Portland Parks and Recreation
Park System Development Charge Taskforce

Meeting Summary

January 14, 2015

Attending:

Taskforce Members
Christe White, Community Member at Large
Debbie Aiona, League of Women Voters
Jim Sjulin, Community Member at Large
Justin Wood, Home Builders Association of Metropolitan Portland
Maryhelen Kincaid, Community Member at Large
Jill Sherman, Developer at Large
Dennis Stoecklin, Concordia University
Raihana Ansary, Portland Business Alliance
Bev Bookin, Community Member at Large
Jim Owens, Portland Parks Board
Aubre Dickson, Community Member at Large
Kevin Johnson, Portland Development Commission

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

Consulting Team
Randy Young, Henderson, Young & Company
Rita Brogan, PRR
Kate Elliott, PRR

After an introduction of the Taskforce members, Rita Brogan reviewed the agenda for this meeting. To wrap up the final meeting of the Taskforce, Rita provided a brief overview of this Taskforce's efforts. She noted that the purpose of the Taskforce is to help Portland Parks and City Council make the most informed decision on the Park System Development Charge (SDC)

as possible. This Taskforce is charged with providing recommendations, comments and concerns. While consensus is desirable, it is not required, and all Taskforce members' views will be included in the Taskforce report in order to inform the Commissioner and Council.

Proposed changes to methodology

Randy opened the discussion by noting that there are five topics to cover, all of which have been discussed in previous meetings.

1. **Level of service (LOS)**

The 2008 methodology is based on acres per 1,000 population. This method would require the Parks Department to purchase a large amount of land in order to maintain the same ratio of acres per 1,000 as Portland's population grows. The city has a limited amount of vacant land, which renders the 2008 LOS methodology void. The 2015 proposal would adjust the LOS methodology from acres per 1,000 to investment per person. The new methodology would allow the Parks Department 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).

In a short but lively conversation, the majority of members supported shifting the LOS methodology from acres per 1,000 to investment per person.

- General discussion
  - One Taskforce member requested confirmation that if the Taskforce recommended adopting the 2015 methodology, if that would mean the Taskforce would no longer try to acquire more land.
    - Riley replied that while the Parks Department will be allowed to acquire additional land as needed, land acquisition will no longer be specifically required as part of the methodology.
  - One Taskforce member noted that if the Taskforce recommends replacing the acreage per 1,000 with investment per person, then this might lead to a false promise because the 2015 methodology would not be able to replicate the existing park system.
  - A Taskforce member expressed concern that the proposed methodology is a reimbursement fee and not an improvement fee. The member expressed the opinion that costs should be based on the original cost to purchase and build the park system, not cost of replacement in current dollars. He also noted that if the

methodology was based on the original costs, the Taskforce would see significantly lower SDCs rates.

- Riley noted that the City Attorney reviewed this issue and advised that what is being proposed is not a reimbursement fee. A park reimbursement fee would be based on buying into an existing park system which has excess capacity built in anticipation of growth, rather than paying an improvement fee to expand the existing system.
    - o One Taskforce member noted that it will be difficult to make capacity increasing improvements in some of Portland's parks, and this method is relying on providing sufficient or improved efficiency of our parks. Can Portland Parks guarantee that it's possible to improve the efficiency of all of the city's parks?
        - Riley replied that after continued discussion with the Parks staff, he assured the Taskforce that the Parks Department has a long list of capital projects to address growth, in addition to repair projects.
- Comments in favor of investment per person
    - o One Taskforce member noted that they think the 2015 methodology is a reasonable way to look at the overall investment and a step in the right direction.
    - o One Taskforce member noted that they personally don't have any philosophical problems with the new method.

2. Cost of improvements

In the 2008 study, the consulting team derived the average cost per improvement 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, the Parks Department 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.

Again, with a short but lively conversation, the majority of members requested clarification of the new methodology, but generally, the Taskforce supported the updated methodology.

- General discussion
    - o One Taskforce member inquired if the replacement cost is based on 2015 costs, and requested confirmation that when the Taskforce reviews the SDCs in five years, will the Taskforce update the costs for replacement?

