

Ashland System Development Charge Review Committee
DRAFT MINUTES
February 23, 2022

CALL TO ORDER

4:00pm

Members Present: George Kramer, David Runkel, Bob Kendrick, Gary Blake, Shaun Moran & Steve Russo

Members Absent: Gil Livni

Staff Present: Scott Fleury, Bill Molnar, Brandon Goldman

Consultant Present: Deb Galardi, Galardi Rothstein Group

Guests: None

1. Approval of Minutes

Motion by Russo to approve the minutes as drafted, 2nd by Kramer. Unanimous approval.

2. Water and Drainage System Development Charges/Phasing

Fleury reviews recommendations already made by Committee as part of their charge. The recommendations were part of the summary memo provided by staff in the current packet.

Galardi presented the SDC Phasing Options to the group as follows:

SDC PHASING OPTIONS

	Water		Drainage	
	Single-Family (1,890 SQ FT)	Multifamily (Per Dwelling Unit)	\$/SQ FT	Single-Family (3,000 SQ FT)
Current¹	\$4,927	\$2,607	\$0.1689	\$507
Updated SDC (no Phase-In)				
2021 Costs	\$6,065	\$2,757	\$0.7053	\$2,116
2022 Inflation-Adjusted	\$6,351	\$2,887	\$0.7385	\$2,216
Phase-In (Year 1 SDC)				
<i>2-year phase-In</i>				
2021 Costs	\$5,496	\$2,682	\$0.4371	\$1,311
2022 Inflation-Adjusted	\$5,639	\$2,747	\$0.4537	\$1,361
<i>3-year phase-In</i>				
2021 Costs	\$5,306	\$2,657	\$0.3477	\$1,043
2022 Inflation-Adjusted	\$5,402	\$2,700	\$0.3588	\$1,076

¹Multifamily water SDC based on 1,000 SQ FT. Drainage SDC not increased since 2002.

*Water SDC based on project list w/water treatment plant for illustration. Project list is a Council policy decision)

Moran inquired how a 3000 square foot model is assessed with respect to valuation. Galardi explained that the model is based on the impact a home is estimated to have on the infrastructure system. Fleury went on

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to explain that the size of the home versus its water usage is compared city wide.

Galardi presented the figures in the above table and explained that the numbers have been adjusted to account for inflation as of January 2022. She also explained that statutes allow cities to apply an annual inflationary adjustment even after the SDC is adopted. The figures shown in the table are based on the Water Treatment Plant Project being part of the project list. The group will need to decide if the SDC should be phased in over one year, two years, or three years.

Kramer inquired about the large inflation difference for drainage. Galardi explained that the previous figures for drainage were determined in 2002, whereas the figures for water were last calculated in 2015.

Moran stated that per a study session done by City Council, in 2019 a 2000 square foot house had SDCs totaling \$13,930, however adding together the water and drainage figures shown totaled significantly less than that figure. Goldman responded that SDCs typically also include charges for the Parks Department, Transportation, and Wastewater, but those are not represented in terms of this presentation. Moran asked if those figures would also be going up, but it was determined that Parks, Transportation, and Wastewater charges had been determined in the last few years and are already in place so will likely not be changing. Fleury explained that water and drainage specifically are being looked at now because the master plans are being redone. Fleury also explained that the square footages reflected in the table are just references and were determined due to 1890 square feet being the average sized home permitted in Ashland in the last 5 years, and 3000 square feet being in reference to the previous storm drain master plan.

The Commercial Water SDCs were also discussed and were presented in the below table:

COMMERCIAL WATER SDCS

- Updated SDC same charge as single-family average for small meter size.
- Phase-In would work the same as single-family.

Meter Size	Updated SDC		Existing SDC	% Change	
	2021	2022 Inflation-Adj.		2021	2022 Inflation-Adj.
5/8" X 3/4"	\$6,065	\$6,351	\$4,877	24%	30%
3/4"	\$9,098	\$9,527	\$8,129	12%	17%
1"	\$15,164	\$15,878	\$16,257	-7%	-2%
1 1/2"	\$30,327	\$31,756	\$26,010	17%	22%
2"	\$48,523	\$50,810	\$56,901	-15%	-11%
3"	\$97,047	\$101,620	\$97,543	-1%	4%
4"	\$151,635	\$158,782	\$203,213	-25%	-22%
6"	\$303,271	\$317,564	\$292,627	4%	9%

Runkel inquired if phasing would require a code change. Fleury responded no.

Kramer asked why the percentage figures are so varied. Galardi responded that the factors that relate large meters to small meters are outdated and don't follow current practice, so the change reflects current industry standards. The standard approach is to base SDC on meter size, then charge a multiplier on

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anything higher than the smallest meter size. Fleury explained that residential SDCs are charged per square footage and commercial SDCs are based on meter size.

Mixed use buildings and how their SDCs would be determined was discussed, as well as phasing for rental properties specifically.

