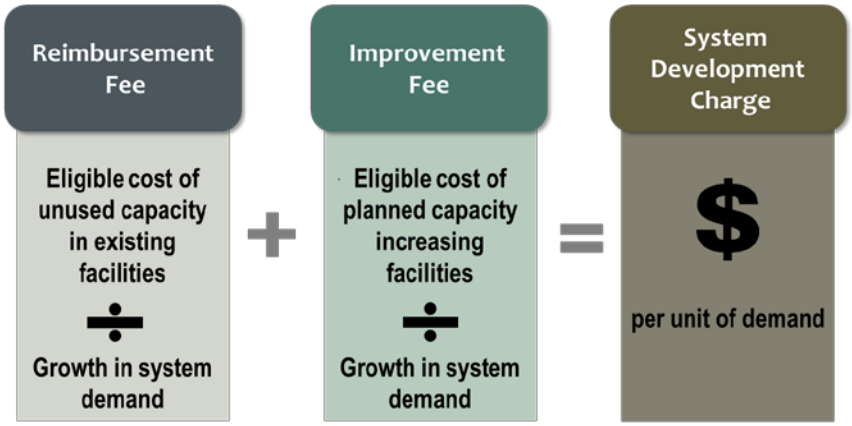
ORS 223.304(1) states, in part, that a reimbursement fee must be based on "the value of unused capacity available to future system users or the cost of existing facilities" and must account for prior contributions by existing users and any gifted or grant-funded facilities. The calculation must "promote 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) and on the costs of compliance with Oregon's SDC law.

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 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) and on the costs of compliance with Oregon's SDC law.

In general, SDCs are calculated by adding a reimbursement fee component (if applicable) and an improvement fee component—both with potential adjustments, and perhaps including a fee for compliance costs. 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. **Figure 1** shows this calculation in equation format.

Figure 1. SDC Equation



Section II. ANALYSIS

This section provides the detailed calculations of the maximum defensible transportation SDC.

II.A. CUSTOMER BASE AND GROWTH

The calculation of 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.

For transportation SDCs, a common unit of growth is the PM peak hour vehicle trip end. A PM peak hour vehicle trip end represents one vehicle departing or arriving at a particular property during the peak travel time of the afternoon. Based on the City's TSP, the number of PM peak hour vehicle trip ends in 2017 was 2,700. In 2040, the TSP estimated that that number would rise to 3,800, which implies a growth of 1,100 in those 23 years. The growth of 1,100 will become the denominator for our SDC calculation. Using a base year of 2017 matches the CIP planning period and conservatively reduces the calculated charge. These calculations are summarized in **Figure 2**.

Figure 2. Transportation Demand Growth

	2017	2040	2017-2040 Growth	CAGR	Growth as a % of future customers
PM peak hour vehicle trip ends	2,700	3,800	1,100	1.50%	29%

Source: TM #6: Future Traffic Forecasting, Veneta TSP Update, 10/10/2018, page 8.

Abbreviations: CAGR - Compound Annual Growth Rate.

II.B. REIMBURSEMENT FEE COST BASIS

The reimbursement fee cost basis is the cost of capacity available in the existing system. Ideally, the cost basis of a reimbursement fee is derived from a categorized (or functionalized) inventory of assets. In other cases, such as the City's, no such inventory is available. However, we do know that $656,911 in transportation improvement fees have been expended on transportation facilities over the last 13 years. By definition, these expenditures created new capacity that would serve future users. Further, we can estimate the remaining capacity created by these expenditures by assuming that new capacity is absorbed over a 20-year period.

The City indicated that they made a series of expenditures in two areas: Pine Street and Bolton Hill Road, and East Hunter Avenue. Those expenditures are outlined by year in **Figure 3** below. The "Remaining Capacity" column indicates what percentage of original capacity is estimated to remain as a result of those expenditures. In the fifth column, the product of each expenditure and its remaining capacity percentage represents the total reimbursable costs. Finally, those reimbursable costs are totaled in the last row. This shows that the City has $300,219 of reimbursable costs.

Figure 3. Reimbursement Fee Cost Basis

Year	Pine St/Bolton Hill Expenditures	E. Hunter Expenditures	Remaining Capacity	Total Reimburseable Costs
2006	$ 100,000	$ -	35%	$ 35,000
2007	19,200	-	40%	7,680
2008	508,841	-	45%	228,978
2009	-	-	50%	-
2010	-	-	55%	-
2011	-	-	60%	-
2012	-	-	65%	-
2013	-	-	70%	-
2014	-	-	75%	-
2015	-	-	80%	-
2016	-	-	85%	-
2017	-	2,302	90%	2,072
2018	-	1,591	95%	1,512
2019	-	24,976	100%	24,976
Total	$ 628,041	$ 28,870		$ 300,219

Source: City of Veneta, 2019.

II.C. IMPROVEMENT FEE COST BASIS

An improvement fee is the eligible cost of planned projects per unit of growth that such projects will serve. A project's SDC 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.

