



# STAFF REPORT

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**Meeting Type:** City Council Work Session  
**Meeting Date:** May 6, 2024  
**From:** Kelly O’Neill Jr., Development Services Director  
Tyler Deems, City Manager  
**Subject:** System Development Charge Update Discussion

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## **DECISION TO BE MADE:**

Following the initial Transportation System Development Charge (SDC) work session on March 18, 2024, staff and FCS have prepared this work session to discuss additional requested Transportation SDC analysis, as well as figures associated with the total cost of City fees related to construction of a single-family home in the city of Sandy. Staff is seeking additional input from the City Council so that staff can prepare an ordinance with a revised Transportation SDC Methodology for adoption.

## **BACKGROUND / CONTEXT:**

Staff has prepared this work session staff report to address the following information requests from the City Council:

- **Additional Information on Transportation System Development Charges**
  - Additional analysis from FCS including project names from the Transportation System Plan (TSP) corresponding to the project IDs and associated SDC scenarios.
  - A revised comparison table with actively growing cities with recent Transportation SDC methodology updates.
  - Analysis on using PM Peak to bring multi-family costs per unit closer in relation to single-family home costs.
- **Additional Information on Total Cost of Construction Fees**
  - Construction fee estimates, including all existing fees required to build a single-family home (information shown with parks fee in-lieu (Exhibit C), and without parks fee in-lieu (Exhibit D)).

This staff report also speaks to the implementation schedule for Park SDC increases outlined in Resolution 2023-11.

## **KEY CONSIDERATIONS / ANALYSIS:**

### **Transportation SDCs**

The Sandy Transportation SDC Methodology is being designed to address all known state and local requirements for the establishment and update of the City of Sandy’s local transportation

SDCs. The Transportation SDC Methodology builds upon the findings contained in the Sandy TSP, the Sandy Housing Capacity Analysis, the Economic Opportunities Analysis, and other long-range planning documents. As a reminder, the project list in the Transportation Master Plan reflects an aspirational list of projects and SDCs are only able to cover a portion of the project costs. Cities should reanalyze SDC methodologies to determine fee adequacy concurrently with revisions to master plans and aspirational project lists. Sandy’s current practice is to increase SDCs on an annual basis to cover inflation (based on the Engineering News Record Construction Cost Index), but methodologies have historically been revised more periodically.

The Transportation SDC Methodology was last modified in 2016, but the last major modifications to the methodology occurred in 2005. The Transportation SDC Methodology that was presented on March 18, 2024, includes a range of improvement fee calculations that reflect varying levels of implementation of the Capital Improvement Plan (CIP) based on a prioritized list of improvements (Exhibit E).

Per the Council’s information request, the attached Transportation SDC Presentation from FCS (Exhibit B) includes project names from the TSP corresponding to the project IDs and associated scenarios, a revised comparison table with cities with recent Transportation SDC methodology updates and that are more actively growing, and analysis on using PM Peak as an alternative calculation basis. Using PM Peak affects businesses with a high PM Peak such as childcare facilities, breweries and restaurants, convenience stores, fueling stations, and postal services. Staff recommends staying with average daily as shown in the following table:

Calculated TSDC per Person Trip End	A. High Priority Projects Only	B. Medium & High Priority Projects	C. Low, Medium & High Priority Projects	D. All TSP Projects Total
<b>Cost Basis:</b>				
Improvement Fee	\$ 16,933,808	\$ 38,240,094	\$ 56,605,149	\$ 180,451,425
Reimbursement Fee	7,525,668	7,525,668	7,525,668	7,525,668
Compliance Costs	159,520	159,520	159,520	159,520
<b>Total Cost Basis</b>	<b>\$ 24,618,996</b>	<b>\$ 45,925,281</b>	<b>\$ 64,290,336</b>	<b>\$ 188,136,613</b>
<b>Proj. Growth in Daily Person-Trip Ends</b>	<b>74,887</b>	<b>74,887</b>	<b>74,887</b>	<b>74,887</b>
Improvement Fee per Trip End	\$ 226	\$ 511	\$ 756	\$ 2,410
Reimbursement Fee per Trip End	\$ 100	\$ 100	\$ 100	\$ 100
Compliance Fee per Trip End	\$ 2	\$ 2	\$ 2	\$ 2
<b>Total SDC per Trip End (rounded)</b>	<b>\$ 329</b>	<b>\$ 613</b>	<b>\$ 858</b>	<b>\$ 2,512</b>
Equivalent New TSDC Rate per SFR:	\$ 5,208	\$ 9,716	\$ 13,601	\$ 39,800
Equivalent New TSDC Rate per Multi-family Unit:	\$ 3,722	\$ 6,944	\$ 9,721	\$ 28,447

### Water SDCs

The Water SDCs will need to be evaluated in the near future as the last time the methodology was revised was in 2017. The existing Water SDC collections are likely not sufficient to adequately address system needs related to growth. Also, the current Water Master Plan was adopted in April 2023 which is after the last methodology revision.

