



RESOLUTION 2022-065

UPDATING THE CITY OF SHERWOOD PARKS SYSTEM DEVELOPMENT CHARGES METHODOLOGY AND AMENDING THE FEE SCHEDULE

WHEREAS, City of Sherwood Ordinance 2001-118 provides that the City may amend or adopt a new Parks System Development Charge (SDC) Methodology Report by resolution; and

WHEREAS, the last Parks System Development Charge and Methodology update was completed in 2004 (Ordinance 2004-077); and

WHEREAS, on May 18, 2021, the City of Sherwood adopted an updated Parks and Recreation Master Plan (Ordinance 2021-004); and

WHEREAS, the Methodology Report includes updated SDC rates which reflect currently identified needs;

NOW, THEREFORE, THE CITY OF SHERWOOD RESOLVES AS FOLLOWS:

Section 1. The City of Sherwood City Council hereby adopts the Parks System Development Charges Methodology Report, attached hereto as Exhibit A.


Section 2. This Resolution shall be effective upon its approval and adoption.

Duly passed by the City Council this 2nd day of August 2022.



Keith Mays, Mayor

Attest:



Sylvia Murphy, MMC, City Recorder

City of Sherwood

PARKS SYSTEM DEVELOPMENT CHARGE METHODOLOGY

Report
April 19, 2022

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FCS GROUP

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Section I. INTRODUCTION

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

I.A. PROJECT

The City of Sherwood (City) imposes a system development charge (SDC) to provide partial funding for the capital needs of its parks system. The current parks SDC is charged to both residential and non-residential new development.

In May, 2021, the City adopted a new *Parks & Recreation Master Plan*. Later that year, the City engaged FCS GROUP to update its parks SDC based on that new master plan.

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 15.16 of the Sherwood Municipal Code authorizes and governs the imposition and expenditure of SDCs in Sherwood.

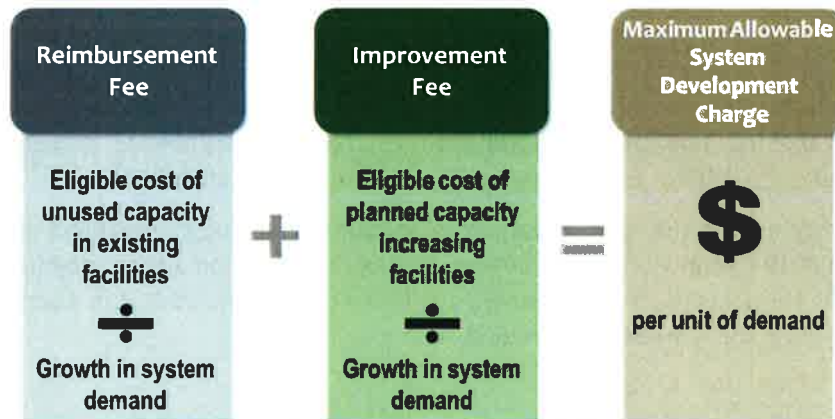
I.B.3. United States Constitution

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. 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.

II.A.1.a Options

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

When an agency chooses to impose a parks SDC on both residential and non-residential developments, the demand of one additional resident must be carefully distinguished from the demand of one additional employee. This is usually accomplished by the calculation of a residential equivalent. One resident is equal to one residential equivalent, and one employee is typically less than one residential equivalent.

II.A.1.b Recommendation

The City finds that non-residential developments are a significant source of demand for parks facilities. We therefore recommend that the City continue to charge parks SDCs for non-residential development as well as continuing to charge parks SDCs for residential development.

II.A.2. Demand Adjustment for Non-Residential Users

To charge parks SDCs to both residential and non-residential developments, we must estimate both (1) how much availability non-residential occupants (i.e., employees) have to use parks facilities and (2) how that availability differs from residential occupants (i.e., residents).