To estimate the eligibility percentage of the City's transportation projects, we assigned an eligibility percentage to each type of project provided in the TSP. Project types that create capacity exclusively for new users were assigned an eligibility percentage of 100 percent. Project types that provide capacity for both new and old users were assigned the growth's share of future population, as calculated in **Figure 2**, which is 29 percent. Project types that do not create capacity for future users were assigned an eligibility percentage of 0 percent. These eligibility percentages are summarized in **Figure 4.**

Figure 4. Improvement Fee Eligibility Percentages by Type of Project

Project Type	Eligibility %
New Roadway	100%
Capacity Improvement	29%
Full Street Upgrade	29%
Rail Crossing	29%
Bike Facilities	29%
Bike Lanes	29%
Ped. Crossing Imp.	29%
Shared-use Path	29%
Sidewalk Gap Infill	29%
Full Street Upgrade	29%
Transit Improvement	29%
Safety Improvement	0%
Study	0%
Driveway Consolidation	0%
Safety Improvement	0%
Program	0%
Bike and Ped. Interim Safety Improvement	0%

Source: Compiled by FCS GROUP.

In addition to the eligibility percentage, any funding sources from outside the City will necessarily adjust the cost basis of projects in the TSP. Per SDC law, a City cannot charge an improvement fee for costs it expects a non-City entity to cover. Thus, for each project, any outside funding sources that exceed the non-eligible portion of a project must be deducted from the eligible costs of that project. These outside funding sources were estimated by the City for each project.

A list of the City's planned projects is shown in **Figure 5**. The project name and type and estimated year of construction are shown in the first three columns, followed by the original cost estimates. These cost estimates are inflated to 2019 dollars in the next column. The eligibility percentage for each project is shown in column six as delineated in **Figure 4**. Any outside funding that the City expects is shown in column seven. Finally, column eight shows the SDC eligible costs of each project, which is the lesser of two quantities: the 2019 costs multiplied by the eligibility percentage, and the outside funding sources subtracted from the 2019 costs. This is done to ensure that the City accurately charges for the cost of serving future users. That cost is reduced when outside sources fund SDC eligible costs. The one exception to the rule for column eight lies in the Jeans Road/Territorial Highway Intersection Improvement project, where the City has elected to reduce its SDC eligible costs to $915,867. This is less than both the SDC eligibility of the project and the portion of the project funded by the City. **Figure 5** demonstrates that the City has a total improvement fee cost basis of $14,070,592.

