

# Frog Pond East and South

Exploring Variable Rate  
Development Fees

Wilsonville City Council  
Work Session  
May 15, 2023



**WILSONVILLE**  
OREGON

# Introductory Notes from Staff

- Current scope is to explore topic
- Relates to Council goal of affordable home ownership
- Work session aims to:
  - Update Council on project
  - Get guidance for any further exploration
- Example numbers and calculations are not verified
  - Some appear skewed, staff recommend further vetting

# Different Development Fee Types

- **System Development Charges (SDCs)**
  - Specific to a type of infrastructure (streets, water, parks, etc.)
  - Build projects identified in an infrastructure master plan
  - Development’s share of Citywide system impact
  - Funds used citywide, not just development area
  - Collected for almost all development
- **Supplemental “In-lieu of” Fees**
  - Paid to city in lieu of building infrastructure that is developer responsibility
  - Can cover multiple or a single infrastructure type
  - Exists only in specific cases and areas
- **Most materials presented refer to “SDCs”, but also applies to Supplemental Fees**



# Project Objectives



1. Review current SDC methods
2. Explore new methods to vary SDCs
3. Summarize available information on different impacts of different housing types
4. Case studies of adopted variable SDCs.
5. Evaluate the advantages and disadvantages of variable SDCs.
6. Examples of how variable rates could be applied in Wilsonville



## Current Wilsonville SDC Approach

- Transportation, Wastewater, Stormwater and Parks
  - Fee per unit regardless of size
- Water
  - Fee per unit based on meter size (5/8" vs 3/4")

