

Canby, Oregon



Final Report for
PARKS AND RECREATION
SYSTEM DEVELOPMENT
CHARGE STUDY

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SECTION I: BACKGROUND

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

A. POLICY

Oregon Revised Statutes (ORS) 223.297 to 223.314 authorize local governments to establish system development charges (SDCs). These are one-time fees on new development, and they are paid at the time of development. SDCs are intended to recover a fair share of the cost of existing and planned facilities that provide capacity to serve future growth.

ORS 223.299 defines two types of SDC:

- A reimbursement fee that is designed to recover “costs associated with capital improvements already construct, 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) and on the costs of compliance with Oregon’s SDC law.

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) and on the costs of compliance with Oregon’s SDC law.

B. PROJECT

The City last revised its methodology for parks and recreation SDCs in 2004. In 2011, the City contracted with FCS GROUP to update its parks and recreation SDCs.

We approached this project as a series of three steps:

- **Framework for Charges.** In this step, we worked with City staff to identify and agree on the approach to be used and the components to be included in the analysis.
- **Technical Analysis.** In this step, we worked with City staff to isolate the recoverable portion of planned facility costs and calculate draft SDC rates.
- **Draft Methodology Report Preparation.** In this step, we documented the calculation of the draft SDC rates included in this report.

SECTION II: METHODOLOGY

This section provides a non-numeric overview of the calculations that result in SDC rates.

A. REIMBURSEMENT FEE

In order for a reimbursement fee to be calculated, excess (i.e., not currently utilized) capacity must be available to serve future growth. Our analysis of the current inventory of parks and the level of service standards in the master plan indicates that the City currently has no excess capacity in its parks system. Therefore, no basis for a reimbursement fee exists.

B. IMPROVEMENT FEE

The improvement fee is the cost of capacity-increasing capital projects per unit of growth that those projects will serve. The unit of growth, whether number of new residents or number of new employees, is the basis of the fee. In reality, the capacity added by many projects serves a dual purpose of both meeting existing demand and serving future growth. To compute a compliant SDC rate, growth-related costs must be isolated, and costs related to current demand must be excluded.

We have used the “capacity approach” to allocate costs to the improvement fee basis. Under this approach, the cost of a given project is allocated to growth in proportion to the growth-related capacity that projects of a similar type will create. For example, suppose that a city’s master plan included the acquisition and development of 100 acres of new neighborhood parks. Suppose further that our analysis determined that 30 acres were required to meet existing demand, and 70 acres were required to serve future users. In that case, only 70 percent of the cost for any new neighborhood park would be eligible for recovery with an improvement fee.

Growth should be measured in units that most directly reflect the source of demand. In the case of parks, the most applicable units of growth are population and, where appropriate, population equivalents. However, the units in which demand is expressed may not be the same as the units in which SDC rates are charged. Many SDCs, for example, are charged in the basis of dwelling units. Therefore, conversion is often necessary from units of demand to units of payment. For example, using an average number of residents per household, the number of new residents can be converted to the number of new dwelling units.

C. COMPLIANCE COSTS

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 includes an estimate of compliance costs in its SDC rates.

D. SUMMARY

In general, SDC rates are calculated by adding the reimbursement fee (if applicable) component, improvement fee component, and compliance cost component. Each component is calculated by dividing the eligible cost by the growth of units of demand. The unit of demand becomes the basis of the charge. **Exhibit 1** shows this calculation in equation format:

SDC Equation			Exhibit 1
Eligible costs of excess capacity in existing facilities	+	Eligible costs of capacity- increasing capital improvements	
		+	Costs of complying with Oregon SDC law
<hr/>			
Units of growth in demand (e.g., new residents)			= SDC per unit of growth in demand

Section III of this report provides detailed calculations related to growth in demand, which is the denominator in the SDC equation. **Section IV** of this report provides detailed calculations on eligible costs, which is the numerator in the SDC equation.

SECTION III: GROWTH CALCULATION

This section provides detailed calculations related to growth in demand, which is the denominator in the SDC equation.