Figure 5. Improvement Fee Cost Basis

Project	Type	Estimated Year of Construction	Original Cost Est.	2019 Cost*	Eligibility %	Outside Funding	SDC Eligible Cost
OR 126/Huston Road Intersection Improvements	Capacity Improvement	2020-2030	$ 1,024,000	$ 1,088,142	29%	$ 979,328	$ 108,814
Jeans Road/Territorial Highway Intersection Improvement	Capacity Improvement	2020-2040	5,944,000	6,316,323	29%	3,158,162	915,867
Broadway Avenue Extension	New Roadway	2030-2040	4,628,000	4,917,891	100%	2,917,891	2,000,000
Broadway Avenue Extension	New Roadway	2030-2040	2,892,000	3,073,150	100%	3,073,150	-
Broadway Avenue Extension	New Roadway	2030-2040	5,206,000	5,532,096	100%	5,532,096	-
Trinity Street Extension	New Roadway	2030-2040	10,220,000	10,860,164	100%	10,860,164	-
E. Hunter Road Extension	New Roadway	2030-2040	3,856,000	4,097,534	100%	4,097,534	-
Cheney Drive Extension	New Roadway	2030-2040	5,206,000	5,532,096	100%	5,532,096	-
8th Street Extension	New Roadway	2030-2040	2,121,000	2,253,856	100%	2,253,856	-
Perkins Road Extension	New Roadway	2030-2040	11,184,000	11,884,548	100%	11,884,548	-
New N/S Roadway	New Roadway	2030-2040	12,741,000	13,539,076	100%	13,539,076	-
Jeans Road/Territorial Highway Realignment	Capacity Improvement	2020-2030	5,150,000	5,472,588	29%	-	1,584,170
Downtown Parking Study	Study	2030-2040	100,000	106,264	0%	-	-
Mobility Hub Study	Study	2030-2040	100,000	106,264	0%	-	-
Territorial Highway Access Management	Driveway Consolidation	2020-2040	48,000	51,007	0%	-	-
E. Hunter Road Extension	Full Street Upgrade	2030-2040	2,643,000	2,808,553	29%	2,808,553	-
Territorial Highway School Zone	Safety Improvement	2030-2040	144,000	153,020	0%	-	-
OR 126 Safety Improvements	Safety Improvement	2030-2040	55,900	59,401	0%	59,401	-
Territorial Highway Rail Crossing	Rail Crossing	2020-2030	109,000	115,828	29%	-	33,529
Huston Road Rail Crossing	Rail Crossing	2020-2040	1,044,000	1,109,394	29%	-	321,141
8th Street/Bolton Hill Road Intersection Improvement	Safety Improvement	2030-2040	37,000	39,318	0%	-	-
Territorial Highway/Broadway Avenue Intersection Imp.	Safety Improvement	2020-2040	639,000	679,026	0%	-	-
Territorial Highway Fire Station Access Improvements	Safety Improvement	2030-2040	144,000	153,020	0%	-	-
Bolton Hilll Road/Territorial Highway Intersection Imp.	Safety Improvement	2020-2040	639,000	679,026	0%	-	-
Venetage Gateway Treatments	Safety Improvement	2020-2040	40,000	42,506	0%	-	-
Neighborhood Traffic Calming Program	Program	2020-2040	50,000	53,132	0%	-	-
Safe Routes to School Plan	Study	2020-2040	75,000	79,698	0%	-	-
OR 126 Refinement Plan	Study	2020-2030	150,000	159,396	0%	-	-
Cheney Drive Shared Roadway	Bike Facilities	2030-2040	17,000	18,065	29%	-	5,229
Jeans Road Bike Lane Upgrade	Bike Lanes	2020-2040	26,000	27,629	29%	-	7,998
Territorial Highway Buffered Bike Lanes	Bike Lanes	2020-2040	3,227,000	3,429,134	29%	3,429,134	-
W. Broadway Bicycle Improvements	Bike Lanes	2020-2040	13,000	13,814	29%	-	3,999
W. Broadway Bike Lanes	Bike Lanes	2030-2040	5,000	5,313	29%	-	1,538
8th Street Bike Lanes	Bike Lanes	2020-2040	5,000	5,313	29%	-	1,538
Perkins Road Bike Lanes	Bike Lanes	2020-2040	5,000	5,313	29%	-	1,538
Territorial Highway/Fern Ridge Library Ped. Crossing Imp.	Ped. Crossing Imp.	2020-2040	219,000	232,718	29%	116,359	67,366
Territorial Highway/Blek Drive Ped. Crossing	Ped. Crossing Imp.	2020-2040	219,000	232,718	29%	116,359	67,366
Perkins Road/Oak Island Drive Ped. Crossing	Ped. Crossing Imp.	2020-2030	82,000	87,136	29%	-	25,224
E Hunter Road Ped. Crossing Imp.	Ped. Crossing Imp.	2020-2030	184,000	195,525	29%	-	56,599
Territorial Highway Multi-Use Path	Shared-use Path	2020-2030	203,300	216,034	29%	-	62,536
Veneta Elementary School to Hunter Road Share-Use Path	Shared-use Path	2020-2040	587,000	623,769	29%	-	180,565
Sun Ridge Way to Cheney Drive Shared-Use Path	Shared-use Path	2020-2040	810,000	860,737	29%	860,737	-
Cheney Drive Shared-Use Path	Shared-use Path	2020-2040	425,000	451,621	29%	451,621	-
Cheney Drive to Sun Ridge Way Shared-Use Path	Shared-use Path	2020-2040	230,000	244,407	29%	244,407	-
8th Street to Sun Ridge Way Shared-Use Path	Shared-use Path	2020-2040	75,000	79,698	29%	79,698	-
8th Street to Hawk View Drive Shared-Use Path	Shared-use Path	2020-2040	335,000	355,984	29%	355,984	-
Greenbrier Court to Hawk View Drive Shared-Use Path	Shared-use Path	2020-2040	335,000	355,984	29%	355,984	-
Jeans Road Sidewalk Infill	Sidewalk Gap Infill	2020-2040	1,339,000	1,422,873	29%	1,422,873	-
Hunter Road Sidewalks	Sidewalk Gap Infill	2020-2030	173,000	183,836	29%	-	53,216
Hunter Road Sidewalks	Sidewalk Gap Infill	2020-2030	33,000	35,067	29%	-	10,151
Hope Lane Sidewalks	Sidewalk Gap Infill	2030-2040	559,000	594,015	29%	594,015	-
8th Street Urban Upgrade	Full Street Upgrade	2020-2040	4,230,000	4,494,960	29%	-	1,301,173
Perkins Road Urban Upgrade	Full Street Upgrade	2030-2040	3,646,000	3,874,380	29%	-	1,121,531
E. Bolton Road Urban Upgrade	Full Street Upgrade	2030-2040	2,809,000	2,984,951	29%	-	864,065
Huston Road Urban Upgrade	Full Street Upgrade	2030-2040	5,444,000	5,785,003	29%	-	1,674,606
E. Hunter Road Urban Upgrade	Full Street Upgrade	2020-2030	3,553,000	3,775,554	29%	-	1,092,924
E. Hunter Road Urban Upgrade	Full Street Upgrade	2020-2040	6,092,000	6,473,593	29%	-	1,873,935
OR 126 Improvements	Full Street Upgrade	2030-2040	19,289,000	20,497,232	29%	20,497,232	-
E. Bolton Road Urban Upgrade	Full Street Upgrade	2030-2040	2,061,000	2,190,098	29%	-	633,976
Bolton Hill Road Upgrade	Full Street Upgrade	2030-2040	4,856,000	5,160,172	29%	5,160,172	-
E. Bolton Road Interim Improvements	Bike and Ped. Interim Safety Improvement	2020-2040	13,000	13,814	0%	-	-

