

Draft MINUTES
SDC/CET Study Advisory Committee
Meeting No. 2
Newport City Hall Conference Room A
February 22, 2017
10:00 a.m.

Advisory Committee Members Present: Dean Sawyer, Dustin Capri, Allen Wells, David Craig, and Joanne Troy

Advisory Committee Members on Phone: Jeff Waarvick

Advisory Committee Members Absent: Jim Patrick, and John Oksenholt

FSC Group Consultants Present: Todd Chase and Tim Wood

City Staff Present: City Manager Spencer Nebel, Finance Director, Mike Murzynsky, Public Works Director, Tim Gross, Community Development Director (CDD) Derrick Tokos and Executive Assistant Sherri Marineau.

1. **Call to Order.** Tokos calls the meeting to order at 10:05 a.m.
2. **New Business.**
 - A. **Prior Meeting Summary:** Chase gave a summary report for the prior meeting and went over recommendations. The FSC Group has found ways to vary transportation, water and sewer variances based on home size. 4 out of 5 can be varied by single family home size. Chase explained they are looking at a .7% EDU growth rate. EDUs were based off of the number of fixtures before and the meter size may be a more equitable approach. Affluent strength would add another layer. There is an increase of SDCs for certain types such as restaurants and schools. Gross said it would be a predetermined use. He feels it is a type of use, not affluent and would like it quantified before to alleviate confusion. He said to be sensitive to the terminology. Chase recommends avoiding transportation EDU's based on daily trips.
 - B. **CIP Projects.** Tokos reviews System Development Charge Collections presentation. The recession showed a reduction in collections but revenues went up. SDCs are influenced by commercial or institutional developments.

Gross doesn't see the revenues being a significant impact for his department. He gives an example of the 71st Street project that used SDC funds. Parks acquisitions were listed.

The actual funds collected are below what has been projected. Discounts come into factor. Nebel asked if developers do improvements, would it show on the actual funds. Tokos said it would be reflected in the chart. Wilder did a substantial oversizing. They got the full credit but it didn't impact the overall amounts. Tokos explained that we will never collect 100% of what we can collect. A certain percentage is collected and SDCs are used on actual construction projects. Chase asked if streets and parks are set to collect 10 or 15 percent of funds, do we move to go to 100% over time in lieu of escalating the SDCs. Tokos thinks through this process the committee will see different options. This is a policy call.

A good amount of projects receives SDC credits. Wilder made the initial investment for the first phase. Each home built isn't paying SDCs, except storm water, because they have credits. Chase asked if anyone has been interested in financing for SDCs. Yes, Pig n' Pancake and Tap House have done this. Samples of SDC Assessments was presented. Local Ocean isn't impacting the system so they are not being charged SDCs. Chowder Bowl is also adding to their kitchen but not to seating, so no charges.

Chase presents on SDC Alternatives. A discussion ensued regarding the master plan and how they can be modified over time. Gross asked that the master planning documents are regularly updated. He points out that there are different needs now from 10 years ago and feels we will short change ourselves if we use an older plan. Tokos said we can do a policy choice or update of the plan. Capri asked if there generally would be a reduction of projects if the SDC growth goes down. Chase said if costs go down the same as growth, generally the SDCs will too. Tokos said water SDCs would expect the fee to go down. We are looking at different things for SF dwellings. Tokos pointed out that the A1 & A2 handout reflects reduction of fees. We are working with PSU on and OSU Student housing and want to factor this in. Nebel asked if we slow our growth rate, do we slow our need to make capital improvements as well. Yes. Tokos explained growth vs needs. A slower growth

rate would assume SDCs would be higher. Capri asked if we could add back projects without changing SDCs. A discussion ensued regarding how the process works. We are reducing our projects more than we are reducing the anticipated growth. Tokos explained projects that were taken out of the SDC projects when they were funded by bonds. Gross said as a policy we shouldn't take a project off of a SDC list until it is complete. SDC methodologies are adjusted every 2-3 years. Chase explained that a list of qualified improvements needs to be an adopted list. You don't have to wait for master projects to be finished. Tokos added you have to have the numbers and reasonable confidence.

