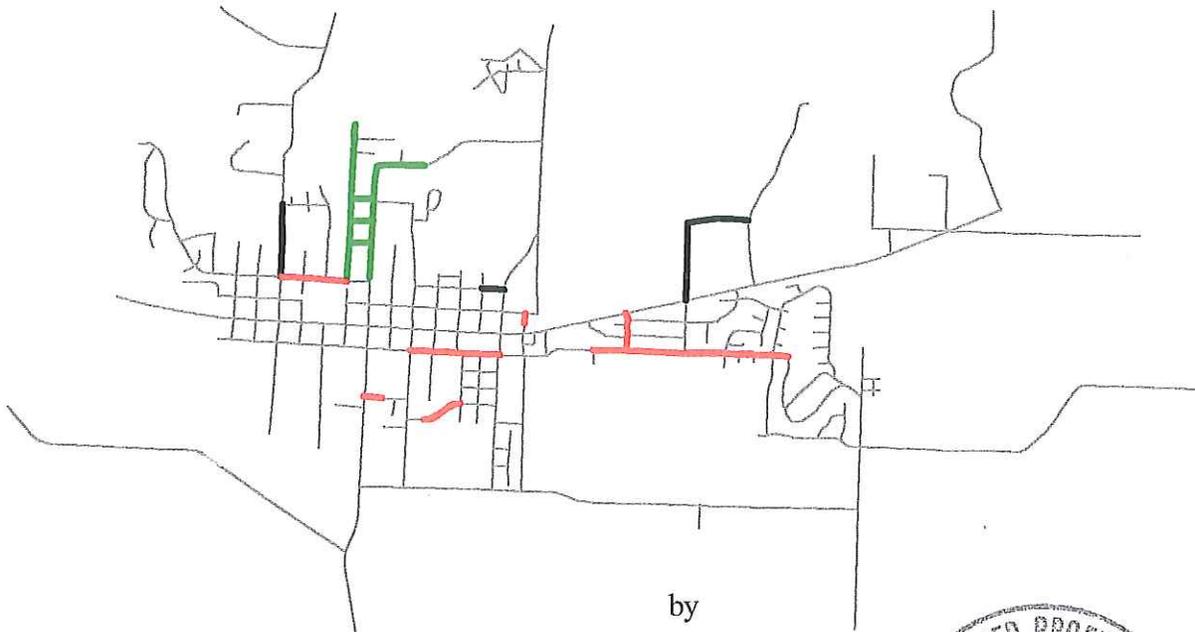


CAPITAL IMPROVEMENT PLAN
AND
METHOD FOR CALCULATING
STREET
SYSTEM DEVELOPMENT CHARGES

Prepared for

The City of Philomath

January 2004



by

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exp
12/31/2004

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Acknowledgements

Streamline Engineering is grateful for the guidance and assistance provided by Randy Kugler, City Manager, and Beau Vencill, Director of Public Works. Without their knowledge of the City's growth trends and needs, a significant amount of additional work would have been required. Consequently, their involvement has significantly reduced the City's costs for this report, while increasing its quality.

1 - INTRODUCTION

1.1 PROPOSED STREET SYSTEM DEVELOPMENT CHARGE

As described in the following pages, the proposed Street System Development Charge (SDC) is \$3011, which is the sum of the proposed Reimbursement Charge (\$1,000) and the proposed Improvement Charge (\$2,011).

1.2 BACKGROUND

The City of Philomath desires a plan and funding method for improvements to City streets. These improvements are required to increase traffic capacity so streets will accommodate projected increases in population and traffic volume.

Existing street conditions and anticipated traffic have been considered, and three categories of project priority have been established. Projects are described and priorities assigned in Section 2.2, in the following pages.

This report documents street improvement projects, and provides a method for establishing equitable System Development Charges to fund them.

1.3 GENERAL SYSTEM DEVELOPMENT CHARGES

The methods described in this report provide a means to assign System Development Charges (SDCs) to new development. These charges generate revenue to be used in street improvement projects. The intent is to assign SDCs in proportion to the system burden created by the new users.

The number of automobile trips associated with various types of business and land uses are compared by casting them in terms of "equivalent dwelling units" (EDU), representing a single-family home. This is simply a means of comparison. Recommended SDC for a specific development can then be derived from the number of EDU associated with that specific development. It is important to recall in this application "EDU" is a representation of the number of automobile trips generated on Philomath's streets.

1.4 AUTHORIZATION AND SCOPE OF WORK

The preparation of this report is based on the following:

- Authorization In August 2003, the City of Philomath authorized Streamline Engineering to prepare this report.
- Service Area The Urban Growth area of the City of Philomath.
- Previous Studies “Capital Improvement Plan and Methodology for Street Systems Development Charges”, prepared by BST, Associates, Inc., November 1996

2 - CAPITAL IMPROVEMENT PLAN

2.1 POPULATION ESTIMATES

The design period for this report is January 2004 – January 2019.

In recent history, the population of Philomath has increased by approximately 2.8% per year. If this growth rate continues, the City can anticipate the following populations:

<u>Year</u>	<u>Estimated Population</u>
2004	4466
2005	4591
2006	4719
2007	4851
2008	4987
2019	6757

Note: Elsewhere in this report, traffic loads are estimated in terms of “Equivalent Dwelling Units”, i.e., a single-family home. The City has historically used a population density of 2.54 people / single-family home.

It can be seen the estimated 2019 population is 51% greater than the 2004 population. The increase in Philomath residents will create an associated additional load on City streets.

2.2 PROPOSED STREET IMPROVEMENTS

The City does not presently have the funds to construct all the recommended street system improvements, therefore it is important to identify the projects most urgently needed. Some improvements are not required at present, but will be required as development progresses.

