

# SYSTEM DEVELOPMENT CHARGES



## SDCs 101

John Ghilarducci





# Key Characteristics of SDCs

- SDCs are one-time charges, not ongoing rates. Paid at the time of development.
- SDCs are available for water, wastewater, stormwater, transportation, and parks.
- SDCs are for capital only, in both their calculation and in their use.
- SDCs include both existing and future (planned) infrastructure cost components.
- SDCs are for “system” facilities, not “local” facilities.

# Legal Framework for SDCs

**ORS 223.297 - 314, known as *the SDC Act*, provides “a uniform framework for the imposition of system development charges by governmental units” and establishes “that the charges may be used only for capital improvements.”**

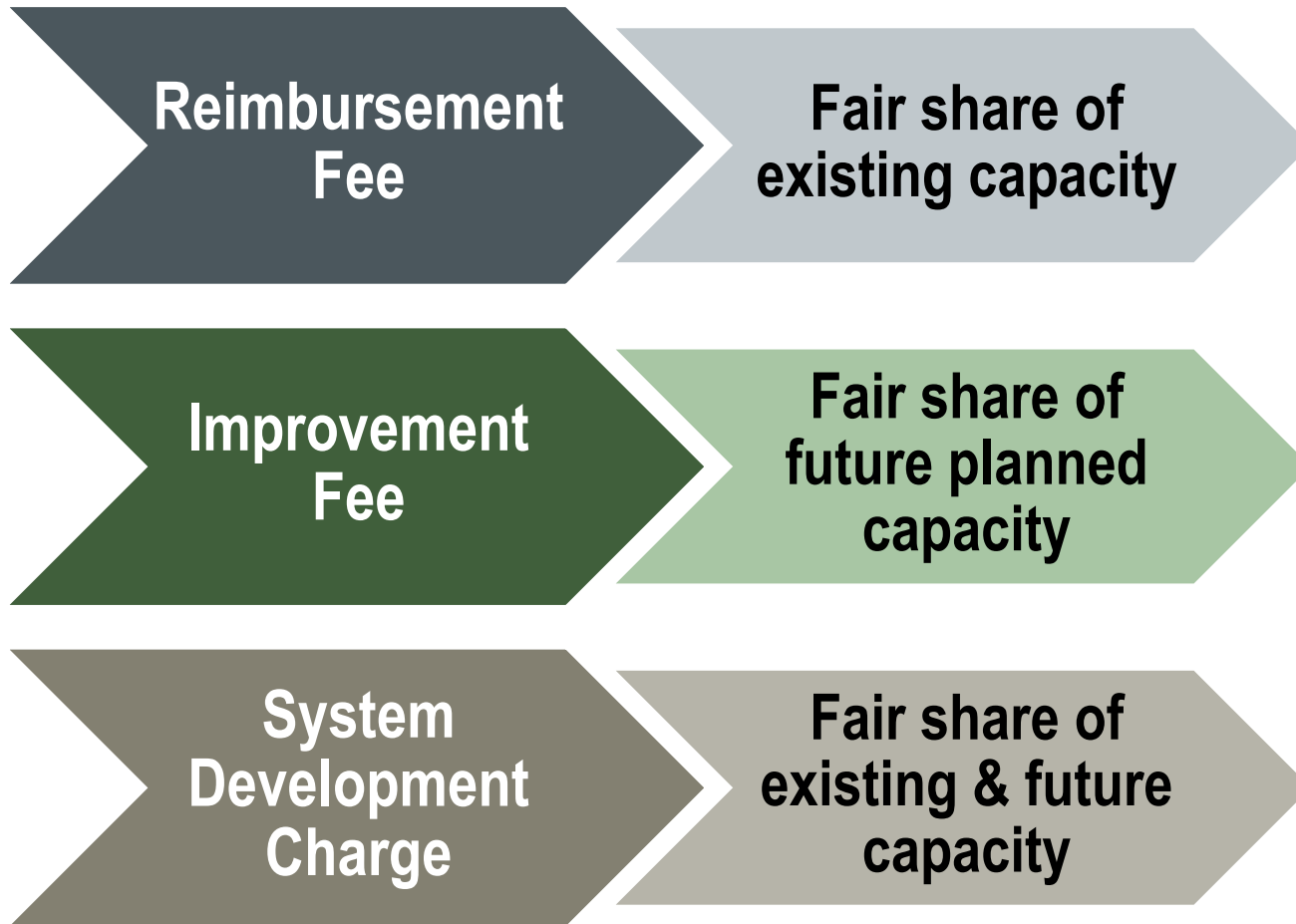


# Legal Framework for SDCs

## Relevant Sections of the Oregon Revised Statutes

- 223.297 Policy
- 223.299 Definitions for ORS 223.297 to 223.314
- 223.301 Certain system development charges and methodologies prohibited
- 223.302 System development charges; use of revenues; review procedures
- 223.304 Determination of amount of system development charges; methodology; credit allowed against charge; limitation of action contesting methodology for imposing charge; notification request
- 223.307 Authorized expenditure of system development charges
- 223.309 Preparation of plan for capital improvements financed by system development charges; modification
- 223.311 Deposit of system development charge revenues; annual accounting
- 223.313 Application of ORS 223.297 to 223.314
- 223.314 Establishment or modification of system development charge not a land use decision

