

City of Sandy

PARKS SYSTEM DEVELOPMENT CHARGE AND FEE- IN-LIEU UPDATE

Draft Report
July 7, 2022

Washington

7525 166th Avenue NE, Ste. D215
Redmond, WA 98052
425.867.1802

Oregon

5335 Meadows Road, Ste 330
Lake Oswego, OR 97035
503.841.6543

Colorado

PO Box 19114
Boulder, CO 80301-9998
719.284.9168

www.fcsgroup.com

This entire report is made of readily recyclable materials, including the bronze wire binding and the front and back cover, which are made from post-consumer recycled plastic bottles.



FCS GROUP
Solutions-Oriented Consulting

TABLE OF CONTENTS

Table of Contents	ii
Section I. Introduction	1
I.A. Project.....	1
I.B. Policy.....	1
Section II. SDC Analysis	3
II.A. Growth	3
II.B. Improvement Fee	4
II.C. Reimbursement Fee.....	10
II.D. Calculated SDC	11
Section III. Fee-in-Lieu Analysis.....	14
III.A. Land Dedication Requirement.....	14
III.B. Land Acquisition Costs	14
III.C. Calculated Fee-in-Lieu.....	14
Section IV. Implementation.....	16
IV.A. Fee-in-Lieu Changes.....	16
IV.B. Indexing.....	16
Exhibits	
Table 1 – Eligibility under the Current Level of Service	5
Table 2 - Eligibility under the Future Level of Service	6
Table 3 – Expansion List (Acres of Parkland)	7
Table 4 – Expansion List (Miles of Trail)	8
Table 5 – Infill List	9
Table 6 – Improvement Fee Cost Basis	10
Table 7 – Reimbursement Fee Cost Basis	11
Table 8 – Adjustments to Improvement Fee Cost Bases	12
Table 9 – Calculated SDC	12
Table 10 – Parks SDC per SFR Comparison	13
Table 11 – Fee-in-Lieu Calculation	14
Table 12 – Fee-in-Lieu Calculation with City's Current Occupancy Estimates	15

Section I. INTRODUCTION

This section describes the project scope and policy context upon which the body of this report is based.

I.A. PROJECT

The City of Sandy (City) imposes a system development charge (SDC) to provide partial funding for the capital needs of its parks system. The current SDC is charged only to residential developments based on the number of dwelling units (DUs). The rate is currently \$3,717 for a single-family residence.

In addition, at the City's discretion, the City may charge developers a fee in lieu of land dedication for parkland (fee-in-lieu). The fee-in-lieu is calculated by multiplying the average cost of land in the City by the number of acres required for land dedication. The City currently expects developers to dedicate 0.0068 acres per resident expected in the development, and the City's codified cost per acre is \$241,000.

In 2022, the City engaged FCS GROUP to update the City's parks SDC based on their 2022 parks master plan, and to update the fee-in-lieu based on more recent land acquisition cost estimates and level-of-service calculations.

I.B. POLICY

SDCs are enabled by state statutes, authorized by local ordinance, and constrained by the United States Constitution.

I.B.1. State Statutes

Oregon Revised Statutes (ORS) 223.297 to 223.314 enable local governments to establish SDCs, which are one-time fees on development that are paid at the time of development or redevelopment that creates additional demand for park facilities. SDCs are intended to recover a fair share of the cost of existing and planned facilities that provide capacity to serve future users -- growth.

ORS 223.299 defines two types of SDC:

- A reimbursement fee that is designed to recover "costs associated with capital improvements already constructed, or under construction when the fee is established, for which the local government determines that capacity exists"

- An improvement fee that is designed to recover “costs associated with capital improvements to be constructed”

ORS 223.304(1) states, in part, that a reimbursement fee must be based on “the value of unused capacity available to future system users or the cost of existing facilities” and must account for prior contributions by existing users and any gifted or grant-funded facilities. The calculation must “promote the objective of future system users contributing no more than an equitable share to the cost of existing facilities.” A reimbursement fee may be spent on any capital improvement related to the system for which it is being charged (whether cash-financed or debt-financed).

ORS 223.304(2) states, in part, that an improvement fee must be calculated to include only the cost of projected capital improvements needed to increase system capacity for future users. In other words, the cost of planned projects that correct existing deficiencies or that do not otherwise increase capacity for future users may not be included in the improvement fee calculation. An improvement fee may be spent only on capital improvements (or portions thereof) that increase the capacity of the system for which it is being charged (whether cash-financed or debt-financed).

In addition to the reimbursement and improvement fees, ORS 223.307(5) states, in part, that “system development charge revenues may be expended on the costs of complying” with state statutes concerning SDCs, including “the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures.”

