

3 – SYSTEMS DEVELOPMENT CHARGES

3.1 STATE AUTHORIZATION

During the 1989 Oregon legislative session, HB 3224, “The Oregon Systems Development Charges Act”, established regulation of cities’ use of SDC to recover some costs of improvements to accommodate new development. HB3224 became effective July 1, 1991.

The improvements associated with SDC do not include improvements within the boundaries of new development. Rather, SDC funds are intended for use elsewhere to provide or improve facilities necessary to serve increased use due to development.

3.2 SUMMARY OF SDC LAW

As documented in “Capital Improvement Plan and Methodology for Street Systems Development Charges” by BST, Inc. (August 18, 2000), the League of Oregon Cities prepared a summary of HB3224. That summary appears in this report as Appendix 1.

Highlights of the League of Oregon Cities summary, pertinent to Streets Systems Development Charges, are:

- Use of SDC funds for administrative office facilities is restricted.
- SDC funds may not be used for routine street maintenance.
- SDC collected from a specific development for future street improvements must be spent on capacity-increasing capital improvements in proportion to increased use associated with that specific development.
- A City ordinance or resolution must be enacted to establish SDC. Two types of SDC may be defined and combined into a single charge:
 - Reimbursement fees, applied to appropriate development where existing streets are affected, and
 - Improvement charges, applied to appropriate development where new streets must be constructed, or existing streets must be modified to accommodate anticipated increased use associated with the development.
- A method for calculating SDC must be available for public inspection.
- A capital improvement or comparable plan should list projects eligible for improvement using SDC. The list may be modified as required to reflect actual development and changing development trends.
- SDC funds collected must be segregated from the City’s general fund, and used for only street improvements identified in the Capital Improvement Plan. The

accumulation and expenditure of these funds should be identified in the City's annual accounting.

- There must be a credit available if a builder/developer pays SDC and also contributes toward street improvements through City-required off-site street improvements.
- SDC are generally not to be used to correct street system deficiencies. Although "capacity increasing" modifications may be considered a portion of correcting deficiencies, it is reasonable to expect existing development to contribute to the cost of improvements. A "utility fee" should be charged to existing development in these cases.
- A statute of limitations outlines a period to contest SDC methods. The City of Philomath is expected to adopt administrative review procedures to provide for challenges to expenditures. Refer also to Appendix 1.

3.3 REIMBURSEMENT FEE AND IMPROVEMENT CHARGE

3.3.1 Definition

As mentioned previously, HB3224 permits two types of SDC:

- A reimbursement fee is a means to have new development share in the cost of streets already constructed. The streets involved with reimbursement fees are those that were constructed with capacity greater than required at the time of construction. New development will yield increased use of these streets.
- An improvement charge is applied to a new development to fund construction of new streets or modifications to existing streets to accommodate increased traffic due to the development. These funds are to be used only for "capacity increasing" street projects.

Careful accounting of reimbursement fees is necessary to ensure new development is charged only once for an appropriate portion of street capital improvement projects. If, in some fashion, a site or parcel has contributed to the funding of existing streets, it may be equitable to examine and consider those prior contributions when calculating reimbursement fees for new development. Cost of existing streets, funding contributions from all sources, value of remaining capacity and any other appropriate financial factors should be considered.

3.3.2 Accumulation of Funds

It is anticipated the City of Philomath will accumulate funds derived from SDC as development progresses. As funds become adequate, individual projects will be constructed.

The City may be legally exposed to suit if funds are accumulated for a period longer than 10 years. It is recommended the City proceed with planned improvements as funds become available, according to projects and priorities identified in the Street Capital Improvement Plan presented in Chapter 2 of this report. It is also recommended the City periodically review the Plan, and modify it as appropriate for actual trends in development.

3.4 SYSTEMS DEVELOPMENT CHARGE METHOD

Historically, the City of Philomath has adopted methods of calculating street Reimbursement Fees and Improvement Charges based on anticipated automobile trips generated by a development. This provides equity in financial burden for street improvements.

Reimbursement Fees have been based on the estimated present value of existing streets being used by all Philomath residents. A portion of that value is assigned to new development, whose automobile drivers will benefit from the presence of existing streets. In this way, new development assists with costs of existing streets that facilitate the new development.