# SDC Components

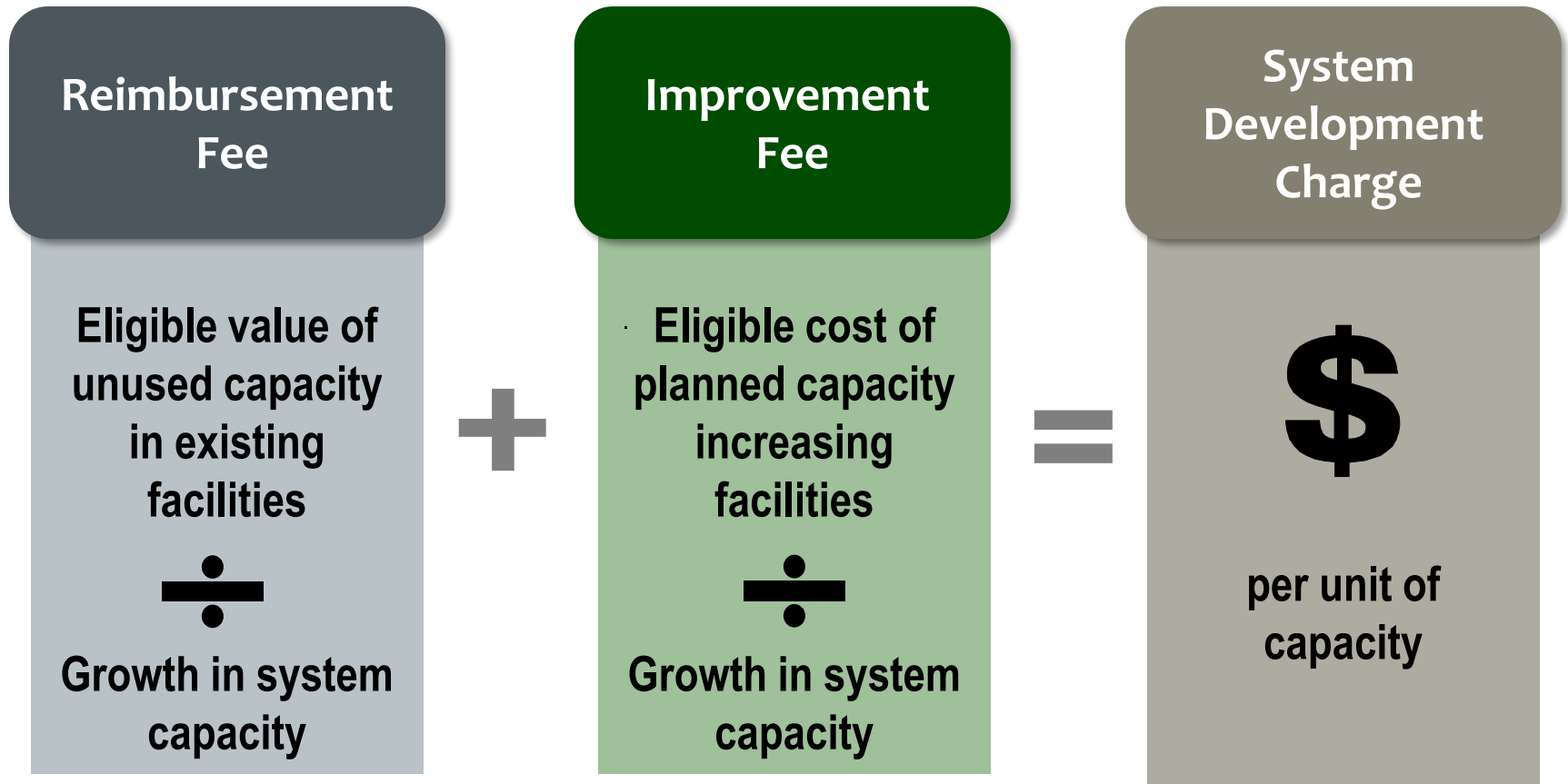




**Credits against the improvement fee must be provided for the construction of a capital improvement, which is:**

- ◆ **Required as a condition of development.**
- ◆ **Identified in an adopted capital facilities plan.**
- ◆ **Is either off-site or, if on-site, is required to provide more capacity than needed by the development in question.**