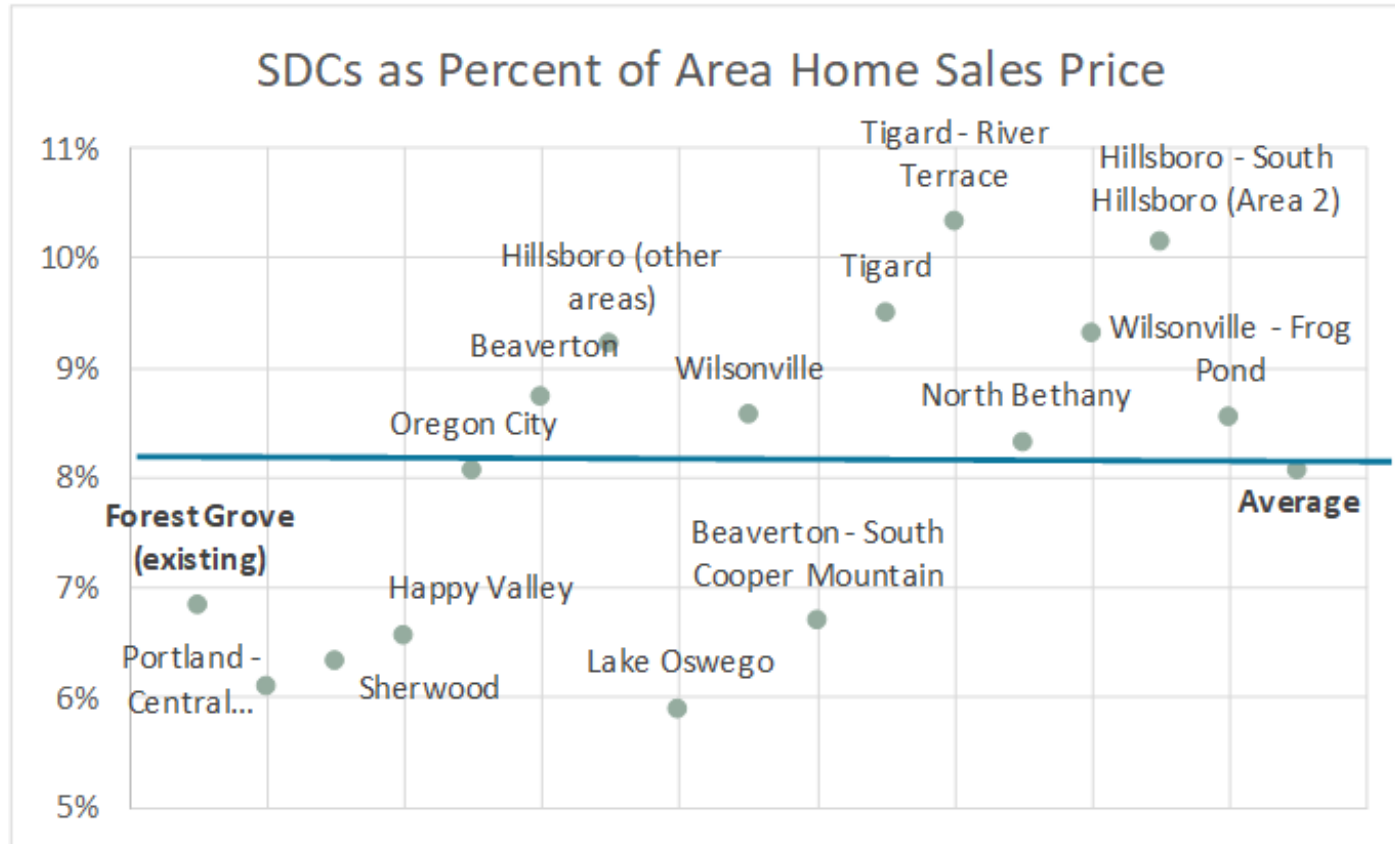


# Case Study Cities that Scale SDCs by Home Size

Type of SDC	Methodology Applied	Examples (year adopted)
Transportation	Trip generation by home size	Newport (2017), North Plains (2021), Hayden, ID (2022)
Parks	Residents by home size	Newport (2017), Albany (2021), Portland (2008), North Plains (2021), Hayden, ID (2022)
Water	Meter size and estimated number of fixtures	Newport (2017), North Plains (2021)
Wastewater	Meter size and estimated number of fixtures	Newport (2017)
Stormwater	Categorization of average impervious surface	Newport (2017)

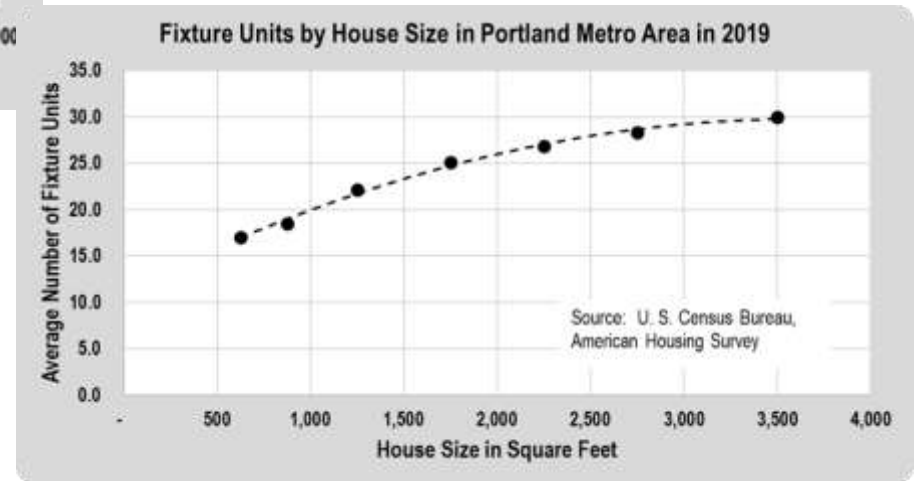
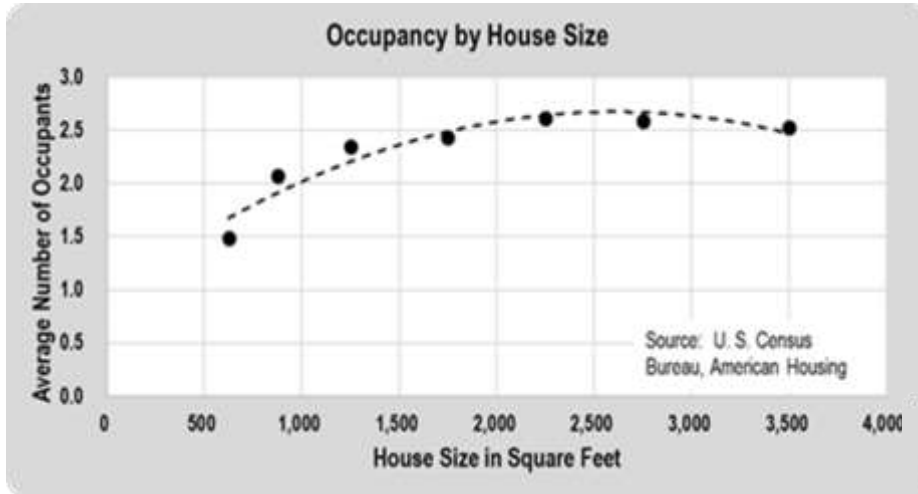


