

Council Business Meeting

December 7, 2021

Agenda Item	Request by Ashland School District for Review of the City's Community Development Fee, and Partial Reimbursement of Fees Paid for the Remaining School Bond Projects	
From	Gary Milliman Alison Chan Bill Molnar	City Manager Pro Tem Interim Finance Director Community Development Director
Contact	gary.milliman@ashland.or.us 552-2103 alison.chan@ashland.or.us 552-2003 bill.molnar@ashland.or.us 552-2042	

SUMMARY

The Council is asked to consider a request from Ashland Public Schools for the City to review its methodology for assessment of its Community Development Fee, as well as grant a partial reimbursement of Community Development fees already paid, and abatement of fees for the remainder of School Bond projects.

A letter was submitted to Mayor Akins and Ashland City Council from Ashland Public Schools requesting review of the city's permit fees and methodology for School District projects. In the letter, the District, School Board, and Oversight Committee formally request:

- A partial reimbursement of \$600K in Community Development fees already paid,
- A comprehensive Community Development Fee abatement for remainder of the Bond Projects, and
- An adoption of a new methodology for assessing this fee, specifically through a project budget cap, or other method especially with consideration of other public entities.

POLICIES, PLANS & GOALS SUPPORTED

Ashland Comprehensive Plan – Public Services Element

Goal: To make maximum effort toward utilization of present and future educational and recreational facilities and resources through public, private and City cooperation.

Policy IX-30: Encourage cooperation between the City and School District when new school facilities are considered or when City action affects the School District.

PREVIOUS COUNCIL ACTION

N/A

BACKGROUND AND ADDITIONAL INFORMATION

Development Fees Structure – Current

In 2000, the City Council adopted a comprehensive update of permit fees for City development services. The updated fee schedule was based upon the recommendations from CDA Consulting Group, a consulting firm from Portland, Oregon, contracted by the City to study development fees and bring forth recommendations. Despite periodic revisions to the fee structure prior to 2000, there had become an increasing reliance on the General Fund to support development services. Through the study, the City of Ashland Planning Division in the Community Development Department and the Engineering Services Division in the Public Works Department were analyzed to

determine cost recovery for development services. Through analysis, the report concluded that 75% of Planning Division and 42% of Engineering Services Division costs were related to development. To address the growing dependence on the General Fund necessary to support providing the City's development services, a new fee structure was approved. Under the adopted fee structure, the cost associated with provided development services would receive less support from property tax revenue, with majority of cost borne through application/user fees. Since adoption of this fee schedule in 2000, it is estimated that approximately 65% of the costs to the Planning Division to offer development services is covered by permit fees.

Key elements of the City's current development fees structure closely resembles the 2000 report recommendations. Total permit costs for new building construction comprises all or a majority of the fees identified on Ashland Development Fees – Current (Attachment 2). With the adoption of an updated development fee structure in 2000, two new fee categories were created to support the objective of having development pay a more significant share of the cost associated with providing City development services. Both the Community Development Fee and Engineering Fee had a similar objective, to recover a majority of the costs to the City of providing a variety of development-related services by the Planning Division and Engineering Services Division respectively. Currently, the total combined fee for a new construction project from both the Community Development Fee (1.2%) and Engineering Fee (.75%) is 1.95%.

The City of Ashland was the first city within the region to these two types of fees. Since then, both Jackson County and the City of Talent impose a Community Development Fee of 1.95%. The significant distinction between the three governmental entities is that both Jackson County and City of Talent appear to cap the total Community Development Fee at \$16,000, while the City of Ashland does not employ a fee cap on either the Community Development or Engineering Fee. Additionally, information provided by Ashland Public Schools notes that the City of Klamath Fall assesses a Community Development Fee equal to 0.3% of the total project valuation, with a cap of \$27,000.

FISCAL IMPACTS

Option #3 below suggests capping the Community Development Fee at \$100,000 and making it retroactive to projects receiving a permit in FY2020-21. The list of ASD projects receiving a Community Development Fee adjustment/refund would include: \$200K for Ashland Middle School, \$24K for Helman Elementary and an estimated \$122K for the pending permit for Walker Elementary School (FY2021-22). Under the proposed Option 3, the Ashland School District would receive a total refund/fee adjustment of \$346,000. Those funds would come out of the City's General Fund.