Improvement Charges have been based on costs associated with construction of new streets or improved streets, where such construction is required to provide for anticipated increases in traffic due to new development in Philomath.

In both cases the City's methods are intended to yield financial responsibility in proportion to traffic use generated by development.

3.4.1 Estimated Traffic Generation

Historically, the City of Philomath has used a single-family dwelling as a standard for comparison of automobile traffic generation. This is a typical standard, used by many cities.

Land uses other than single-family developments generate varying numbers of automobile trips on Philomath streets. Estimating the number of those trips allows us to cast traffic loads in terms of “equivalent dwelling units” (EDU).

Table 3.1 lists several land uses and the estimated number of automobile trips generated by each. The City of Philomath has historically defined one EDU to be equivalent to 10 automobile trips.

Table 3-1			
Estimated Traffic Loads			
For Land Uses			
<u>Facility</u>	<u>Average Trips per Day</u>		
Single-Family Home	10		1 EDU by definition
			Minimum Number of Parking Spaces Used in Calculating SDC
Churches	0.15	per park space	67
Large Commercial	1.00	per park space	10
Laundromat	1.00	per park space	10
Motels	0.50	per park space	20
Restaurants and Lounges	1.20	per park space	9
Service Station	0.25	per park space	40
Small Commercial Business	0.75	per park space	14
Travel Trailer Parks	3.50	per park space	3
Warehouses	0.75	per park space	14
Light Manufacturing	1.00	per park space	10
School	1.50	per park space	7
Professional Office Space	1.00	per park space	10
Industrial	1.00	per park space	10
<i>Note: The minimum number of parking spaces is that number yielding a minimum of 1 EDU (10 trips). The City of Philomath has historically assigned SDC according to a minimum of 1 EDU for a new development.</i>			

3.4.2 Reimbursement Fee

Historically, the City of Philomath has assessed Reimbursement Fees according to the present value of existing streets used by most Philomath residents. Streets included are in good repair, and have capacity for traffic loads greater than presently observed.

While new development benefits by use of existing streets, passing time and associated wear reduces the value of the existing streets. At some future time, existing streets will draw close to the ends of their design lives and new development may have short-term benefit from them. Consequently, the present value of existing streets should be discounted as time passes.

In the August, 2000, Capital Improvement Plan, it was assumed the present value of these streets was approximately 75% of the cost of constructing new streets. If we assume the intervening 4 years represent 1/5 (20%) of a 20-year design life, these streets now have a present value of approximately 55% of the cost of constructing new streets.

Approximately 32,000 feet of Philomath's existing street system may be considered to fall into this category. Table 2-6 provides an estimated cost for construction of new streets, and from this we may derive:

- 32,000 feet of new street would cost approximately \$3,769,987
- 55% of this amount is \$2,073,493

These streets do not have unlimited capacity. In the past, the City has assumed existing streets have capacity for a population of 9725. Present population is approximately 4460; hence, the anticipated increase of 5264 people represents approximately 2,073 EDU. If the increase shares equitably in the present value of existing streets, the corresponding Reimbursement Fee can be derived:

It is recommended the Reimbursement Fee be \$1,000.

$$\$2,073,493 \div (5264 \text{ people} \div 2.54 \text{ people/EDU}) = \$1,000/\text{EDU}$$

(Refer to Table 2.1 for definition of EDU in terms of population.)

3.4.3 Improvement Charges

The Capital Improvement Plan presented in Chapter 2 identifies several recommended projects. These projects are intended to provide a street system that will accommodate anticipated growth in Philomath.

Costs associated with each project are included in Tables 2-3, 2-4 and 2-5. The total anticipated costs for recommended street projects is

• Construction costs:	\$2,417,768
• Anticipated cost for acquisition of right-of-way	\$ 285,510
Total:	\$2,703,278

Population growth is anticipated to occur consistently during the next several years. SDC funds will be accumulated as Philomath grows, and street improvement projects will be constructed as finances allow.

To calculate Improvement Charges, it is assumed that all Priority 1, 2 and 3 projects are likely to be constructed within the next 20 years. The estimated population in 2024 is 7758; this corresponds to a population increase of 3414, which is equivalent to 1344 EDU.