A. RELEVANT TYPES OF GROWTH

Parks and recreation facilities benefit City residents, businesses, non-resident employees, and visitors. The methodology used to update the City's parks and recreation SDCs establishes the required connection between the demands of growth and the SDC by analyzing the proportionate need of residents and employees for such facilities. The SDCs to be paid by a development meet statutory requirements because they are based on the nature of the development and the extent of the impact of that development on the types of park and recreation facilities for which they are charged. The Parks and Recreation SDCs are calculated based on the specific impact a development is expected to have on the City's population and employment.

B. POPULATION GROWTH

Having established the relevance of population, we now quantify expected growth in population and convert the result to dwelling units.

B.1 Expected Growth

Exhibit 2 shows our population growth projections as calculated from both (1) data provided by the Population Research Center at Portland State University and (2) the assumptions of the transportation system plan (TSP).

Growth in Population			Exhibit 2
Row	Description	Calculation	Value
a.	Population in 2012	Note 1	15,830
b.	Population in 2030	Note 2	26,100
c.	Compound average growth rate	$((b/a)^{(1/(2030-2012))})-1$	2.82%
d.	Population in 2032	$b*((1+c)^{(2032-2030)})$	27,591
e.	Growth from 2012 to 2032	d-a	11,761
Notes:			
1. PSU Population Research Center estimate for July 1, 2011			
2. Canby TSP, Appendix G			

B.2 Conversion to Dwelling Units

Residential SDCs are initially calculated based on costs per capita but are ultimately charged based on dwelling units. To convert population to dwelling units, we analyzed data gathered for Canby

from the most recent American Community Survey conducted by the U. S. Census Bureau. **Exhibit 3** shows the resulting conversion factors:

Residents per Dwelling Unit		Exhibit 3
Type of Dwelling Unit		Residents
Single-family		2.87
Multi-family		2.99
Manufactured		2.40
Source: 2006-10 American Community Survey		
Table B25024 (units in structure)		
Table B25033 (pop. in occupied housing units)		

C. EMPLOYMENT GROWTH

Having established the relevance of employment, we now quantify expected growth in employment. **Exhibit 4** shows our population growth projections as calculated from the data and assumptions of the TSP.

Growth in Employment			Exhibit 4
Row	Description	Calculation	Value
a.	Employment in 2009	Note 1	3,965
b.	Employment in 2030	Note 1	8,588
c.	Compound average growth rate	$((b/a)^{1/(2030-2009)})-1$	3.75%
d.	Employment in 2012	$a*((1+c)^{(2012-2009)})$	4,428
e.	Employment in 2032	$b*((1+c)^{(2032-2030)})$	9,244
f.	Growth from 2012 to 2032	e-d	4,816
Notes:			
1. Canby TSP, Appendix G			

D. DEMAND

The parks and recreation facilities described in the capital improvement plan below were mostly designed with the needs of both residents and non-resident employees in mind. It is therefore appropriate to allocate the cost of these facilities to both residents and non-resident employees. However, these two groups do not utilize parks and recreation facilities with the same intensity. To apportion the demand for facilities between non-resident employees and residents in an equitable manner, we must account for differential intensity of use by different types of users.

First, we estimate the potential demand for parks and recreation facilities by type of user. **Exhibit 5** presents potential use by different population groups in a manner that averages day-of-week and seasonal effects. These averages are based on the maximum number of hours per day that each population group would consider the use of parks and recreation facilities to be a viable option.

