



System Development Charges (SDCs) - Frequently Asked Questions

Q: What are SDCs?

A: SDC stands for System Development Charge. SDCs are one-time fees assessed on new development to cover a portion of the costs of providing certain types of public capital facilities to address impact created by new development. Oregon law provides for establishment of SDC fees for transportation, water, wastewater (sewer), stormwater, and parks and recreation facilities.

Q: What is the Portland Parks and Recreation SDC?

A: The Portland Parks and Recreation SDCs cover a portion of the cost to provide for parks and recreation facilities that are needed to serve Portland's growing community. Parks SDC money can be spent only on capital improvements that increase the capacity of parks and recreation in order to offset the impact of new development. SDC funds can't be used for operations and maintenance of park facilities.

Q: How are parks and recreation facilities now funded in the City of Portland?

A: Portland Parks and Recreation facilities are funded primarily from five sources: 1) SDCs on new residential and commercial development; 2) proceeds from voter-approved general obligation bonds; 3) limited urban renewal tax increment funds; 4) limited City general fund contributions; and 5) grants, donations and other sources.

Q: Do other local communities have Parks SDC fees?

A: The Portland Metro area cities of Canby, Durham, Gresham, Hillsboro, Lake Oswego, Oregon City, Sherwood, Tigard, and Wilsonville; and the Tualatin Hills Park and Recreation District have implemented parks SDCs for new development within their boundaries.

Q: Why is Portland Parks and Recreation updating and proposing changes to its Parks SDC?

A: There are several reasons we review and update park SDCs every 5 years. Primarily we need to determine that sufficient money will be available to fund to provide for parks and recreation facilities that are needed to serve Portland's growing community. To accomplish this, we need to review our park level of service, update the costs of acquiring and developing parks facilities, confirm population and employment growth projections, and review the latest information about number of persons per dwelling unit.

Q: What is the process for considering updates to the Parks SDC?

A: Commissioner Amanda Fritz and Parks Director Mike Abbaté appointed a Taskforce to assist Parks in updating its Parks System Development Charges. These Taskforce members, representing a broad spectrum of stakeholders, met throughout the process of the update beginning in December 2012. They were charged with studying thoroughly the proposed modifications to the Parks SDC and making recommendations to the Parks Board and the Portland City Council for a Parks SDC update. In addition, the public can visit Park's website where the draft methodology report will be available for review in February and provide comments. Parks will provide presentations on the methodology to interested parties, and the City Council will conduct public hearings in April during consideration of the proposed updates to the Parks SDC. The changes to Parks SDC methodology would take effect July 1, 2015.

Q: What are the potential changes to Parks SDCs with this methodology update?

A: Here are the most significant – further details will be available in the full methodology report:

- **Level of service (LOS) vs. investment per person.** The 2008 methodology is based on acres per 1,000 people. This method would require Parks to purchase a large amount of land in order to maintain the same ratio of acres per 1,000 people as Portland's population grows. Portland has a limited amount of vacant land, which limits fulfillment of the 2008 methodology.

The 2015 proposal would adjust the LOS methodology from acres per 1,000 to investment per person. The new methodology would allow Parks to invest in capacity increasing improvements to maximize the use of parks (e.g., adding lights so park users can continue use through the evening or changing ball fields to artificial surfaces to extend the play into periods of more inclement weather). Using investment per person provides flexibility for the City to provide the highest priority needs in each area of the City, and avoids the constraints of the 2008 methodology that is based on acres of park per 1,000 population.