2.2.1 Priority Categories

City staff have reviewed development patterns and adjacent street conditions, and derived three categories of urgency:

**Table 2-2
Project Priority Categories**

Priority 1	<p><u>Near Term Improvements</u> Projects associated with existing system deficiencies or problem areas needy of immediate attention.</p> <p><u>Schedule</u> It is recommended that Priority 1 improvements be constructed as soon as practical considering financing, construction time requirements and timing associated with other projects.</p>
Priority 2	<p><u>Vital Future Improvements</u> Projects that will be needed in the future to meet projected development conditions.</p> <p><u>Schedule</u> It is recommended that Priority 2 improvements be constructed after all Priority 1 projects have been completed, as finances allow. As development progresses, appropriate Priority 2 improvements should be upgraded to Priority 1.</p>
Priority 3	<p><u>Long Term Improvements / Possible Future Need</u> Projects needed to improve system reliability if and when development reaches zone maxima. These projects may be considered as elements of long-term City planning, but</p> <ul style="list-style-type: none">○ They are not considered critical at the present, <p>or</p> <ul style="list-style-type: none">○ they may be deemed less desirable due to high cost : benefit ratios, <p>or</p> <ul style="list-style-type: none">○ they may be deemed less desirable due to other undesirable features or complications.

2.2.2 SUMMARY OF PROPOSED IMPROVEMENTS

Anticipated development and existing street conditions have been considered in developing recommendations for street improvement projects; these projects are listed in Tables 2-3, 2-4 and 2-5.

There are three general types of projects proposed:

- **Build** a new street. Some of these projects will also require acquisition of street Right-Of-Way (“ROW”); refer to Tables 2-8 and 2-9 for costs.
- **Rebuild** an existing substandard street
- Place new asphalt **Overlay** on existing paved street.

Table 2-3
Recommended Priority 1 Street Improvements
 These projects are illustrated in **Figure 1**.

<u>Project</u>	<u>Section</u>	<u>Project Type</u>	<u>Length</u>	<u>Estimated Costruction Cost</u>
Cedar to Willow	15 th – 17 th	ROW/Build	1400 feet	\$164,934
2006 Cedar Street	Cedar Pl. – 13 th Street	Build	350	\$41,233
2006 Pioneer Street	9 th – 12 th	Rebuild	1160	\$136,660
2004 Applegate Street	15 th – 19 th	Overlay	2360	\$104,925
Applegate Street	23 rd – 31 st	Overlay	2825	\$125,599
24 th Street	Applegate - Main	Overlay	935	\$41,570
20 th Street	Main – College	Build	178	\$20,970
Total Priority 1:				\$635,892

Note: “ROW” refers to acquisition of street Right-Of-Way. Associated estimated costs are summarized in Table 2-7.

Cedar / Willow Street improvements involve the construction of a new street, an extension of Cedar to Willow Street, and improvement of Willow Street to current City standards.

Cedar Street between Cedar Place and 13th Street involves construction of a street with curb and gutter.

Pioneer Street between 9th and 12th Streets involves improvement of this block to current City standards. Because of the present deteriorated condition of the street in these blocks, and to correspond to anticipated street improvements west of 9th Street, it is recommended this project be considered a complete reconstruction rather than an overlay.

Applegate Street between 15th and 19th Streets involves overlay of existing pavement.

Applegate Street between 23rd and 31st Streets involves overlay of existing pavement.

24th Street between Applegate and Main Streets involves overlay of existing pavement.

20th Street between Main and College Streets involves an asphalt overlay of existing gravel road surface, the north half of the block.

Table 2-4
Recommended Priority 2 Street Improvements
 These projects are illustrated in **Figure 2**.

Priority 2

<u>Project</u>	<u>Section</u>	<u>Project Class</u>	<u>Length</u>	<u>Estimated Cost</u>
12 th Street	Pioneer to north term.	Build	4600 ft	\$541,926
13 th & Industrial	New connection	ROW / Build	5000	\$589,050
3 cross links	12 th – 13 th Streets	Build	1400	\$164,934
Total Priority 2:				\$1,295,910

12th Street from Pioneer to northern terminus involves asphalt overlay on existing gravel surface.

13th Street and Industrial Way involves a new connection between 13th Street and Industrial Way, and construction of new street with full improvements.

Three cross link streets between 12th and 13th Streets involves construction of new paved streets on existing gravel surfaces.

Table 2-5
Recommended Priority 3 Street Improvements
 These projects are illustrated in **Figure 3**.

Priority 3				
<u>Project</u>	<u>Section</u>	<u>Project Class</u>	<u>Length</u>	<u>Estimated Cost</u>
26 th Street	Hy 20/34 to Clemens	ROW / Build	2300 ft	\$270,963
Pioneer Street	18 th – 19 th Streets	ROW / Build	425	\$50,069
9 th Street	Old City Limit to Quail Glenn Dr.	ROW/Build	1400	\$164,934
Total Priority 3:				\$485,966

26th Street from Highways 20 and 34 to Clemens Mill Road involves obtaining right-of-way and constructing a street with curb and gutter.

Pioneer Street between 18th and 19th Streets involves obtaining right-of-way and constructing a street with curb and gutter.

9th Street between the old City limit and Quail Glen Drive involves obtaining some right-of-way and constructing a street with curb and gutter.

2.2.3 Estimated Costs of Improvements

Tables 2-2 to 2-5 include estimated costs for each recommended project. Those estimates are based on the following unit and administrative costs:

<u>Work Item</u>	<u>Quantity</u>	<u>Units</u>	<u>Unit Cost</u>	<u>Estimated Cost Per Foot</u>
Excavation	1.36	cy	\$5	\$6.79
10" rock	1.36	cy	\$23	\$31.23
4" AC	0.83	ton	\$48	\$39.60
curb & gutter	2	feet	\$6.50	\$13.00
Subtotal				\$90.62
Contingency	10	percent		\$9.06
Engineering	15	percent		\$13.59
Administration	5	percent		\$4.53
Total				\$117.81

<u>Work Item</u>	<u>Quantity</u>	<u>Units</u>	<u>Unit Cost</u>	<u>Estimated Cost Per Foot</u>
Surface preparation	36	square ft	\$0.10	\$3.60
2" AC	0.41	ton	\$48.00	\$19.80
Sand and seal	36.00	square ft	\$0.25	\$9.00
Sweep	36	square ft	\$0.05	\$1.80
Subtotal				\$34.20
Contingency	10	percent		\$3.42
Engineering	15	percent		\$5.13
Administration	5	percent		\$1.71
Total				\$44.46

2.2.4 Estimated Cost of Right-of-Way Acquisition

Some projects listed in Tables 2-3, 2-4 and 2-5 include the need to acquire right-of-way for construction of new streets or to widen existing substandard streets.

The following estimates for associated costs are based on personal communication with local real estate appraisers and real estate agents. It must be recalled these are estimates. The actual sales price for real property in Philomath, as anywhere, will be due to type of land, property owner’s motivation to sell, the street’s value to property owner, and market characteristics.

