



CITY COUNCIL MEETING STAFF REPORT

Meeting Date: May 15, 2023		Subject: Frog Pond East and South Master Plan Exploring Variable/Scaled Rates for Development Fees for Housing	
		Staff Member: Daniel Pauly, Planning Manager and Zach Weigel, City Engineer	
		Department: Community Development	
Action Required		Advisory Board/Commission Recommendation	
<input 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 type="checkbox"/> Resolution <input checked="" 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:	
Staff Recommendation: N/A			
Recommended Language for Motion: N/A			
Project / Issue Relates To:			
<input checked="" type="checkbox"/> Council Goals/Priorities: Expand home ownership	<input checked="" type="checkbox"/> Adopted Master Plan(s): Frog Pond East and South Master Plan	<input type="checkbox"/> Not Applicable	

ISSUE BEFORE COUNCIL

The project team will share information on variable/scaled development fees gathered as part of Frog Pond East and South Master Plan implementation. Following the report out, the team will gather Council’s initial input on the information shared and answer questions.

EXECUTIVE SUMMARY:

The City recently adopted policies that allow for and encourage middle housing; both through the Middle Housing in Wilsonville Project and also, with the rich variety of housing types planned for in the Frog Pond East and South Master Plan adopted in 2022. This work is part of the Council's ongoing goal to provide more attainable housing, including expanding home ownership opportunities.

The Master Plan provides clear policy direction and guidance for future development in Frog Pond East and South. However, an important implementation step is to develop an infrastructure funding plan. As the City develops the infrastructure funding plan, the project team is exploring how the City's development fee structure can best provide both a predictable and equitable funding of infrastructure that responds to the new paradigm of housing variety. This work session will present initial research and questions for future research on variable/scaled rates for housing development fees. Council will have an opportunity to provide initial feedback and direction for future study.

Variable or scalable rates are rates that move from generic "per door" fees, which have minimal differentiation between different types or sizes of residential units, to rates that vary based on the scale of development, by such things as type of unit, dwelling unit square footage, lot size, or number of bedrooms. The "per door" rate approach was built around assumptions of limited housing variety, primarily either apartments or detached single-family homes. The goal in exploring variable/scalable rate development fees is to (1) understand the proportionate share of system impacts for a variety of housing types, and (2) ensure adequate funding of public infrastructure needed to serve new development. Once fully explored, the information would help the City determine an equitable development fee package, whether scaled or not.

Attachment 1 is a memorandum prepared by FCS Group exploring variable/scalable development fees. The memorandum uses the term System Development Charges (SDCs), but the scalable rate structure can be applied to development fees generally. The memorandum includes:

- The purpose of the memorandum;
- A summary of Wilsonville's current SDC practices;
- Research on scalable SDC methodologies, including legal requirements in Oregon, case studies, and examples; and
- A summary of findings and conclusions.

City staff notes the "examples" section includes a lot of assumptions and includes some real Wilsonville numbers. However, these assumptions and numbers have not been vetted. The examples should be understood as illustrations of potential approaches rather than what future SDCs in Wilsonville could or should be.

Of particular interest to Council may be data and discussion about what percentage of a cost of home development fees represent and the varying views about the potential impact of reducing development fees has on housing cost (see pages 5-7). A summary of the advantages and disadvantages of scalable SDCs is also presented (see Exhibit 15, page 18).

In addition, the following are some key outstanding questions Staff hopes to answer through continued exploration of variable/scalable development fees.

- Does a modification of the development fee structure create enough change in development cost to incentivize the construction of middle housing and smaller single-family homes?
- To what extent would savings in development fees be passed through to a home buyer versus increasing the developer's profit?
- How would variable/scalable fees affect the predictability of fee income to ensure adequate collection of fees to fund planned infrastructure projects (particularly now with more flexible, and less certain, zoning as it pertains to eventual housing type)?
- Can a variable/scalable development fee structure be simple enough to explain to the development community and administer with minimal additional staff time?

Following this work session the project team will continue to explore variable/scalable fees as part of the Frog Pond East and South funding plan. Longer term, information gathered as part of the current effort can guide decisions on rate structures on SDCs as citywide infrastructure master plans are periodically updated over time.

The project team would like the Council to answer the following questions during the work session:

- What feedback and direction do Councilors have on the exploration of variable/scalable development fees?
- What questions do Councilors have about variable/scalable development fees and what additional information would be helpful to answer those questions?

EXPECTED RESULTS:

Informing the Council regarding information gathered to date about variable/scalable development fees as part of the Frog Pond East and South implementation work, and gathering feedback and questions.

TIMELINE:

A Condition of Approval of Metro Ordinance 18-1427 adding Frog Pond East and South to the Urban Growth Boundary (UGB) was to “consider adoption of variable system development charges designed to reduce the costs of building smaller homes in order to make them more affordable to purchasers and renters.” The scope of the Frog Pond East and South planning work subsequently funded by a Metro grant included this exploration. In addition, the City sought and obtained additional grant funding from Department of Land Conservation and Development

(DLCD) for “exploration of housing SDC’s and related infrastructure financing options.” With this support from Metro and DLCD, Leland Consulting and FCS Group were included on the consultant team to support this specific effort. While this is being “explored” at this time related to the Condition of Approval and grant funding, no decisions have been made on if or when the City would adopt any related changes to the structure of development fees. Any of those decisions would come either as part of the Frog Pond East and South Infrastructure Plan coming before Council in the next few months, or over an extended period as citywide infrastructure plans are periodically updated.

CURRENT YEAR BUDGET IMPACTS:

The infrastructure financing plan implementation work is funded with remaining funds from the \$350,000 Metro grant and \$81,000 Oregon DLCD grant for the Frog Pond East and South Master Plan and matching City funds in the form of staff time. \$311,000 total is budgeted in FY 22/23 including the adoption of the Master Plan and follow up implementation, including this the infrastructure funding implementation work.

COMMUNITY INVOLVEMENT PROCESS:

During this implementation phase the primary focus is on honoring past input. However, the project team is engaging key stakeholders including a series of developer interviews as part of the infrastructure implementation work.

POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:

The purpose of this project is to help further the City’s Equitable Housing Strategic Plan and Council’s goal of affordable home ownership. While variable/scalable development fees may not guarantee affordable home ownership, they may provide a more equitable distribution of infrastructure costs across varying sizes and types of housing units potentially incentivizing more housing product variety.

ALTERNATIVES:

As the City explores this topic the alternatives ultimately will be do continue with a development fee similar to what exists today or shift to some degree or another to scalable/variable rates.

CITY MANAGER COMMENT:

N/A

ATTACHMENT:

1. Scaled System Development Charge (SDC) Research Findings Memorandum (dated May 4, 2023)