It is estimated that capping the Community Development Fee at \$100,000 would have a limited impact on permit revenues and the General Fund over the long-term. Under Option 3, the Community Development Fee would be capped on construction projects with a permit valuation of approximately \$8.25 million or greater.

STAFF RECOMMENDATION

After initial review of the request, three options have been provided for Council discussion and consideration. Staff recommends Option 3.

1. **Exempt a specific project category from paying the Community Development Fee (1.2%)**
This alternative would require policy direction as to what categories should be exempt from the Community Development Fee and the specific basis for defining the categories. The discussion would need to identify the merits or benefits of public, non-profit, and for-profit projects. For

example, an exemption for the general category “schools” would need to specify which categories of the following types of schools would be exempt:

- Public Elementary and Secondary Schools
- Charter Schools
- Private K-12 Schools
- Pre-schools and early childhood education
- Non-profit schools
- Public or Private Universities or Colleges
- Career and Technical Education Trade Schools

2. Considered a reduced Community Development Fee for a specific project category.

Similar to Option 1 above, the challenge is determining what types of projects justify a reduced Community Development Fee and for what reasons. A lower fee for specific categories or uses would still result in uncapped fees as is currently the case, which has been raised as a point of concern in examples of projects with very high permit valuations.

Ashland has historically seen a significant number of large-scale government funded projects within the community due to the presence of Southern Oregon University, US Fish and Wildlife Services Forensic Lab, City of Ashland, Jackson County Library System and Ashland School District. This alternative would require policy guidance as to whether Southern Oregon University, in addition to Ashland School District, would be eligible as a “public school” for exemption of amount of fees. Also, the funding for some projects within Ashland can be traced to support of tax funded bonds such, as the Ashland Library expansion.

3. Place a cap on the amount of community development fee charged. Staff is suggested a maximum Community Development Fee of \$100,000.

In staff’s opinion, this approach would appear to be neutral and the more equitable, regardless of the proposed use. The Community Development Fee would be capped at \$100,000, whether the entity proposing the project is public, private or a non-profit.

Under this scenario, if Council approved a cap on the Community Development Fee, this decision could be applied retroactively to projects issued a building permit since the start of FY21 (July 2021). Accordingly, the Ashland Middle School and Helman Elementary School projects that have paid Community Development Fees of approximately \$424,000 and the Walker Elementary School project that has an estimated Community Development Fee of \$222,000 would be eligible to receive a total refund of \$346,000.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

I move to direct staff to amend the City Miscellaneous Fees and Charges document, capping the Community Development Fee at \$100,000. The fee amendment is retroactive to July 1, 2020 and applies to all projects.

REFERENCES & ATTACHMENTS

- Estimated Community Development Fees FY20/21 – Attachment 1
- City of Ashland Development Fees – Current – Attachment 2
- Ashland Public Schools Fee Reduction Letter- Attachment 3

Estimated Community Development Fees FY20/21



ADDRESS	PERMIT #	VALUATION	DESCRIPTION	CD FEE
1675 Ashland	BD-R-2020-00477	\$ 6,402,000	Columbia Care 30-unit housing project. COMM-DEV FEE WAS WAIVED	\$ -
100 Walker	BD-NR-2020-00096	\$ 25,000,000	Ashland Middle School	\$ 300,000
705 Helman	BD-NR-2020-00113	\$ 10,350,000	Helman Elementary School	\$ 124,200
364 Walker	BD-NR-2021-00159	\$ 18,500,000	Walker Elementary School	\$ 222,000
			<i>*Permit review in progress. Fee has not been collected yet.</i>	
			TOTAL:	\$ 646,200



City of Ashland – Development Fees (Current)

System Development Charges

Systems Development Charges

Since 1991, the City of Ashland has collected Systems Development Charges (SDC's) to assist in paying for the impacts of new development on the City's existing various systems, including water, wastewater, transportation (streets, sidewalks, bike lanes, etc.), storm drains, and parks.