I.B.2. Local Ordinance

Chapter 15.28 of the Sandy Municipal Code authorizes and governs the imposition and expenditure of parks SDCs in Sandy. Chapter 17.86 authorizes and governs the imposition of the fee-in-lieu. The City will need to modify its code to allow for the proposed changes to the fee-in-lieu, as discussed in Section IV.A of this report.

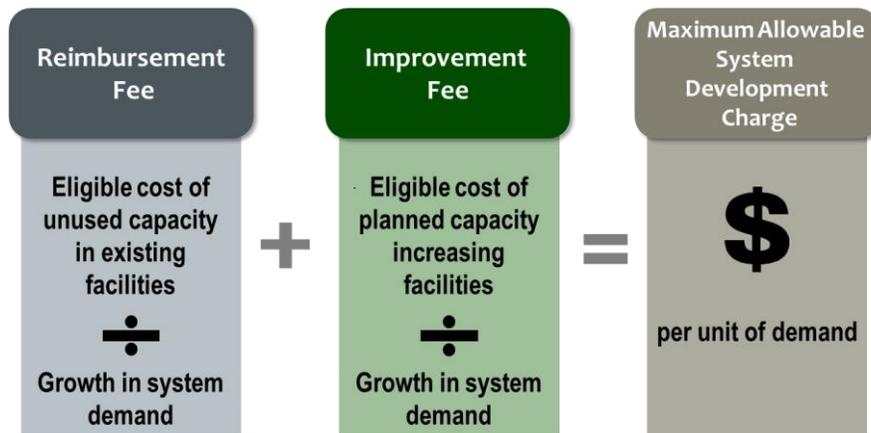
I.B.3. United States Constitution

The United States Supreme Court has determined that SDCs, impact fees, or other exactions that comply with state and/or local law may still violate the United States Constitution if they are not proportionate to the impact of the development. The SDCs calculated in this report are designed to meet all constitutional and statutory requirements.

Section II. SDC ANALYSIS

This section provides the detailed calculations of the maximum allowable parks SDC.

In general, SDCs are calculated by adding a reimbursement fee component (if applicable) and an improvement fee component—both with potential adjustments. Each component is calculated by dividing the eligible cost by growth in units of demand. The unit of demand becomes the basis of the charge. Below is an illustration of this calculation:



II.A. GROWTH

The calculation of projected growth begins with defining the units by which current and future demand will be measured. Then, using the best available data, we quantify the current level of demand and estimate a future level of demand. The difference between the current level and the future level is the growth in demand that will serve as the denominator in the SDC calculations.

II.A.1. Unit of Measurement

A good unit of measurement allows an agency to quantify the incremental demand of development or redevelopment that creates additional demand for park facilities. A great unit of measurement allows an agency to distinguish different levels of demand added by different kinds of development or redevelopment.

For parks SDCs, demand that can be attributed to individual developments is usually measured in the number of people who will occupy a development. We use data from the U. S. Census Bureau to estimate the number of residents for different kinds of dwelling units.

II.A.2. Growth in Demand

The current (2020) population, representing demand for parks facilities, is 12,612 residents. During the forecast period from 2020 to 2035, the population is expected to grow by 6,488 residents to a total of 19,100 residents (based on the 2022 Parks and Trails Master Plan). Therefore, 6,488 residents will be the denominator for the SDC calculations later in this report.

II.B. IMPROVEMENT FEE

An improvement fee is the eligible cost of planned projects per unit of growth that such projects will serve. Since we have already calculated growth (denominator) above, we will focus here on the improvement fee cost basis (numerator).

II.B.1. Eligibility

A project's eligible cost is the product of its total cost and its eligibility percentage. The eligibility percentage represents the portion of the project that creates capacity for future users.

For parks SDCs, eligibility is often determined by a level-of-service analysis that quantifies the park facilities that are needed for growth (and are therefore eligible to be included in an improvement fee cost basis). Park facilities can be measured by sorting them into categories such as neighborhood, community, or mini parks, or by considering their respective units of measurement. Further, in either approach, the current or future level of service may be targeted. These two separate choices create four distinct and equally defensible ways of calculating the eligibility percentage of each project.

Each method will be examined in the sections below.

II.B.1.a Current Level of Service (By Category and Unit of Measurement)

Determining SDC eligibility for parks projects using the current level of service requires determining the quantity of parks facilities needed to maintain the current level of service. Any projects that add facilities in excess of that quantity are ineligible.

