

SDC METHODOLOGY COMMITTEE

ISSUE PAPER – UNRESOLVED PARKS POLICIES

ISSUE:

The SDC methodology committee has reached consensus on most policy choices related to Parks SDCs. The unresolved policies are described below for deliberation in the May 7 committee meeting. The committee members are advised that a vote will be taken prior to conclusion of the meeting. If unanimity cannot be reached among all members, then an alternate opinion may be documented when the committee recommendation is forwarded to Council.

SUMMARY OF UNRESOLVED POLICIES AND STAFF RECOMMENDATIONS:

- 1) Requirement for UGA Permits: Acquired and developed park
- 2) Level of Service (LOS): Existing
- 3) Temporary Service: Adopted LOS cost basis minus existing LOS cost basis
- 4) Temporary Fee Reimbursable: No
- 5) Neighborhood Parks Funding: Residential only
- 6) Non-SDC funding: Not required

FACTS AND FINDINGS:

Requirement for UGA Permits

Background:

The UGA permit criteria (SRC 200) require that new developments be served by City infrastructure (parks, streets, water, sewer, stormwater). Parks service is currently a key component to the City's infrastructure. The community and economic benefits of parks are described in the attached reports titled, "Why parks are necessary" and "Economic Impact of Local Park and Recreation Spending to State Economies."

Discussion:

Staff identified three potential options for UGA permit requirements: (1) park acquisition and development; (2) park acquisition only; and (3) no park requirements. The policy issues related to each option are described below:

- 1) Park Acquisition and Development (Staff Recommendation): Residential subdivisions would be required to acquire and develop a neighborhood park as a condition of a UGA permit. This option would maximize parks service in developing areas, and expenditures of parks SDCs would be prioritized to these developing areas where parks SDCs are being collected. Developers would provide initial funding for park acquisition and development, which would be fully reimbursed from SDCs or reimbursement district fees as funds are available. Park acquisition and development would be expedited because of developer financing.
- 2) Park Acquisition Only (Existing Policy): Residential subdivisions are obligated to acquire a neighborhood park as a condition of a UGA permit. This option maximizes parks acquisition in developing areas. Developers provide initial funding for park acquisition, which are reimbursed

from SDCs as funds are available. Parks are developed at the City's discretion through the Capital Improvement Program.

- 3) *No Park Requirements*: Residential subdivisions would have no park-related requirements as a condition of a UGA permit. This option would regard parks service as being non-essential for new developments and would eliminate parks requirements from the UGA permit process. Parks would be acquired and developed at the City's discretion through the Capital Improvement Program. Developers would have the lowest short-term financial burden under this option because parks SDCs are paid by homebuilders at the time of dwelling construction.

Level of Service

Background:

Level of service (LOS) establishes the cost basis for acquisition and development of new parks. The Existing LOS is based on a tabulation of existing parks facilities divided by the existing population. The Adopted LOS is based on goals for overall improvement to the level of parks service as established in the adopted Parks Master Plan.

Discussion:

Staff identified three potential options for calculating LOS: (1) Existing LOS; (2) Existing LOS with TAF; and (3) Adopted LOS. The policy issues related to each option are described below:

1. *Existing LOS*: By establishing the existing LOS as the cost basis, park acquisition and development would be retained at its existing levels. This option minimizes the parks SDCs paid by homebuilders. The only opportunity for improvement to community-wide parks services would come from alternative sources of revenue, such as bonds, grants, or taxes.
2. *Existing LOS with TAF (Staff Recommendation)*: This option is similar to option #1 above, but augments parks SDC funding with temporary access fees (TAFs). This option minimizes parks SDCs paid by homebuilders. However, developers would have the option of paying TAFs in areas where parks facilities are not available, and those developer-paid TAFs would provide additional SDC funding commensurate to the Adopted LOS.
3. *Adopted LOS with TAF (Existing Policy)*: This option uses the LOS goals in the adopted Parks Master Plan as the cost basis for parks SDCs. Based on the current Parks Master Plan, the Adopted LOS would significantly increase the SDC amounts paid by homebuilders over existing SDCs. This option would expand park acquisitions, but would limit park development because significant levels of non-SDC revenues would be needed to fund park development projects.

Temporary Access Fee

Background:

Infrastructure master plans specify how development projects are to be served as a condition of UGA permit. In many cases, temporary service is available that provides minimally adequate service based on applicable codes and standards, but not as depicted in the master plan. In these cases, a temporary access fee (TAF) may be authorized under SRC 200.070, which allows for a developer to make temporary use of the existing infrastructure by paying a proportional fee toward a future master plan improvement. For parks service, the temporary access fee would authorize developers to subdivide property by paying a TAF as a proportional contribution toward the future park rather than acquiring and/or developing a park as a condition of development. The TAF process prevents situations like Lone Oak Road at Creekside where areas become developed without completion of costly infrastructure.