## Sanitary Sewer SDCs

The Sanitary Sewer SDCs will need to be evaluated in the near future as the last time the methodology was revised was in 2019. The existing Sanitary Sewer SDC collections are likely not sufficient to adequately address system needs related to growth. Also, the ongoing amendment to the Wastewater System Master Plan still needs to be adopted which will then necessitate the need to update the methodology.

## Parks SDCs

The Parks SDCs were originally scheduled to increase yearly as designed with the phase-in schedule in Resolution 2022-23. With adoption of Resolution 2023-11, the City Council decided to revisit Parks SDC implementation in 2024 prior to the next increase. Below is the phase-in schedule for Parks SDCs in accordance with Resolution 2023-11. Per the resolution, staff is seeking confirmation that the Council wishes to move forward with the remaining implementation schedule as planned.

Fiscal Year	Implementation Date	Single-Family	Multi-Family	Mobile Home
2022	Existing	\$3,717.00	\$2,495.00	\$2,495.00
2023	1/1/2023	\$8,897.09	\$6,596.64	\$7,166.22
2024	7/1/2023	\$8,897.09	\$6,596.64	\$7,166.22
2024	7/1/2023	\$12,117.67	\$8,984.50	\$9,760.26
Winter 2023/2024	Revisit SDC Implementation			
2025	7/1/2024	\$12,117.67	\$8,984.50	\$9,760.26
2026	7/1/2025	\$13,727.96	\$10,178.43	\$11,057.28
2027	7/1/2026	\$15,338.25	\$11,372.37	\$12,354.30
2028	7/1/2027	\$16,948.55	\$12,566.30	\$13,651.32
2029	7/1/2028	\$18,558.84	\$13,760.23	\$14,948.34
2030	7/1/2029	\$20,169.13	\$14,954.16	\$16,245.36
2031	7/1/2030	\$21,779.42	\$16,148.09	\$17,542.38
2032	7/1/2031	\$23,389.71	\$17,342.02	\$18,839.40
2033	7/1/2032	\$25,000.00	\$18,535.95	\$20,136.41

## Parks Fee In-Lieu of Land Dedication

The Parks Fee In-Lieu of Land Dedication was updated in 2022 based on appraisal work performed by a subconsultant of FCS and is identified in the fee estimate in Exhibit B. For projects that dedicate land there is no Parks Fee In-Lieu, however, when developers dedicate land to the City of Sandy it typically decreases the amount of developable land available for the project, and the land purchase costs are still the burden of the developer.

## School Excise Tax

Since May 2007, the State of Oregon has allowed school districts to impose a construction excise tax on projects that result in a new structure or additional square footage to an existing structure. The City of Sandy administers this tax for the Oregon Trail School District. The Oregon Trail School District currently charges a residential rate of \$1.00 per square foot for residential construction and \$0.50 per square foot for non-residential construction (commercial and industrial).

**Total City Fees to Construct a Single-Family Home in Sandy:**

The total City fees **with payment of parks fee in-lieu** to construct a single-family home that is approximately 2,300 square feet is **currently \$51,625.00\*** as detailed in Exhibit C.

The total City fees **without payment of parks fee in-lieu** to construct a single-family home that is approximately 2,300 square feet is **currently \$34,240.16\*** as detailed in Exhibit D.

\*NOTE: These fee estimates do not include electrical permit fees as those are currently processed by Clackamas County. Based on a 2,300 square foot single-family home the Clackamas County Building Division estimates that the electrical permit fee cost is approximately \$546.00.

**BUDGET IMPACT:**

Not increasing SDCs has an impact on the City's ability to construct projects as identified in our adopted master plans. Adopting SDCs with an excessive rate may impact the volume of construction that occurs in Sandy, which in turn could affect the City's ability to construct projects as identified in our adopted master plans, could impact projected tax collections, and could stifle utility customer growth.

**RECOMMENDATION:**

- Provide staff and the FCS Group with input on what Transportation SDC scenario you prefer so that staff can prepare for the adoption of a methodology ordinance and revised fee schedule resolution.
- Provide confirmation to staff regarding the implementation schedule for Parks SDCs.

**LIST OF ATTACHMENTS / EXHIBITS:**

- Exhibit A. Cost of Permitting Presentation
- Exhibit B. Transportation SDC Presentation from FCS
- Exhibit C. Existing cost to construct a single-family home with parks fee in-lieu
- Exhibit D. Existing cost to construct a single-family home without parks fee in-lieu
- Exhibit E. Transportation System Plan Project Lists