# The SDC Calculation

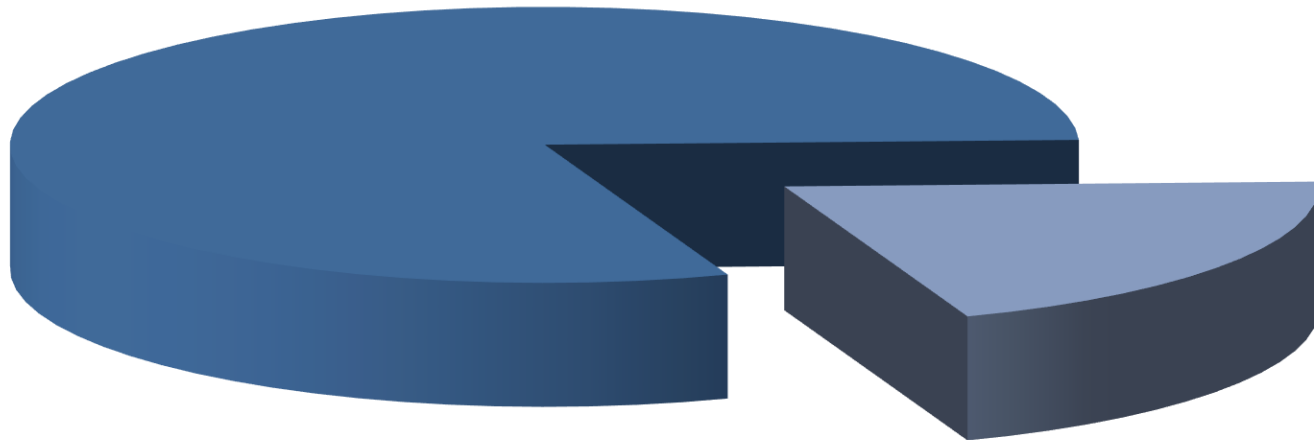




# Reimbursement Fee Cost Basis

## Sample Existing Facilities Cost

*reimbursement fee eligible*



*Unused Capacity*



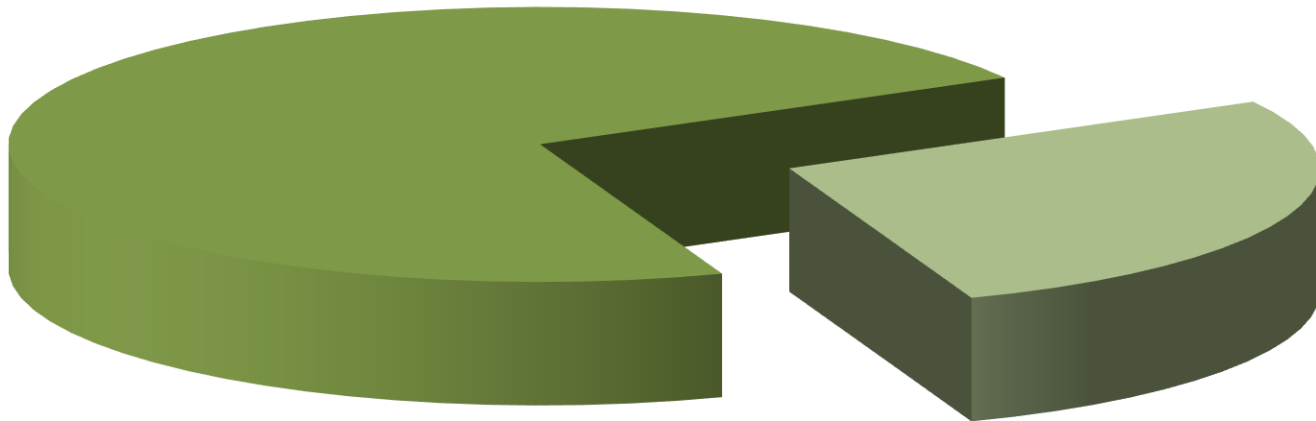


# Improvement Fee Cost Basis

## Sample Planned Capital Costs

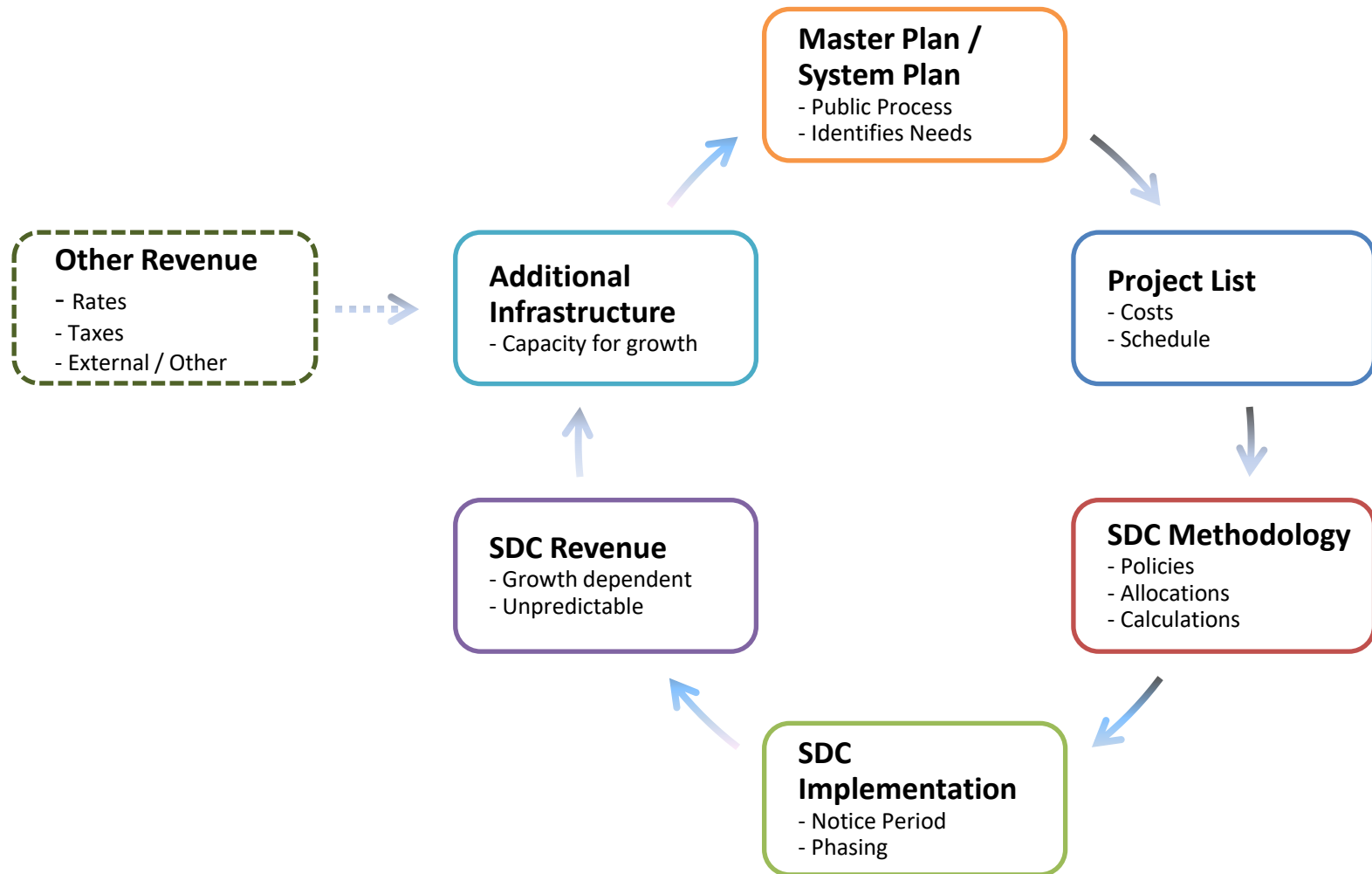
*improvement fee eligible*

*To Serve Existing Customers*



*Capacity Increasing*

# SDC Cycle



# **Key Policy Issues**

- 1. Reimbursement fee cost basis**
- 2. Improvement fee cost basis**
- 3. Unit bases for the charges**
- 4. Credit approaches**
- 5. Area-specific charges**
- 6. Level of service issues (parks & transportation)**
- 7. Nonresidential park SDCs**
- 8. Functional charges**
- 9. Affordability**



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# Mosier SDC Update

## SDC Study Highlights

Jayme Bennett  
City of Mosier



## Previous SDCs

	Amount	Unit
Water	\$ 4,499	meter equivalent
Sewer	5,718	equivalent residential unit
Stormwater	931	equivalent dwelling unit
Transportation	-	
Parks	1,495	dwelling unit
<b>Total for a SFR</b>	<b>\$ 12,643</b>	