Discussion:

Three topics are addressed below regarding TAFs: (1) whether or not TAFs are allowed; (2) how TAFs are calculated; and (3) whether or not TAFs are reimbursable. The policy issues related to each option are described below:

1. Whether or not TAFs are allowed: Staff recommends that TAFs should be allowed in lieu of park acquisition and development. Without TAFs, residential subdivision projects would be delayed until developers locate property suitable for park development, either within or outside of the subdivision project. TAFs allow for subdivision projects to move forward while developers contribute a proportional share to the cost of the future parks service.
2. How TAFs are calculated: Staff identifies three potential options for calculating TAFs:
 - a. Adopted minus Existing Level of Service (Staff Recommendation): This process ensures that developers in areas unserved by parks facilities contribute additional funds equal to the Adopted LOS. This ensures that developers are not paying more than is authorized in the Parks Master Plan LOS policies.
 - b. Proportional Ratio of Acquisition and Development Cost (Existing Policy): TAFs are calculated based on the total cost of acquisition and development of the neighborhood park facility per acre of park service area. More specifically, the TAF for a proposed development is the total park cost divided by the total park service area multiplied by the area being subdivided. This approach ensures that the developer is not contributing more than the proportional share of park cost based on land area. However, this approach requires a case-by-case calculation for each development project.
 - c. Prepayment of Parks SDC: TAFs would be collected at the same rate as would have been charged at the time of building permit, but the SDC amounts are instead paid in advance at the time of subdivision plat. This approach has the potential of “double-dipping” by collecting double the fee amount if TAFs are not reimbursable.
3. Whether or not TAFs are reimbursable: Staff recommends that TAFs should not be reimbursable. To date, TAFs have been implemented for water, street, and parks infrastructure and have not been reimbursed. For background, urban growth management policies generally require that developers in areas lacking critical infrastructure are obligated to provide initial funding for that infrastructure. Developers in these unserved areas are later reimbursed through SDCs or reimbursement district fees collected from future development projects that benefit from that same infrastructure. The TAF process was created to provide a mechanism for a developer to make a proportional contribution over and above SDCs in lieu of constructing the future facility when temporary service is available. TAFs help expedite infrastructure construction because TAF funds can be restricted to one specific future infrastructure project, where SDCs are not. By making TAFs reimbursable, then infrastructure projects are no closer to being constructed than they were prior to the TAF being paid because no additional funds are set aside for that project.

Neighborhood Park Funding for Non-Residential Uses

Background:

The cost basis for parks SDCs includes a variety of park types. The most common park type is the neighborhood park. The committee has tentatively agreed with the staff recommendation to collect parks SDC fees from non-residential projects. The committee has the option of either including or not including neighborhood park costs in the cost basis for non-residential uses.

Discussion:

Staff recommends that the cost basis for non-residential parks SDCs should not include neighborhood park costs. Considerations for the recommendation are as follows:

- The Parks Master Plan emphasizes service to residential areas, especially for neighborhood parks. Page 42 of the plan states, “The park access analysis examines whether residential areas within the Salem planning area are within a reasonable travel distance of neighborhood, community, and urban parks. These three park types have the most commonly used amenities and provide both city-wide and local recreation benefits.” In other words, local recreation benefits of neighborhood parks are targeted to residential areas.
- The Parks Master Plan shows that most new neighborhood parks are proposed in residential areas. Under the staff recommendation, neighborhood parks located in mostly non-residential areas would not be a priority for SDC funding.
- Staff’s observation is that non-residential uses are more common in larger (community and urban) parks than in neighborhood parks.

Non-SDC Funding

Background:

State regulations related to SDC expenditures require that infrastructure costs not associated with development are not eligible for funding from SDCs. As a result, when parks infrastructure has a dual benefit to both developing areas and already-developed areas, parks projects may require both SDC and non-SDC funding.

Discussion:

Staff identified three potential options regarding non-SDC funding: (1) non-SDC funding required case-by-case; (2) non-SDC funding required based on City-wide averages; and (3) non-SDC funding not required. The policy issues related to each option are described below:

1. *Non-SDC funding required case-by-case (Existing Policy)*: This approach requires that the ratio of developed versus undeveloped land be calculated separately within each park service area in order to determine the SDC versus non-SDC funding for each park. In most cases, non-SDC funding is required for park acquisition and/or development, which varies park by park. This approach generally reduces the number of parks being developed because of limited non-SDC funding sources.
2. *Non-SDC funding required based on City-wide averages*: This approach establishes a City-wide average for SDC versus non-SDC funding for all park types. Each park would have a funding split based on the City-wide averages. This approach would allow for park acquisition, interim use, and master planning to be funded through SDCs, but park development would be restricted because of limited non-SDC funding sources.
3. *Non-SDC funding not required (Staff Recommendation)*: This approach allows for parks to be acquired and developed without the need for non-SDC funding. The total number of parks on the 309 list is restricted to ensure that already-developed areas are not benefited to the extent that non-SDC is required. This approach is available only if Existing LOS is used as the cost basis.