Portland Parks and Recreation
Park System Development Charge Taskforce

Meeting Summary

December 16, 2014

Attending:

Taskforce Members
Christe White, University of Portland
Debbie Aiona, League of Women Voters
Jim Sjulin, Community Member at Large
Justin Wood, Home Builders Association of Metropolitan Portland
Shawn Wood, Bureau of Planning and Sustainability
Nolan Lienhart, Community Member at Large
Maryhelen Kincaid, Community Member at Large
Jill Sherman, Gerding Edlen
Dennis Stoecklin, Concordia University

City Staff:
Riley Whitcomb, Park SDC Program Manager
Maija Spencer, Park SDC Program Specialist
Jeff Shaffer, Portland Parks Finance Manager
Todd Lofgren, Property and Business Development Manager

Consulting Team:
Randy Young, Henderson, Young & Company
Sarah Shannon, PRR

After an introduction of the Taskforce members, Riley Whitcomb reviewed the agenda for this meeting. Randy Young participated in a more limited capacity via phone. Riley provided a reminder that this was the last chance to discuss the two issue papers on residential housing occupancy and college housing occupancy before the Taskforce makes recommendations on January 14th.

Draft methodology update report for Park SDC

Riley Whitcomb presented an update on the draft methodology report, highlighting the differences in SDCs between the 2008 methodology and the 2015 methodology. The presentation focused on changes around level of service, investment per person, cost for growth, revenue from other sources, cost allocation, tax credits, and residential SDC.

The new methodology looks at a 22-year growth period (2013-2035), compared with only a 13-year growth period (2007-2020) as identified by the 2008 methodology. While this means more overall growth, it won't have an impact on the SDC due to it being calculated on a per person basis. There will, however, be significant changes in the cost per person due to other factors. Key changes between 2008 and 2015 include:

- <u>Changes in persons per dwelling unit.</u> The Central City decreased 21 percent due to smaller housing units and smaller households, while the Non-Central city increased 3 percent.
- <u>A shift in charges for the workplace.</u> In the 2008 methodology, 100 percent of the fee was charged to household. In the proposed 2015 methodology, this fee would be split equitably between the workplace and the household with 2/3 of the fee assigned to the household and 1/3 assigned to the workplace. This reduces the residential SDC slightly, from 87.12 percent to 85.53 percent, and increases the commercial SDC from 12.88 percent to 14.47 percent.
- <u>A change of method in the level of service.</u> In the 2008 methodology, the level of service was determined by acres per 1,000 population. If this methodology were kept, it would require acquisition of an unrealistic amount of land. The 2015 methodology proposes an investment per person, which would allow for more strategic investments as it does not require a target amount of land to maintain same level of service. It also aligns with the capital plan, as investments can be strategic and focused around addressing the gaps in the system.
    - One Taskforce member asked if this includes public golf courses and natural areas, such as wetlands. Riley confirmed that it does include the above as those spaces provide "lungs for city" in which a value is gained.
    - For calculating investment per person, the equation is the total 2013 value of the Park System/population = investment per person. The total value indicates the cost to replace both park improvements and land based on 2013 values. The land values were determined using Multnomah County's average Real Market Value of tax lots in the city. The County updates this data annually and when SDCs are indexed, the land value can be adjusted according to any fluctuations in the County's Real Market Value of land.

        - One Taskforce member brought up trail cost versus right of way cost as one issue with right of way costs is that they are often adjacent to roadways. Riley responded saying that most of the park trails are not adjacent so the total value is more representative of actual costs of parks. Additionally, trails are such a small percentage of parks that the effect on total value is minimal – Riley noted this is called out on page 20 of the report.
    - Investment per person also takes into account all of the improvements and includes them in total park value. The 2015 methodology has a detailed inventory of improvements, whereas 2008 did not. This is now consistent with the citywide asset report. A summary of the value of park improvements are found on page 10 of the report and a detailed listing of park improvement values are included in Table A.3 on page 21.
    - One Taskforce member asked whether any other cities were switching to per person investments. Riley responded saying he did not have the examples on hand, but that they were presented at an earlier meeting and they represented cities that were both small and large, east and west. Riley noted that they had not swept the country by storm but had gained popularity in land-constrained communities.
        - This was followed up with a question from a Taskforce member around whether or not this would provide the same level of service. Riley responded that it has worked and allows cities to stay current with recreational services as Park SDCs can be used for any capacity increasing improvements without having to be tied to acquisition of a specific number of acres of land.
        - Another Taskforce member asked if there was public involvement in the capital improvement plan. Riley responded saying that public involvement is an important part of the update process and is planned to take place the first quarter of 2015. It was also noted that capital investments are one-time investments to increase capacity, and will not be used for maintenance.
- <u>Shifts in cost for growth</u>. Growth impacts in 2008 were $322.9 million compared to $622.9 million in 2015. This is calculating 22 years of growth and takes into account actual costs, investment per person, and trends in population and location of that growth.
- <u>Inclusion of Non-SDC funding.</u> The 2015 report identifies non-SDC revenue sources available to pay for future park growth, as the 2008 report did not.