Miscellaneous Fees/Taxes

Community Development Fee

Since 2000, the City of Ashland has collected Community Development Fees – a one-time fee charged at the time of issuance of a building permit. The fee is intended to recover a fair share of the costs of providing a variety of development-related services by the Planning Division. Currently the fee is 1.2% (.012) on new construction permit valuation.

School Construction Excise Tax (CET)

As of July 1, 2010, all new construction that results in new structures or additional square footage within the Ashland School District is assessed a Construction Excise Tax (CET). The tax is assessed at \$1.07 per square foot on residential construction and \$0.54 per square foot for non-residential construction, not to exceed \$25,000 per building permit or \$25,000 per structure, whichever is less. The tax pays for school capital improvements including land acquisition; construction, reconstruction or improvement of school facilities; acquisition or installation of equipment, furnishings or other tangible property; architectural, engineering, legal or similar costs related to capital improvements; or the payment of obligations and related costs of issuance that are issued to finance or refinance capital improvements.

Engineering Fee

Since 2000, the City of Ashland has collected Engineering Fees - a one-time fee charged at the time of issuance of a building permit. The fee is intended to recover a fair share of the costs of providing a variety of development-related services by the Engineering Division. Currently, the fee is .75% (.0075) and applies to all new residential dwelling units and commercial developments. Remodels, additions, and accessory buildings are not assessed this fee.

Fire Department Fee

Fire protection plan review fees apply to any building permit that is routed by or requires interaction with the Fire Department. The fee is 24% of the Structural Permit fee and Plan Check fee and addresses fire protection issues and features that are not addressed by the Oregon Structural Specialty Code. (Ex.

Fire apparatus access, fire hydrants and required fire hydrant flows, the specific locations for Fire Department pumper connections, fire alarm panels, and access key boxes.

Building Permit & State Surcharge Fees



Building Permit

Building Permit Fee (w/State Surcharge) – A fee associated with an application to construct, enlarge, alter, repair, move or change the occupancy, or installing any electrical, gas, mechanical or plumbing system regulated by Oregon State building code. The fee is intended to generate adequate funds necessary to administer and enforce the City’s building plans review and inspection program. A State surcharge fee of 12% is applied to all building permit types issued in the state of Oregon.

ASHLAND PUBLIC SCHOOLS

JACKSON COUNTY SCHOOL DISTRICT #5

Samuel Bogdanove

Superintendent

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Executive Director, Operations

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Director, Human Resources

ALANA VALENCIA
Director, Finance

11/05/2021

Mayor Akins, Councilor Moran and Mr. Milliman, City Manager pro tem;

This letter is to follow up on the letter dated March 12, 2021, whereby the Ashland School District (District) requested the City of Ashland (City) review the city's permit fee and methodology for application, for which the District did not receive a response.

During the course of the last eight months, since the original communication, the District has paid an additional approximately \$300,000 in Community Development Fees. This uncapped fee has captured the attention of the District's School Board and Bond Oversight Committee, which is an unelected committee formed of community leaders who provide financial oversight for the Capital Bond Program.


Both the School Board and Bond Oversight Committee have expressed concern and frustration over the uncapped Community Development Fees, which the District is projected to pay \$1.2M during the course of this bond program. After reviewing neighboring jurisdictions, only one other Authority Having Jurisdiction (AHJ) has a comparable fee structure. That AHJ caps the fee at \$27,000 per project. The City of Ashland's Community Development fees are completely out of line with other municipalities. Many municipalities, including Medford, charge no community development fees to other public entities.

As stated in the March 12, 2021 letter, the Community Development Fee has a significant impact on the Bond Projects, equating to the cost of five classrooms, at a minimum. Additionally, this fee was admittedly raised after the District received the bond funds, in order to capture additional fees over the next three years. The community of Ashland supported the school district in approving the bond measure for \$108 million in November of 2019. This measure was overwhelmingly passed by our citizens to develop and support the schools in the community. It is the belief of the District that schools are a significant contributor to Community Development and the City's fee constitutes double taxation on the community and reduces the impact the community had intended with their support of the bond projects.