- Randy confirmed that the Taskforce would review the costs and adjust as needed. He also noted that annual indexing is also calculated by the City for increases and decreases in the interim years.
- The replacement costs are based on 2013 costs, not 2015 because 2013 is the basis of our latest population numbers.
  - One Taskforce member inquired whether the rates continue to rise until they are corrected.
    - Riley stated that the rates can increase or decrease, depending on the cost of park land and improvements.
  - One member asked whether the replacement costs would be exponentially larger if the entire city of Portland was built out based on the Comprehensive Plan.
    - Riley pointed out that the methodology is reviewed every five years to modify the costs, as needed.
    - One Taskforce member noted that even if Portland was completely built out, cities are constantly reorganizing and redeveloping, and a fully built out city would still have land to be redeveloped. The SDC projection may scale back based on expectations on what is available. We cannot pretend to know and/or be able to plan for all future changes, which is why we revisit the SDC every five years.
  - One member noted that the cost to intensify the use or capacity of a park to increase LOS doesn't sound like the same thing as buying new land and building a park, and they don't intuitively understand how these are the same thing.
    - Randy replied that the new methodology uses the replacement value of existing land and improvements to determine the amount of money that needs to be invested for future development, but the future investment can be a different mix of land and development. The Park's planning staff has developed lists of projects in excess of $500 million that demonstrate the need for substantial improvements that will add to the capacity of the park system to serve new development from existing park sites, and staff will provide additional information.

3. Residential development

The 2008 methodology is based on a flat rate for each type of dwelling unit (e.g., single family, multifamily). This method does not account for the different impacts caused by different sizes of dwelling units. The 2015 proposal would adjust the LOS methodology to use the square footage of the dwelling unit (regardless of its type).

Although a few people dissented, the majority supported the methodology shift to set SDC rates using square footage.

- General discussion
  - One Taskforce member asked whether there are any legal cases related to using the square footage methodology.
    - Randy replied that he looked into it and has not identified any current or previous cases.
    - The Taskforce member countered that there aren't any cases yet because it's not a popular option, and that, if implemented, might face legal challenge.
- Comments supporting square footage methodology
  - One Taskforce member noted that with different building types popping up, single family and multifamily are difficult designations to pinpoint. The square foot designation is fairer.
  - Another Taskforce member noted that the Taskforce's job is to select the best available method provided, which is the square footage methodology. Most city dwellers have small yards and the trends show less suburban dwellers with large yards. This indicates that this is the best method.
- Comments raising questions regarding square footage methodology
  - One member noted that no municipality in Oregon has done this square footage methodology before, and it seems like a tax.
  - Another member noted that they believe it's unfair to use square footage to determine the SDC rate. As universities provide their own parkland, similarly, families with homes on large lots with large yards don't use the parks.
    - Riley replied by noting that the issue with larger yards is that this is private property, it's not available to the public, different from the universities where the general public can use the private space.

4. **Commercial development**

In 2008, the Parks Department began charging new business development SDCs to capture the impact on parks from workers commuting into Portland for work. For 2015, the methodology was adjusted so that new commercial development buildings are charged to capture the impact of all workers (from inside and outside Portland). In addition, the 2008 methodology did not charge new business development in Non Central City for local access parks. The 2015 methodology charges new business development their share for local access parks which is about 7%. This topic didn't spark much discussion in the earlier Taskforce meetings.

The discussion was short on this topic and focused on clarification. The Taskforce did not have any dissenting comments.

- General discussion
  - A few Taskforce members asked for clarification on whether the 2015 methodology, including whether businesses that move into an existing facility would receive an SDC, or if tenant improvements trigger SDCs.
    - Park staff replied that the SDC only impacts new construction and is not triggered by tenant improvements.
  - One member noted that in a household it's likely that not everyone has a job and those with jobs can't access the parks as often as those without jobs. This evens out demand between people with and without jobs.
    - Randy responded that the SDC accounts for the different amount of time that people have access to Portland's parks, and referred to Table 3.3 in the Methodology Update Report.
  - In order to clarify the 2015 method, one Taskforce member provided an example – If an employer moved their 60 employees into a newly constructed commercial building, will the business need to pay an SDC for the new employees.
    - Randy replied that the SDC will charge only for the number of new employees based on additional square footage of development and different types of commercial development have different numbers of employees. Additionally, builders who expand an existing building could get credits for the pre-existing space.