It is recommended the City monitor costs of land acquisition as projects are constructed and right-of-way purchased, and update System Development Charges if these estimates are significantly different from actual costs.

Table 2-8 summarizes property values used in deriving Street System Development Charges for this report. Refer also to Appendix 3.

<p align="center">Table 2-8 Approximate Land Values In Lower, Flat Regions of Philomath</p>		
		<i>Notes</i>
Home lot	\$40,000	<i>Typical value, if City utilities are available, regardless of acreage.</i>
Undeveloped land	\$0.60 per square foot	<i>Typical value, if City utilities are <u>not</u> available.</i>

Two projects (extending Willow Street and extending Pioneer Street) involve construction of streets in areas surrounded by development with improved streets and existing utilities. The proposed street segments do not presently have utilities and improvements, however, and these projects could be considered to increase the value of adjacent property. For these reasons the lower land value (\$0.60 per square foot) has been assigned.

One project (widening 9th Street from former City limits to Quail Glen Drive) involves construction where there are existing utilities and streets. However, this project does not create additional –nor reduce the number of– home sites. Consequently, the lower land value (\$0.60 per square foot) has been assigned.

The value of \$40,000 per home lot is provided for reference only; there is no project in the December 2003 Master Plan that is deemed to occupy a home lot.

Table 2-9 summarizes estimated land values for each project requiring acquisition of right-of-way. Refer also to Appendix 3.

Table 2-9			
Approximate Land Values			
For Projects Requiring Right-of-Way Acquisition			
<u>Project</u>	<u>Land Type</u>	<u>Land Required</u>	<u>Estimated Cost</u>
<u>Priority 1</u>			
Cedar to Willow	Undeveloped land	70,000 square feet	\$42,000
<u>Priority 2</u>			
13 th Street extended to Industrial Way	Undeveloped land	250,000 square ft	\$150,000
<u>Priority 3</u>			
Hy 20/34 to Clemens Mill Rd.	Undeveloped land	115,000 square ft	\$69,000
Pioneer Street, From 18 th to 19 th	Undeveloped land	21,250 square ft	\$12,750
9 th Street, from Old City Limits to Quail Glen Drive	Widen existing Right-of-Way. Considered as Undeveloped land	19,600 square ft (approximate)	\$11,760
Total:			\$285,510

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>		<u>Minimum Number</u>
			<u>of Parking Spaces</u>
			<u>Used in</u>
			<u>Calculating SDC</u>
Single-Family Home	10		1 EDU by definition
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

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.

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:

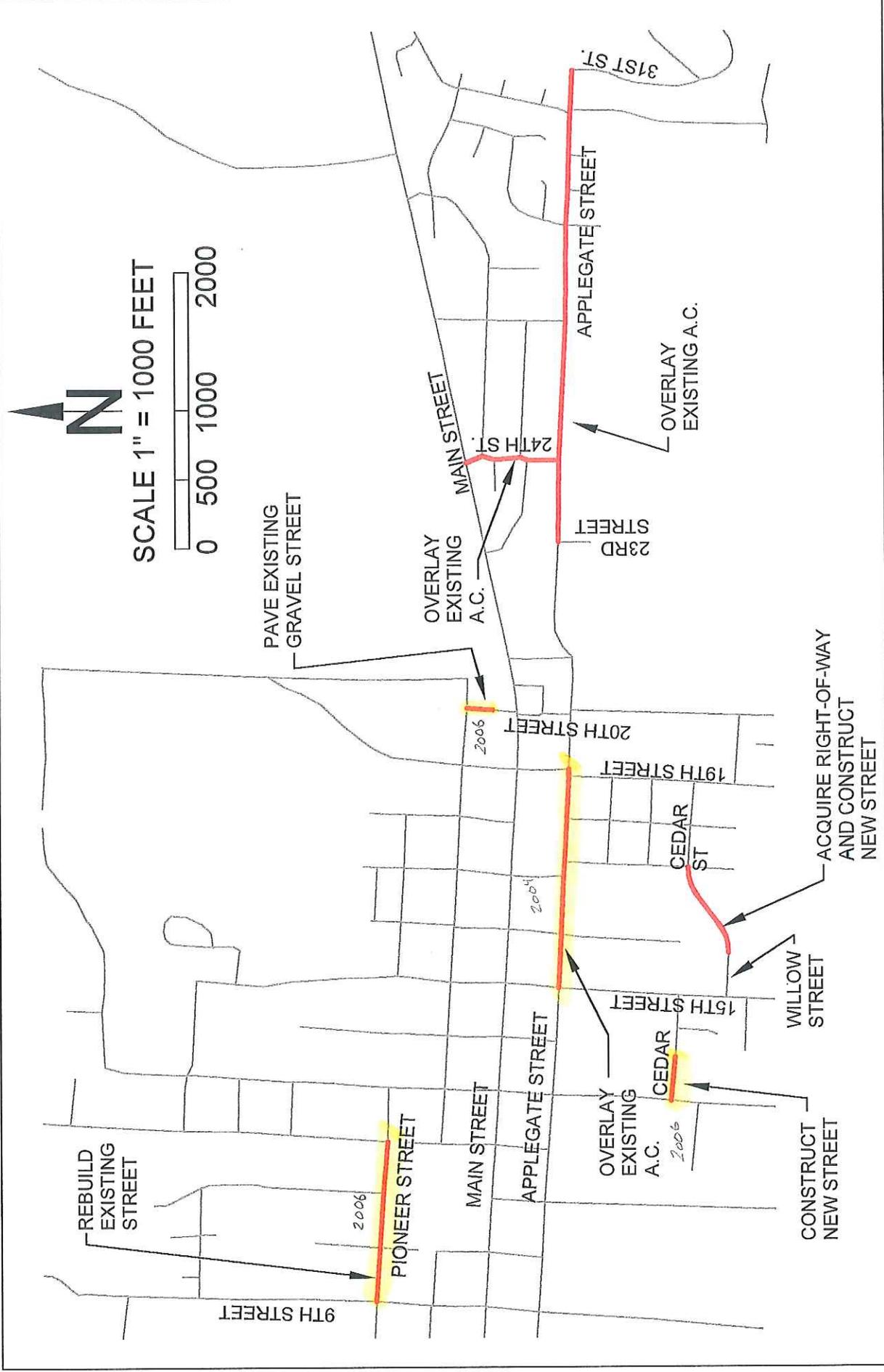
$$\text{Total Street System Development Charge} = \$1,000 + \$2,011 = \$3,011$$

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.