# Transportation: Calculated SDC

Cost Basis:	
Improvement Fee	\$ 200,530
Compliance Costs	35,840
Total Cost Basis	\$ 236,370
Growth in PM Peak Hour Person Trip Ends	87
Improvement Fee per PM Peak Hour Person Trip End	\$ 2,297
Compliance Fee per PM Peak Hour Person Trip End	411
<b>Total SDC per PM Peak Hour Person Trip End</b>	<b>\$ 2,708</b>

**SDC for a Single-Family Residence: \$4,514**



# Sample SDCs by Land Use

	ITE		New PM		
	Code	Unit of Measure	Peak Hour	Transportation	
			Person Trip	SDC	
			Ends		
Single-Family Detached Housing	210	Dwelling Units	1.67	\$	4,514
Multifamily Housing (Low-Rise)	220	Dwelling Units	0.53	\$	1,435
Multifamily Housing (Mid-Rise)	221	Dwelling Units	0.52	\$	1,408
Mobile Home Park	240	Dwelling Units	0.77	\$	2,097
General Office Building	710	1,000 SFGFA	1.50	\$	4,062
Supermarket	850	1,000 SFGFA	17.05	\$	46,171
Convenience Market	851	1,000 SFGFA	42.38	\$	114,768
Fast Casual Restaurant	930	1,000 SFGFA	23.79	\$	64,429
Quality Restaurant	931	1,000 SFGFA	7.35	\$	19,917
Fast-Food Restaurant with Drive-Through Window	934	1,000 SFGFA	34.82	\$	94,294

For the full transportation SDC schedule, see the methodology.





