



**CITY COUNCIL MEETING
STAFF REPORT**

Meeting Date: May 20, 2024		Subject: Resolution No. 3147 A Resolution of the City of Wilsonville Establishing a Systems Development Charges Deferral Program for Affordable Housing Projects on City-Owned Property Staff Member: Amanda Guile-Hinman, City Attorney and Kimberly Rybold, AICP, Senior Planner Department: Legal and Community Development	
Action Required		Advisory Board/Commission Recommendation	
<input checked="" type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 st Reading Date: <input type="checkbox"/> Ordinance 2 nd Reading Date: <input checked="" type="checkbox"/> Resolution <input type="checkbox"/> Information or Direction <input type="checkbox"/> Information Only <input type="checkbox"/> Council Direction <input type="checkbox"/> Consent Agenda		<input type="checkbox"/> Approval <input type="checkbox"/> Denial <input type="checkbox"/> None Forwarded <input checked="" type="checkbox"/> Not Applicable Comments: N/A	
Staff Recommendation: Staff recommends Council adopt Resolution No. 3147.			
Recommended Language for Motion: I move to adopt Resolution No. 3147.			
Project / Issue Relates To:			
<input checked="" type="checkbox"/> Council Goals/Priorities: Increase housing opportunities for all and reach functional zero homelessness	<input type="checkbox"/> Adopted Master Plan(s): Equitable Housing Strategic Plan	<input type="checkbox"/> Not Applicable	

ISSUE BEFORE COUNCIL:

A resolution creating a systems development charges (SDC) deferral program for affordable housing projects involving City-owned property.

EXECUTIVE SUMMARY:

SDCs are fees charged to development that is either new in the city or increases use of certain city capital improvements, namely, streets, water, sewer, stormwater, and parks. Such fees are assessed against development to pay for capital projects that are needed to accommodate the increased uses. SDCs are governed by Oregon Revised Statutes (ORS) 223.297 through 223.316 and Wilsonville Code (WC) Section 11.000 through 11.190. WC 11.080 requires SDCs to be paid at issuance of building permits.

Prior to 2019, the City intermittently entered into agreements with developers to defer systems development charges, without explicit policies of who should qualify for deferrals or under what terms and conditions deferrals should be granted.

In 2019, the City Council adopted Ordinance No. 816 that repealed and replaced Wilsonville Code Chapter 11 – Fees, which included local regulations governing systems development charges in the City. In the update to Chapter 11, the City Council must now adopt program(s) for deferrals of SDCs before a developer may seek a deferral from the City.

Jurisdictions throughout Oregon consider deferrals and subsidization of SDCs for affordable housing projects to ensure that such projects are financially feasible. The City's 2020 Equitable Housing Strategic Plan (EHSP) identified Item 2C to "explore tactics to reduce the impact of systems development charges on affordable housing," which included examining whether to delay collection of SDCs.

Most developments are funded through financing, rather than cash on hand. SDCs paid at issuance of building permit are usually paid from a loan obtained by the developer. Thus, while a project is constructed, the developer must pay the costs to carry that loan, namely, interest. As evidenced by current interest rates, the financing of SDCs has the potential to cost developers hundreds of thousands of dollars during construction. For affordable housing developments, this additional cost can contribute to the financial infeasibility of the project.

Deferring the collection of SDCs to a later date, such as certificate of occupancy, results in cost savings by not requiring an affordable housing developer to pay the carrying costs for financing SDCs during the construction period. However, deferring the collection of SDCs also results in lower collection amounts to the City because SDCs are adjusted annually to account for infrastructure cost increases and may also delay the implementation of capital improvement projects.

Thus, staff recommends that, at this time, any SDC deferral program be narrowly tailored to affordable housing projects involving City-owned property before considering any additional deferral program(s). A narrowly focused program is outlined in Resolution No. 3147. The City will be able to undertake a cost/benefit analysis of the deferral program to better understand the impacts of deferrals and any potential additional deferral program(s).

EXPECTED RESULTS:

Implementation of a SDC deferral program, as outlined in Resolution No. 3147, is anticipated to encourage affordable housing development, including the City’s transit-oriented development (TOD) project, if Resolution Nos. 3146 (Development Agreement with Palindrome) and 3147 are adopted.

TIMELINE:

If Resolution Nos. 3146 and 3147 are adopted, staff anticipates the City will execute a SDC deferral agreement for the SDCs attributable to the affordable housing portion of the TOD project in the next month.

CURRENT YEAR BUDGET IMPACTS:

Staff does not anticipate any impacts to the current budget. However, SDCs for the TOD project, without this program, would likely be due early in the next fiscal year (fiscal year 2024-2025). Thus, the City would not realize those SDCs under this program until fiscal year 2025-2026.

COMMUNITY INVOLVEMENT PROCESS:

The priorities identified in the Equitable Housing Strategic Plan, including exploration of deferral of SDCs, were generated through a community input process that included focus groups, surveys, and Task Force input. The prior update to Chapter 11 of the Wilsonville Code went through the typical City legislative process before the City Council, allowing for public comment from residents, businesses, and property owners.

POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:

The Wilsonville Transit Center TOD project will provide needed affordable housing opportunities in close proximity to transit service, along with tenant space for Wilsonville Community Sharing, a coffee shop/taproom, and SMART welcome center. Locating housing in close proximity to transit service can generate additional transit ridership. The Wilsonville Transit Center is one of the City’s limited opportunities to provide true transit-oriented development within the community. This deferral program is a tool that will support the financial feasibility of the TOD project.

ALTERNATIVES:

City Council could decide not to pursue the SDC deferral program for affordable housing developments on City-owned property, revise the scope of the program, or add or revise the conditions of the program. If City Council decides to forgo the program, staff anticipates that the TOD project may not be financially feasible.

CITY MANAGER COMMENT:

N/A

ATTACHMENTS:

- 1. Resolution No. 3147