



REQUEST FOR COUNCIL ACTION

Title: System Development Charge Methodology

Preferred Agenda: March 9, 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. 7 for 2021, Adopting a Methodology for Calculating System Development Charges
Exhibit A Sweet Home SDC Methodology Report

Purpose of this RCA:

The purpose of this RCA is to adopt the recently completed System Development Charge Methodology Report.

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.

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.

In order to charge SDCs, State law requires that a methodology be publicly reviewed and adopted.

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 methodology adopts no changes in rates, but outlines the formula governing the maximum permitted SDC rates. Rates are proposed to be determined by a separate resolution. Therefore, this resolution has no financial impact in and of itself.

Elements of a Stable Solution:

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

Options:

1. Do Nothing – The Council could choose to do nothing at this time and leave the SDC Methodology as it currently exists. This would prevent the adoption of the proposed capital improvement list and rate structure, and would keep the City from changing the rate and type of SDCs.
2. Adopt Resolution No. 7 for 2021, A Resolution Adopting a Methodology for Calculating System Development Charges – By adopting the proposed resolution, the formula for calculating SDCs would be set, and the Council would be able to proceed with adopting a Capital Projects List and new Fee Schedule.
3. Direct Staff to make Changes to the Proposed Methodology—The Council may choose to make changes to the Proposed Methodology and adopt it at a later time.

Recommendation:

Staff recommends option 2: Motion to adopt Resolution No. 7 for 2021, A Resolution Adopting a Methodolgy for Calculating System Development Charges.