The calculation begins with the most recent counts for population and employment in Sherwood. As shown below, in 2019 (the most recent year for which both population and employment data were available), 19,595 residents lived in Sherwood, and 6,485 employees worked in Sherwood. Of these, 824 people both lived and worked in Sherwood.

Table 1

2019 Inflow/Outflow Analysis	Living Inside	Living Outside	Total
	Sherwood	Sherwood	
Working inside Sherwood	824	5,661	6,485
Working outside Sherwood	9,202		
Not working	9,569		
Total	19,595		

Source: US Census Bureau: OnTheMap Application

Next, we estimate the number of hours per week that each category of person would be available to use the parks facilities in Sherwood. Table 2 below shows our estimate of maximum availability. It is not an estimate of actual use.

Table 2

Hours per Week of Park Availability per Person, Residential Demand	Living Inside Sherwood	Living Outside Sherwood
Working inside Sherwood	72	
Working outside Sherwood	72	
Not working	112	

Source: FCS GROUP

Hours per Week of Park Availability per Person, Non-Residential Demand	Living Inside Sherwood	Living Outside Sherwood
Working inside Sherwood	10	10
Working outside Sherwood		
Not working		

Source: FCS GROUP

A person who both lives and works in Sherwood is allocated 72 hours per week of residential availability and 10 hours per week of non-residential availability. This is not double counting. Rather, it is a careful distinguishing of the two types of demand.

When the hours of availability above are multiplied by the counts presented earlier, we can determine the relative demand of residents and employees. As shown in Table 3 below, the parks demand of one employee is equivalent to the parks demand of about 0.11 resident. To put it another way, the parks demand of 9.15 employees is equivalent to the parks demand of one resident.

Table 3

Total Hours per Week of Park Availability, 2019	Residential Hours	Residential Hours	Total Hours
Working inside Sherwood	59,328	64,850	124,178
Working outside Sherwood	662,544		662,544
Not working	1,071,728		1,071,728
Total	1,793,600	64,850	1,858,450
Hours per resident	91.53		
Hours per employee		10.00	
Employee Residential Equivalent			0.109

Source: Previous tables

II.A.3. Growth in Demand

The current (2021) demand for parks facilities is 21,241 residential equivalents. That number is the sum of 20,496 residents and 745 residential equivalents for 6,818 employees.

During the forecast period from 2021 to 2040, the residential population is expected to grow by 12,504 residents to a total of 33,000 residents. If total residential equivalents remain proportionate to the residential population, then residential equivalents will grow by 12,958 to a total of 34,199 residential equivalents. Therefore, 12,958 residential equivalents will be the denominator for the SDC calculations later in this report.

Table 4 below summarizes these calculations:

Table 4

	2019	2021	2040	Growth from 2021 to 2040
Population	19,595	20,496	33,000	12,504
Employees	6,485	6,818	10,978	4,160
Residential Equivalent Employee:	708	745	1,199	454
Total Residential Equivalents	20,303	21,241	34,199	12,958

Source: Previous tables

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 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). We perform this analysis using acres of park facilities and targeting the future level of service after all of the projects in the planning period have been finished. Determining eligibility based on the future level of service means that only those project costs that exceed the cost of curing any existing deficiency are considered eligible.

The City has 66.68 acres of park facilities in 2021. That equals 3.25 acres per 1,000 residents. The project list will add 52.00 acres, bringing the total acres to 118.68. This will change (increase) the level of service to 3.60 acres per 1,000 residents. If this level of service were applied to the 2021 population, the City would need 73.71 acres of parks and natural areas. Since the City currently has only 66.68 acres, there is a deficiency of 7.03 acres. Thus, project costs for adding new acres of parks and natural areas can be considered 86.48 percent eligible. As an additional result of the deficiency, there is no available capacity that could be included in a reimbursement fee.