Project (continued)	Type	Estimated Year of Construction	Original Cost Est.	2019 Cost*	Eligibility %	Outside Funding	SDC Eligible Cost
E. Bolton Road Interim Improvements	Bike and Ped. Interim Safety Improvement	2020-2040	17,000	18,065	0%	-	-
8th Street Interim Improvements	Bike and Ped. Interim Safety Improvement	2020-2040	26,000	27,629	0%	-	-
Hunter Road Interim Improvements	Bike and Ped. Interim Safety Improvement	2020-2040	20,000	21,253	0%	-	-
E Hunter Road Interim Improvements	Bike and Ped. Interim Safety Improvement	2020-2040	22,000	23,378	0%	-	-
E Hunter Road Interim Improvements	Bike and Ped. Interim Safety Improvement	2020-2040	37,000	39,318	0%	-	-
Huston Road Interim Improvements	Bike and Ped. Interim Safety Improvement	2020-2040	31,000	32,942	0%	-	-
Perkins Road Interim Improvements	Bike and Ped. Interim Safety Improvement	2020-2040	26,000	27,629	0%	-	-
Sertic Road Interim Improvements	Bike and Ped. Interim Safety Improvement	2030-2040	11,000	11,689	0%	-	-
Senior & Disabled Shuttle Service**	Transit Improvement	2020-2040	294,000	312,416	0%	-	-
Bus Stop Amenities	Transit Improvement	2030-2040	99,000	105,201	29%	105,201	-
Transit Informational Program**	Transit Improvement	2020-2040	10,000	10,626	0%	-	-
Huston Road Transit Stop	Transit Improvement	2030-2040	60,000	63,758	29%	63,758	-
OR 126/Huston Road Transit Improvements	Transit Improvement	2030-2040	86,000	91,387	29%	91,387	-
		0 Total	$ 138,028,200	$ 146,674,066	0	$ 100,640,777	$ 14,070,592

Source: Chapter Seven, Projects, Veneta TSP Update, 11/27/2018, pages 48-79, Compiled by FCS GROUP

**Estimated using the averages of the FY 2018 and FY 2019 ENR 20-City Average.*

***These projects are programs and thus ineligible for SDC funding.*

II.D. ADJUSTMENTS

The improvement fee costs basis must be adjusted to account for any unspent SDC monies the City has available to avoid double-charging developers for improvements. As of June 30, 2019, the City had $448,327 in its SDC fund, which we deduct from the improvement fee cost basis.

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." The City provided an estimate of 4 percent of each SDC they charge to cover relevant administration expenses.

II.E. CALCULATED SDC

The reimbursement fee is calculated by dividing its cost basis of $300,219 by the calculated growth of 1,100 PM peak hour vehicle trip ends to get a reimbursement fee of $273 per PM peak hour vehicle trip end.

The improvement fee cost basis of $14,070,592 must be reduced by the improvement fee fund balance of $448,327 to get an adjusted improvement fee cost basis of $13,622,265. This is divided by the calculated growth of 1,100 PM peak hour vehicle trip ends to get an improvement fee of $12,384 per PM peak hour vehicle trip ends.

The sum of the reimbursement and improvement fees is $12,657 and multiplying this by 4 percent for compliance costs calculates a compliance component of $506 per PM peak hour vehicle trip end. Finally, totaling the reimbursement fee, the improvement fee, and the compliance component results in a total SDC of $13,163 per PM peak hour vehicle trip end.

These calculations are summarized in **Figure 6**.

Figure 6. Calculated SDC

System Development Charge Calculation			
Reimbursement Fee			
Remaining Capacity of SDC Funded Projects	$	300,219	
Growth to End of Planning Period		1,100	PM peak hour vehicle trip ends
Reimbursement Fee	$	273	per PM peak hour vehicle trip end
Improvement Fee			
Capacity Expanding CIP	$	14,070,592	
Less FY 2018-19 Improvement Fee Fund Balance	$	(448,327)	
	$	13,622,265	
Growth to End of Planning Period		1,100	PM peak hour vehicle trip ends
Improvement Fee	$	12,384	per PM peak hour vehicle trip end
Compliance Fee			
Sum of Reimbursement and Improvement Fees	$	12,657	
Administration percentage		4%	
Compliance Fee	$	506	per PM peak hour vehicle trip end
Total System Development Charge			
Reimbursement Fee	$	273	per PM peak hour vehicle trip end
Improvement Fee	$	12,384	per PM peak hour vehicle trip end
Compliance Fee	$	506	per PM peak hour vehicle trip end
Total SDC	$	13,163	per PM peak hour vehicle trip end

The schedule in **Figure 7** summarizes the SDC by land use.