The City has seven relevant parks categories for determining its level of service by category. These are shown in the upper panel of the first column in Table 1. Each category receives its own level of service. Using mini parks as an example, the City currently has 3.87 acres of mini parks. Using the 2020 population discussed above, this implies that there is 0.31 acres of mini parks per 1,000 residents. The parks project list, when completed, will add 1.00 acres of mini parks. Based on the 2035 population and the current level of service, 1.99 additional acres of mini parks are needed. So, all the City's mini park projects are eligible for inclusion in the improvement fee cost basis.

The same line of reasoning is used to develop the eligibility percentages for other parks categories. Calculating eligibility using level of service by unit of measurement also follows the same approach. The eligibility percentage for each parks category or unit of measurement is shown in the last column of Table 1.

Table 1 – Eligibility under the Current Level of Service

	Units	2020 Quantity	2020 Units per 1,000 Residents	Change in Quantity	Additional Needed to Maintain LoS	Eligibility
By category:						
Mini Park	Acres	3.87	0.31	1.00	1.99	100.00%
Neighborhood Park	Acres	16.89	1.34	22.40	8.69	38.79%
Community Park	Acres	11.07	0.88	46.25	5.69	12.31%
Natural & Open Space	Acres	224.64	17.81	0.00	115.56	0.00%
Undeveloped Park	Acres	22.26	1.76	-18.15	11.45	0.00%
Special Use Area	Number	4.00	0.32	0.00	2.06	0.00%
Trail	Miles	9.96	0.79	24.01	5.12	21.34%
By Unit of Measurement:						
Acres of Parks and Natural Areas	Acres	278.73	22.10	51.50	143.39	100.00%
Number of Special Use Sites	Number	4.00	0.32	0.00	2.06	0.00%
Miles of Trails	Miles	9.96	0.79	24.01	5.12	21.34%

Source: 2021 Parks and Trails Master Plan, Section 4 (2020 quantity); previous tables

II.B.1.b Future Level of Service (By Category and Unit of Measurement)

To determine SDC eligibility using the future level of service, the proposed additional quantity of parks facilities is added to the current quantity of parks facilities. Using the future population, a future level of service is then calculated. Then, that level of service is compared to the current parks system to determine if any deficiencies exist. Only the portions of parks projects that do not cure existing deficiencies are considered eligible for the improvement fee cost basis under this method.

As in the previous section, calculating SDC eligibility based on future level of service can be done both when measuring parks facilities by category and when measuring by unit of measurement. Table 2 below outlines both methods using the future level of service. Using neighborhood parks as an example, the City currently has 16.89 acres of neighborhood parks. The parks project list, when completed, will add 22.40 acres of neighborhood parks. This results in a future level of service of 2.06 acres of neighborhood parks per 1,000 residents in 2035. If that level of service was applied to the 2020 population, a minimum of 25.94 acres would be needed. However, there are currently 16.89 acres of neighborhood parks. Thus, 9.05 acres must be added to the parks system to cure the deficiency in the parks system. So, only the remaining 13.35 acres added by the project list, or 59.58 percent of neighborhood parks projects, are eligible for inclusion in the improvement fee cost basis under this method.

The same approach is used to develop the eligibility percentages for other parks categories. Further, calculating eligibility using level of service by unit of measurement follows the same logic. The eligibility percentage for each parks category or unit of measurement is shown in the “Eligibility” column of Table 2 below.

When calculating an SDC based on the future level of service, it is possible that there may be park facilities eligible for inclusion in a reimbursement fee. This occurs when the future level of service for a parks category or unit of measurement is lower than the current level of service. If this is the case, then it follows that the parks system has available capacity in its parks facilities. The final

column of Table 2, “Reimbursable Quantity,” shows the reimbursable quantity of parks facilities by category and unit of measurement.

Table 2 - Eligibility under the Future Level of Service

	Units	2020 Quantity	2020 Units per 1,000 Residents	Change in Quantity	2035 Units per 1,000 Residents	2020 Minimum Quantity	Eligibility	Reimbursable Quantity
By category:								
Mini Park	Acres	3.87	0.31	1.00	0.25	3.22	100.00%	0.65
Neighborhood Park	Acres	16.89	1.34	22.40	2.06	25.94	59.58%	-
Community Park	Acres	11.07	0.88	46.25	3.00	37.85	42.10%	-
Natural & Open Space	Acres	224.64	17.81	0.00	11.76	148.33	0.00%	76.31
Undeveloped Park	Acres	22.26	1.76	-18.15	0.22	2.71	0.00%	19.55
Special Use Area	Number	4.00	0.32	0.00	0.21	2.64	0.00%	1.36
Trail	Miles	9.96	0.79	24.01	1.78	22.43	48.06%	-
By Unit of Measurement:								
Acres of Parks and Natural Areas	Acres	278.73	22.10	51.50	17.29	218.06	100.00%	60.67
Number of Special Use Sites	Number	4.00	0.32	0.00	0.21	2.64	0.00%	1.36
Miles of Trails	Miles	9.96	0.79	24.01	1.78	22.43	48.06%	-

