



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 did Portland Parks and Recreation update and propose changes to its Parks SDC?

A: There are several reasons PP&R reviews and updates 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 was the process for considering updates to the Parks SDC?

A: In 2012, Commissioner Nick Fish 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. When Commissioner Amanda Fritz became Parks Commissioner in July 2013, she endorsed the work completed to date and has led the effort since that time. In February 2015, the draft methodology report was shared online and at the BDS Permit Center for review and comments by the public. Parks provided presentations on the methodology to interested parties, and the City Council conducted public hearings in April during consideration of the proposed updates to the Parks SDC. On May 27, 2015, City Council approved the 2015 Parks Methodology Update. The changes to the Parks SDC methodology will take effect July 1, 2016.

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

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

- **Acres/Thousand Level of Service (LOS) vs. Investment Per Person LOS.** 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 methodology update adjusts the LOS methodology from acres per 1,000 to investment per person. The new methodology allows 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 methodology, 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 methodology adjusts the methodology to use the square footage of the dwelling unit, regardless of its type in five fee categories (less than 700 sq. ft.; 700-1,199 sq. ft.; 1,200-1,699 sq. ft.; 1,700-2,199 sq. ft; and 2,200 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. But the 2008 methodology did not charge residential SDCs for the time that Portland residents worked at Portland businesses, so nobody paid for those impacts. In the 2015 methodology, a new dwelling unit pays for the Portland resident's impact on parks, and a new business pays for the impact on Portland parks by workers who live in Portland and also for workers who live 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. The 2015 update reinstates 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. By Council direction in resolution No.37201, and Ordinance 187791, SDC fees are currently waived for ADU projects until July 31, 2018.

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 Sarah Huggins at (503) 823-3385 or sarah.huggins@portlandoregon.gov. More information may be found at www.portlandoregon.gov/parks/sdc

Note: A copy of the proposed *Park System Development Charge Methodology Update Report* can be downloaded at: <https://www.portlandoregon.gov/parks/article/520092>