The District, School Board and Oversight Committee formally request:

- a partial reimbursement of \$600K in Community Development fees already paid,
- a comprehensive Community Development Fee abatement for remainder of the Bond Projects, and
- an adoption of a new methodology for assessing this fee, specifically through a project budget cap, or other method especially with consideration of other public entities.

Thank you for your consideration.


Samuel Bogdanove
Superintendent

ASHLAND PUBLIC SCHOOLS

JACKSON COUNTY SCHOOL DISTRICT #5

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Director, Finance

Adam Hanks
City Manager Pro Tem
City of Ashland
20 East Main St.
Ashland, OR 97520

March 12, 2021

Adam

The Ashland School District and consultants who have been hired to manage and design the bond projects are writing to express concern over the methodology that the city utilizes to assess 'Community Development' fee. While a 'Community Development' fee isn't a completely uncommon fee for municipalities to impose, we have not seen a city have an uncapped fee. After researching other local-Rogue-Valley jurisdictions, we have found that Klamath Falls is the only other city that has such fee. Their fee is equal to .3% of total project valuation and is capped at \$27,000.

The uncapped fee from the City of Ashland, has impacts to the ability of larger developments to occur. We would recommend that the City of Ashland review their fee methodology and consider a percentage based fee, with a cap.

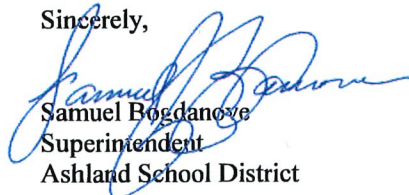
The above is also true with the 'Structural Permit Fee', which is an uncapped percentage of project cost. However, this fee has a cascading effect as several other fees are based upon it.

Ultimately, these uncapped fees have caused scope reductions at the four schools included in the Ashland School District Bond Program. We often use \$250,000 as the cost of a classroom and the 'Community Development Fee' alone equates to nearly five classrooms (\$100M x 1.2%).

We understand that fees are a normal part of the building process. Our concern, based on experience and research, is excessive fees that are uncapped and have cascading impacts from other percentage based fees. Additionally, we were informed that the two mentioned fees were increased .5% after our Capital Bond had been passed. That increase has reduced funds for projects by over \$600,000.

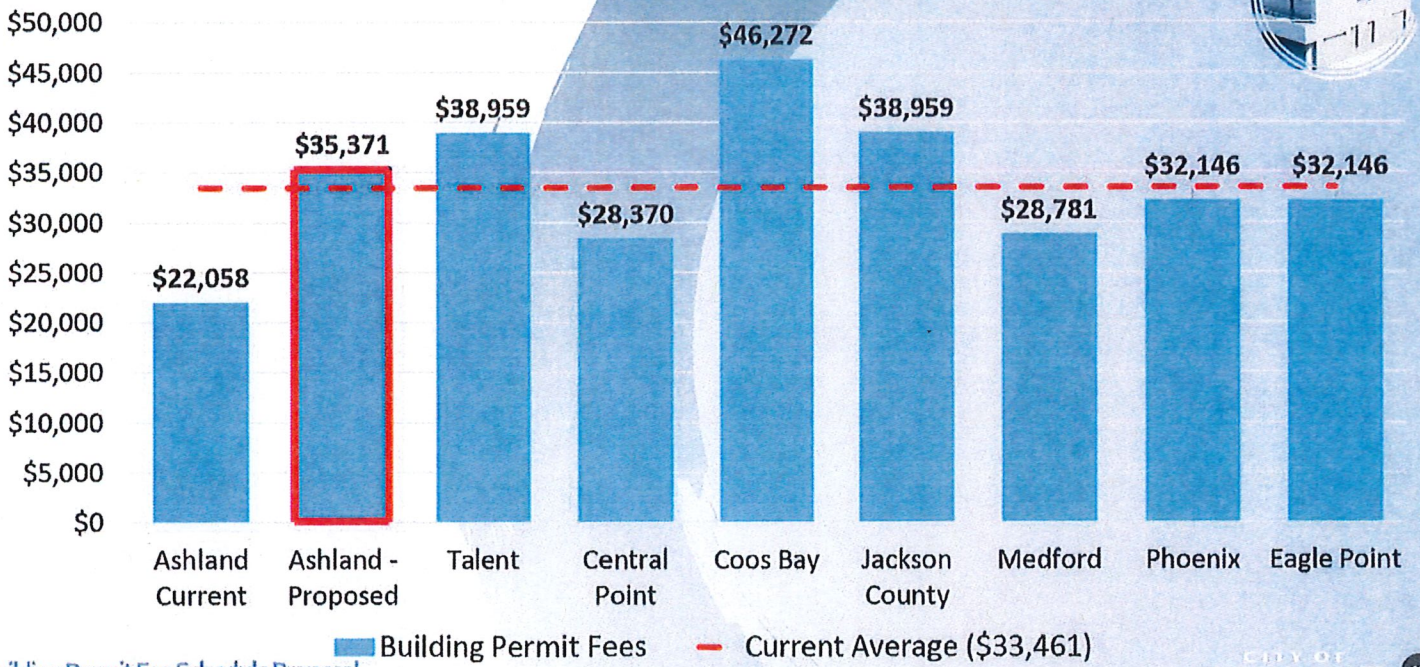
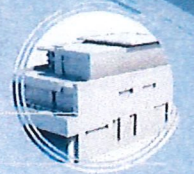
Ashland Schools are part of what makes Ashland a strong community and a great place to live. Thank you for working together to create the best possible opportunities for our students and families.

