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Portland should hit brakes on parks SDC revamp: Editorial Agenda 2015

The Oregonian Editorial Board

April 19, 2015

The system development charge, or SDC, is a master of disguise. With a name only a bureaucrat could love and a reliance upon complex calculations, the fee-assessment tool seems buttoned-up and objective. It's a Honda Accord in the public policy parking lot. In reality, the SDC is just as prone to aggressive use for the achievement of convenient ends as flashier revenue-generation tools. Tax hikes, say. It all depends on who's behind the wheel and what's under the hood.

Consider Portland, where **the city's parks SDCs are being fitted for a new engine**. The switcheroo will make it a lot easier for the city to drive up revenue, which may be the point. But the experience won't be so great for the homeowners and businesses who get stuck with the eye-popping fuel bill.

Cities may charge SDCs on new development to pay for the growth-related demand on certain kinds of infrastructure, including parks. To justify a given SDC rate, a city concocts a rational and transparent methodology that explains why, say, a new single-family home in Portland outside of the central city should pay a one-time parks fee of $8,582, the current rate. Or why, **under a proposed new methodology**, a home in the same location with at least 2,250 square feet of floor area should pay a one-time parks fee of $13,185.

That's an increase of almost 54 percent for the very same structure, but it could have been worse. At least the proposed increase isn't in the triple digits, as it is for certain kinds of business development. The clear implications for affordability, already an acute problem for housing in Portland, argue for the city to slow the process down and rethink the new methodology.

The city's existing methodology is no prize, to be sure. It's crudely devised and significantly at odds with reality, as a number of people who testified during a City Council public hearing Wednesday pointed out. To maintain an appropriate level of park service, it assumes that the city will need to add a certain number of acres per additional person. It links the SDC to the cost of adding the land. However, the supply of land available for growth is far too limited to make this work.

The new methodology uses park "investment" rather than raw acreage. It divides the value of all parkland and improvements within the city by the "equivalent population," a number that factors in both those who live and work in the city. The calculation spits out a number - investment per equivalent person - that is applied, in the form of an SDC, to new residential and business development. The rejiggering - surprise! - generates eye-popping SDC increases, though fees on the tiniest dwelling units would go down.

The calculation ignores the manner by which the city acquired its various land holdings, including the costs actually incurred by the public, and bases fees for future residents and businesses on the replacement value of today's parks and their improvements. One wonders whether Portlanders of the past would have acquired all of that land in the first place if they had had to pay as much per "equivalent population" as Portlanders of the future are expected to. Doubtful.

City officials expect to use much of the future SDC revenue to pay for improvements on existing parkland - theoretically increasing capacity - rather than buying up new parkland, which is in short supply in any case. This scenario raises two questions, one of which is a matter of fairness. Since capacity-boosting improvements to existing parkland will benefit everyone in Portland, it seems reasonable to pay for some of it with voter-approved bonds, for which everyone will pay, and reduce SDCs accordingly. Yet the proposed SDC program - unlike the existing regime - assumes that there will be no bond requests to pay for additional capacity. This assumption provides a rationale to red-line the fee-collection motor for new construction, conveniently dodging the difficult task of asking taxpayers for money.

The second question raised by the assumption that the city will devote massive sums to increasing park capacity surely has occurred to many cyclists. They have seen the city deny reasonable demands for adequate mountain bike trails in Forest Park. More recently, the city abruptly **told cyclists they could no longer use existing trails in the River View Natural Area**, thereby reducing capacity for an activity with strong demand. Will hundreds of millions in new SDC funds also buy the political will to make the city's parkland more useful to all those who own it?

The city can address that question quickly by reversing its River View decision and beginning a good-faith effort to develop more mountain bike trails in Forest Park, which is enormous and underutilized. Meanwhile, commissioners can ease the concerns of builders, businesses and those who care about housing affordability by sending the new SDC muscle car back to the shop.

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Proposed Portland parks SDC vs. housing affordability: Editorial Agenda 2015

The Oregonian Editorial Board

May 04, 2015

Portland City Council on Wednesday will consider **a large and controversial fee hike** whose calculation is almost ostentatiously complicated. No, the proposed street fee has not emerged from hibernation ... yet. The city, rather, has its eye on parks fees, which could jump by more than 50 percent for many new homes, driving the cost of Portland's housing stock even more rapidly upward.

The proposal appears on the agenda at the request of **Commissioner Amanda Fritz**, who heads the city's parks bureau (and did not respond to a request for comment Monday before deadline). Fortunately, she needs support from at least two of her four colleagues, all of whom should tell her to send the fee hike back to the policy garage for more work. There should be an open bay right next to the street fee, which consistently failed last year to win support from a council majority.

The parks fee, known formally as a systems development charge, is applied to new development in order to cover associated infrastructure costs. The concept, at least, is simple. Because building new homes increases the demand for parks, the thinking goes, those who buy them should pay a proportionate share of the cost of meeting the demand.

The implementation, unlike the concept, is complex and slippery. The proposal the Council will consider Wednesday, for instance, assigns different parks SDCs to five different housing tiers in two zones (central city and non-central city). The tiers vary according to unit size and range from $4,648 for a unit smaller than 700 square feet in the central city to $13,049 for a unit of 2,200 square feet or more outside of the central city.

This is a refinement, by the way, of **a version discussed by Council in April** that featured a mere *four* size-related tiers over two zones. This, it seems, wasn't complex enough.
Currently, the city's parks SDCs vary by housing type rather than size. A single-family unit in the central city, for instance, pays $8,594, and one outside of the central city pays $8,582. A 2,200-square-foot unit outside of the central city, then, would see a hike of over 50 percent under the new proposal.

The demand for park infrastructure generated by an identical housing unit in an identical location will not be 50 percent greater next year than it is today. Why the big fee jump, then? The calculation of park SDCs has less to do with actual impact than with assumptions and methodology. These can be tweaked to produce a variety of results, including – pretend to be surprised – collecting more money.

Raising fees so dramatically will have the obvious effect on housing affordability, and this will not happen in a vacuum. Even as the city contemplates higher park fees for new homes (and, yes, business expansions), the stalled street-fee discussion looms in the background. Meanwhile, city officials are **urging lawmakers to allow them to adopt inclusionary zoning**, under which a certain percentage of new housing units in a development would have to be set aside as affordable – with the developer (and buyers of market rate units) contributing much or all of the embedded subsidy.

City commissioners are appropriately concerned about the effect of rising housing costs on low-income Portlanders. They're not nearly concerned enough, however, about the effect of such costs – and the well-intended policies that drive them upward – on middle-class residents, especially those who also support children and might reasonably want to live in a 2,200-square-foot unit. If it's true that government taxes what it doesn't want, rubber-stamping the new SDC methodology would send a message middle class families could hardly miss.

Portland City Council can send a different message, however, by shelving the SDC methodology temporarily and committing to think in a more coordinated fashion about the cumulative effects, especially on middle-class families, of this and other new policies.

There's much to be said for moderate fees accompanied by periodic bond measures for parks and other infrastructure. This approach allows property owners to set their own priorities to some degree, it places pressure on public officials to exercise greater fiscal discipline, and it links payment to property value, which is a rough proxy for wealth.