Figure 7. SDC Schedule

Land Use	ITE Code	Unit of Measure	PM Peak Hour Vehicle Trip Ends	New Trip Conversion Factor	New PM Peak Hour Vehicle Trip Ends	Calculated Transportation System Development Charge per Unit
General Light Industrial	110	1,000 SFGFA	0.63	1.00	0.63	$8,293
Industrial Park	130	1,000 SFGFA	0.40	1.00	0.40	$5,265
Manufacturing	140	1,000 SFGFA	0.67	1.00	0.67	$8,819
Warehousing	150	1,000 SFGFA	0.19	1.00	0.19	$2,501
Mini-Warehouse	151	1,000 SFGFA	0.17	1.00	0.17	$2,238
Utility	170	1,000 SFGFA	2.27	1.00	2.27	$29,880
Specialty Trade Contractor	180	1,000 SFGFA	1.97	1.00	1.97	$25,931
Single-Family Detached Housing	210	Dwelling Units	0.99	1.00	0.99	$13,031
Multifamily Housing (Low-Rise)	220	Dwelling Units	0.56	1.00	0.56	$7,371
Mid-Rise Residential with 1st-Floor Commercial	231	Occupied Dwelling Units	0.37	1.00	0.37	$4,870
Mobile Home Park	240	Dwelling Units	0.46	1.00	0.46	$6,055
Senior Adult Housing - Detached	251	Dwelling Units	0.30	1.00	0.30	$3,949
Senior Adult Housing - Attached	252	Dwelling Units	0.26	1.00	0.26	$3,422
Congregate Care Facility	253	Dwelling Units	0.18	1.00	0.18	$2,369
Assisted Living	254	1,000 SFGFA	0.48	1.00	0.48	$6,318
Recreational Homes	260	Dwelling Units	0.28	1.00	0.28	$3,686
Timeshare	265	Dwelling Units	0.63	1.00	0.63	$8,293

Land Use (continued)	ITE Code	Unit of Measure	PM Peak Hour Vehicle Trip Ends	New Trip Conversion Factor	New PM Peak Hour Vehicle Trip Ends	Calculated Transportation System Development Charge per Unit
Residential Planned Unit Development	270	Dwelling Units	0.69	1.00	0.69	$9,083
Hotel	310	Rooms	0.60	1.00	0.60	$7,898
Motel	320	Rooms	0.38	1.00	0.38	$5,002
Campground/Recreational Vehicle Park	416	Acres	0.98	1.00	0.98	$12,900
Multipurpose Recreational Facility	435	1,000 SFGFA	3.58	1.00	3.58	$47,124
Multiplex Move Theater	445	Movie Screens	13.73	1.00	13.73	$180,729
Ice Skating Rink	465	1,000 SFGFA	1.33	1.00	1.33	$17,507
Soccer Complex	488	Fields	16.43	1.00	16.43	$216,269
Health/Fitness Club	492	1,000 SFGFA	3.45	1.00	3.45	$45,413
Recreational Community Center	495	1,000 SFGFA	2.31	1.00	2.31	$30,407
Elementary School	520	1,000 SFGFA	1.37	1.00	1.37	$18,033
Middle School/Junior High School	522	1,000 SFGFA	1.19	1.00	1.19	$15,664
High School	530	1,000 SFGFA	0.97	1.00	0.97	$12,768
Junior/Community College	540	1,000 SFGFA	1.86	1.00	1.86	$24,483
Church	560	1,000 SFGFA	0.49	1.00	0.49	$6,450
Day Care Center	565	1,000 SFGFA	11.12	1.00	11.12	$146,373
Prison	571	Beds	0.05	1.00	0.05	$658
Fire and Rescue Station	575	1,000 SFGFA	0.48	1.00	0.48	$6,318
Library	590	1,000 SFGFA	8.16	1.00	8.16	$107,411
Hospital	610	1,000 SFGFA	0.97	1.00	0.97	$12,768
Nursing Home	620	1,000 SFGFA	0.59	1.00	0.59	$7,766
Clinic	630	1,000 SFGFA	3.28	1.00	3.28	$43,175
Animal Hospital/Veterinary Clinic	640	1,000 SFGFA	3.53	1.00	3.53	$46,466
General Office Building	710	1,000 SFGFA	1.15	1.00	1.15	$15,138
Small Office Building	712	1,000 SFGFA	2.45	1.00	2.45	$32,250
Single Tenant Office Building	715	1,000 SFGFA	1.71	1.00	1.71	$22,509
Medical-Dental Office Building	720	1,000 SFGFA	3.46	1.00	3.46	$45,544
Government Office Building	730	1,000 SFGFA	1.71	1.00	1.71	$22,509
United States Post Office	732	1,000 SFGFA	11.21	1.00	11.21	$147,558
Office Park	750	1,000 SFGFA	1.07	1.00	1.07	$14,084
Research and Development Center	760	1,000 SFGFA	0.49	1.00	0.49	$6,450
Business Park	770	1,000 SFGFA	0.42	1.00	0.42	$5,528
Tractor Supply Store	810	1,000 SFGFA	1.40	1.00	1.40	$18,428
Construction Equipment Rental Store	811	1,000 SFGFA	0.99	1.00	0.99	$13,031
Building Materials and Lumber Store	812	1,000 SFGFA	2.06	1.00	2.06	$27,116
Free-Standing Discount Supertore	813	1,000 SFGFA	4.33	0.71	3.07	$40,467
Variety Store	814	1,000 SFGFA	6.84	0.66	4.51	$59,423
Free-Standing Discount Store	815	1,000 SFGFA	4.83	0.83	4.01	$52,769
Hardware/Paint Store	816	1,000 SFGFA	2.68	0.74	1.98	$26,105
Nursery (Garden Center)	817	1,000 SFGFA	6.94	1.00	6.94	$91,352
Nursery (Wholesale)	818	1,000 SFGFA	5.18	1.00	5.18	$68,185
Shopping Center	820	1,000 SFGLA	3.81	0.66	2.51	$33,100
Factory Outlet Center	823	1,000 SFGFA	2.29	1.00	2.29	$30,143
Automobile Sales (New)	840	1,000 SFGFA	2.43	1.00	2.43	$31,986
Automobile Sales (Used)	841	1,000 SFGFA	3.75	1.00	3.75	$49,362
Recreational Vehicle Sales	842	1,000 SFGFA	0.77	1.00	0.77	$10,136
Automobile Parts Sales	843	1,000 SFGFA	4.91	0.57	2.80	$36,839
Tire Store	848	1,000 SFGFA	3.98	0.72	2.87	$37,720
Tire Superstore	849	1,000 SFGFA	2.11	1.00	2.11	$27,774
Supermarket	850	1,000 SFGFA	9.24	0.64	5.91	$77,841
Convenience Market	851	1,000 SFGFA	49.11	0.49	24.06	$316,755
Convenience Market with Gasoline Pumps	853	1,000 SFGFA	49.29	0.34	16.76	$220,595
Discount Supermarket	854	1,000 SFGFA	8.38	0.79	6.62	$87,142
Discount Club	857	1,000 SFGFA	4.18	0.63	2.63	$34,664
Farmers Market	858	Acres	179.84	1.00	179.84	$2,367,247
Wholesale Market	860	1,000 SFGFA	1.76	1.00	1.76	$23,167
Sporting Goods Superstore	861	1,000 SFGFA	2.02	1.00	2.02	$26,589
Home Improvement Superstore	862	1,000 SFGFA	2.33	0.58	1.35	$17,789