Source: 2021 Parks and Trails Master Plan, Section 4 (2020 quantity); previous tables

II.B.2. Expansion Projects

The first of the City’s two project lists includes projects that will expand the inventory of the parks system and are therefore subject to the eligibility calculations described above. These projects are listed in Tables 3 and 4 below.

Table 3 lists all expansion projects that add acres of parkland to the parks system, and includes the acres added by each project. The last column of this table also shows the acres absorbed from other park categories (in this case, for the “Undeveloped Park” category).

Table 4 lists all expansion projects that add miles of trails to the parks system. Note that some trails projects are also considered to be part of the City’s transportation system, but that the costs listed in Table 4 are only those costs allocated to the parks system.

Table 3 – Expansion List (Acres of Parkland)

Park Name	Park Type	Tier	Timing	Total Cost	Acres Added	Acres	
						Absorbed	
Deer Point Park	Neighborhood Park	Tier 1	0-5 years	\$ 1,442,800	1.41	1.41	
Champion Way Park	Neighborhood Park	Tier 1	0-5 years	998,700	0.99	0.99	
Ponder Lane Park	Neighborhood Park	Tier 1	0-5 years	1,848,000	2.00	2.00	
Deer Point Expansion	Neighborhood Park	Tier 1	0-5 years	1,700,000	2.00	-	
Sunset	Neighborhood Park	Tier 1	0-5 years	1,700,000	2.00	-	
Community North	Community Park	Tier 1	0-5 years	5,900,000	10.00	-	
Tickle Creek Expansion - West	Natural & Open Space	Tier 1	0-5 years	-	-	-	
Jarl Road	Neighborhood Park	Tier 2	5-10 years	1,700,000	2.00	-	
Jewelberry NE	Neighborhood Park	Tier 2	5-10 years	1,700,000	2.00	-	
Vista Loop	Neighborhood Park	Tier 2	5-10 years	1,700,000	2.00	-	
Community East	Community Park	Tier 2	5-10 years	6,900,000	12.50	-	
Tickle Creek Expansion - Central	Natural & Open Space	Tier 2	5-10 years	-	-	-	
Tickle Creek Expansion - East	Natural & Open Space	Tier 2	5-10 years	-	-	-	
Orient	Mini Park	Tier 3	10-15 years	490,000	0.50	-	
Colorado East	Mini Park	Tier 3	10-15 years	490,000	0.50	-	
Kelso 362nd	Neighborhood Park	Tier 3	10-15 years	1,700,000	2.00	-	
Gunderson Road West	Neighborhood Park	Tier 3	10-15 years	1,700,000	2.00	-	
Barlow Trail	Neighborhood Park	Tier 3	10-15 years	1,700,000	2.00	-	
Trubel	Neighborhood Park	Tier 3	10-15 years	1,700,000	2.00	-	
Vista Loop SW	Neighborhood Park	Tier 3	10-15 years	-	-	-	
Community South	Community Park	Tier 3	10-15 years	5,900,000	10.00	-	
Ruben	Natural & Open Space	Tier 3	10-15 years	-	-	-	
Sandy Community Campus - Phases 1-4	Community Park		0-15 years	9,950,200	13.75	13.75	
Total				\$ 49,219,700	69.65	18.15	

Source: Environmental Science Associates, City staff.

Table 4 – Expansion List (Miles of Trail)