Sincerely,

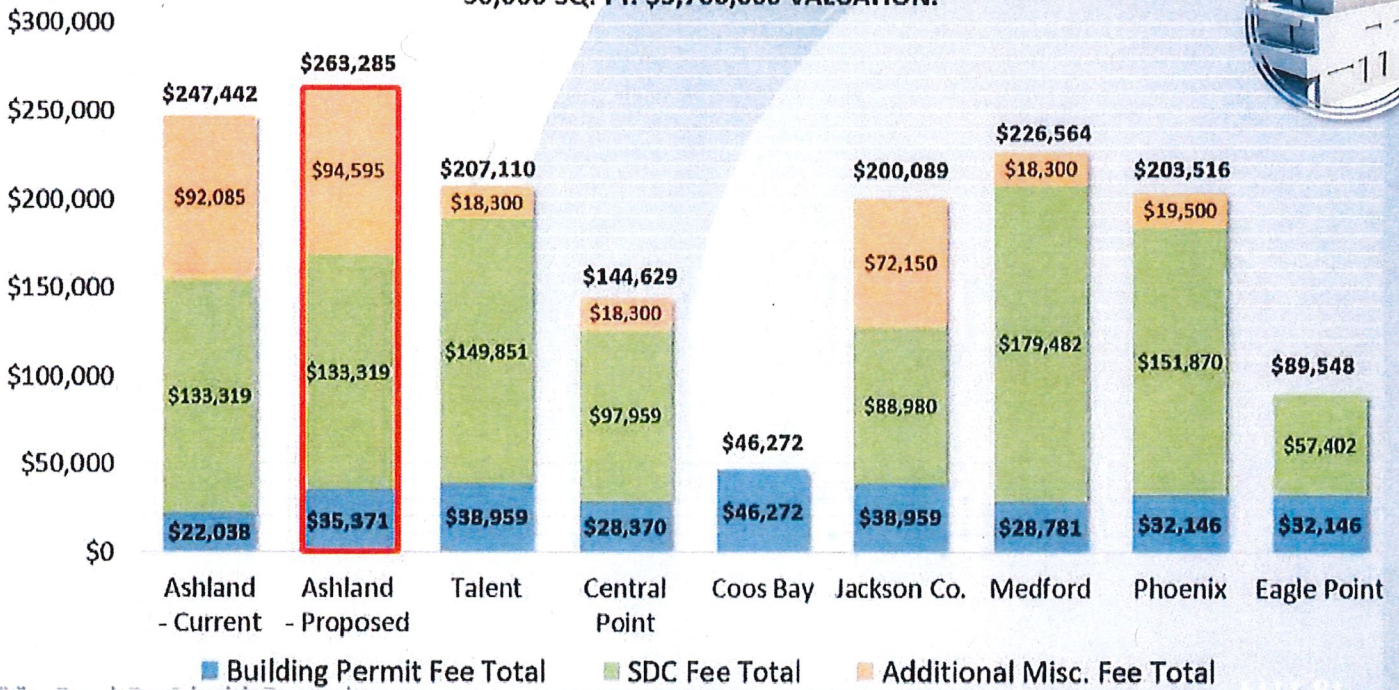
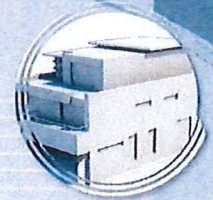