Land Use (continued)	ITE Code	Unit of Measure	PM Peak Hour Vehicle Trip Ends	New Trip Conversion Factor	New PM Peak Hour Vehicle Trip Ends	Calculated Transportation System Development Charge per Unit
Electronics Superstore	863	1,000 SFGFA	4.26	0.60	2.56	$33,645
Toy/Children's Superstore	864	1,000 SFGFA	5.00	1.00	5.00	$65,815
Baby Superstore	865	1,000 SFGFA	1.82	1.00	1.82	$23,957
Pet Supply Superstore	866	1,000 SFGFA	3.55	1.00	3.55	$46,729
Office Supply Superstore	867	1,000 SFGFA	2.77	1.00	2.77	$36,462
Book Superstore	868	1,000 SFGFA	15.83	1.00	15.83	$208,371
Discount Home Furnishing Superstore	869	1,000 SFGFA	1.57	1.00	1.57	$20,666
Bed and Linen Superstore	872	1,000 SFGFA	2.22	1.00	2.22	$29,222
Department Store	875	1,000 SFGFA	1.95	1.00	1.95	$25,668
Apparel Store	876	1,000 SFGFA	4.12	1.00	4.12	$54,232
Arts and Crafts Store	879	1,000 SFGFA	6.21	1.00	6.21	$81,743
Pharmacy/Drugstore without Drive-Through Window	880	1,000 SFGFA	8.51	0.47	4.00	$52,648
Pharmacy/Drugstore with Drive-Through Window	881	1,000 SFGFA	10.29	0.51	5.25	$69,079
Marijuana Dispensary	882	1,000 SFGFA	21.83	1.00	21.83	$287,350
Furniture Store	890	1,000 SFGFA	0.52	0.47	0.24	$3,217
Beverage Container Recycling Depot	895	1,000 SFGFA	10.10	1.00	10.10	$132,947
Medical Equipment Store	897	1,000 SFGFA	1.24	1.00	1.24	$16,322
Liquor Store	899	1,000 SFGFA	16.37	1.00	16.37	$215,480
Walk-in Bank	911	1,000 SFGFA	12.13	1.00	12.13	$159,668
Drive-in Bank	912	1,000 SFGFA	20.45	0.65	13.29	$174,970
Hair Salon	918	1,000 SFGFA	1.45	1.00	1.45	$19,086
Copy, Print, and Express Ship Store	920	1,000 SFGFA	7.42	1.00	7.42	$97,670
Drinking Place	925	1,000 SFGFA	11.36	1.00	11.36	$149,533
Food Cart Pod	926	Food Carts	3.08	1.00	3.08	$40,542
Fast Casual Restaurant	930	1,000 SFGFA	14.13	1.00	14.13	$185,994
Quality Restaurant	931	1,000 SFGFA	7.80	0.56	4.37	$57,496
High-Turnover (Sit-Down) Restaurant	932	1,000 SFGFA	9.77	0.57	5.57	$73,304
Fast-Food Restaurant without Drive-Through Window	933	1,000 SFGFA	28.34	1.00	28.34	$373,042
Fast-Food Restaurant with Drive-Through Window	934	1,000 SFGFA	32.67	0.50	16.34	$215,019
Fast-Food Restaurant with Drive-Through Window and No Indoor Seating	935	1,000 SFGFA	42.65	1.00	42.65	$561,405
Coffee/Donut Shop without Drive-Through Window	936	1,000 SFGFA	36.31	1.00	36.31	$477,951
Coffee/Donut Shop with Drive-Through Window	937	1,000 SFGFA	43.38	1.00	43.38	$571,014
Coffee/Donut Shop with Drive-Through Window and No Indoor Seating	938	1,000 SFGFA	83.33	0.11	9.17	$120,657
Bread/Donut/Bagel Shop without Drive-Through Window	939	1,000 SFGFA	28.00	1.00	28.00	$368,566
Bread/Donut/Bagel Shop with Drive-Through Window	940	1,000 SFGFA	19.02	1.00	19.02	$250,362
Quick Lubrication Vehicle Shop	941	1,000 SFGFA	8.70	1.00	8.70	$114,519
Automobile Care Center	942	1,000 SFGFA	3.11	1.00	3.11	$40,937
Automobile Parts and Service Center	943	1,000 SFGFA	2.26	1.00	2.26	$29,749
Gasoline/Service Station	944	Vehicle Fueling Positions	14.03	0.58	8.14	$107,113
Gasoline/Service Station with Convenience Market	945	Vehicle Fueling Positions	13.99	0.44	6.16	$81,027
Self-Service Car Wash	947	Wash Stalls	5.54	1.00	5.54	$72,923
Automated Car Wash	948	Car Wash Tunnels	77.50	1.00	77.50	$1,020,138
Car Wash and Detail Center	949	Wash Stalls	13.60	1.00	13.60	$179,018
Truck Stop	950	Vehicle Fueling Positions	8.41	1.00	8.41	$110,701
Super Convenience Market/Gas Station	960	Vehicle Fueling Positions	22.96	1.00	22.96	$302,224
Winery	970	1,000 SFGFA	7.31	1.00	7.31	$96,222
Accessory Dwelling Units		Dwelling Units			0.30	$3,949

