



STAFF REPORT

Meeting Type: City Council
Meeting Date: December 4, 2023
From: Tyler Deems, City Manager
Subject: HB 2984 – SDC Charges for Commercial to Residential Use Conversions

DECISION TO BE MADE:

Whether or not to charge system development charges (SDCs) for conversions of buildings from commercial to residential uses.

BACKGROUND / CONTEXT:

[House Bill \(HB\) 2984](#) was passed in early 2023 and will become effective January 1, 2024. HB 2984 amended [ORS 197.308](#) to allow the conversion of buildings from commercial to residential uses within the urban growth boundary of cities with a population greater than 10,000. Section 1(5)(c) of HB 2984 allows for cities to charge SDCs in connection with a commercial to residential use conversion under the following circumstances:

- a. The charge is calculated pursuant to a specific adopted policy for commercial to residential conversions adopted on or before December 31, 2023, or
- b. The charge is for water or wastewater and includes an offset for at least 100 percent of the water or wastewater system development charges paid when the building was originally constructed.

[Sandy Municipal Code 15.28.120](#) currently authorizes the City to charge SDCs in situations such as these, but in order to ensure compliance with HB 2984, staff felt it important to adopt a formal resolution prior to the December 31, 2023 deadline.

In an effort to ensure that development pays its fair share towards infrastructure, and in keeping with feedback from the Council to respond to changes in state law to preserve as much home rule authority for Sandy as possible, staff is recommending the adoption of the attached resolution prior to December 31, 2023, in accordance Section 1(5)(c), as noted above. By adopting the attached resolution, SDCs will be charged when commercial buildings are converted to residential uses.

KEY CONSIDERATIONS / ANALYSIS:

Adopting Resolution 2023-35 will allow the City to charge and collect SDCs when buildings are converted from commercial to residential uses. Failure to adopt Resolution 2023-35 prior to December 31, 2023 could result in the City being unable to charge and collect SDCs when buildings are converted from commercial to residential uses.

BUDGET IMPACT:

Unknown. It is safe to assume that, if a commercial building is converted to residential, the adoption of this resolution would ensure the collection of additional SDC revenue for the applicable utility funds.

RECOMMENDATION:

Staff recommends adopting Resolution 2023-35.

SUGGESTED MOTION LANGUAGE:

“I move to adopt Resolution 2023-35, a Resolution Adopting System Development Charge Calculations in Connection with Commercial to Residential Conversations, as Required by House Bill 2984.”

LIST OF ATTACHMENTS / EXHIBITS:

- Resolution 2023-35