- **Cost of improvements.** In the 2008 study, the average cost per improvement was derived by looking at different types of parks and averaging the cost to develop an acre. This methodology was good but quite generic. For the 2015 method, Parks has developed a detailed inventory of every improvement, which when multiplied by the replacement cost per unit for each type of improvement, provides the total cost of improvements.
- **Residential development.** The 2008 methodology is based on a flat rate for five types of dwelling unit (single family, multifamily, manufactured homes, accessory dwelling units, & single room occupancy). This method does not account for the different impacts caused by different sizes of dwelling units due to the varying occupancy rates. The 2015 proposal would adjust the methodology to use the square footage of the dwelling unit, regardless of its type in four fee categories (less than 1,000 sq ft; 1,000-1,499 sq ft; 1,500-2,249 sq ft; and 2,250 or more sq ft).
- **Commercial development.** In 2008, Parks began charging new business development SDCs to capture the impact on parks from workers commuting into Portland for work. The 2008 methodology only assessed fees on workers from outside of Portland. For 2015, the methodology was adjusted so that new commercial buildings are charged to capture the impact of all workers (from inside and outside Portland).
- **Revenue from other sources.** In previous Park SDC methodology reports there were plans for future bonds to pay for some improvements that would add capacity to the park system. A portion of those future bond repayments would be paid by growth in the form of future property tax payments, so a tax credit was calculated to account for these payments in order to avoid charging growth twice: once through the SDC, and a second time through property taxes. The 2014 bond for Parks is for renovation and repairs of the existing park system. No tax credit is calculated because the bond-funded projects do not add capacity to provide the investment per person level of service for new development. In addition, there are no plans for future park bonds to add capacity. Therefore, no tax credit has been calculated to account for possible future debt.
- **College dormitory fee exemption.** In 2008, City Code was changed to remove the exemption for college dormitories. This was due to the inclusion of non-residential Park SDCs, but was not intended to charge SDCs for residential dorms. This update would reinstate the exemption for residential dormitories on college campuses with conditional-use master plans. Colleges without conditional-use master plans would not be eligible for the residential SDC exemption.

Q: When and how are SDC fees paid?

A: The Parks SDC is assessed after a building permit application is submitted and is due upon building permit issuance. There are three options for payment:

1. Pay the fee in full when the permit is issued in the Permit Center.
2. Defer payment of the fee from six to twelve months, with interest, from the date the permit is issued. The length of the deferral is based upon the project valuation and building permit type.
3. Finance the fee in monthly installments, with interest, over a period of 5, 10, or 20 years.

Q: Are exemptions and credits available?

A: Yes. Certain types of affordable housing are exempt from paying the SDC through a program under the Portland Housing Bureau. More information can be found about the SDC Exemption Program for affordable housing at www.portlandoregon.gov/phb/61105. A credit that will reduce or eliminate the SDC fee is also available for builders who convey property or facilities to Portland Parks and Recreation. Credits are available for qualified public improvements, such as property for community parks,

neighborhood parks, trails, or natural areas. Proposed public improvements are reviewed for compliance with Portland Parks and Recreation goals and standards set out in the Portland Parks and Recreation SDC ordinance and Portland City Code. In addition, the construction of accessory dwelling units (ADUs) or the conversion of existing structures to ADUs is typically subject to System Development Charges (SDCs) that are levied by the Portland Parks, Environmental Services, Transportation, and Water Bureaus. SDC fees are currently waived for ADU projects where a complete building permit application has been submitted to the Bureau of Development Services before July 1, 2016, provided that the ADU receives a certificate of occupancy no later than June 30, 2017.

Q: How will Portland pay for maintaining these new parks?

A: Funding for maintenance of Portland's parks and recreation facilities currently comes from the City of Portland's general fund revenues. It is anticipated that this will continue to be the primary source for funding operations and maintenance of the City's parks system.

Q: What are the economic benefits of parks?

A: Communities are learning that open space conservation is not an expense, but an investment that produces economic benefits. Studies have found that some of the benefits of parks and open space include attracting investment, revitalizing cities, sustaining quality of life, boosting tourism, and safeguarding the environment.

Q: Other questions?

A: Contact Maija Spencer at (503) 823-5105 or maija.spencer@portlandoregon.gov. More information may be found at www.portlandoregon.gov/parks/sdc