5. Revenue from other sources, "Recovery Rate"
The 2008 methodology report was based on a 75% recovery rate, but did not convey how the 75% rate was established nor did it identify the non-SDC sources of revenue. Randy noted that a table identifying the non-SDC revenue sources and their respective amounts is included in the 2015 methodology report, and is the basis for the proposed recovery rate of 88.6%. Randy reminded the Taskforce that it is not their charge to determine the Park SDC fee, but instead to decide whether the methodology is sufficient, transparent, and an appropriate improvement to the 2008 methodology.

The Taskforce also provided a number of alternate recommendations in lieu of the 2015 methodology. Several Taskforce members, however, expressed interest in recommending the 2015 methodology.

- General discussion
  - One Taskforce member noted that the SDC rate will increase even if we assume the 75% recovery rate from 2008; and asked how much would the SDC rate increase if we assumed a 75% recovery rate?
    - Randy replied that he hadn't run the numbers and did not recommend speculating, but noted that the comment was generally correct, the rate would be lower.
  - Several of the Taskforce members noted a concern about the actual recovery rate number and have requested that the Council review the number.
    - One Taskforce member said he thinks the Taskforce should recommend a lower percent recovery rate so Council can identify other revenue sources besides the SDC. He noted that he believes the Taskforce should not recommend to increase the current SDC rate 50% when our community is already complaining about current fees.
    - Another member noted that prior to 2008, the SDC was lower and in 2008, it increased about 100%. The 2015 methodology suggests that again the rate would increase a lot.
      - The staff noted when the 2008 rate was increased by about 100%, the Council phased the increase in two steps (e.g., distributed over six months), which remains an option.
    - Another member observed that we are not interested in increasing or decreasing the rate, we are looking at the method not the numbers. Let the Council decide the numbers.
    - One member acknowledged that the Taskforce sees a problem with the numbers and he reminded the Taskforce that they don't need to fix the problem, just report it for the Council to review. He recommended that the Council discuss the number in more than one session.
    - One Taskforce member pointedly stated she encouraged the builders to share their specific concerns with the Council. She noted that the Taskforce has learned about the recovery rate for the past year and she recommends this method.
    - One member asked if there is a technical way that we could give the Council another option.
      - Randy replied that it is possible to substitute a number for what the Parks Department needs and provide one that the Taskforce wants instead. However, that would not address the need. Instead, the Taskforce could tell the Council that for some constituencies, the rate is too high, so find other recovery

sources. However, going in and trying to find the right number in order to get to a desired outcome is not a good way to address the concern.

- The Taskforce member continued by expressing concern that if the Taskforce gives the Council a recommended recovery rate number, and the Council cuts it in half to fit their needs, then the Parks Department is given an unreasonable expectation for the recovery rate.
  - Riley reminded the member that the Parks Department staff works for Commissioner Fritz, and the Commissioner decides what she takes to the Council based on Taskforce feedback and recommendation.
- One Taskforce member expressed concern about the rate increase and noted that the Taskforce needs to be realistic on the tipping point. We need to make sure we are able to make improvements without making the rate too high.
- One Taskforce member reminded her Taskforce colleagues that the recovery rate and SDC rate are policy decisions, and encouraged the members to choose the methodology and ask Council to consider other rates. The member continued by noting that it is the Taskforce's obligation to provide the Commissioner with the information to inform her decision, including recommendations on policy decisions.
  - o As an aside, one member noted that both Parks and Development Services are run by the same Commissioner, and said they hope she is looking at the implications of both.
  - o One member reiterated the importance that if we don't go for the full increase, we are putting the Park's level of service at risk.
- Alternate recommendations for Commission and Council review
  - o One member recommended maintaining the current recovery rate until next SDC review to analyze the 'baseline'
    - One member asked whether Parks has realized sufficient funds from the SDC assumptions to be able to keep it on par with the 2008 projections. Was the 2008 recovery rate reasonably successful? The economy did experience a recession so this last cycle may not be a good window to look at, but it would be helpful to have a baseline to adjust the percent in future years.
      - The staff replied and reminded the members that one big difference between 2008 and now, is that in 2008 there were assumptions that we would have significant bond issues that

would grow the park system. In recent discussions with the Commissioner she did not recommend we include bonds for growth projects because there aren't any planned at this point. If that changes, we can revise the non-SDC revenue projections during the next update. Bond issues were not included in the projected 2015-2035 non-SDC revenue sources.