Table 5

By Unit of Measurement	Current Quantity (as of 2021)	Quantity Planned (per CIP)	Quantity Planned by 2041	Current Level of Service		Future Level of Service			
				New Quantity Needed	Eligibility	Units per 1,000 residents in 2041	Minimum 2021 Quantity	Eligibility	Reimbursable Quantity
Acres	66.68	52.00	118.68	40.68	78.23%	3.60	73.71	86.48%	0.00

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. As shown in Table 6 below, this project list has a total cost of \$44.3 million.

Table 6

Expansion Projects	Timing	Total Cost	Eligibility	Eligible Cost
Sherwood West Concept Area Park Development	10+ years	\$ 12,600,000	86.48%	\$ 10,896,318
Sherwood West Concept Area Park Land Acquisition	10+ years	12,750,000	86.48%	11,026,036
Sherwood Fieldhouse Replacement	5-10 years	7,500,000	86.48%	6,485,903
Sports Complex	10+ years	11,400,000	86.48%	9,858,573
Total		\$ 44,250,000	86.48%	\$ 38,266,831

Multiplying the total cost of \$44.3 million by the eligibility of 86.48 percent results in total eligible cost for the expansion list of \$38.3 million.

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 7 below, this project list has a total cost of \$78.7 million. The capacity expanding portion of these costs is listed in the final column and totals to \$29.7 million.

Table 7

Infill Project	Timing	Total Cost	Eligibility	Eligible Cost
Atley Estates	5-10 years	\$ 403,000	37.89%	\$ 152,700
Langer Park	5-10 years	1,724,000	37.89%	653,239
Murdock Park	1-5 years	2,246,000	37.89%	851,030
Pioneer Park	1-5 years	1,504,000	37.89%	569,879
Stella Olsen Memorial Park	5-10 years	2,300,000	37.89%	871,491
Woodhaven Park	5-10 years	1,740,000	37.89%	659,302
Natural Area Management		150,000	0.00%	-
Marjorie Stewart Senior Community Center Expansion	10+ years	6,300,000	37.89%	2,387,127
Sherwood Center for the Arts	1-20 years	900,000	37.89%	341,018
YMCA (City of Sherwood Owned Building)	1-20 years	30,000,000	37.89%	11,367,273
Brookman Concept Area Parks	1-20 years	6,375,000	37.89%	2,415,545
10-Minute Walk Park Improvements	1-20 years	1,500,000	37.89%	568,364
Trail Network Expansion/Improvement	10+ years	1,500,000	37.89%	568,364
Pump Track	5-10 years	350,000	37.89%	132,618
Disc Golf Course	1-20 years	50,000	37.89%	18,945
Dog Park	1-20 years	150,000	37.89%	56,836
Universally Accessible Destination Play Area	5-10 years	1,750,000	37.89%	663,091
Splash Pad	5-10 years	500,000	37.89%	189,455
Festival Plaza	1-20 years	550,000	37.89%	208,400
Pedestrian Undercrossing	1-20 years	6,412,057	37.89%	2,429,587
Pedestrian and Bike Bridge	1-20 years	12,000,000	37.89%	4,546,909
Public Art	1-20 years	250,000	37.89%	94,727
Total		\$ 78,654,057	37.82%	\$ 29,745,901

II.B.4. Calculated Improvement Fee Cost Basis

As shown in Table 8 below, the combined SDC cost basis is \$68.0 million, and it consists solely of an improvement fee cost basis.

Table 8

SDC Cost Basis	Future Level of Service (by Unit)
Eligible costs by category:	
Reimbursable Acreage	\$ -
Infill Projects	29,745,901
Expansion Projects	38,266,831
Total Eligible Costs	\$ 68,012,731

II.C. 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 residential equivalent.

We then use census data to estimate the number of residents per dwelling unit and calculate SDCs for residential dwelling units. For non-residential development, we provide both an SDC per employee and an estimate of the number of employees per 1,000 square feet of different types of non-residential development.