Trail Name	Tier	Timing	Total Cost	
			Allocated to Parks System	Miles Added
Kelso to Powerline	Tier 1	0-5 years	\$ 185,800	0.80
Sunflower to Powerline	Tier 1	0-5 years	32,500	0.06
Olson to Powerline	Tier 1	0-5 years	81,300	0.15
Sandy Bluff Park to 362nd	Tier 1	0-5 years	198,100	0.29
Sandy Bluff Park Pond Loop Trail	Tier 1	0-5 years	143,500	0.21
Bell Street to Sandy Bluff Park	Tier 1	0-5 years	191,300	0.28
Kate Schmidt to Bell Street	Tier 1	0-5 years	82,000	0.12
SHS Trail Easement 1	Tier 1	0-5 years	259,600	0.38
Meecker to Safeway	Tier 1	0-5 years	32,500	0.06
Community Campus to Sandy River Trail	Tier 1	0-5 years	23,700	0.59
Park Street to Community Campus	Tier 1	0-5 years	2,000	0.05
Tickle Creek Reroutes	Tier 1	0-5 years	93,750	0.26
Sunset Street to Tickle Creek	Tier 1	0-5 years	12,800	0.32
Sunset Street to Nettie Connett Drive	Tier 1	0-5 years	103,000	0.19
Bluff Road to Sandy Heights	Tier 1	0-5 years	11,600	0.29
Tupper Park to Gerilyn Court	Tier 1	0-5 years	32,500	0.06
Tickle Creek Extension East to Dubarko Underpass	Tier 1	0-5 years	125,000	0.26
Tickle Creek to Deer Point Park	Tier 1	0-5 years	432,000	0.80
Tickle Creek Extension Dubarko East to Jacoby	Tier 1	0-5 years	400,000	0.42
Alleyway to Tickle Creek Trail Connector	Tier 1	0-5 years	37,500	0.07
Bornstedt Park	Tier 1	0-5 years	78,000	0.14
Highway 211 Parkway	Tier 1	0-5 years	406,250	0.57
Cascadia to Tickle Creek	Tier 1	0-5 years	30,200	0.13
Slagle Loop to Jonsrud Viewpoint	Tier 2	5-10 years	38,500	0.96
Sandy River Lower Loop	Tier 2	5-10 years	13,300	0.33
Sandy River North Loop	Tier 2	5-10 years	10,400	0.26
Park Street to Sandy River Trail	Tier 2	5-10 years	6,400	0.16
Fir Drive to Community Campus	Tier 2	5-10 years	20,100	0.50
Tickle Creek Extension within UGR 2	Tier 2	5-10 years	380,900	1.64
Champion Way to Tickle Creek	Tier 2	5-10 years	4,400	0.11
Barnum to Tickle Creek	Tier 2	5-10 years	6,800	0.17
Salmon Creek Park to Barnum Road	Tier 2	5-10 years	92,200	0.17
Tickle Creek to Highway 211	Tier 2	5-10 years	69,700	0.30
Sandy Heights to Meinig Connection	Tier 2	5-10 years	11,500	0.29
Tickle Creek Jacoby Rd to Meadows Ave extension	Tier 2	5-10 years	172,600	0.74
Orient to Bluff Road 4,5	Tier 3	10-15 years	-	1.70
Kelso to 362nd	Tier 3	10-15 years	255,500	1.10
Orient to 362nd 2 (Bell Street Extension)	Tier 3	10-15 years	675,000	0.59
Vista Loop to Longstreet Lane	Tier 3	10-15 years	303,600	0.56
Orient to Tickle Creek	Tier 3	10-15 years	88,300	0.38
Tickle Creek to Colorado & Rachel	Tier 3	10-15 years	227,600	0.98
Bornstedt Road to Trubel Road	Tier 3	10-15 years	495,400	0.73
Village South to Trubel Road	Tier 3	10-15 years	623,600	0.91
Jacoby West to Village South	Tier 3	10-15 years	373,100	0.55
Cascadia to Jacoby West	Tier 3	10-15 years	102,300	
Old Barlow Trail	Tier 3	10-15 years	151,700	0.28
Barlow Trail to Tickle Creek	Tier 3	10-15 years	13,900	0.06
Barlow Trail to Market	Tier 3	10-15 years	25,600	0.11
Tickle Creek Connector Sewer Easement 4	Tier 3	10-15 years	914,000	3.94
Tickle Creek Bridge at Market	Tier 3	10-15 years	500,000	-
Total			\$ 8,571,300	24.01

Source: Email from Tracy Johnson, 2/2/2022

II.B.3. Infill Projects

The second of the City’s two project lists includes projects that will not expand the inventory of the parks system by adding acres but that will nevertheless add capacity for future users by adding amenities. As shown in Table 5 below, this project list has a total cost of \$4.0 million. Each project is assigned one of two eligibility percentages: zero percent if the project is for repair or replacement of existing assets, and 33.97 percent if the project adds new amenities. That 33.97 percent represents the share of total users made up of new users in 2035, and assigning a project that percent recognizes that existing and future users are expected to share new amenities in existing parks proportionately. The total eligible cost of the infill list is \$1.1 million.