# Comparative SFR SDCs

	Water		Sewer		Stormwater		Transportation		Parks		Total SDC
<b>Mosier (Proposed)</b>	\$	3,866	\$	4,104	\$	1,499	\$	4,154	\$	1,495	\$ 15,118
Hood River		4,451		2,005		756		2,097		5,064	14,373
Statewide Average*		4,507		3,709		973		4,339		3,804	13,135
<b>Mosier (Current)</b>		4,499		5,718		931		-		1,495	12,643
The Dalles		2,317		1,789		342		1,500		1,747	7,695

**Source:** League of Oregon Cities, 2020 System Development Charges Survey Report (table 11); Individual city government websites

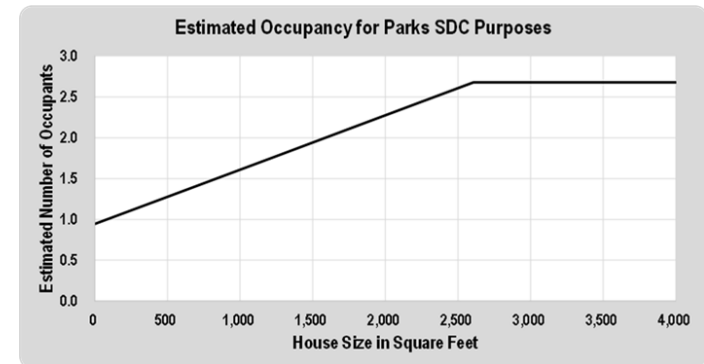
\*The "Total SDC" amount in this row is not equal to the sum of the other entries because not every city charges every SDC

Council requested scalable options to reward affordable housing



# Approach to SDC Scaling

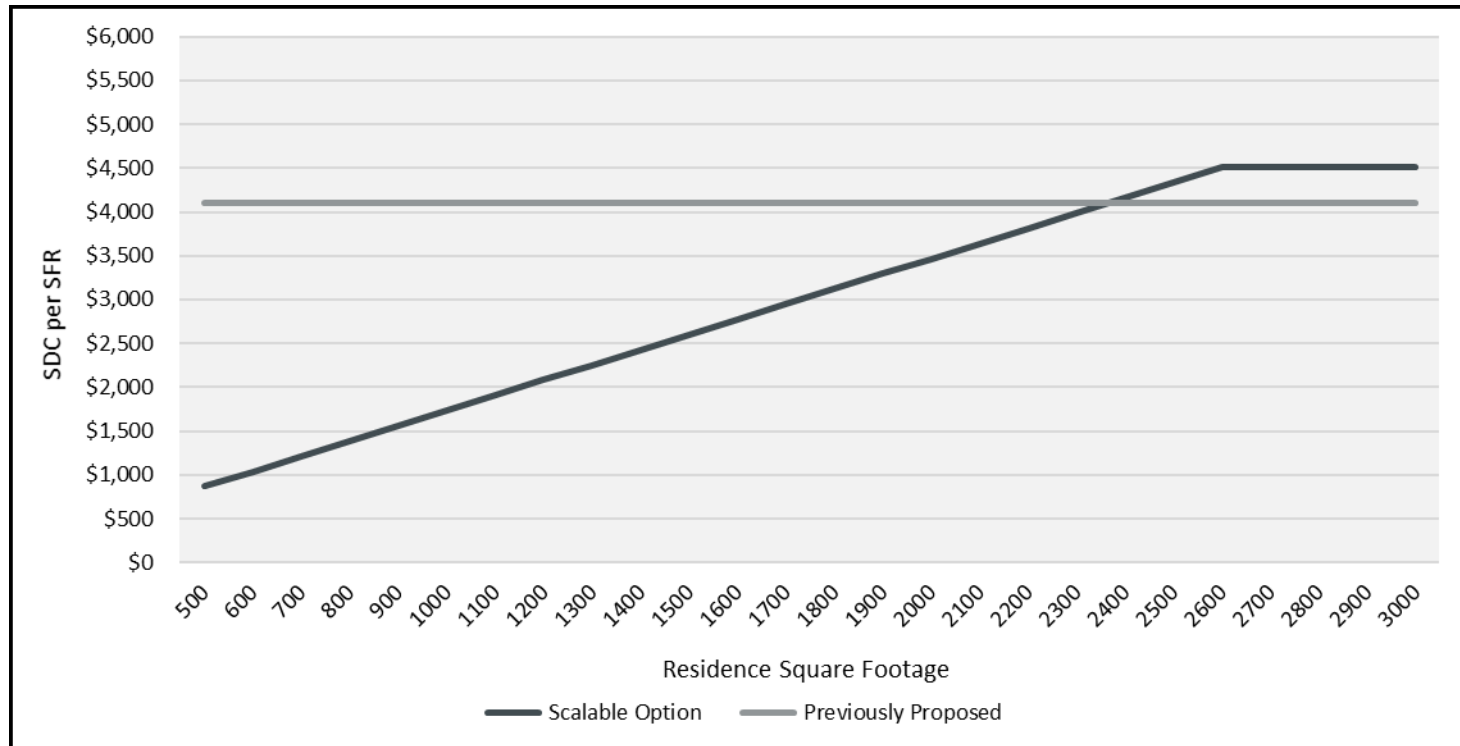
- **Parks and Wastewater infrastructure demands can be linked to occupancy and home size**
  - » Research in Portland metro area shows link ceases at 2,605 s.f.
  - » Average Mosier home size, 2,369 s.f., used to calculate an SDC per square foot
- **Stormwater can be scaled directly to the impervious footprint**
  - » The average impervious surface area for Mosier single family residences is 3,500 square feet, including:
    - Roofline
    - Driveway
    - Decks / Patios