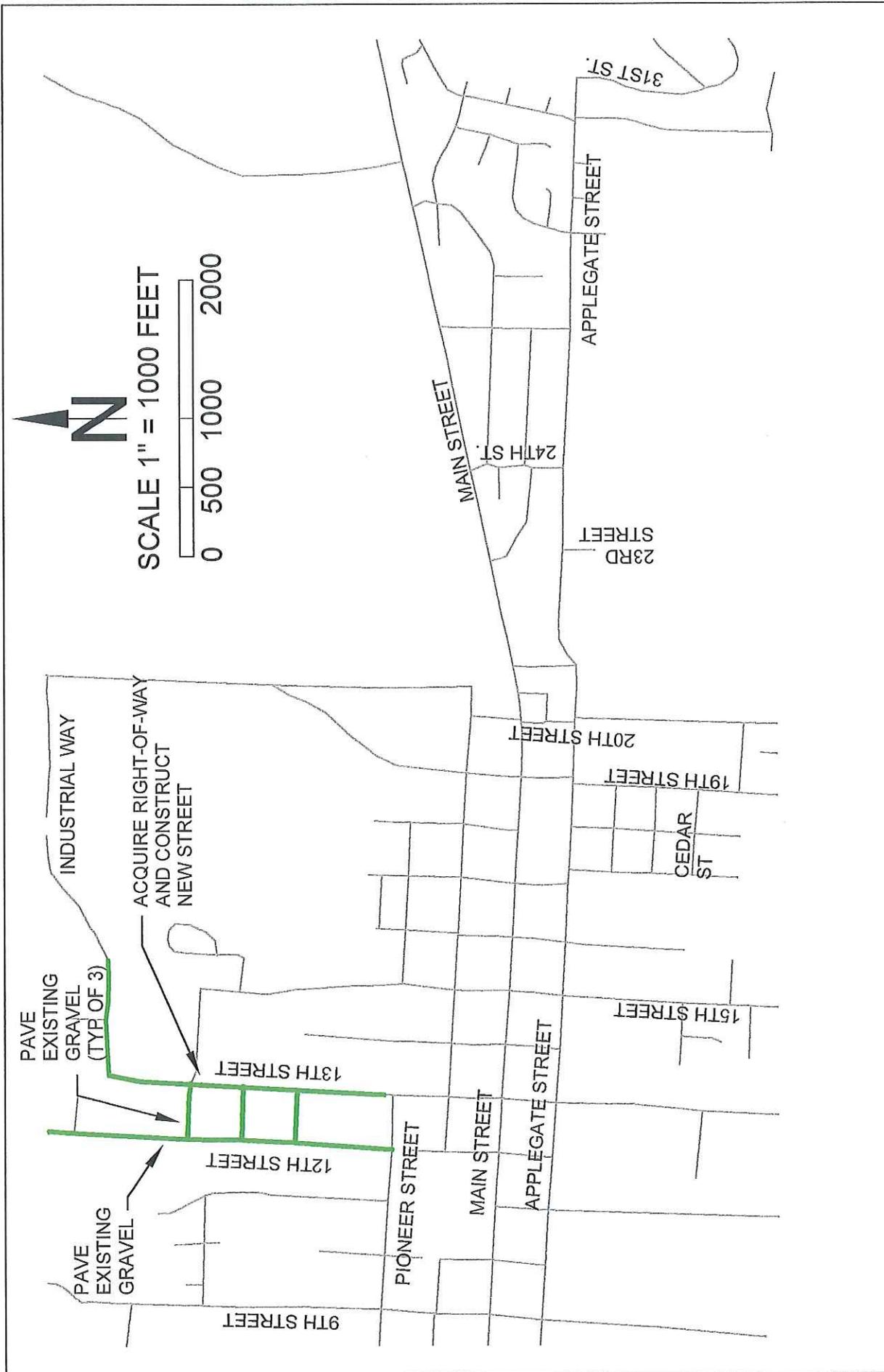


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 STREET CAPITAL IMPROVEMENT PLAN AND METHOD FOR CALCULATING SDG - DECEMBER 2003
 Philomath, Benton County, Oregon