Potential Daily Demand by Population Group **Exhibit 5**

Season, Day, and Time	Residents				Non-Residents
	Non-Employed, Ages 16+	Ages 5-15	Work inside City	Work outside City	Work inside City
Summer (June through September)					
Weekday					
Before work			1.00		1.00
Meals and breaks			1.00		1.00
After work			2.00		2.00
Other leisure	14.00	14.00	2.00	2.00	
Total weekday	14.00	14.00	6.00	2.00	4.00
Weekend	14.00	14.00	14.00	14.00	
Total summer	14.00	14.00	8.29	5.43	2.86
Spring/fall (April, May, October, and November)					
Weekday					
Before work			0.50		0.50
Meals and breaks			1.00		1.00
After work			1.00		1.00
Other leisure	10.00	4.00	2.00	2.00	
Total weekday	10.00	4.00	4.50	2.00	2.50
Weekend	10.00	10.00	10.00	10.00	
Total spring/fall	10.00	5.71	6.07	4.29	1.79
Winter (December through March)					
Weekday					
Before work			0.50		0.50
Meals and breaks			1.00		1.00
After work			0.50		0.50
Other leisure	9.00	2.00	1.00	1.00	
Total weekday	9.00	2.00	3.00	1.00	2.00
Weekend	9.00	9.00	9.00	9.00	
Total winter	9.00	4.00	4.71	3.29	1.43
Weighting factors					
Summer	0.33	0.33	0.33	0.33	0.33
Spring/fall	0.33	0.33	0.33	0.33	0.33
Winter	0.33	0.33	0.33	0.33	0.33
Total weighting factors	1.00	1.00	1.00	1.00	1.00
Daily weighted average hours	11.00	7.90	6.36	4.33	2.02

Source: FCS GROUP

Second, we multiply the weighted average hours derived in **Exhibit 5** by an actual count for each population group. The counts in **Exhibit 6** are based on U. S. Census Bureau data for 2010.

Estimate and Allocation of Daily Demand

Exhibit 6

Description	Residents				Non-Residents	Total	
	Non-Employed, Ages 16+	Ages 5-15	Work inside City	Work outside City	Work inside City	#	%
Census counts	4,152	2,752	1,575	5,582	3,006	17,067	
Daily weighted average hours	11.00	7.90	6.36	4.33	2.02	32	
Total potential daily demand in hours	45,667	21,754	10,010	24,191	6,085	107,705	
Allocation of demand:						0	
Residence-related demand in hours	45,667	21,754	6,823	24,191	0	98,434	91.4%
Employment-related demand in hours	0	0	3,187	0	6,085	9,271	8.6%
Total potential daily demand in hours	45,667	21,754	10,010	24,191	6,085	107,705	100.0%

Source: U. S. Census Bureau (2010 data) and Exhibit 5

For most population groups, demand is clearly either residence-related or employment-related. Those who live and work inside Canby, however, have both types of demand. Based on **Exhibit 5**, a person who both lives and works in Canby has 3.1 times the demand for parks and recreational facilities than a person who just work in Canby. This multiple suggests that, for a person who both lives and works in Canby, residence-related demand is more than twice that person's employment-related demand. When this allocation is combined with other population groups (in the bottom three rows of **Exhibit 6**), 91.4 percent of all demand is residence related, and 8.6 percent is employment-related.

SECTION IV: COST CALCULATION

This section provides detailed calculations on eligible costs, which is the numerator in the SDC equation.

A. CURRENT FACILITIES

As detailed in **Exhibit 7**, the City has a current inventory of 71.0 developed acres in parks and recreation facilities.

Current Park Inventory		Exhibit 7		
Classification	Facility	Total Acres	Developed Portion	Developed Acres
Community Park	Canby Community Park	14.5	100%	14.5
Community Park	Eco Park	19.0	100%	19.0
Community Park	Skate Park	1.5	100%	1.5
Mini-Park	19th Avenue Loop	1.8	100%	1.8
Mini-Park	Arneson Garden	1.8	100%	1.8
Mini-Park	Faist Lot	0.3	0%	0.0
Mini-Park	Holly Corners	0.2	100%	0.2
Mini-Park	Locust Street Park	1.0	100%	1.0
Mini-Park	Northwoods Park	1.9	100%	1.9
Mini-Park	Viet Nam Memorial Park	0.2	100%	0.2
Mini-Park	Wait Park	2.0	100%	2.0
Neighborhood Park	Willamette Wayside: Disc golf facility	10.0	100%	10.0
Neighborhood Park	Dog Park	6.0	0%	0.0
Neighborhood Park	Willamette Wayside: Restricted	64.0	0%	0.0
Neighborhood Park	Legacy Park	5.7	100%	5.7
Neighborhood Park	Maple Street Park	9.0	100%	9.0
Neighborhood Park	NW Neighborhood Park	2.4	100%	2.4
		141.4		71.0