Table 5 – Infill List

	Tier	Timing	Total Cost	Eligibility	Eligible Cost
Sandy Bluff Park	Tier 1	0-5 years	\$ 250,000	33.97%	\$ 84,921
Meinig Memorial Park	Tier 1	0-5 years	100,000	0.00%	-
Sandy River Park - Phase 1	Tier 1	0-5 years	800,000	33.97%	271,749
Bornstedt Park - Phase 2	Tier 2	5-10 years	652,000	33.97%	221,475
Tupper Park	Tier 2	5-10 years	750,000	33.97%	254,764
Meinig Memorial Park	Tier 2	5-10 years	273,200	33.97%	92,802
Sandy River Park - Phase 2	Tier 2	5-10 years	650,000	33.97%	220,796
Meinig Memorial Park	Tier 3	10-15 years	500,000	0.00%	-
Sandy River Park Addition	Tier 3	10-15 years	-	33.97%	-
Total			\$ 3,975,200		\$ 1,146,508

Source: Environmental Science Associates, City staff.

II.B.4. Calculated Improvement Fee Cost Basis

After determining the costs dedicated to expanding capacity on each of the two lists (expansion and infill), the improvement fee cost basis is calculated by multiplying those costs by their respective eligibility percentages. As discussed above, eligibility for capacity-expanding costs on the expansion list were determined through level-of-service calculations. Projects on the infill list were assigned the growth share percentage if they added amenities to existing parks and assigned zero percent if they were for repair or replacement.

As shown in Table 6 below, the total improvement fee cost basis ranges from \$15.1 million under the current level of service by category, up to \$54.5 million under the future level of service by unit of measurement.

Table 6 – Improvement Fee Cost Basis

	Cost	Current LoS		Future LoS	
		Eligibility	Eligible Cost	Eligibility	Eligible Cost
By Category					
Mini Park	\$ 980,000	100%	\$ 980,000	100%	\$ 980,000
Neighborhood Park	19,589,500	39%	7,598,570	60%	11,671,719
Community Park	28,650,200	12%	3,527,690	42%	12,061,452
Natural & Open Space	-	0%	-	0%	-
Undeveloped Park	-	0%	-	0%	-
Special Use Area	-	0%	-	0%	-
Trail	8,571,300	21%	1,829,024	48%	4,119,280
Expansion Projects Total	\$ 57,791,000		\$ 13,935,284		\$ 28,832,451
Infill Projects	3,975,200		1,146,508		1,146,508
Total	\$ 61,766,200		\$ 15,081,792		\$ 29,978,959
By Unit of Measurement					
Acres of Parks and Natural Areas	\$ 49,219,700	100%	\$ 49,219,700	100%	\$ 49,219,700
Number of Special Use Sites	-	0%	-	0%	-
Miles of Trails	8,571,300	21%	1,829,024	48%	4,119,280
Expansion Projects Total	\$ 57,791,000		\$ 51,048,724		\$ 53,338,980
Infill Projects	3,975,200		1,146,508		1,146,508
Total	\$ 61,766,200		\$ 52,195,232		\$ 54,485,488

Source: Previous tables.

II.C. REIMBURSEMENT FEE

A reimbursement fee is the eligible cost of the park facilities available for future users per unit of growth that such facilities will serve. Since growth was calculated in Section II.A, we will focus on the eligible cost of the park facilities available for future users. That is, we will focus on the cost of reimbursable park facilities.

II.C.1. Reimbursable Park Facilities

Reimbursable park facilities are those existing facilities which are not required to meet the City’s level of service and thus are available to future users. As discussed in Section II.B.1, an excess of park facilities only exists when the future level of service is currently being exceeded. When calculating the number of reimbursable facilities by category, there are 0.65 reimbursable acres of mini parks, 76.31 reimbursable acres of natural and open space, 19.55 reimbursable acres of undeveloped parks, and 1.36 reimbursable special use areas. When calculating the number of reimbursable facilities by unit of measurement, there are 60.67 reimbursable acres of parks and natural areas, and 1.36 reimbursable special use areas. There is no amount of reimbursable trails in either calculation.

II.C.2. Calculated Reimbursement Fee Cost Basis

The reimbursement fee cost basis is the product of the reimbursable quantity of park facilities and the eligible cost of those facilities. To calculate the eligible cost of reimbursable park facilities, several

approaches may be taken as long as they reflect the actual costs borne by the parks system for those parks facilities.

For this analysis, a unit cost of development per park category and generalized park acre is used for calculating the reimbursable costs for the City’s parks and natural areas. For special use sites, the unit cost is simply the average cost per site. These unit costs are adjusted downwards to account for inflation using a relevant index and the acre-weighted age of each park category. These discounted unit costs are then multiplied by the reimbursable quantity of park facilities in each category to get the reimbursable costs of each category.