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PRIORITY 1 PROJECTS

Fig. 1

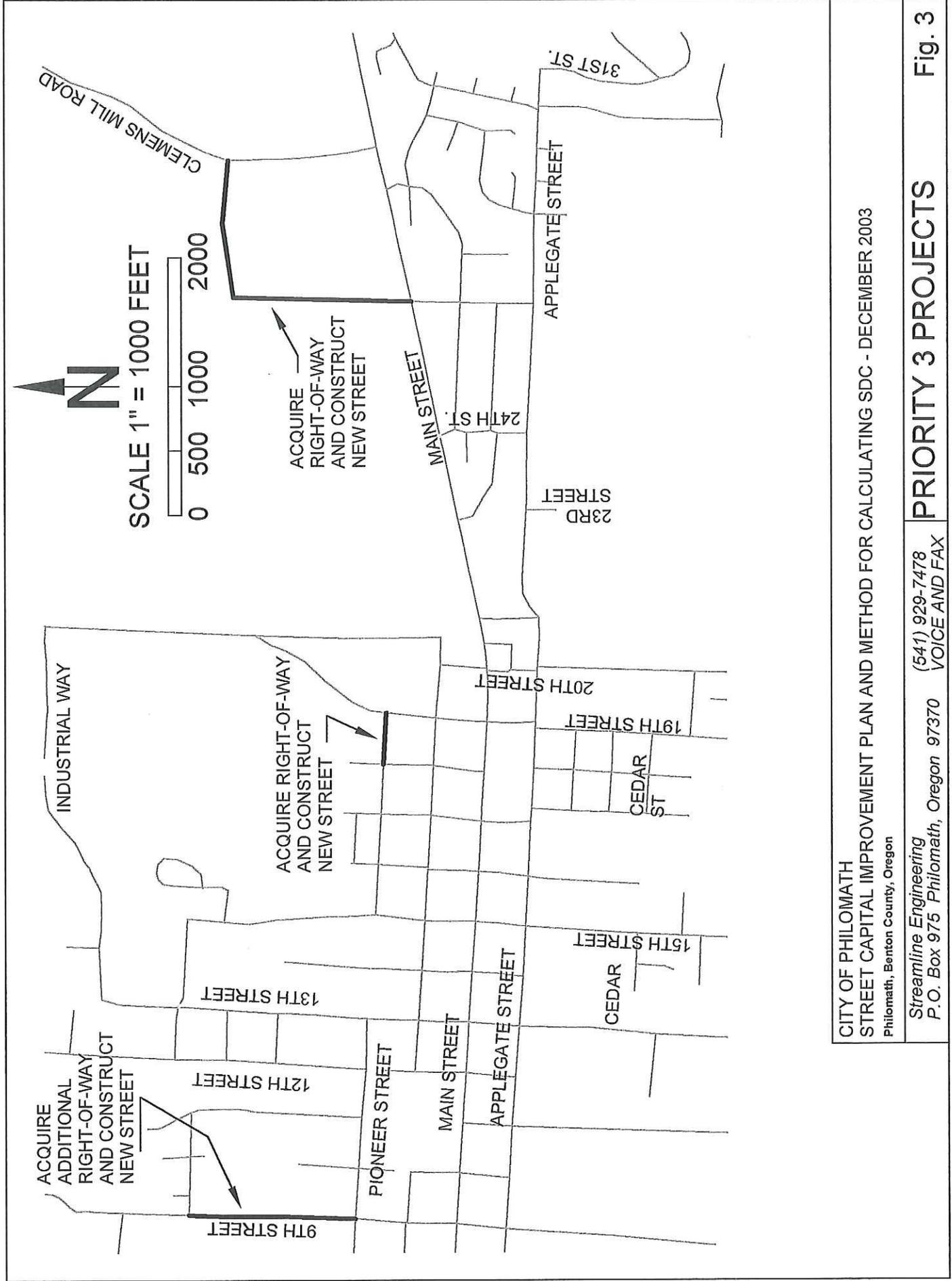


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PRIORITY 2 PROJECTS

Fig. 2

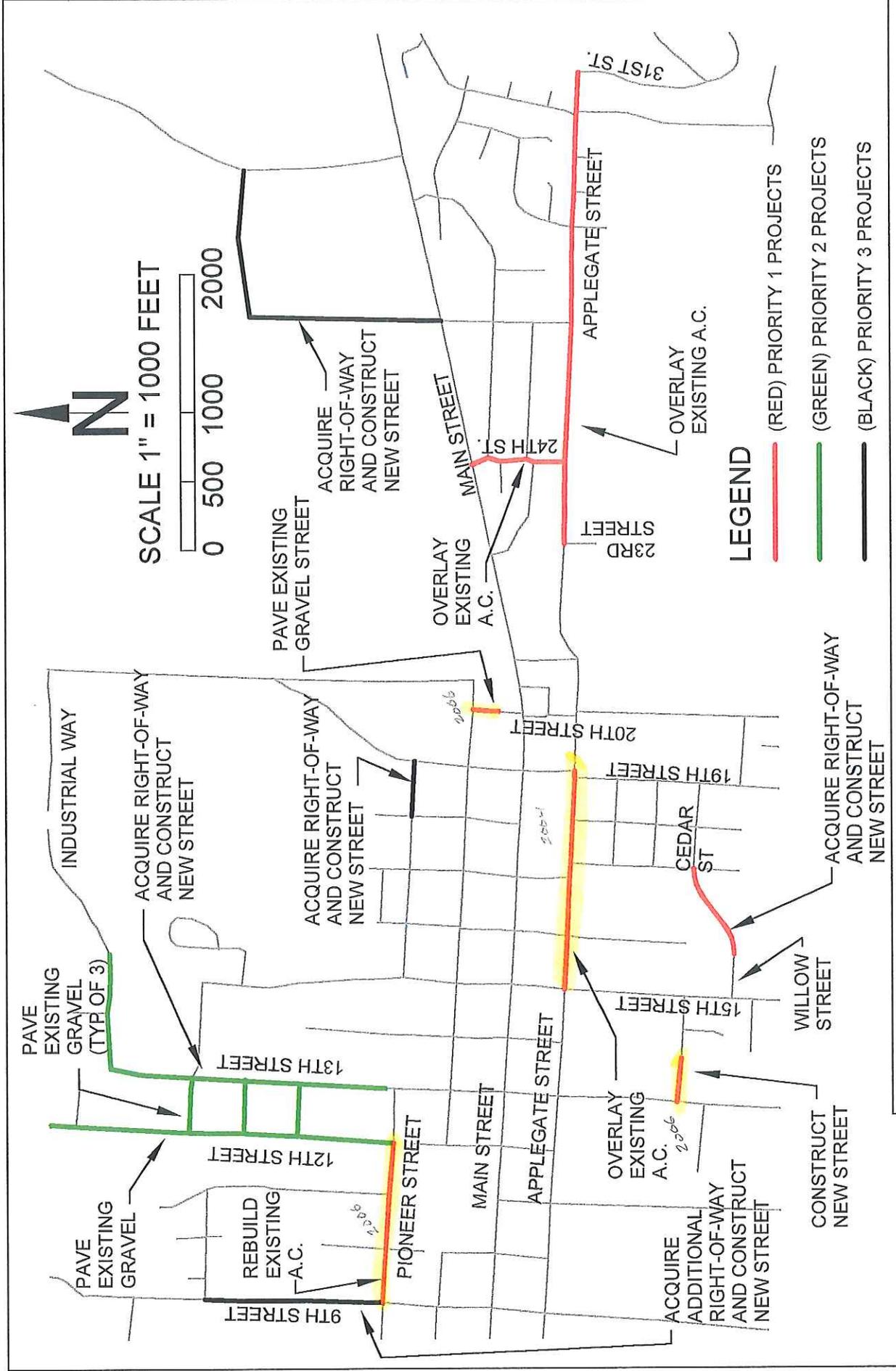


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PRIORITY 3 PROJECTS

Fig. 3



CITY OF PHILOMATH
 STREET CAPITAL IMPROVEMENT PLAN AND METHOD FOR CALCULATING SDC - DECEMBER 2003

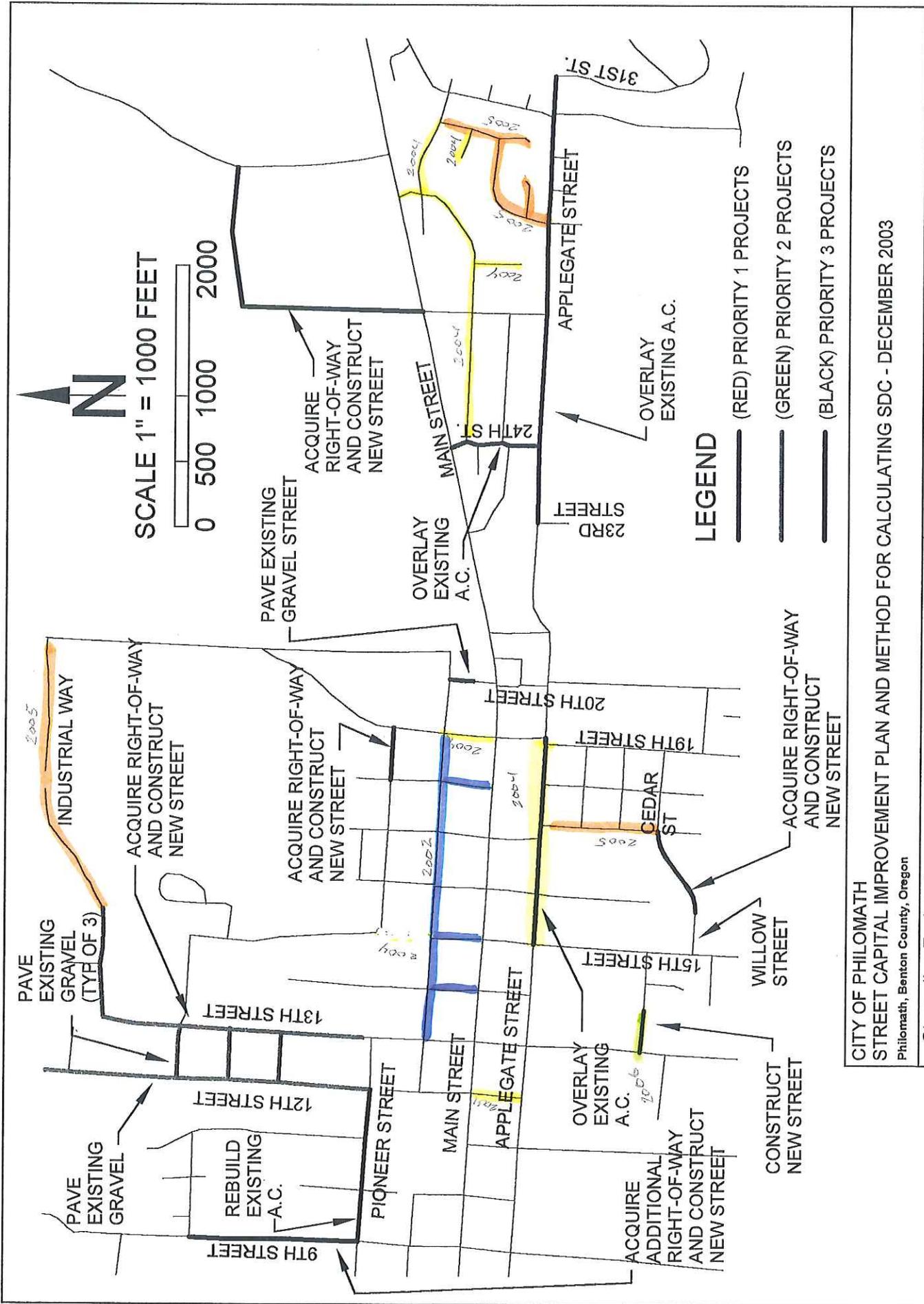
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ALL PROJECTS

Fig. 4



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

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ALL PROJECTS

Fig. 4

Appendix 1

League of Oregon Cities Summary of SDC Law

From August 18, 2000
“Capital Improvement Plan and Methodology
for Street Systems Development Charges”
by bst, inc.

Appendix 1

League of Oregon Cities Summary of SDC Law

From §3.2 of August 18, 2000 “Capital Improvement Plan and Methodology for Street Systems Development Charges”,
By bst, inc.

The League of Oregon Cities prepared the following summary of major features of the SDC law.

1. Authorized Government Objectives

The charge must be for capital improvements that are facilities or assets used for:

- a. Water supply, treatment and distribution.
- b. Wastewater collection, treatment and disposal.
- c. Drainage and flood control.
- d. Transportation.
- e. Parks and recreation.

Administration office facilities are authorized only if they are an incidental part of the listed capital improvements. Routine maintenance may not be funded from system charges. Charges collected for future improvements must be spent on capacity increasing capital improvements in proportion to the capacity requirements of current projected development.