Source: Canby Parks Acquisition Plan and City staff

B. FACILITY NEEDS

The City's adopted standard for parks and recreation facilities is 10 acres per 1,000 residents. With a population of 15,830 in 2012, the City currently needs 158.3 acres of parks to meet this standard. With a current inventory of only 71.0 acres, the City has a current deficiency of 87.3 acres. To meet the needs of growth by 2032, the City will need to cure this deficiency and provide an additional 117.6 acres.

The projects listed in the capital improvement plan are eligible for SDC funding only to the extent that the projects will benefit future users (rather than cure an existing deficiency). As shown in

Exhibit 8, only 57.4 percent of the planned capital improvements will benefit future users. Therefore, only 57.4 percent of the improvements' costs can be recovered through SDCs.

Park Needs and SDC Eligibility		Exhibit 8	
Description	2012	Increase from 2012 to 2032	2032
Parks needs			
Population	15,830	11,761	27,591
Parks standard per 1,000 residents	10	10	10
Needed acres of parks	158.3	117.6	275.9
SDC eligibility			
Current developed parks in acres	71.0		71.0
Needed additions in acres	87.3	117.6	204.9
Needed acres of parks	158.3	117.6	275.9
Deficiency/growth proportions	42.6%	57.4%	100.0%
SDC Eligibility			
Source: Exhibits 2 and 7, City staff			

C. FACILITY COSTS

Over the next 20 years, the City intends to acquire and/or develop parks and recreation facilities with a total estimated cost of \$39,470,100. Of that cost, \$22,658,754 (or 57.4 percent) can be recovered through SDCs.

C.1 Projects

Exhibit 9 shows the projects that constitute the capital improvement plan for parks and recreation facilities.

Capital Improvement Plan for Parks		Exhibit 9	
Project	Estimated Cost	SDC Eligibility	SDC-Eligible Cost
Willamette Wayside Improvements	\$ 323,700	57.4%	\$ 185,828
Logging Road Trail Corridor	145,000	57.4%	83,241
Swim Center Replacement/Addition	10,020,000	57.4%	5,752,220
Northwoods Park	325,000	57.4%	186,574
NW Neighborhood Park North	350,000	57.4%	200,926
Acquisition and Development	28,306,400	57.4%	16,249,965
	<u>\$39,470,100</u>		<u>\$ 22,658,754</u>
Source: City staff			

C.2 Allocation to Residents and Employees

After determining the total SDC-eligible costs, these costs must be allocated between residents and employees. Using the allocation percentages from **Exhibit 6**, the portion of facility costs that is attributable to residents is \$20,708,328 (or 91.4 percent). The portion attributable to employees is \$1,950,426 (or 8.6 percent).

D. ADJUSTMENTS

The City incurs costs in the development and administration of SDCs and may recover those costs as provided in ORS 223.307(5). We estimate recoverable costs during the planning period of \$559,365.

Finally, because the City's SDC fund has a balance of \$843,521, the costs to be recovered through SDCs can also be reduced by that amount.

E. SUMMARY

Exhibit 10 summarizes and allocates SDC-eligible costs after all adjustments.

Allocation of SDC-Eligible Costs				Exhibit 10	
Cost Type	SDC-Eligible Costs	Residents		Employees	
		%	\$	%	\$
Facilities	\$22,658,754	91.4%	\$20,708,328	8.6%	\$1,950,426
Compliance	559,365	91.4%	511,216	8.6%	48,149
Fund balance	(843,521)	91.4%	(770,912)	8.6%	(72,609)
	<u>\$22,374,598</u>		<u>\$20,448,631</u>		<u>\$1,925,966</u>
Growth in residents/employees			11,761		4,816
Cost per resident/employee			\$ 1,739		\$ 400
Source: Exhibits 2, 4, 6, 9 and FY 2010-11 CAFR					

SECTION V: SDC CALCULATION

This section provides a detailed calculation of the residential and non-residential SDCs.