# Scalable Sewer SDC

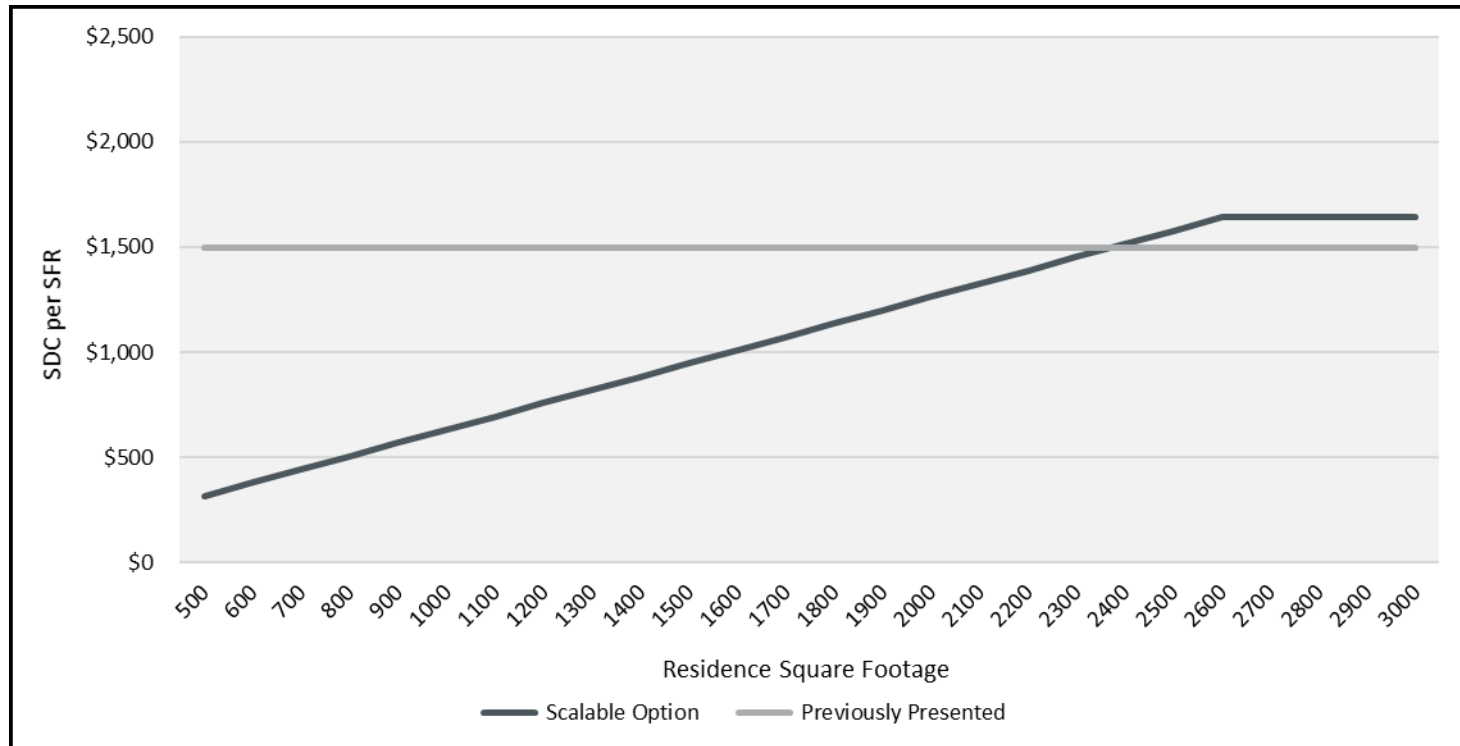
	Square Feet	SDC
SDC per square foot of single-family residence	1	\$1.73
Maximum SDC per single-family residence	2,605	\$4,513.83