2. Systems Development Charges Methodology.

An ordinance or resolution must establish the Systems Development Charges. Two general types of fees could be combined into a single charge for each infrastructure system, depending on whether infrastructure improvement capacity was pre-financed or whether the monies are collected toward a future improvement. Several factors, such as the cost of the facilities, value of unused capacity and others must be considered in the methodology.

3. Infrastructure Plan Relationship.

A capital improvement plan, public facilities plan, master plan or comparable plan should list the improvements that would be eligible for Systems Development Charges. Modification of the lists in the plans is allowed at any time in order to keep current with development trends. Amendment procedures may exist in other statutes or rules or may, for some types of plans, need to be developed locally. This provision allows the City to measure and analyze facility standards and services that may be related to current or projected development.

4. Segregated Funds and Fund Accountability.

The charges collected must be segregated from the general fund and reserved for use only on the specific infrastructure systems for which they were collected. An annual accounting is needed to report total revenues collected for each system and the projects funded.

5. Credit for Other Exactions

There must be a credit available if a builder/developer pays an SDC and also contributes toward the same infrastructure improvement through a development exaction. The credit need not exceed the amount of the systems charge paid. Cities will rely on the plan and methodology to identify instances where the two forms of contribution for one improvement occur. This provision only affects off-site development exactions.