Source: *ITE, Trip Generation Manual, 10th edition; Metro (default person trip conversion factor of 1.52); previous tables (SDC per trip end). Abbreviations: ITE = Institute of Transportation Engineers.*

II.F. SDC COMPARISON

In the **Figure 8**, the City's current and proposed transportation SDC for a single-family detached residence is compared to a selection of other cities. After the proposed increase of $10,535 per single-family residence, the City will have a larger transportation SDC than other comparable cities.

Figure 8. SDC Comparison

Location	Transportation SDC (SFR)
Veneta (Proposed)	$ 13,031
Lake Oswego	$ 12,160
Sherwood	$ 10,700
Tigard	$ 8,968
Coburg	$ 6,650
Hubbard	$ 3,835
Springfield	$ 3,750
Madras	$ 3,517
Eugene	$ 2,666
Veneta (Current)	$ 2,496
Cottage Grove	$ 1,945
Junction City	$ 1,116
Creswell	$ 627

Section III. IMPLEMENTATION

This section addresses practical aspects of implementing SDCs.

III.A. FUNDING PLAN

The SDC calculated in this report represents our opinion of the maximum transportation SDC that the City can legally charge. However, even if the City imposes the full, calculated charge, the SDC will generate only about a tenth of the funds needed to complete the full project list, as shown in **Figure 9.**

Figure 9. Funding Plan

Funding Plan	Cost in Dollars	Percent of Total
Resources		
Beginning fund balance	$ 448,327	0.30%
Transportation system development charges	14,479,382	9.83%
Other funding sources	132,303,256	89.86%
Total resources	$ 147,230,965	100.00%
Requirements		
Projects	$ 146,674,066	99.62%
Compliance costs	556,899	0.38%
Total requirements	$ 147,230,965	100.00%

Source: *Previous tables.*

III.B. INDEXING

Oregon law (ORS 223.304) also allows for the periodic indexing of system development charges 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."

We recommend that the City index its charges to the Engineering News Record Construction Cost Index for the 20-City Average and adjust its charges annually. There is no comparable Oregon-specific index.

III.C. MODIFYING THE IMPROVEMENT FEE COST BASIS

Veneta Municipal Code (VMC 13.25.080(2)) requires that the City Council adopt a process for modifying the project list whose costs forms the improvement fee cost basis. We recommend that the Council adopts a plan as laid out in that provision, which is quoted below:

> "The council may modify the plan and list at any time. If a system development charge will be increased by a proposed modification of the list to include a capacity-increasing capital improvement, as referenced in VMC 13.25.060(2), the city shall provide at least 30 days' notice of the proposed plan modification to persons who have requested written notice under VMC 13.25.150(2). A hearing on such proposed plan modifications will be held if the city receives a written request for such a hearing within seven days of the date the proposed modification is scheduled for adoption. If no such request is received within this time period, a hearing is not required, but may be held in the council's sole discretion."

