



# REQUEST FOR COUNCIL ACTION

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**Title:** Information Only: Staff Report on System Development Charges assessed on Accessory Dwelling Units

**Preferred Agenda:** March 12, 2024

**Submitted By:** Blair Larsen, Community & Economic Development Director

**Reviewed By:** Kelcey Young, City Manager

**Type of Action:** Resolution \_\_\_\_ Motion X Roll Call \_\_\_\_ Other \_\_\_\_

**Relevant Code/Policy:** SHMC Chapter 13.12

**Towards Council Goal:** N/A

**Attachments:** Example Connection Fee Detail Worksheet

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**Purpose of this RCA:**

The purpose of this RCA is to provide more information to the Council and seek direction regarding System Development Charges (SDCs) assessed on Accessory Dwelling Units (ADUs).

**Background/Context:**

At the February 27, 2024 Council Meeting, City Resident Robert Wilson requested that the Council consider waiving SDCs on Accessory Dwelling Units, as that would help improve the housing supply in Sweet Home. Mr. Wilson further claimed that ADUs can be built without extending City infrastructure more, since water and wastewater lines are all in place.

While Mr. Wilson indicated that the ADU he wants to build could be connected to water and wastewater services through the existing house, City Code requires that every residential unit except for apartments have its own utility service. Under the City's current rules, any ADU he constructed would have to have its own water meter and water and wastewater connections to the City's main lines.

System Development Charges are fees assessed on new development to pay for the capacity required by the new development in the City's various infrastructure systems (Water, Wastewater, Stormwater, Transportation, and Parks). New housing and commercial units increase the demand on these systems, and State law allows for fees to be charged to make pay for the increased demand.

Currently, SDCs are charged on all new development, and the charges are based on the usage of the property based on metrics such as the size of the water meter and square footage of the buildings. For residential developments, the type of housing unit (single family home, townhome, multifamily unit, etc.) also has an effect on what the SDC for the property will be.

The City's development code allows the construction of an accessory dwelling unit on any residential lot. ADUs can be integrated into the existing home (such as an addition to the home, or a basement apartment) or built as a separate building. ADUs can be up to 75% of the size of the primary home, but still have to follow all the lot coverage and setback requirements that apply to the lot.

Currently, the City's SDC ordinance or fee resolution does not mention ADUs at all, and they are treated the same. A new ADU would be charged the same fee as a single-family home, which is currently \$15,000. This charge is only for the right to connect to the City's systems and does not include the meter box and other connection work. See attached for an example breakdown of connection charges for a new ADU.

City Staff have investigated how other cities in Oregon charge (or don't charge) SDCs on ADUs, and learned the following:

City	Exempt	Discounted	Comments
Portland	Yes*	No	Neither the ADU nor the Primary Home may be rented for 10 years
Corvallis	No	0-68%*	Parks SDC discounted, all others are based on usage.
Medford	No	25-50%*	Transportation and Wastewater SDC 50%, Parks ~25%, no discount for water or stormwater
Salem	Yes, until 6/30/2024	No	
Oregon City	No	40%	Typical SDC: SFH: \$40,032 ADU: \$23,723
Brownsville	No	No	
Lebanon	No	40%	SDC for Single Family Home: ~\$17,300, SDC for ADU: ~\$10,380
Albany	No	Yes*	SDC fee structure is based on square footage, so smaller buildings pay a smaller fee. The SDCs on a 400 sq ft building are \$9,505.

SDCs are intended to address the impact of new development on City infrastructure. Smaller homes theoretically have a smaller impact, however they do still have an impact. If the Council wants to promote more ADUs, then it makes sense to exempt them or discount them from SDCs, however it is important to analyze what the likely response from developers will be. When the City was required to allow duplexes in all residential zones, Staff saw an explosion of development for duplexes, relative to single family homes. If an exemption or deep discount is offered for ADUs without any rental restrictions, the City is likely to see many more applications for such structures as rental properties.

**The Challenge/Problem:**

Should the City adjust its SDC fees for Accessory Dwelling Units, and if so, how?

**Stakeholders:**

- Sweet Home Property Owners and Residents – Residents deserve to be able to develop their properties in a reasonable manner.
- Sweet Home City Council – Council members are the voice of the citizens they serve and represent and are responsible for setting City policies, such as System Development Charges.
- Sweet Home City Staff – Staff are tasked with collecting fees in accordance with the City Code, and benefit from clear ordinances.

**Issues and Financial Impacts:**

The financial impact of any changes to the City's SDCs is difficult to measure, especially with no clear direction on what changes will be made and the current uncertainties in the building market. Currently someone building an ADU would be charged the same SDCs as a single-family home: \$15,000.

**Elements of a Stable Solution:**

An ideal outcome would be clear direction to staff on what changes, if any, should be made to the City's SDC fees regarding ADUs.

**Recommendation:**

This item is a policy matter, and Staff makes no recommendation on this issue.