If the cost of new construction is equally borne among 1344 EDU,

It is recommended the Improvement Charge be \$2,011 / EDU.

$$\$2,703,278 \div (3414 \text{ people} \div 2.54 \text{ people/EDU}) = \$2,011 / \text{EDU}$$

3.4.4 Total Street System Development Charge

The recommended total Street System Development Charge is the sum of the recommended Reimbursement Fee and recommended Improvement Charge:

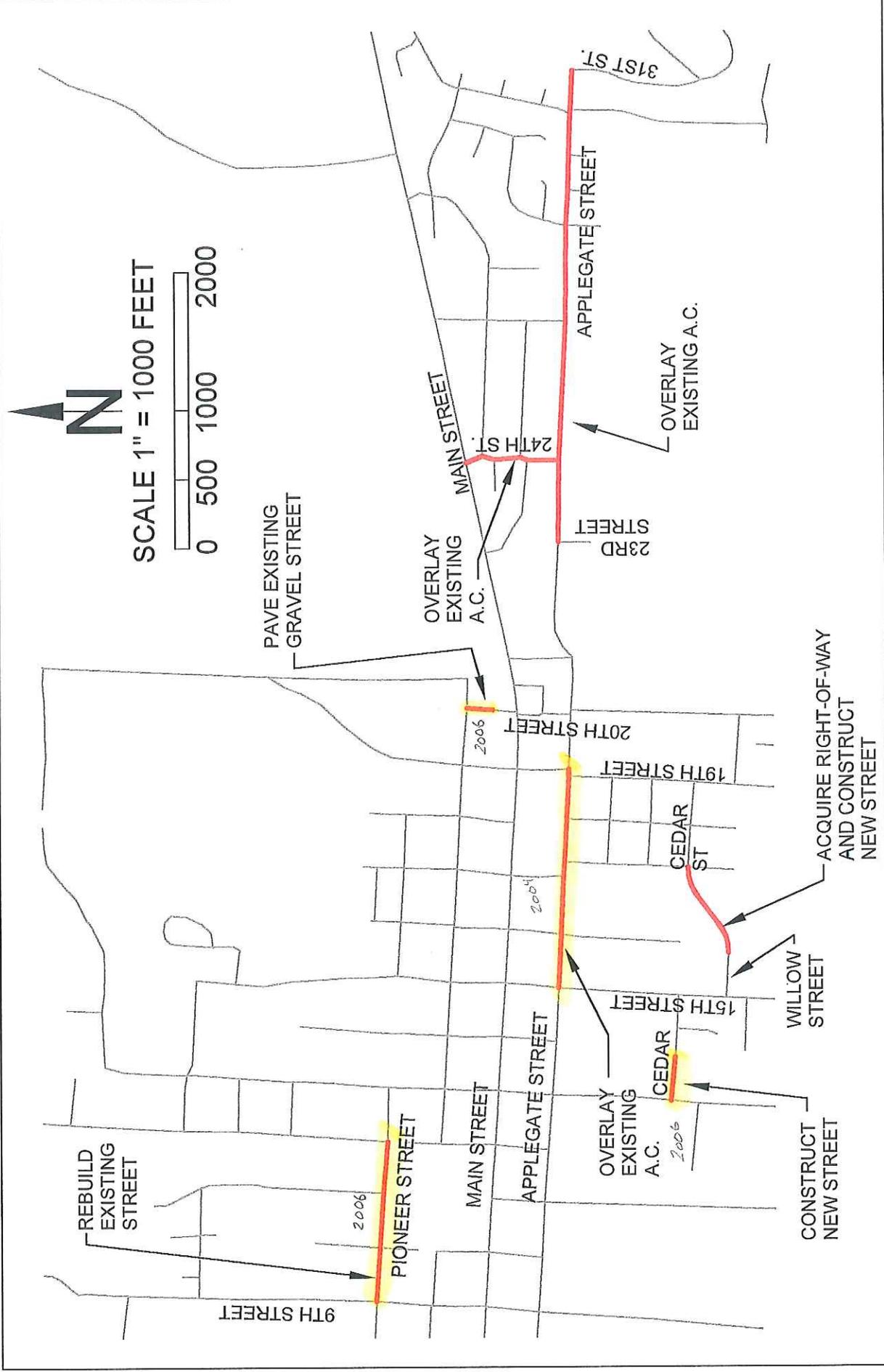
$$\text{Total Street System Development Charge} = \$1,000 + \$2,011 = \$3,011$$

3.5 UPDATING STREET SYSTEM DEVELOPMENT CHARGES

Several assumptions have been made in deriving the fees and charges presented in this report. While they are reasonable and correspond to present construction costs and growth patterns observed in Philomath, they should be reviewed periodically.