# SDCs as a Percent of Home Prices





# Scaling Fees by Home Size Discussion







## Preliminary Example of SDC Scaling

- Transportation, Wastewater, and Parks
  - Use average home size and average household size to calculate average “per resident” impact/cost
  - Assume varying number of residents based on home size
  - Charge SDCs “per resident”
  - Generally less cost for smaller homes, more cost for larger homes



## Preliminary Example of SDC Scaling

- Water
  - Use average home size and average number of fixtures to calculate “per fixture” SDC charge for both meter sizes (5/8” and 3/4”)
  - Assume varying number of fixtures based on home size
  - Charge SDCs “per fixture”
  - Generally less cost for smaller homes, more cost for larger homes



## Preliminary Example of SDC Scaling

- Stormwater
  - Replace single impervious average for single-family homes with three to four average size categories or buckets
  - Charge SDCs by category based on percent of standard home size
  - Less cost for smaller homes, more cost for larger homes



## Developer Input Key Points Regarding SDCs

- Assurance of infrastructure capacity
- Want to build to market
- Total cost of site preparation drives decisions rather than a single component/fee
- SDCs overall cost of home construction varies (3%-7%) in most cities. Reducing SDCs through scaling or discounts (for affordable housing) could both reduce housing costs and increase developer profit.
- Lowering SDCs through scaling combined with other incentives (such as tax abatement or bonus density allowances) could tip the scale towards building more attainable housing but still depends on total cost.



## Advantages of SDC Scaling

- Increasing use in Oregon and nationally
- Most favorable by "small home" builders
- Potential to increase equity in allocating system costs
- Could result in up to 3.5% reduction in overall housing development costs (likely lower)
- May foster a wider variety of attainable housing types



## Disadvantages of SDC Scaling

- Requires additional statistically valid assumptions
- More complex fee calculations
- Increased cost for staff time to administer
- Could result in an increase in SDC costs for some needed housing
- No assurance that any cost savings for other housing types would be passed on to owners or renters
- Risk of under-collection of SDC revenue resulting in delayed or cancelled city infrastructure projects including those needed to serve the development

# Key Questions from Staff – Next Steps

- Does a modified fee structure incentivize providing lower cost home-ownership opportunities?
- What extent would cost savings be passed through to buyers/renters?
- How would adequate fee collection be ensured with extensive housing type flexibility?
- What is the potential for SDC under collection?
  - need to test scenarios and run sensitivity analysis
- Can a modified fee structure be simple enough to:
  - explain to development community
  - administer with minimal additional staff time?

# Discussion Questions for Council

- What questions do Councilors have about variable/scalable development fees?
- What feedback/direction do Councilors have on the exploration of variable/scalable development fees?
- What additional information would be helpful for Council to consider this approach to fees?