The unit cost of development for each unit of measurement were based on the 2022 Parks and Trails Master Plan and is shown in the third column of Table 7 below. The unit costs adjusted for inflation are shown in the sixth column. Column 7 shows the reimbursable quantity by unit per category. The outside funding percentage is shown in Column 8. The final reimbursable cost must be reduced by that percentage. Finally, the total reimbursable cost is shown in the last column. As shown, the total reimbursable cost of parks facilities is \$578,569 when calculating by category, and \$21.1 million when calculating by unit of measurement.

Table 7 – Reimbursement Fee Cost Basis

	Units	2020 Development Cost per Unit	Weighted Average Age	Inflation Adjustment Factor	Estimated Original Cost per Unit	Reimbursable Quantity	Outside Funding Percentage	Total Reimbursable Cost
By Category:								
Mini Park	Acres	\$ 980,000	14.57	64.94%	\$ 636,417	0.65	100.00%	\$ -
Natural & Open Space	Acres	-	19.36	55.31%	-	76.31	0.00%	-
Undeveloped Park	Acres	-	4.64	87.51%	-	19.55	No data	-
Special Use Area	Number	824,665	21.75	51.63%	425,812	1.36	0.00%	578,569
	Total							\$ 578,569
By Unit of Measurement:								
Acres of Parks and Natural Areas	Acres	\$ 706,672	19.83	54.26%	\$ 383,423	60.67	11.59%	\$ 20,567,588
Number of Special Use Sites	Number	824,665	21.75	51.63%	425,812	1.36	0.00%	578,569
	Total							\$ 21,146,157

Source: Environmental Science Associates (2020 cost per unit); Engineering News-Record (inflation adjustment factor); previous tables (reimbursable quantity)

II.D. CALCULATED SDC

This section combines the eligible costs from the two project lists and applies adjustments for fund balance and compliance costs. The result is a total SDC per resident. We then use data from the Census Bureau to estimate the number of residents per dwelling unit and calculate SDCs for residential dwelling units.

II.D.1. Adjustments

The City estimates that it has \$1,223,401 in its improvement fee fund balance as of June 30, 2020. Unspent improvement fee revenue represents projects that remain unbuilt. Because these projects remain on the project list and are part of the improvement fee cost basis, it is reasonable to reduce this cost basis by the amount of revenue already received for those projects that remain on the list.

Table 8 – Adjustments to Improvement Fee Cost Bases

	Current by Category	Future by Category	Current by Unit	Future by Unit
Unadjusted Improvement Fee Cost Basis	\$ 15,081,792	\$ 29,978,959	\$ 52,195,232	\$ 54,485,488
Estimated Improvement Fee Fund Balance	(1,223,401)	(1,223,401)	(1,223,401)	(1,223,401)
Improvement Fee Cost Basis	\$ 13,858,391	\$ 28,755,558	\$ 50,971,831	\$ 53,262,087

ORS 223.307(5) authorizes the expenditure of SDCs on “the costs of complying with the provisions of ORS 223.297 to 223.314, including the costs of developing system development charge methodologies and providing an annual accounting of system development charge expenditures.” To avoid spending monies for compliance that might otherwise have been spent on growth-related projects, this report also includes compliance costs as a separate cost basis. This cost basis is calculated based on the cost of the SDC methodology, once every five years for the full 15 years of the planning horizon.

II.D.2. Calculated SDC

Table 9 below is a complete schedule of parks SDCs showing the improvement fee, reimbursement fee, and compliance fee per resident and by land use for all methods of calculating the eligible cost of the expansion list.

Table 9 – Calculated SDC

	Current by Category	Future by Category	Current by Unit	Future by Unit
Cost Basis:				
Improvement Fee	\$ 13,858,391	\$ 28,755,558	\$ 50,971,831	\$ 53,262,087
Reimbursement Fee	-	578,569	-	21,146,157
Compliance Costs	62,430	62,430	62,430	62,430
Total Cost Basis	\$ 13,920,821	\$ 29,396,557	\$ 51,034,261	\$ 74,470,674
Growth in Residents	6,488	6,488	6,488	6,488
Improvement Fee per Resident	\$ 2,136	\$ 4,432	\$ 7,856	\$ 8,209
Reimbursement Fee per Resident	-	89	-	3,259
Compliance Fee per Resident	10	10	10	10
Total SDC per Resident	\$ 2,146	\$ 4,531	\$ 7,866	\$ 11,478
Fee Schedule:				
Single-family dwelling unit	\$ 5,857	\$ 12,368	\$ 21,472	\$ 31,333
Multi-family dwelling unit	4,343	9,170	15,920	23,231
Mobile home dwelling unit	4,718	9,962	17,295	25,237

Source: 2015-2019 American Community Survey 5-Year Estimates, Tables B25024 and B25033
(residents per dwelling unit)

As shown above, the maximum allowable charge is \$11,478 per resident under the future level of service by unit of measurement. The resulting SDC is \$31,333 for a single-family dwelling unit based on an estimated 2.73 residents per dwelling unit, \$23,231 for a multi-family dwelling unit based on an estimated 2.02 residents per dwelling unit, and \$25,237 for a mobile home dwelling unit based on an estimated 2.20 residents per dwelling unit.