A. RESIDENTIAL COST PER CAPITA

As shown in **Exhibit 10**, total residential costs of \$20,448,631 divided by expected growth of 11,761 residents results in a cost per capita of \$1,739.

B. RESIDENTIAL SDC PER DWELLING UNIT

When we convert population to the dwelling units described in **Exhibit 3**, we can determine the total SDC per dwelling unit as shown in **Exhibit 11**.

SDC per Dwelling Unit			Exhibit 11
Type of Dwelling Unit	Cost per Capita	Residents per Dwelling Unit	SDC per Dwelling Unit
Single-Family	\$ 1,739	2.87	\$ 4,987
Multi-Family	\$ 1,739	2.99	\$ 5,192
Manufactured	\$ 1,739	2.40	\$ 4,165
Source: Exhibits 3 and 10			

C. NON-RESIDENTIAL SDC PER EMPLOYEE

As shown in **Exhibit 10**, total employment-related costs of \$1,925,966 divided by expected growth of 4,816 employees results in a cost per employee of \$400.

D. CREDITS, EXEMPTIONS AND DISCOUNTS

The existing Canby SDC administrative procedures will continue to establish local policies for issuing credits and exemptions, annual adjustments, and other administrative procedures.

D.1 Credits

A credit is a reduction in the amount of the SDC for a specific development. The Oregon SDC Act requires that credit be allowed for the construction of a "qualified public improvement" which (1) is required as a condition of development approval, (2) is identified in the City's capital improvements program, and (3) either is not located on or contiguous to property that is the subject of development

approval, or is located on or contiguous to such property and is required to be built larger or with greater capacity than is necessary for the particular development project.

The credit for a qualified public improvement may only be applied against an SDC for the same type of improvement (e.g., a transportation improvement can only be used for a credit for a future transportation SDC), and must be granted only for the cost of that portion of an improvement which exceeds the minimum standard facility size or capacity needed to serve the particular project up to the amount of the improvement fee. For multi-phase projects, any excess credit may be applied against SDCs that accrue in subsequent phases of the original development project.

In addition to these required credits, the City may, if it so chooses, provide a greater credit, establish a system providing for the transferability of credits, provide a credit for a capital improvement not identified in the City's SDC Capital Improvements Plan, or provide a share of the cost of an improvement by other means (i.e., partnerships, other City revenues, etc.).

D.2 Exemptions

The City may "exempt" specific classes of development (i.e., minor additions, etc.) from the requirement to pay transportation SDCs.

D.3 Discounts

The City may "discount" the amount of the SDC by reducing the portion of growth-required improvements to be funded with SDCs. Alternatively, the City may decide to charge only a percentage (i.e., 50%, 75%, etc.) of the SDC rates required to fund identified growth-related facility costs. Because discounts reduce SDC revenues, they increase the amounts that must come from other sources, such as general fund contributions in order for the City to maintain levels of service.

E. INDEXING

Oregon law (ORS 223.304) also allows for the periodic indexing of system development charges 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.”

We recommend that the City of Canby index its charges to the **Engineering News Record (ENR) Construction Cost Index (CCI)** for the City of Seattle, and adjust the charges annually as per that index. There is no comparable Oregon-specific index.

F. SUMMARY AND COMPARISON

Exhibit 12 concludes our report by summarizing the SDC calculations and comparing them with SDCs currently in effect.

Comparison of SDCs

Exhibit 12

Type of SDC	Fee		Change	
	Current	Proposed	\$	%
Residential, Single-Family	\$4,725	\$ 4,987	\$ 262	5.5%
Residential, Multi-Family	\$3,869	\$ 5,192	\$ 1,323	34.2%
Residential, Manufactured	\$3,874	\$ 4,165	\$ 291	7.5%
Non-Residential, Per Employee	\$ 129	\$ 400	\$ 271	210.0%
Source: Master Fee Schedule, Exhibits 10 and 11				