6. Existing Deficiencies and Utility Fees.

In general, Cities will not be authorized to use Systems Development Charges to correct system deficiencies. However, the governing language in the bill is in concept of "capacity increasing" improvements. Since the solution of existing deficiencies is only a part of "capacity increasing", it is reasonable to expect that existing development should pay a portion of the costs of improving the associated facilities. A Utility Fee is charged to existing development to amortize the associated cost of these improvements.

7. Judicial Review.

A statute of limitations outlines a time period to contest methodology. The City would adopt administrative review procedures to enable a challenge of an expenditure. The decision of the City is appealed only by a writ of review. The legal challenge procedures are clear, well-defined and efficient. The remedy for misspent expenditures is replenishment of the fund by a time certain.

Appendix 2

League of Oregon Cities: System Development Charges Overview and Amendments

Including those becoming effective in 2004

System Development Charges

System Development Charges Overview

The system development charge (SDC) statute was adopted in 1989 and was sponsored jointly by the Homebuilders Association and the League of Oregon Cities. Following a very intense debate between Homebuilders and local governments, Governor Goldschmidt vetoed a 1987 SDC bill that was sponsored by the Homebuilders. Throughout the 1988 Interim, a small group of city and homebuilder representatives developed a compromise bill that was the original SDC law. Local governments had imposed SDCs for many years and the purpose of the law was to outline a framework for how those charges would be developed and imposed so that the potential for costly litigation would be reduced.

Since that time, the SDC statute has been amended three times, following discussions and negotiations between the homebuilders and public agencies. Despite differences in perspective, there is an understanding that infrastructure and development must be managed together at the community level where there are a variety of facts and challenges associated with providing that infrastructure. Homebuilders cannot build without the required water, road and other related infrastructure, and local governments are responsible for providing the infrastructure at a cost that is fair for both new and existing residents.

However, in 2003 not every bill relating to SDCs was introduced in the spirit of cooperation among affected parties.

◆◆◆SYSTEM DEVELOPMENT CHARGES - PASSED BILLS◆◆◆

SB 939: Negotiated SDC Bill
Effective Date: January 1, 2004 and July 1, 2004 (see below) Chapter 765

In 2003, the Oregon Building Industry Association came forward requesting another series of changes to SDC statutes. Their original proposal, HB 2983 included a number of unworkable provisions, as follows:

- Eliminating open space or natural areas from parks SDC, rendering it impossible to bank park land for use by future development.
- Prolonging the period in which SDC expenditures could be challenged (from two to five years) causing potential delays and additional expense.
- Requiring improvement fees (which are prospective in nature) to be charged only

for specific infrastructure components, to the detriment of complete infrastructure systems. This would have resulted in a delay in building the completed project for developers who needed the projects to serve new development.

- Restricting improvement fee charges to those based only on minimum standard facility size, rather than the capacity and quality of facility that the government determines is needed;
- Prohibiting changes to the SDC project list if the changes resulted in increases to SDC fees or the deletion of a project needed to serve new development. This would have effectively hamstrung the ability of local governments to adequately plan for the accommodation of new development and reflect changing circumstances.

After lengthy discussions with local government representatives, the builders realized that these provisions would likely cause delays and in some cases increase the charges assessed to developers. The parties then moved to address other concerns and issues. SB 939 is the product of meetings that occurred almost every week since the beginning of session and represents a consensus of those participating - cities, counties, special districts and the builders. The changes in SB 939 were first contained HB 2983; due to unrelated political issues, HB 2983 stalled. SB 930 then became the vehicle but the negotiated changes were finally passed under a new bill number, SB 939.

SB 939 contained the following provisions:

Intent: Add "intent" language stating that SDCs are intended to provide equitable funding for orderly growth and development;

Capacity: Clarify that local government has the ability to determine whether capacity exists so that residents can be assured of having reliable infrastructure systems;

Components of a reimbursement fee: Provide guidance to local governments as to what the components of a reimbursement fee calculation should be, while still allowing a degree of flexibility to accommodate considerations that may be unique to the local area, and preserving the local government's ability to determine the value of the system for which they are being reimbursed. The new language replaces the direction that local governments "consider" the factors of a reimbursement fee with the instruction that the fee should be "based on" identified factors as applicable to the particular situation.

Improvement fee: Specify that a local government must now, through its methodology and other documentation, *demonstrate* that certain factors were taken into account in establishing improvement fee charges. An implicit notion - that improvement fee charges must be tied to the need for increased capacity and that increased capacity is in

turn tied to need created by future users of the system – is now explicitly stated. And stylistic changes strengthen the tie between a government's capital improvement plan and the list of projects eligible for SDC funding based on that plan. We hope this language will help stakeholders gain a better understanding of the factors, principles and elements of SDC methodology, in hopes of better discussions and fewer lawsuits.

Combined fees: In some circumstances, a complex project may have a number of components, and a reimbursement or an improvement fee may be calculated for each component; the addition of all component fees would equal one system development charge. New language in SB 939 makes explicit the implied intention that while a local government can charge a reimbursement fee, an improvement fee, or some combination of both, they cannot impose both a reimbursement fee and an improvement fee for the identical capacity.

SDC Credits: A developer can, under certain circumstances, get a credit against their SDC bill for capital improvements that the developer makes. New language is added to clarify that once a developer demonstrates that his improvement is eligible for an SDC credit, the local government must in turn demonstrate (through supporting documentation, for example) that a particular project is not on the list of SDC eligible improvements in order to *deny* the credit. This shares the burden of showing the qualifications for the credit with both parties. It may require greater attention to the description and detail of the capital project list for SDC eligible projects. Nothing in this change affects a local government's authority to determine the amount of the credit. There is a delayed effective date of July 1, 2004 for this section.

Cost indexing: SB 939 adds new language to the statute to make it clear that the amount of an SDC can adjust based on a pre-adopted cost index, and to reflect changes in the cost of material, labor or real property or changes in project capacity. The cost index must be compiled from data for reasons that are independent of the SDC methodology, such as the national or regional consumer price index.

Capital improvements: Current law requires that SDC revenues are to be spent on capital improvements and not on the operation or routine maintenance of those improvements, except for the costs of complying with SDC law. SB 939 adds language to expressly prohibit local governments from using SDC revenues to pay for staff to operate or maintain capital facilities. However it is understood that in some smaller jurisdictions, the staff person that operates and maintains the facilities may also be the person who develops and updates the SDCs, accounts for SDC revenues and otherwise is responsible for compliance with SDC law.