Construction costs should be reviewed and updated, and population growth rates should be modified to reflect actual growth.

Construction cost estimates used in this report reflect typical costs charged by contractors in the Philomath area.

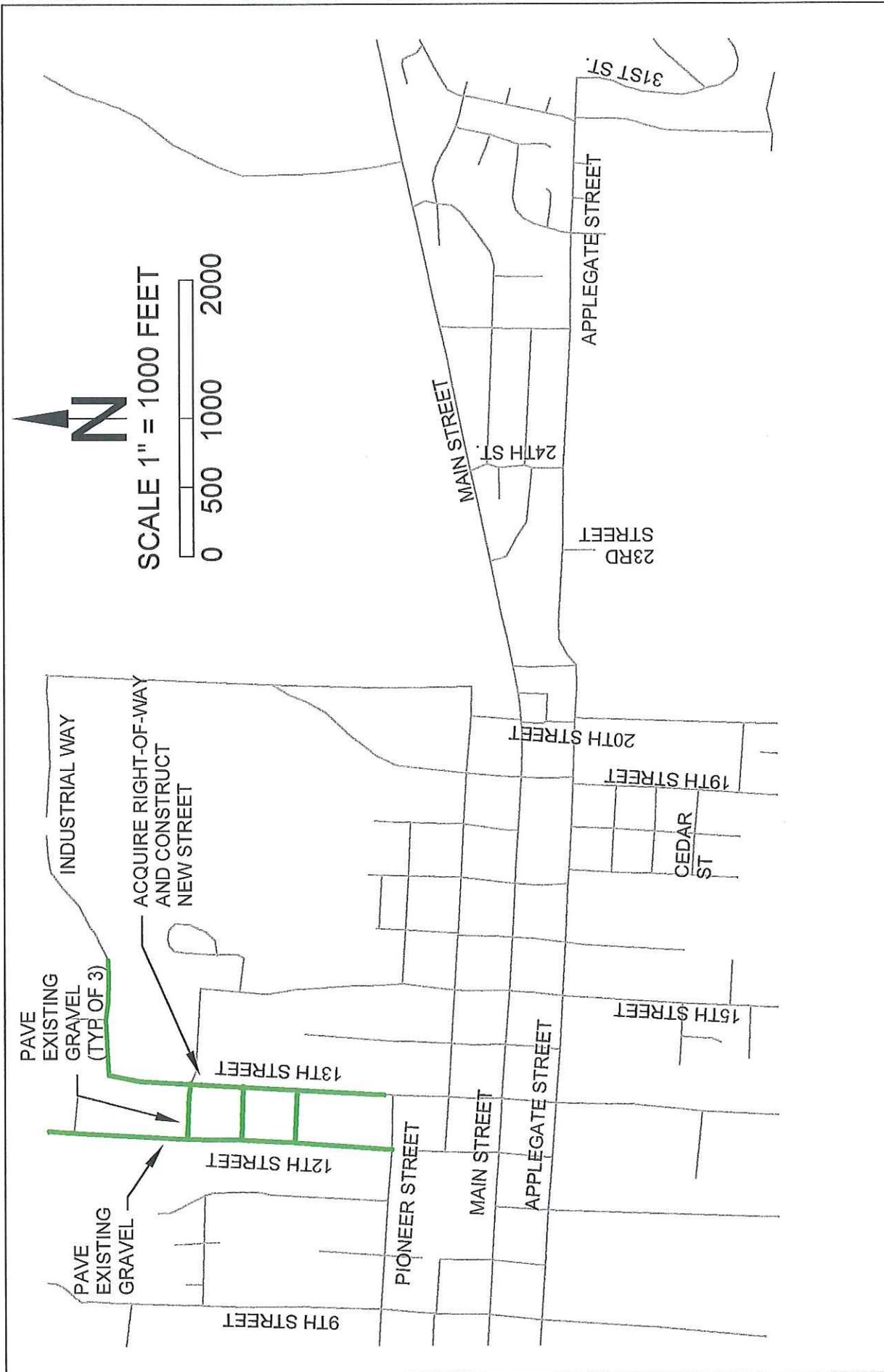


CITY OF PHILOMATH
 STREET CAPITAL IMPROVEMENT PLAN AND METHOD FOR CALCULATING SDG - DECEMBER 2003
 Philomath, Benton County, Oregon