- o One Taskforce member recommended that Council could consider a revenue bond (spread out the recovery need). This honors the math but addresses the need of a lower SDC rate by spreading out the recovery sources.
- Comments supporting the 2015 recovery rate proposal
  - o One member noted they like how clean the math is on the 2015 method, and the Taskforce has reviewed the other options and identified a recovery requirement. The member continued and noted that the Taskforce also recognize that there is a policy decision that needs to be made on the rate, which will ultimately be a difficult decision for Council make.
  - o Another member agreed and said they recommend using the 2015 methodology.
  - o A third member also agreed and said they echo the comment that this method is cleaner than the 2008; stating that this method makes sense and has a logic.
  - o A fourth member noted that the method is clean.

Comparison of SDC Rates in the Region

Randy noted that every update of SDC rates includes comparisons to SDC rates charged by other cities and counties in the region.

- General discussion
  - o One member asked whether the data shown on the Jurisdictional Comparisons chart is the most recent data.
    - The Technical team confirmed that the data on the Comparison chart is current.
  - o One member asked if the assumption were that everyone would use the parks. The member noted that in her experience, most of her neighbors don't use the nearby park; however, folks outside of the neighborhood travel to use the park.
    - Randy replied confirming that SDCs are not based on use; they are based on availability of access.

Campus housing

In 2008, university and college campus dormitory housing was not discussed when the City added commercial development to the SDC. Subsequently, when a dormitory building was

proposed the City determined that the most appropriate rate would be single room occupancy (SRO) and the City required colleges to pay an SDC on new dormitory developments. Since 2008, the Taskforce has had several discussions, and the universities and colleges have provided substantial input in the form of papers submitted to the Taskforce. For its 2015 methodology update, the Taskforce must recommend whether to continue charging campuses SDCs for new dorm construction.

During an extended conversation, the majority of members supported not charging Park SDCs for campus housing because City land use conditions of approval for campus master plans require colleges and universities to house students on campus in order to preserve residential housing near campuses.

- General discussion
    - One member clarified the point that if there's a development outside of the campus' master plan boundary, that building will be required to pay a park SDC just like a multi-family building. For the purpose of this discussion, we are only discussing buildings within the campus master plan boundary. The member also noted that campuses already pay for non-residential buildings (e.g. theaters), which is not changing in this proposed methodology.
    - One staff member clarified the point that if the Taskforce keeps the same SDC rates for single family/multifamily, that rate would also apply to campuses if we kept the fee for dormitories. The staff member continued by noting that the Taskforce could also recommend changing the fee, which Randy has already analyzed and can provide.
    - One member asked clarification on the difference between providing student housing off campus or on campus.
        - Another member replied, noting off-campus housing is usually a co-development project, and those projects do incur an SDC, which is paid by a group of funders. If the housing is on campus, the University pays an SDC.
    - One member noted that they are not convinced that students aren't using city parks. The member continued by noting that students probably don't use the city community centers since the on-campus facilities are great. The member inquired about whether there is another way we can charge universities SDCs that isn't directly related to on campus housing, to cover the students' use of public parks.

