

MINUTES
SDC/CET Study Advisory Committee
Meeting No. 1
Newport City Hall Conference Room A
January 24, 2017
3:00 p.m.

Advisory Committee Members Present: Jim Patrick, Dean Sawyer, Dustin Capri, David Craig, Joanne Troy, Jeff Waarvick, Allen Wells

Advisory Committee Members Absent: John Oksenholt

FSC Group Consultants Present: Todd Chase and Tim Wood

City Staff Present: Finance Director, Mike Murzynsky, Community Development Director (CDD) Derrick Tokos and Executive Assistant Sherri Marineau.

City Staff Absent: Public Works Director, Tim Gross

1. **Call to Order.** Tokos calls the meeting to order at 3:02 p.m.
2. **New Business.**
 - A. **System Development Charge (SDC) Overview & Issues.** A discussion ensued regarding the SDC overview. Tokos provided a meeting agenda, schedule and distributed the FCS GROUP Tech Memo #1: SDC Legal Issues and Alternatives. He notes that the Advisory Committee should be aware they are following a different process than the property tax exemption programs for multifamily units. Four future meetings have been scheduled and meeting dates are presented. The FCS Group has been hired to assist the AC.
 - B. **Project Introduction/Schedule.** Tokos turns meeting over to Chase to walk through introductions and schedule. Over the next 4 months, numbers and calculations will be presented to the AC on how to revise SDCs. The goal is to have the considerations to the City Council by July.

Tokos introduced Todd Chase, who in turn gave a PPT presentation to provide an SDC overview. Tokos says with exception to the two part charges, SDCs were a small part of funds. There aren't enough funds collected to have it be a source of funding for things such as roadway. Capri asks what the City takes in for SDCs. Tokos says it varies based on projects. He explains previous large projects caused a spike in funds.

Discussion points:

- AC members requested a PDF link to the PPT presentation, which Tokos agreed to provide.

- C. **SDC Legal Framework & Alternatives.** Chase covers the key characteristics and legal framework of SDCs. A discussion ensued regarding tracking the demand of the user. Tokos notes it is much easier to take the best guess instead of monitoring when considering the burden on administration. Wells asks if it is based on planned improvements. Yes, and assumed growth rates. There is a question on how best to determine this. Tokos says with capital facility plans.

Reimbursement Fee Cost Basis is discussed. The Finance Department will calculate the current cost basis. Tokos says he isn't sure how to move forward with reimbursement fees as it is more complicated.

Discussion points:

- AC members asked if SDCs can ever be retroactively re-calculated if a land use intensifies over time. Tokos noted that only a building permit request would trigger an SDC calculation.
- AC members requested to see a list of historic SDC revenue collections, which Tokos agreed to provide.
- AC members requested to see the existing SDC fund balances, which Tokos and Chase agreed to provide at the next AC meeting.

A discussion ensued regarding adjustment calculations and procedures. Wells asks how the City accounts for capital projects for SDCs. Tokos says it is an amendment process to adjust fees. Wells asks if there is a capture rate or percentage of estimated costs of future improvements that are state mandated numbers. Yes, as long as there is a defined level of service that is consistent. There has to be a rational nexus between the SDC, the charge and the impact.

SDC credits are discussed with examples. Capri asks if credits can only be used by the person who currently has the credit. Some cities allow it. Tokos says the City doesn't currently do this and it could be an administrative challenge. The City allows a single family home site to received credit transfer if there is a demolition at the site.

Tokos goes over the multifamily exemption project which gives developers. SDCs are collected up front and there is a tax abatement for 10 years. For multifamily, the City would use a meter size equivalency so costs don't go up.

A discussion ensued regarding different types of units and their expected usage. Chase covers the potential change bases by infrastructure type. Tokos says a fixed base is a way to factor single family dwellings. Carpi asks if it could be done by bedroom count. Chase hasn't seen this but it could be considered. Patrick says it needs to be discussed with the County if it is a consideration. Chase states the fee can vary by subarea.

SDC Methodology Alternatives are presented. Chase doesn't recommend basing on average trip length. Mixed-use development could be a way to reduce SDCs if built into the methodology. Tokos discusses ways developers are working around SDCs by building parking lots before the structures. He explains that paving a lot does not require a permit and permits are what trigger SDCs. He is looking at a way to stop this from happening. Wells suggests requiring a permit for laying pavement. There are a lot of jurisdictions who don't require this and training contractors to know they need permits for paving could be difficult.

Discussion points:

- AC members did not wish to expand the Parks SDC to non-residential uses other than lodging.
- There is interest by the AC in allowing SDCs to vary based on home size, since it is believed that larger homes have greater use of public facilities than smaller homes. FCS to investigate. FCS will also develop a fixture based option.
- AC members would support a new city policy that expands storm water SDCs to include paving projects (without building permits).

D. SDC Issues/Discussion. A discussion ensued regarding EDUs for the new development of restaurants. Tokos says large SDCs are grossly disproportionate to investments. They are a high traffic generators and put a lot of waste in the system. Wells asks if fees can be based on flow. Tokos says the City has a payment program that some businesses are taking advantage of, such as Pig n' Pancake.

Discussion points:

- AC members recognized need to clarify how seasonal demand increases by restaurants with outdoor seating are addressed. FCS to develop language exempting seasonal seating, including what is or is not seasonal.
- AC members would support a water SDC policy that is focused on water meter size (not EDUs per current method).
- AC members would support a water SDC policy that takes into account both meter size and effluent strength.
- Newport's Storm Water Master Plan is now being developed, and AC members expressed interest in allowing SDC credits for on-site water quality and quantity facilities.
- AC members would support keeping an impervious surface area methodology for storm water, and the city will investigate developing an impervious surface GIS layer to pick up paving that occurs without permits.
- AC members would likely support transportation SDC methodology based on average daily trips.

E. SDC Issues Regarding Affordable Housing. Capri asks for the definition of staff housing and if they have to keep it in perpetuity. It has been and is around 80 percent. Tokos thinks SDCs may not be the right tool to assess low income housing.

Discussion points:

- AC members seemed supportive of a CET since it would also include provisions for SDC waivers for developers of affordable housing.
- Tokos noted that prior growth estimates used in the previous SDC methodology were too high. New growth estimates should be used that represent a lower growth trajectory.
- Tokos will provide FCS with a revised list of SDC improvement projects, costs and SDC eligibility percentages. This draft project list will be discussed at the February AC meeting, and shall serve as a basis for the draft SDC calculations to be provided at the next AC meeting.
- Chase noted that AC members will be able to compare the current SDC rates to the draft SDC rates at the next meeting; and then discuss changes to the capital project lists or customer growth forecasts and other assumptions.

2. **Adjournment.** Having no further discussion, the meeting adjourned at 5 p.m.

Respectfully submitted,

Sherri Marineau,
Executive Assistant