II.D.3. Comparison

This section provides comparisons for the City’s current and proposed SDCs against those of comparable jurisdictions. As shown in Table 10, if SDCs are implemented as proposed, the City will have a higher parks SDC than all comparable cities in this survey.

Table 10 – Parks SDC per SFR Comparison

	Parks SDC per SFR	
Sandy (Maximum)	\$	31,333
Lake Oswego		15,672
Tigard		10,345
Sherwood		8,998
Happy Valley		8,515
Canby		6,025
Hubbard		4,558
Eugene		4,246
Milwaukie		3,985
Sandy (Current)		3,717
Molalla		2,643

Source: Survey by FCS GROUP, as of 4/26/2022

Section III. FEE-IN-LIEU ANALYSIS

This section provides the detailed calculations of an updated fee in lieu of parkland dedication. The City will need to update its municipal code to accommodate the calculation.

III.A. LAND DEDICATION REQUIREMENT

The City currently requires developers to dedicate 0.0068 acres per resident added by a new development to give the City enough parkland to reach its goals for the park system. This is based on its existing inventory and on data from the 2022 Parks and Trails Master Plan.

III.B. LAND ACQUISITION COSTS

The City currently uses \$241,000 as its estimate for the cost of an acre of land in its fee-in-lieu calculation. However, FCS GROUP used assessor data to determine a more recent cost per acre based on the cost of undeveloped, platted land. That data revealed the average price per acre to be \$869,242.

III.C. CALCULATED FEE-IN-LIEU

Based on the previous sections, the fee-in-lieu calculation is summarized in Table 11 below. As shown, the calculated fee-in-lieu per resident is \$5,911, and the fee-in-lieu per dwelling unit ranges from \$11,963 up to \$16,135.

Table 11 – Fee-in-Lieu Calculation

Current cost per acre		\$869,242
Targeted acres per resident		0.0068
Calculated Fee-in-Lieu per resident		\$5,911
Fee Schedule:	Residents per Dwelling Unit	
Single-family dwelling unit	2.73	\$16,135
Multi-family dwelling unit	2.02	\$11,963
Mobile home dwelling unit	2.20	\$12,996

The table above uses data from the Census Bureau to calculate the number of residents per dwelling unit. Those calculations were also used to calculate the SDC per dwelling unit.

The City may choose instead to use its current occupancy assumptions, as described in Sandy Municipal Code Sec. 17.86.10. Under those assumptions, the fee-in-lieu ranges from \$8,866 for a congregate multi-family dwelling unit, up to \$17,733 for a single-family dwelling unit.

Table 12 – Fee-in-Lieu Calculation with City’s Current Occupancy Estimates

Current cost per acre		\$869,242
Targeted acres per resident		0.0068
Calculated Fee-in-Lieu per resident		\$5,911
Fee Schedule:	Residents per Dwelling Unit	
Single-family dwelling unit	3.00	\$17,733
Multi-family dwelling unit	2.00	\$11,822
Mobile home dwelling unit	2.00	\$11,822
Congregate multi-family dwelling unit	1.50	\$8,866

Section IV. IMPLEMENTATION

This section addresses practical aspects of implementing SDCs and an updated fee-in-lieu.

IV.A. FEE-IN-LIEU CHANGES

The City determined to keep its existing occupancy estimates when calculating the fee-in-lieu for a new development, so no adjustment is needed to match the occupancy estimates shown in Tables 9 and 11.

IV.B. INDEXING

ORS 223.304 allows for the periodic indexing of SDCs for inflation, as long as the index used is:

- (A) A relevant measurement of the average change in prices or costs over an identified time period for materials, labor, real property or a combination of the three;
- (B) Published by a recognized organization or agency that produces the index or data source for reasons that are independent of the system development charge methodology; and
- (C) Incorporated as part of the established methodology or identified and adopted in a separate ordinance, resolution or order.

In accordance with Oregon statutes, we recommend that the City use the *Engineering News-Record* (ENR) Construction Cost Index (CCI) 20-City Average as the basis for adjusting SDCs annually.