Motion by Kramer: To adopt a 3 year phase in. Runkel Seconded. Motion passed unanimously.

3. Collection of Charge and Deferrals

Galardi explained the current policy and deferral options as follows:

- Current Policy
 - o SDC due at building or development permit
 - o Affordable housing may defer SDC up to sale to ineligible development
- Deferral Options (whichever comes first)
 - o Single-family – time of sale or actual occupancy
 - o Other – certificate of occupancy, time of sale, or occupancy

Galardi explained that spacing out payment of the fee over a certain amount of years is a separate policy decision. The current policy is up to 10 years with a fixed interest rate.

Moran asked why people would borrow the money from the city since the interest rate is high (6-7%). Kramer responded that creating a deferral option is more important than what the interest rate is. Goldman stated that a one-year installment loan at 0% interest is also offered, and that having an interest rate much higher than prime interest rates was supposed to offset the cost of living at the time that policy was established.

Payment for SDCs being due when a building or development permit is submitted was discussed. The possibility to defer payment for rental properties to incentivize rentable housing being built was discussed at length. Potential issues brought up for rental incentives were making sure that a property that is extended the deferral stays a rental property, and defining what is meant by a multifamily rental for this purpose. Goldman stated that the Planning Department has specific permits for 1 or 2 family homes, where as a triplex or anything with more units than that is a different permit.

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Fleury summarized the group's current stance on the previous issues:

MOTION

"For MFR For Rent property only".

I move that SDC fees for Multi-Family Residential rental properties be deferred:

1. Period of deferment, 40 years.
2. Debt is a lien on the property, subordinate to construction and permanent financing, preferred equity positions are allowed. Subject to No 12 below.
3. Debt is Assumable.
4. Repayment in equal annual installments.
5. Interest Rate is based on the Ten-Year Treasury Bill plus 3 basis points.
6. The current Ten-Year T-Bill is 1.97 + 3 = 4.97%.
7. The rate is adjusted every 5 years.
8. Interest Cap is 6% over the life of the deferment.
9. The First installment is due upon project stabilization, year no 2.
10. Start date is upon the Certificate of Occupancy Permit.
11. No fees for the deferment.
12. Protective Covenant to the City: Debt cannot exceed a DCR (Debt Coverage Ratio of 125%).
And the LTV Loan to Value cannot exceed 75%.

Motion by Kramer: Multifamily SDCs should be deferred until time of occupancy, and furthermore recommended to Council that they adopt a policy to defer SDC payments for multifamily rentals subject to the above parameters and start two years past date of occupancy, 2nd by Kendrick.

Discussion:

Fleury stated that his main concern with the above motion is the 40-year time period due to the logistics of administrative tracking for such a long period of time. He stated that 20 years would be preferable. Also, the interest rate may be better if it were prime interest rate plus a different figure, rather than 6 or 7%. During discussion making the term consistent with current mortgage issuances made the most sense.

Kendrick stated that there should be no cap on the loan amount, and wants to tie the length of time to mortgage terms, either 25 or 30 years. The current low income housing deferral is for 30 years.

Kramer specifies the intent of the motion is to support multifamily housing and rental properties in a way the City has not done before.

Kendrick proposes amendment to original motion to include removal of the existing loan amount cap in the municipal code. Kramer accepts amendment to main motion.

Motion approved unanimously.

4. Stormwater SDC Credits

Galardi explained the current way that Stormwater Credits are calculated in Ashland as well other cities:

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STORMWATER CREDITS

	Credit Eligibility	Max Credit
Current	Qualified public improvements (construct capacity beyond what is needed for development)	Improvement fee only
Portland	Direct discharge; control 100-year storm	45% of SDC
Medford	Direct discharge; permanent reduction in runoff from property	30% of SDC*
Cornelius	Installation of approved water quality measure	Water Quality SDC only

*May be 100% if completely eliminate runoff with retention

Galardi explained that most cities don't give Stormwater Credits for SDCs, and the ones that do require builders to go above and beyond standards to for them. Also, the credits are typically not given for single family homes, usually multifamily or commercial buildings.

Kramer questioned if these Stormwater Credits were a significant incentive. Kendrick explained that incentivizing retaining water would be a mutual benefit, and that the cost would be concurrent to the person who builds the retention, plus maintenance cost for water treatment. Fleury stated that part of the SDCs pay into improving the water system so that it can maintain more water.

Galardi stated that the options are to not change the code and deal with the Stormwater Credits individually, or to put in some credit for going over and above development standards to be estimated based on engineering and setting a max amount. Fleury recommended keeping the policy as is.

5. Next Step

- City Council Meeting
- Work Session (April 18, 2022)
- 90 day notice of Public Hearing and 60 day methodology review.
- Fleury will draft a staff report for the Study Session and will send it to the group.

ADJOURNMENT: Meeting Adjourned 6:00 p.m.

Respectfully submitted,

Elizabeth Beckerich

Office Assistant II

Meeting video available upon request