# Scalable Parks SDC

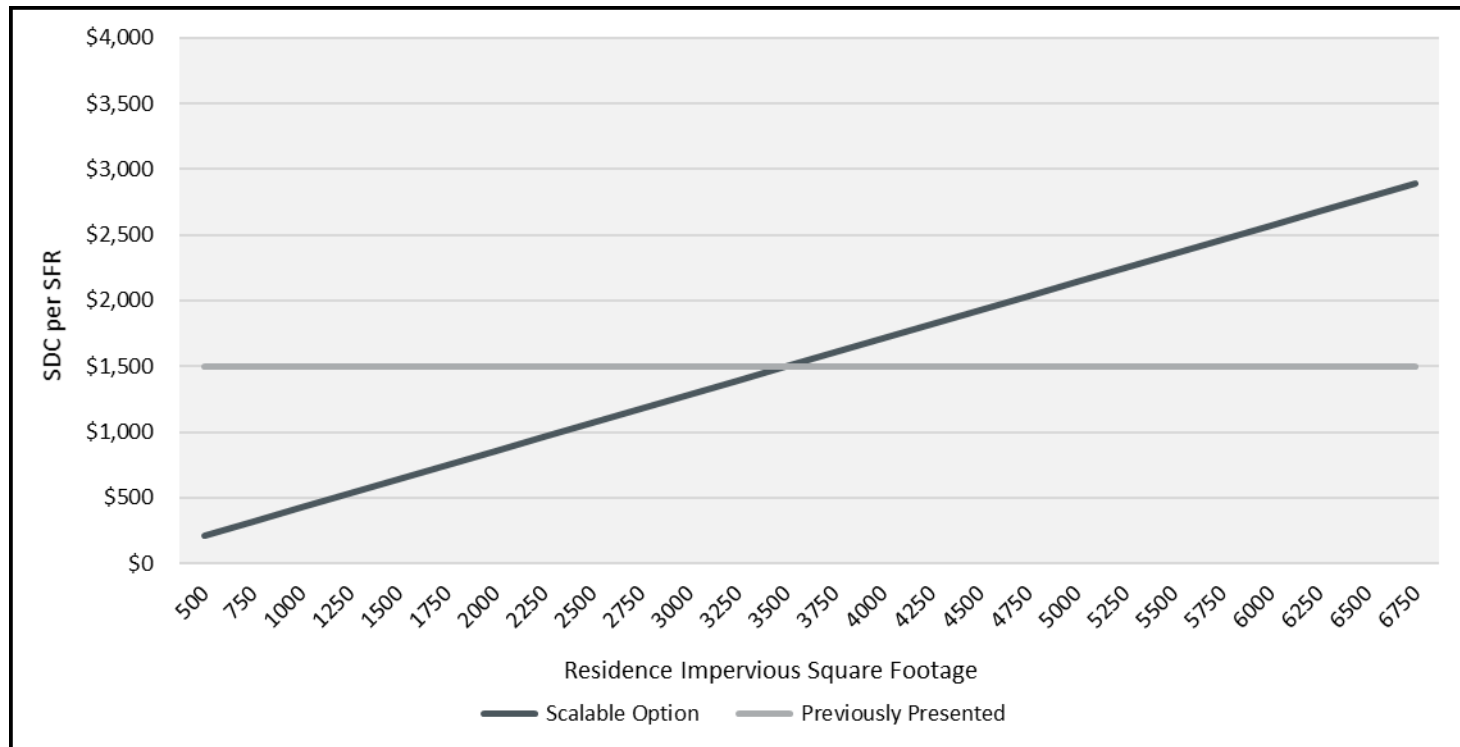
	Square Feet	SDC
SDC per square foot of single-family residence	1	\$0.63
Maximum SDC per single-family residence	2,605	\$1,644.21





# Scalable Stormwater SDC

	Square Feet	SDC
Total SDC per sq. ft. of impervious surface	1	\$0.428
Total SDC per average SFR impervious	3,500	\$1,499.49





# Comparative SFR SDCs

	Water	Sewer	Stormwater	Transportation	Parks	Total SDCs	
<b>Mosier (Proposed, 2,605 sf SFR*)</b>	\$ 3,866	\$ 4,513	\$ 1,714	\$ 4,514	\$ 1,644	\$ 16,251	<div></div>
<b>Mosier (Proposed, Average SFR)</b>	3,866	4,104	1,499	4,514	1,495	15,478	<div></div>
Hood River	4,451	2,005	756	2,097	5,064	14,373	<div></div>
Statewide Average**	4,507	3,709	973	4,339	3,804	13,135	<div></div>
<b>Mosier (Current)</b>	4,499	5,718	931	-	1,495	12,643	<div></div>
<b>Mosier (Proposed, 1,200 sf SFR***)</b>	3,866	2,079	857	4,514	757	12,073	<div></div>
The Dalles	2,317	1,789	342	1,500	1,747	7,695	<div></div>

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\*Assumes 4,000 sf of impervious surface area

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\*\*\*Assumes 2,000 sf of impervious surface area





# HERMISTON SDC UPDATE

Phasing-In 23 Years of Inflation



# Hermiston SDC History

- Water & Sewer SDC Adopted: 1998
  - Inflation since: 104%\*
- Parks SDC Adopted: 2006
  - Inflation since: 56%\*

*\*Engineering News-Record Construction Cost Index*







# Balancing Act

- Council Goals 2019-2021- “Fiscal Prudence”
  - Collect appropriate fees for the systems
- Council Goals 2017-Current- “Housing”
  - Keep development costs affordable
  - Keep housing affordable through supply





