



REQUEST FOR COUNCIL ACTION

Title: System Development Charge Fee Schedule

Preferred Agenda: March 23, 2021

Submitted By: Blair Larsen, Community & Economic Development Director

Reviewed By: Ray Towry, City Manager

Type of Action: Resolution X Motion Roll Call Other

Relevant Code/Policy: SHMC Chapter 13.12: Water and Sewer Hookup Fees and System Development Charges

Towards Council Goal: Aspiration III: Viable and Sustainable Infrastructure; Goal 1: Infrastructure

Attachments: Resolution No. 9 for 2021, Adopting a Fee Schedule for System Development Charges
3-Year Exhibit A Sweet Home SDC Fee Schedules
4-Year Exhibit A Sweet Home SDC Fee Schedules

Purpose of this RCA:

The purpose of this RCA is to adopt a System Development Charge Fee Schedule.

Background/Context:

System Development Charges (SDCs) are fees assessed on new development to pay for the new development's use of the capacity of City infrastructure. SDCs are highly regulated under state law. The City's current System Development Charges amount to \$1,839 per single family home, and only pay for water and wastewater infrastructure. Sweet Home's fees are among the lowest in the State and have not changed since 2005. Since August 2019, the City has been working to update its SDCs in order to treat current ratepayers and residents fairly and obtain the revenue necessary to maintain our infrastructure's capacity and meet the demands of new development.

At the October 27th, 2021 City Council Meeting, the Council indicated a target overall SDC for a single-family home of \$15,000, which should be reached by making equal annual adjustments over a 5-year period.

On February 9th, 2021, a public hearing was held to review the proposed System Development Charge Methodology. The City's SDC consultant and City Staff answered questions from the Council and the public about the methodology. There were no public comments in opposition to the proposed SDC Methodology.

At the February 9th City Council meeting, an amended SDC Ordinance was presented to, and approved by the City Council. The third and final reading of that ordinance will take place at the March 9th meeting, and the ordinance will take effect April 8, 2021.

The next step is to adopt a revised System Development Charge Methodology, Capital Improvement List, and Rate Schedule, each by resolution.

A Fee Schedule is a required part of SDCs. The Fee Schedule is used to allocate the appropriate charges to new development, based on use.

The Challenge/Problem:

How does the City update its System Development Charge Ordinance to better meet the City's goals and service citizens' interests?

Stakeholders:

- Sweet Home Residents – Residents deserve well-maintained City infrastructure that meets their needs and improves their quality of life. Residents also deserve not to have the infrastructure capacity they have paid for given away without compensation.
- Property Developers – Developers build where there is adequate infrastructure capacity, a market for their developments, and where they can make a profit. SDCs that continue to provide infrastructure but are not so high as to remove the ability to make a profit, serve the combined interests of developers and residents.
- Sweet Home City Council – The City Council has a goal to provide viable and sustainable infrastructure that serves development and improves residents' quality of life.
- Sweet Home City Staff—City Staff have an interest in ordinances that empower them to meet the Council's goals.

Issues and Financial Impacts:

This fee schedule includes major changes to the City's System Development Charges. The current SDC charged on a single-family home, for water and wastewater only, is \$1,839.

The maximum SDC possible for a single-family home under the proposed methodology is \$19,879. Any fee over \$19,879 would require changes to the Capital Projects List, and a public comment period. But the Council is free to set rates at or below that ceiling. In accordance with the methodology and the City's ordinance, these rates are subject to annual inflationary adjustments.

The Council previously directed Staff to submit a proposal to raise the rates over a 5-year period to \$15,000, which is less than the maximum amount using the Proposed Methodology. This Proposed SDC Fee Schedule would increase the current SDC charges from \$1,839 to \$4,472 as of July 1, 2021; \$7,105 as of July 1, 2022; \$9,735 as of July 1, 2023; \$12,368 as of July 2024; and \$15,000 as of July 1, 2025. SDCs for all other uses are prorated accordingly. These rates would all be adjusted prior to their effective date for inflation.

Elements of a Stable Solution:

A stable solution includes approval of a resolution adopting a Systems Development Charge Fee Schedule.

Update for March 23, 2021:

At the March 9th Council Meeting, the Council by consensus instructed staff to recalculate the proposed SDC Fee Schedule to reflect a 3-year ramp up to the target rate, rather than the 5-year ramp up that was presented at that time. Based on the Council discussion at the March 9th meeting, staff felt it prudent to include in this RCA both a 3-year and a 4-year schedule.

Options:

1. Do Nothing—The Council could choose to do nothing at this time and adopt no SDC Fee Schedule. This would require the City to use the previous fee schedule.
2. Adopt Resolution No. 9 for 2021, A Resolution Adopting a Fee Schedule for System Development Charges using the 3-year Exhibit A—By adopting the proposed resolution,

City could begin collecting SDCs to help pay for the projects identified in the SDC Capital Projects List, and the target SDC would be reached over a three-year period.

3. *Adopt Resolution No. 9 for 2021, A Resolution Adopting a Fee Schedule for System Development Charges using the 4-year Exhibit A*—By adopting the proposed resolution, City could begin collecting SDCs to help pay for the projects identified in the SDC Capital Projects List, and the target SDC would be reached over a four-year period.
4. *Direct Staff to make Changes to the Proposed Fee Schedule*—The Council may choose to direct Staff to make other changes to the Proposed Fee Schedule and adopt it now or at a later time.

Recommendation:

Staff recommends option 2: *Motion to adopt Resolution No. 9 for 2021, A Resolution Adopting a Fee Schedule for System Development Charges using a the 3-year escalation as indicated in Exhibit A.*