Gross exits the meeting at 10:55am.

Tokos covered each of the different types of SDC maps, illustrated project improvements, and locations. Capri asked if there is a water extension on Walker Heights. Tokos said we don't have a well-defined project for that area. Nebel asked about the development around the airport. We don't have good numbers and would have to revisit it in the future when we have more information. Nebel asked to keep the airport on the agenda for future meetings.

Tokos asked if the US Hwy 20 section should be kept on the list going from Hwy 101 East to Moore Dr. The Committee agrees it should be taken off.

Capri asked if the road extension figure is full price in the equation or a percentage of what can be used for SDCs. Tokos referenced the chart that was provided to the Committee which includes the source, the estimated cost, and the percentage of SDC eligibility. A discussion ensued regarding SDC credits for the Church. Tokos explained we assume that at some point the developer won't step up and won't pay. We never get 100% and want to normalize rates so they are not ridiculously high. It's better for a developer to have the project on the master list. If not, they wouldn't get credit. Sawyer asked if there is a set SDC procedure. Tokos explained it has to be formula based and every project will be different. Capri asked who determines allocation. It is a City Council decision.

Tokos said the Committee may want to pull SE 50th St off of the transportation SDC list. Chase said you can always add it back later. Tokos thought if it was kept on the list, a discount should be given because of the wetlands. Capri asked if McClain is included in Transportation. Tokos explained they haven't decided if the street is going to be public and would be a part of urban renewal.

A discussion ensued regarding storm drainage for the Bay. Nebel explained the project and what the City Council discussed in their last meeting. The work will be done over the summer.

Gross returns to meeting at 11:40 am.

Gross asked how much deviation a project can have and still be a part of a SDC project. Tokos said we have some ability. Gross asked where the project plans for Parks came from. Tokos explained. Gross requested the sport facility not be placed by the waste water plant.

- C. **Draft SDC Alternatives.** Chase explained draft charges spreadsheet for reduction of SDC charge alternatives. The Committee would be determining the ceiling and what the discount would be. With current methodology, a single family dwelling would have SDC costs around \$10,094 with discounts. Without discounts we could have charged \$23,645. Using the new methodology, SDC charges could vary on the home size. We found breaks at 1,900 square feet and 3,500 square feet. Homes under 600 square feet won't be charged because they are considered accessory dwelling units and are an additional room to an already existing unit. Gross said it adds to the system and feels they should be charged. Tokos said if we do charge for under 600 square feet, it has to be drastically reduced. We are not currently charging for water or sewer for these units because they are adding to the existing service. A discussion ensued regarding impact to the system.

There was a question concerning tiny homes and how they factor into the system. Tokos explained the minimums for small homes. Nebel asked what the problem was with scaling SDCs on square footage. He feels scaling SDCs on square footage would be fair. Without breakpoints, you would have people building homes that are just smaller than the size increase to pay lower fees. Tokos suggested using this as the rationale to show why you can charge lower rates for smaller homes. Chase will work on this for the next meeting. Gross thinks it should be applied at sliding scale. Tokos likes the discounts because it shows there are savings. Nebel feels the jumps will be problematic. Tokos thinks it should be kept to show examples of cost for different sizes of homes. Troy asked at what point the SDCs could deter the decision to develop. Chase explained that when you are above 10% it is a deterrent. He feels it shouldn't be more than 5%. This is something that can be discussed at the next meeting.

There is a question on accessory dwelling units compared to additions to homes. Portland said if you remodel and it raises the value by 20%, the SDCs can be reassessed.

2. **Adjournment.** Having no further discussion, the meeting adjourned at 12:11 p.m.

Respectfully submitted,

Sherri Marineau,
Executive Assistant