Streamline Engineering
 P.O. Box 975 Philomath, Oregon 97370
 (541) 929-7478
 VOICE AND FAX

PRIORITY 1 PROJECTS

Fig. 1

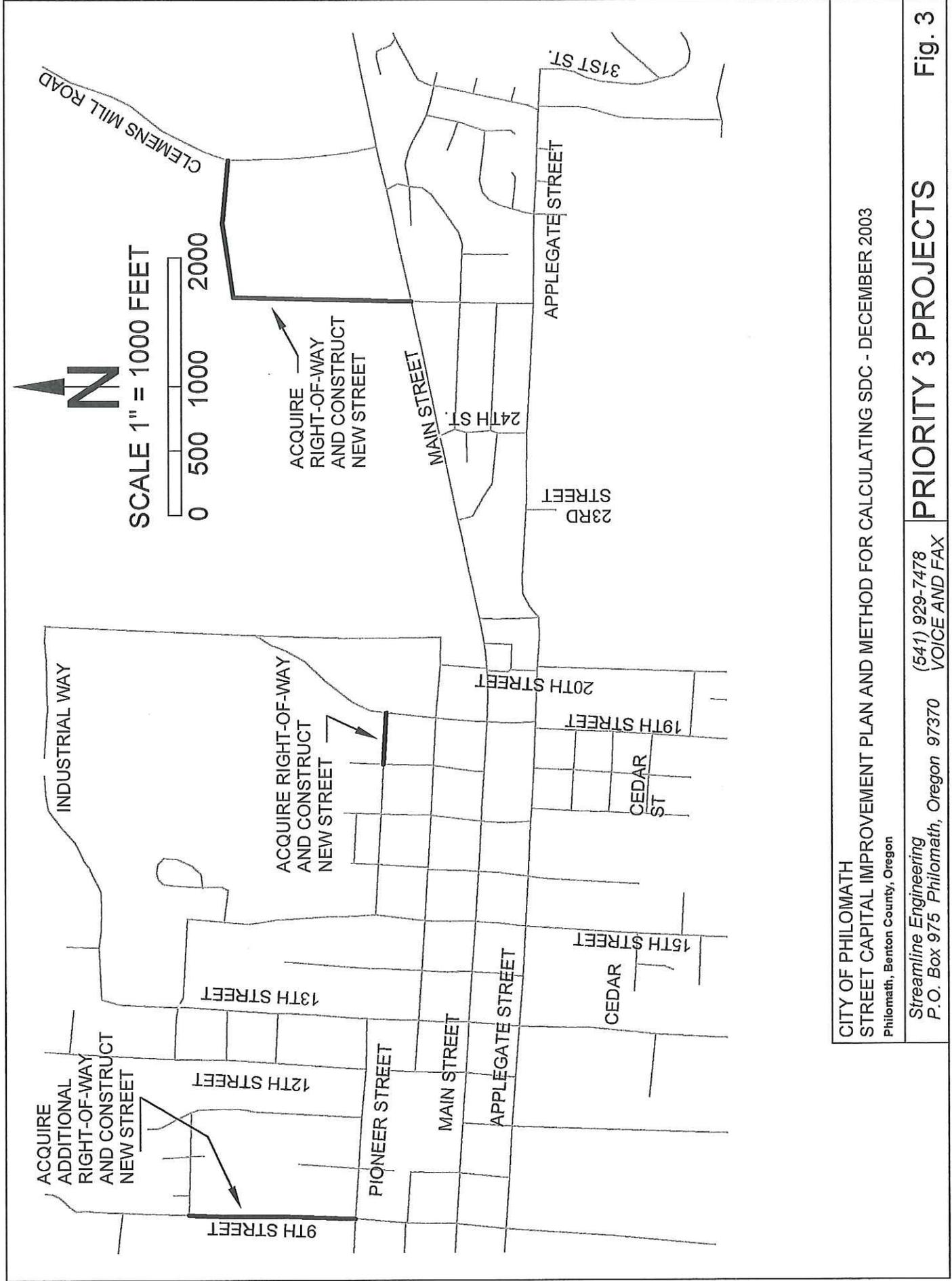


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PRIORITY 2 PROJECTS