II.C.1. Adjustments

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. However, as the City has not provided any data on SDC fund balance, we have made no deduction from the improvement fee cost basis.

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.” However, the City has elected not to estimate future compliance costs.

II.C.2. SDC per Residential equivalent

Table 9 below is a complete schedule of calculated parks SDCs by residential equivalent and by land use:

Table 9

Calculated Impact Fee		Future LOS Units
Cost basis:		
Project Cost Basis		\$ 68,012,731
less: Debt Deduction		-
less: SDC Fund Balance		-
Total Cost Basis		\$ 68,012,731
Growth in Residential Equivalents		12,958
SDC per Residential Equivalent		\$ 5,249
Land Use Category	Equivalent Residential Multiplier / Occupancy	
Single-family dwelling unit	2.857	\$ 14,997
Multi-family dwelling unit	1.774	9,310
Manufactured home	1.833	9,622
Accessory dwelling unit	1.000	5,249
Employee	0.109	573

Source: American Community Survey and Previous Tables

As shown above, the maximum allowable charge is \$5,249 per residential equivalent, and the resulting SDC for a single-family residence is \$14,997. SDCs for other types of dwelling units vary by average occupancy as shown in Table 9.

The calculated non-residential SDC of \$573 per employee can be applied by using Table 10 to estimate the number of employees that will work in the proposed development.

Table 10

Non-Residential Land Use	Fee	Unit	Sq. Ft. per Employee
Manufacturing	\$ 0.94	per Sq. Ft.	500
Wholesale, Transportation and Utilities	0.47	per Sq. Ft.	1,000
Retail	0.67	per Sq. Ft.	700
Finance, Insurance, and Real Estate	1.35	per Sq. Ft.	350
Services (not including food services)	1.18	per Sq. Ft.	400
Government/Education	1.57	per Sq. Ft.	300
Restaurant	2.35	per Sq. Ft.	200
Mini-storage	0.02	per Sq. Ft.	20,000

Source: Snohomish County Buildable Lands Report and Previous Tables

II.D. COMPARISONS

Table 11 shows how both the existing and calculated SDCs compare with parks SDCs in selected jurisdictions:

Table 11

Parks SDC Comparison	Single	Multi-Family	Office Bldg. (per
	Family		sq. ft.)
	Residence		
Sherwood (calculated)	\$ 14,997	\$ 9,310	\$ 1.64
Tualatin Hills PRD (Bonny Slope West)	12,789	10,206	1.03
Tualatin Hills PRD (North Bethany)	12,645	10,091	1.03
Tualatin Hills PRD (South Cooper Mountain)	12,624	10,075	1.03
Beaverton	11,787	8,840	1.33
Tigard	10,903	8,011	1.83
Tualatin Hills PRD (District-wide no overlay)	10,800	8,619	1.03
Sherwood (existing)	8,999	6,754	0.27
Tualatin	8,548	6,371	1.72
Newburg - Chehalem Park District	8,432	7,426	-
Forest Grove	6,010	6,010	-
McMinnville	2,617	2,617	2.88

Section III. IMPLEMENTATION

This section addresses practical aspects of implementing SDCs.

III.A. FUNDING PLAN

Even if the City implements the full parks SDCs calculated above, SDC revenues will not be sufficient to fund the project list. As shown in Table 12, an additional \$57.8 million will need to be raised from other, non-SDC, sources.

Table 12

Funding Plan	
Resources:	
Beginning fund balance	\$ -
SDC Revenue	68,012,731
<i>Other Needed Revenue</i>	<u>57,765,326</u>
Total resources	\$ 125,778,057
Requirements:	
Project list (total cost)	\$ 125,778,057
Ending fund balance	<u>-</u>
Total requirements	\$ 125,778,057

III.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.

We recommend adjusting parks SDCs each year by the percentage change in the Construction Cost Index for Seattle published in the *Engineering News-Record* over the preceding 12 months.