# FCS Consulting

**Table 22: SDC Comparisons with Comparable Cities**

	Population	Parks	Water	Sewer	Transportation	Total	
Sherwood	19,885	8,615	6,292	826	11,074	26,807	<div></div>
Milwaukie	20,600	3,985	2,041	9,238	2,194	17,458	<div></div>
Ashland*	21,105	1,041	6,517	5,197	4,603	17,358	<div></div>
Canby	17,210	5,812	4,101	2,849	3,444	16,206	<div></div>
Klamath Falls**	21,940	1,640	3,098	6,274	3,366	14,378	<div></div>
Lebanon	17,335	3,598	2,581	4,314	1,984	12,477	<div></div>
<b>Hermiston (Proposed)</b>	<b>18,775</b>	<b>8,251</b>	<b>2,347</b>	<b>1,073</b>	<b>587</b>	<b>12,258</b>	<div></div>
Central Point	18,755	2,445	3,267	2,825	2,326	10,864	<div></div>
Stanfield	2,280	540	648	1,782	2,430	5,400	<div></div>
Umatilla	7,605	-	1,544	1,858	-	3,402	<div></div>
Kennewick, WA***	84,960	977	-	-	1,392	2,369	<div></div>
Pasco, WA	77,100	1,466	-	-	709	2,175	<div></div>
Pendleton	17,025	138	-	-	1,775	1,913	<div></div>
Richland, WA	58,550	1,415	-	-	-	1,415	<div></div>
<b>Hermiston (Current)</b>	<b>18,775</b>	<b>400</b>	<b>282</b>	<b>225</b>	<b>-</b>	<b>907</b>	<div></div>

*Source: Survey by FCS Group, 15 April, 2021.*

\*Assumes a 2,500 square foot residence.

\*\*The Klamath Falls transportation SDC is charged only in a certain zone of the city.

\*\*\*Kennewick has two zones for Parks. The higher of the two is shown.



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# Pricing Under Max Allowed SDC?

- Contain Costs for Affordable Housing/Develop
- Adequately fund necessary system expansions





# Impact: Single Family Home

- Current, all SDC's: \$907
- Resolution 2191: \$1,768 (2026)
  - Phase-in 28yr Inflation over 4 years
  - 2026+ Increase at 3% per year







# Accounting for Inflation

- Bottom-Line “Hold Harmless” Amount  
– ENR Construction Cost Index

Fee	Value Year Implemented	Original Value Inflated to '21
Water SDC	\$282	\$575
Sewer SDC	\$225	\$459
Parks SDC	\$400	\$624
Transportation	\$0	\$0
Total	\$907	\$1,658





# FCS Consulting

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# Transportation Addition

- Transportation SDC Never Charged
- Last Federal Gas Tax Change: 1993
  - \$1,000 in 1993 = \$2,300 in 2021
- 2017 City Increased Franchise Fees for Streets
- SDC Diversifies Funding Sources







# How to Add Transportation?

- Affordability
- Fiscal Prudence





# How to Add Transportation?

- Affordability
- Fiscal Prudence

Fee	Current Fees	Original Value Inflated to '26	Proposed 2026 (Single Home)
Water SDC	\$282	\$667	\$347
Sewer SDC	\$225	\$532	\$346
Parks SDC	\$400	\$723	\$634
Transportation	\$0	\$0	\$440
Total	\$907	\$1,922	\$1,767





# Adjustment Phase-In

- First adjustment: January 1, 2022
- 4-Year Phase-In
- Index @ 3% Per Year 2026 Forward







# Adopting Phase-In

- Consulting Fees  
– ~\$40K
- Current SDC's  
– ~\$80K
- Adopt Once

## SDC Implementation Schedule

	Future SDCs Effective				
	1/1/2022	1/1/2023	1/1/2024	1/1/2025	1/1/2026
Water SDC per MCE	\$ 294.00	\$ 314.00	\$ 326.00	\$ 337.00	\$ 347.11
Sewer SDC per MCE	251.00	285.00	311.00	336.00	346.08
Parks SDC per resident	178.76	204.58	224.44	244.31	251.64
Transportation SDC per PM peak hour vehicle trip end	100.00	206.00	315.00	428.00	440.84

## SDC Implementation Schedule

	1/1/2027	1/1/2028	1/1/2029	1/1/2030	1/1/2031
Water SDC per MCE	\$ 357.52	\$ 368.25	\$ 379.30	\$ 390.68	\$ 402.40
Sewer SDC per MCE	356.46	367.16	378.17	389.52	401.20
Parks SDC per resident	259.18	266.96	274.97	283.22	291.71
Transportation SDC per PM peak hour vehicle trip end	454.07	467.69	481.72	496.17	511.05

## SDC Implementation Schedule

	1/1/2032	1/1/2033	1/1/2034	1/1/2035	1/1/2036
Water SDC per MCE	\$ 414.47	\$ 426.90	\$ 439.71	\$ 452.90	\$ 466.49
Sewer SDC per MCE	413.24	425.63	438.40	451.56	465.10
Parks SDC per resident	300.47	309.48	318.76	328.33	338.18
Transportation SDC per PM peak hour vehicle trip end	526.39	542.18	558.44	575.20	587.47

## SDC Implementation Schedule

	1/1/2037	1/1/2038	1/1/2039	1/1/2040	1/1/2041
Water SDC per MCE	\$ 480.48	\$ 494.90	\$ 509.74	\$ 525.04	\$ 540.79
Sewer SDC per MCE	479.06	493.43	508.23	523.48	539.18
Parks SDC per resident	348.32	358.77	369.53	380.62	392.04
Transportation SDC per PM peak hour vehicle trip end	587.47	587.47	587.47	587.47	587.47





# Questions?

*Where Life is Sweet™*