- Randy replied that it might be helpful to look at how many students at our universities are originally from Portland versus students that moved from outside of Portland.
  - To the above statement, one member noted that the demographics of the student body are probably a majority of Portland residents, so their homes already paid SDCs. The on-campus students are probably spending most of their time on campus during the week. On the weekends, they probably travel outside of campus to other parks. The member asked whether there was a way to look at the percentage of public use of the campus and student use of public parks. If we aren't comfortable removing the on-campus fee entirely, perhaps we can identify how much time students are spending in public parks to define the fee.
    - Randy noted that his 2013 memo previously reviewed by the Taskforce analyzed how much of campus land is comparable to public parks, however, the colleges reviewed the analysis and found other ways to interpret the data.
  - Randy confirmed that when we calculate the investment per person students are included in households only if they are Portland residents. To that point, the Census counts students where they are located at time of count to avoid double dipping.
  - One member noted that universities with on-campus housing are providing their parks on campus, as well. The member then inquired whether the Taskforce needs to account for that in the methodology.
    - Randy replied that our methodology doesn't include campus assets as part of the Cities' assets.
  - One member noted that the LOS doesn't change based on population increase.
  - The policy to charge Park SDC fees for college dorms was imposed without taskforce input and without analysis of the amount of revenue it might generate. It was suggested to consider waiving the decision this round and review again in the next SDC review when we have more information and a thoughtful, sound process.
  - One member noted that colleges fund things differently, so this isn't passed off onto a new resident like a single family SDC. On-campus housing construction is often donor-funded and/or tuition-based.
- Comments in support of maintaining the campus housing SDC
  - One member noted that college kids do leave campus and use public parks and so campuses should be charged but at a lesser rate to acknowledge the mutual benefit since campuses provide parks, which they allow the public to use.

- One member noted that they were not comfortable with letting go of the fee. Removing the fee makes sense for large institutions; however, the member was not sure how or whether it makes sense for the smaller institutions with fewer facilities.
  - A staff member noted that PSU doesn't have a conditional master plan and is subject to SDCs.
- One member suggested that perhaps a significantly reduced SDC for universities would be best, if we charge at all, because we want campuses to keep students on campus by building dorms.

- Comments suggesting the removal of the on-campus housing SDC
  - One member noted that in Portland, we are encouraged to densify within the Urban Growth Boundary. The opposite is true for college campuses. Colleges have a 75% resident occupancy goal. There's a policy directive to keep students on campus, and campuses provide extensive park facilities, trails, etc. Concordia University's facilities are booked by public events nearly every night. University facilities are just as important to students as they are to residential neighborhoods because they keep students out of residential neighborhoods. We shouldn't charge campuses. This conversation didn't happen in 2008, campus housing was designated SRO and were required administratively to pay SDCs after they were adopted. Also, only a few projects have been subject to SDCs since 2008, so it's not a major revenue source for the SDC.
    - Riley confirmed that the project the member was referring to was in 2010 at Lewis and Clark, which the SDC amounted to $433,920. Since 2008, the Parks Department brought in over $48 million in SDCs, so the Lewis and Clark dorm SDC accounted for less than one percent of our total revenue, which is insignificant when viewed from this perspective.
  - Another member clarified that you have an off-campus building that cultivates student rentals, those students don't use on-campus facilities as much as on campus students. Universities also open their doors to the public, and many public folks walk through and actively or passively use all of the acreage provided by universities. Additionally, universities are paying for the off-campus housing so they are paying their fair share. Excluding universities from the SDC for on-campus housing would only minimally impact the SDC revenue and universities should not be charged.
  - One member noted that in addition to the inconsequential 1%, why even bother maintaining the SDC if it's going to deincentivize universities from building new student housing, which keeps students out of residential neighborhoods. If it's

going to prohibit our preferred outcome (students remain on campus), then I recommend removing the fee.

- Comments regarding the affordability of housing (not on-campus housing)
  - o One member noted that to her benefit, the SDC based on size of units would go down because she builds smaller units. She continued by noting that she recognizes that this is a challenge for others.
  - o She also noted the City has existing exemptions for affordability, or a partial waiver, similar to one that City Council recently approved in China Town.
  - o Another member continued by noting that with homeownership, if you sell to someone below MFI, the seller received a lower rate or is exempt from an SDC. Consider this as a potential policy consideration for review.

Next Steps and meeting conclusion

Riley reviewed the next steps and noted that when the staff circulates the summary in late January, the Taskforce will be able to provide further comments.

Schedule of recommendation wrap up, 2015

- Jan. 30: Send Taskforce recommendation to Commissioner and Park Board
- Feb. 3: Brief the Commissioner regarding Taskforce recommendation
- Feb. 4: Present recommendations to Park Board
- Late March or early April: Council briefing
- April 15: Council Reading 1
- April 22: Council Reading 2
- July 1, 2015: Effective date for new SDC rates

The meeting concluded with Rita and Riley expressing sincere thanks to the Taskforce members for participating in the process.