Samuel Bogdanove
Superintendent
Ashland School District

COMMERCIAL BUILDING (Proposed)

30,000 SQ. FT. \$3,700,000 VALUATION.



COMMERCIAL BUILDING – Total Permit Cost 30,000 SQ. FT. \$3,700,000 VALUATION.



Building Permit Fee Schedule Proposal

Project Range

Ashland

\$1 - \$500
\$501 - \$2,000
\$2,001 - \$25,000
\$25,001 - \$50,000
\$50,001 - \$100,000
\$100,001 +

Grants Pass

\$1 - \$500
\$501 - \$2,000
\$2,001 - \$25,000
\$25,001 - \$50,000
\$50,001 - \$100,000
\$100,001 +

Kalamath

\$1 - \$2,000
\$2,001 - \$25,000
\$25,001 - \$50,000
\$50,001 - \$100,000
\$100,001 +

Medford

\$1 - \$5,000
\$5,001 - \$25,000
\$25,001 - \$50,000
\$50,001 - \$100,000
\$100,001 +

Permit Review Fees**Community Development**

<p>\$90/hr \$90 for first \$500. Plus \$10 for each additional \$1,000 \$110 for first \$2,000. Plus \$8 for each additional \$1,000 \$294 for first \$25,000. Plus \$8 for each additional \$1,000 \$494 for first \$50,001. Plus \$5 for each additional \$1,000 \$754 for first \$100,001. Plus \$4 for each additional \$1,000</p>	<p>1.2% of project cost, no cap.</p>
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<p>\$12.48 \$12.48 for first \$500. Plus \$1.87 for each additional \$100 \$40.56 for first \$2,000. Plus \$7.49 for each additional \$1,000 \$212.78 for first \$25,000. Plus \$5.62 for each additional \$1,000 \$353.18 for first \$50,000. Plus \$3.74 for each additional \$1,000 \$540.38 for first \$100,000. Plus \$3.12 for each additional \$1,000</p>	<p>None</p>
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<p>\$86 \$40.56 for first \$2,000. Plus \$10.70 for each additional \$1,000 \$232.10 for first \$25,000. Plus \$8 for each additional \$1,000 \$532.10 for first \$50,000. Plus \$6 for each additional \$1,000 \$832.10 for first \$100,000. Plus \$4.85 for each additional \$1,000</p>	<p>.3% of total unincorporated project valuation capped at \$27,700.</p>
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<p>\$60 \$60 for first \$5,000. Plus \$7.80 for each additional \$1,000 \$200 for first \$25,000. Plus \$5.85 for each additional \$1,000 \$340 for first \$50,000. Plus \$3.84 for each additional \$1,000 \$532 for first \$100,000. Plus \$3.25 for each additional \$1,000</p>	<p>None</p>
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Plan Review Fee

Plan Review	65% of Structural Fee
Fire Life Safety	40% of permit fee
Fire Sprinkler	65% of Structural Fee
Mechanical	25% of permit fee
Plumbing	30% of permit fee

Plan Review	65% of Permit fee
Fire Life Safety	40% of permit fee

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Fire Life Safety	40% of permit fee