III.D. RECOMMENDED CODE CHANGE

As discussed in **Section 1.B**, SDCs are intended to recover a fair share of the cost of existing and planned facilities that provide capacity to serve future growth. Because all new development requires some capacity of the transportation system, waiving or exempting certain developments or types of development weakens the defensibility of charging an SDC. For this reason, we recommend that the City Council repeal VMC 13.25.120(4), which states:

> "Municipal projects are exempt from all system development charges."

Section IV. SDCs and Affordable Housing

This section responds specifically to the City's request for a memo providing an "alternative SDC methodology for needed housing."

Prioritizing affordable housing is a policy decision that requires discussion of many items such as the appropriate level of subsidy, prioritization of renters versus owners, and the appropriate income level that can qualify for affordable housing.

In the context of SDCs, the City has relatively few legally defensible courses of action. Our recommendations are that the City:

- Modify the charge basis as described in **Section II** of this report.
- Provide an SDC waiver for affordable housing using the tools provided by Senate Bill 1533.
- Backfill any SDC revenue foregone by waiving SDCs for affordable housing.

These options are discussed in the sections below.

One additional option that the City may consider is that the City charge less than the fully defensible SDC. While this approach seems simple, reducing the SDC decreases development costs but may not correlate to decreased housing price. Another issue with this approach is that the City may be unable to construct necessary capital improvements. When SDC revenues decrease, capital improvements must be funded using different sources.

IV.A. Modify the Charge Basis

The SDC methodology in this report uses a different charge basis from the City's current SDC methodology. The current methodology charges new developments based on an EDU basis, where one EDU is equal to the average acreage of a single-family home. The impact on the transportation system of other types of development, such as commercial and industrial, is also measured in EDUs.

This method may obscure the true impact of new developments on the transportation system. For example, a car wash of equal acreage to a warehouse will likely experience much greater vehicle traffic, and thus have a greater impact on the City's streets. Yet, under the EDU-based methodology, the two developments would pay the same SDC. This discrepancy between lot size and impact is why a more common unit of measurement is the PM peak hour vehicle trip end, as described in **Section II.A**.

The PM peak hour vehicle trip end is the unit used throughout this report. It may incentivize needed housing development better than the current methodology. For example, under this unit of measurement, the Institute of Transportation Engineers (ITE) calculates a difference in transportation impact between multi-family and single-family developments. As shown in **Figure 7**, while a new single-family detached housing unit will add about 0.99 PM peak hour vehicle trip ends to the

transportation system, a new low-rise multi-family housing unit will add only 0.56. Consequently, a multi-family unit will pay a lower SDC then a single-family detached unit, whereas under the current methodology they may pay a similar SDC.

Note that **Figure 7** also includes an estimation of the new PM peak hour vehicle trip ends created by the development of an accessory dwelling unit (ADU). This is not measured by the ITE. However, because ADUs may be a needed form of housing in the city, we included them in the schedule by equating their PM peak hour vehicle trip ends with that of a new senior adult detached housing unit, whose impact is measured by the ITE.

IV.B. PROVIDE A WAIVER FOR AFFORDABLE HOUSING

The passage of Senate Bill 1533 in 2016 created a new option for the City to create affordable housing. Oregon Revised States (ORS) 197.309 provides that a City can require multi-family developments greater than 20 units to reserve up to 20 percent of those units as affordable housing. If a City requires this, it must provide one of the incentives listed in ORS 197.309(5)(d). One of the incentives that the City can choose is to waive SDCs.

This law provides the ability to waive SDCs in only limited circumstances and does not require the City to specifically use SDCs to incentivize affordable housing requirement. The City may also choose to incentivize developers with whole or partial fee waivers, finance-based incentives, or property tax exemptions.

Additionally, while SDCs may be waived for affordable housing per ORS 197.309, it is highly recommended that cities still backfill the SDC funds. When the State of Oregon adopted Senate Bill 1533, it also created a potential backfilling mechanism for the City to use in ORS 320.195. The City can implement a construction tax on all development and use the revenue to backfill waivers provided in ORS 197.309(5)(d). If the City imposes a construction tax, there are requirements set by the state on how to use those funds. 50 percent must be used to create affordable housing, 35 percent must be used for affordable housing programs, and 15 percent must be sent to Oregon Housing and Community Services.

For example, the City of Newport adopted a one percent construction tax on both residential and nonresidential development to provide financial incentives for affordable housing. Because the City has adopted the construction tax and SDC per square footage items recently, it has yet to build affordable housing. However, the goal is to fund affordable housing and add workforce housing that can take advantage of lower SDCs.

IV.C. BACKFILL ANY FORGONE SDC REVENUE

The City does not currently offer any credits or exemptions of the transportation SDC for the development of needed housing. If, in the future, SDCs are reduced or waived for specific developments or types of developments, any forgone SDC revenue must be replaced with non-SDC funding to avoid diminishing the equity and legal defensibility of the SDC. The City can choose to backfill SDC waivers from various other funding sources, if such funding is available. Many funding sources, such as passing a larger local option levy, can be directly applied to housing. Others, such as a construction tax, can free up general fund monies that can be directed to affordable housing. If the City wishes to reserve the authority to modify SDCs for specific developments or types of developments, such authority should be reflected in the adopted ordinance.