- The proposed 2015 Methodology shows that there will be no bonds issued to address park growth needs.
- One Taskforce member asked if this applies through 2035. Riley explained that although the non-SDC revenue projections will apply through 2035, the methodology is updated every five years so future revenue projections may change. He also noted that this does not have any effect on the methodology, because it is a policy choice on how the city chooses to invest. The city does not want to issue debt for growth. Rather the idea of debt is a one-time infusion to replace infrastructure, not build new.

- Non-residential SDC rates (per square foot) are increasing for each different development type.
    - One Taskforce member asked how Portland compares to other SDC rates in the region. Riley said that it would put Portland at or near the top. A Taskforce member responded saying that this was going to be politically tough to sell these increases given that Portland already charges one of the highest SDC rates regionally.
        - In response to this, a Taskforce member noted that the transportation SDC rate is average or below average, so this increase is relative to all the SDC fees charged by the City.
    - Another Taskforce member asked if this would be discounted through the political/market process. Riley recommended having this conversation in two parts. First to settle on the methodology, then determine the actual fee. Overall, Taskforce members agreed that they would feel comfortable recommending the methodology to the Commissioners as it is much stronger than the previous methodology.
    - One Taskforce member asked for clarification around the replacement cost, posing the scenario that if the land were to burn down it would not cost as much as the fees are demonstrating. Riley clarified that this is not referring to matching the value if it were to be purchased today, rather it is about having newcomers match the level of investment that includes the value of land and the improvements made on it.
        - This was followed up with a Taskforce member suggesting that this might be an illogical step in that we know that we cannot replace all of the current land by 2035, but we can improve on the land and add a small amount of land. Since it's more cost effective to maximize capacity, is this going to make us subject to overestimating? Riley responded saying that this is an attempt to come up with value dollars and we want "shareholders", or new residents, to have to pay fees at the same level as

the investments through tax dollars that existing residents have made. Investments will be the same in dollar amount, even if there is less land acquisition in 2035. Riley also noted that the specific amount could shift over time.

Policy papers for SDC rate methodology for residential development, and college dorms

Riley presented on the methodology for residential development and college dorms.

- Taskforce members noted that Persons per Unit and the SDC rate needs further discussion since a recommendation is needed in January. The primary concern is that this still does not address the central city new construction issue (smaller units, more people).
- A Taskforce member also noted that universities and colleges will not build dorms with this SDC rate and asked for the ability for universities to request an alternate SDC rate based on each institution's particular circumstances before building a dorm. Many universities exceed the acreage per resident for open space when compared to the per person rate for the rest of the city.
- Riley stated that colleges aren't the "cash cow" for the City's Park SDC program and noted that these projects happen very infrequently therefore SDC revenue from dorms is not a major concern for the City. Riley also explained that college dorms had previously been exempt from Park SDCs but that the code was changed to include them when the non-residential SDC was introduced in the 2008 update. The Taskforce did not discuss removing the exemption for residential SDCs.
- A Taskforce member suggested that the SDC rate depend on the level of park services provided by the university.
- Randy noted that the acreage data assembled by universities was based on a poor tool and it needs more research. He also views the individual determination of SDC rates for dorms as more bureaucracy for the universities to deal with.

New proposed schedule and meeting conclusion

Riley highlighted the next steps for the Taskforce, including that the next meeting will have a facilitator that will help with the decision making process. Some Taskforce members felt that an additional meeting was going to be needed before this is presented to the Commissioners in February.

The meeting concluded with Riley thanking the Taskforce members for attending.