Fig. 2

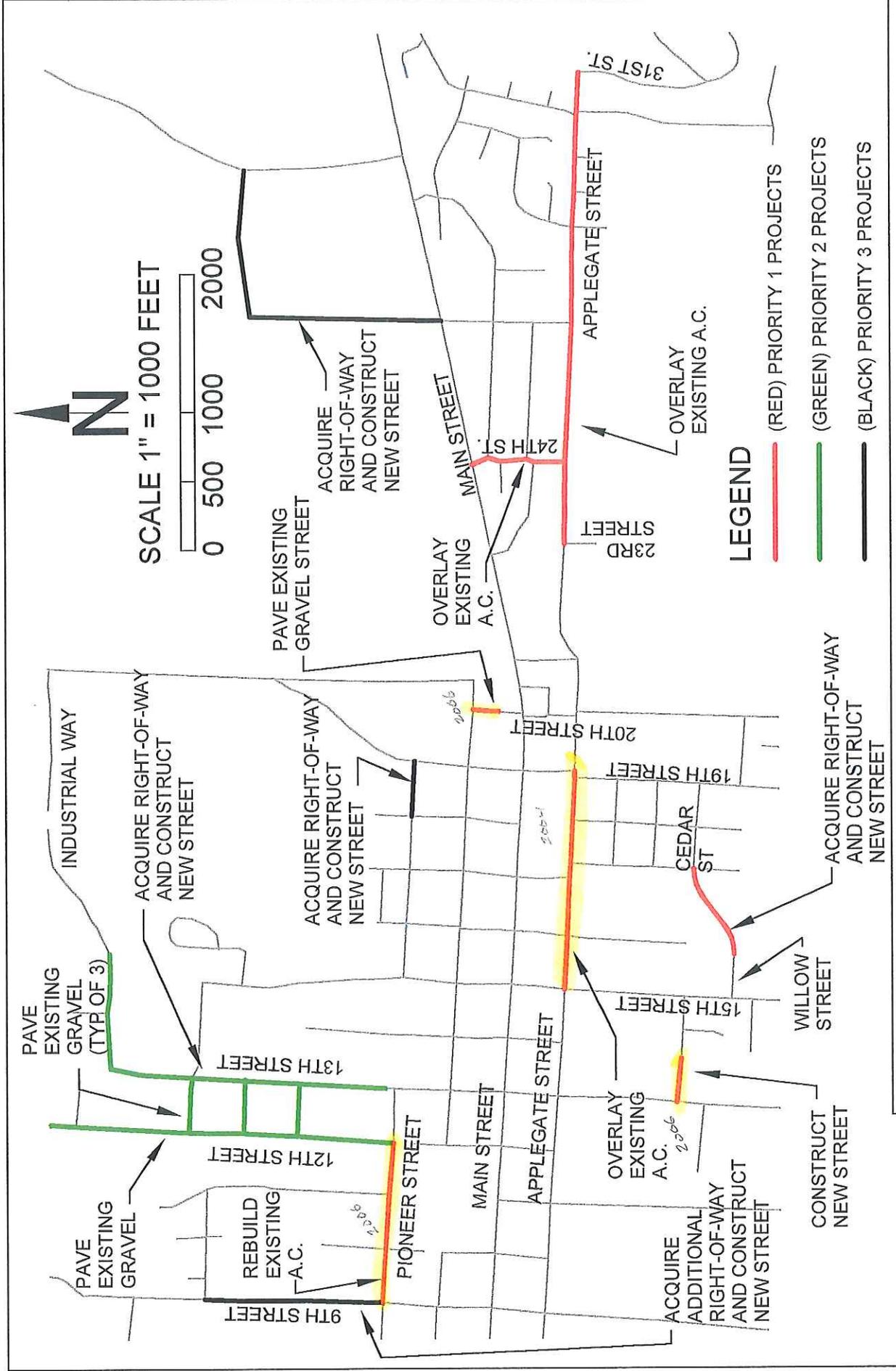


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PRIORITY 3 PROJECTS

Fig. 3



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ALL PROJECTS

Fig. 4