Addition of new projects to the SDC project list: SB 939 specifies a new process for accommodating new development while providing developers with opportunity for additional input. The SDC eligible project list is a living document; estimates regarding projects, timing and costs will change over time as development occurs. The ability of a local government to move projects on and off the SDC-eligible list without a lot of attendant process and expense is preserved, but at the same time, developers can review changes to the project list if the new projects increase the amount the developer pays in SDCs. A local government retains the right to modify the project list, but if such a modification will result in an SDC fee increase, the

government must provide notice on an opportunity to comment and appeal; if no written request for a hearing is received, the modification can occur without a public hearing. This change has an effective date of July 1, 2004.

Annual Accounting: The cost of administrative compliance is added to the annual accounting of SDC revenues and expenditures that local governments are required to provide.

These changes will need to be monitored as to their efficiency and effectiveness. Input from SDC administrators has been and will continue to be vitally important in negotiating future changes to the SDC statute.

❖❖❖SYSTEM DEVELOPMENT CHARGES - FAILED BILLS❖❖❖

Expanding SDCs

A number of bills were introduced that would have allowed SDCs to be charged for the purpose of funding additional facilities, including libraries, schools, and police and fire stations. The League of Oregon Cities did not support bills to expand SDCs, choosing to focus on other priorities – such as preserving existing SDC authority and maintaining shared revenue – during the legislative session. Discussion in LOC policy and Board meetings focused on the argument that SDCs can only be used for capital projects; expanding SDCs would not address operating shortfalls being experienced by many cities for the services for which SDCs were being sought. In addition, these kinds of facilities were not considered “leader” facilities – unlike roads, water and sewer systems, new schools, police and fire stations could often be built once the additional tax base was in place to support them.

SB 682: SDC Restrictions on In Fill

Two bills were introduced that would have prohibited or restricted the amount of SDCs that could be charged on “in fill” development. SB 682 was given a hearing but a work session was never scheduled.

HB 2355: SDC Restrictions on In Fill

See SB 682 above.

HB 2906: “As Applied” Challenges to SDCs

HB 2906 was drafted at the request of Oregonians in Action, a property rights group. The bill would have allowed a challenge to SDC methodology every time a fee was assessed on an individual development. With every challenge, underlying assumptions could be reopened, subject to a 60-day period of review (and therefore delay), and could require major revision. Under this scenario, local governments could never get closure on their methodologies, and

could not predict with any confidence the revenue generated by SDCs or the revenue needed to pay for important infrastructure projects. The bill would have required local governments to be prepared to determine the impact of each individual development, and the resulting delays and expenses would likely have been passed on to developers.

The League was not given the opportunity to testify before the House Business Labor and Consumer Affairs Committee, which recommended passage of the bill. However, the League defeated the bill through a campaign of grass roots contact by cities to legislators. When it became apparent that the HB 2906 lacked the votes to pass, the bill was pulled from the schedule for consideration by the full House of Representatives.

HB 2983: Parks SDC Limit

HB 2983 would have prohibited governments from establishing SDCs for parks and recreation facilities that exceed existing levels of service. The bill would have dictated specific criteria on which parks SDCs could be based. This bill was introduced at the request of the Oregon Building Industry Association, who later abandoned it in favor of negotiated changes to the SDC law

See SB 939 above.

Appendix 3
Estimated Land Values
In Philomath

Appendix 3

Estimated Land Values in Philomath

Personal communication with real estate appraisers and real estate agents in the Philomath area indicate the following:

- In the flat regions of Philomath an unimproved home lot with available City amenities (potable water, sanitary sewer, storm drainage, street access) will cost approximately \$40,000. This value varies more with location than with lot size. For three lot sizes, this is equivalent to

8,000 square feet	\$5.00 per square foot
10,000 square feet	\$4.00 per square foot
12,000 square feet	\$3.33 per square foot
- The cost of unimproved land without City amenities varies according to location, presence of wetlands, the owner's motivation to sell, the owner's perceived value of a City street with utilities in owner's plans for the property. It is difficult to provide either a typical value or an average value.
- The majority of profit realized from the development of land typically goes to the party who assumes the financial risk of development; *i.e.*, the developer who constructs utilities and streets. Thus, the value of undeveloped land without available City amenities is significantly less than that of the \$40,000 home lot.
- Two recent land transactions for property without City amenities are:

3.95 acres sold for \$135,000	= \$34,177 per acre	= \$0.78 per square foot
2.0 acres sold for \$67,500	= \$33,750 per acre	= \$0.77 per square foot.

These properties are near Philomath, but not within its present boundary. It is understood both properties were purchased for homes; the former apparently involved two home sites. It is also assumed each home site had an approved well.

Because land purchased for street rights-of-way discussed in this report is not intended for home sites and does not presently include immediate access to City utilities¹, it is assumed the value of this land will be significantly less than \$3 - \$5 per square foot associated with a home lot with utilities.

Because land purchased for street rights-of-way discussed in this report is not intended for home sites and does not include improvements such as wells, it is assumed the value

¹ 9th Street may be an exception, and is discussed below

of this land will be less than \$0.78 per square foot associated with home sites with acreage.

Because construction of proposed streets may be considered to increase the value of adjacent undeveloped property, owners of undeveloped property may be motivated to sell property required for street rights-of-way. Potential subsequent land subdivision could result in property values approaching \$40,000 per home site, with reduced cost and risk to the property owner.

For these reasons, it has been assumed the cost of land acquisition for street rights-of-way is \$0.60 per square foot. It should be noted this is an estimate, and as the City acquires land for rights-of-way this value should be updated to reflect actual costs.

Proposed Improvements to Ninth Street

A proposed project is the improvement to Ninth Street between Pioneer Street and Quail Glen Drive. This portion of Ninth Street is presently not as wide as current City standards, and the vertical alignment may yield substandard sight distances. The proposed widening requires acquisition of additional right-of-way.

There may be existing utilities in Ninth Street, but the proposed widening does not involve the purchase of an existing home site, nor does it result in providing access and utilities to potential additional home sites adjacent to the improvements. It is assumed the additional right-of-way could be purchased equally from land owners on east and west sides of Ninth Street.

For these reasons, it is assumed the cost of land for additional Ninth Street right-of-way is the same as the cost for other acquisitions.