



**City Council Work Session Meeting  
Wednesday, March 16, 2022  
6:00 p.m.**

**Welcome! Civic Hall will be closed to the public. Until improvements of COVID cases in Yamhill County improve meeting will be held via Zoom and live broadcast ONLY.**

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*You can live broadcast the City Council Meeting on cable channels Xfinity 11 and 331,  
Ziply Fiber 29 or webstream here:  
[www.mcm11.org/live](http://www.mcm11.org/live)*

**Work Session Meeting**

*You may join online via Zoom Meeting:  
<https://mcminnvilleoregon.zoom.us/j/86588059921?pwd=UjRjaHEySTFvdktWTXM3ZFBGTEMyZz09>*

*Zoom ID: 865 8805 9921  
Zoom Password: 950252*

*Or you can call in and listen via zoom: 1-253- 215- 8782  
ID: 865 8805 9921*

**6:00 PM – COUNCIL WORK SESSION – VIA ZOOM AND LIVE BROADCAST ONLY**

1. CALL TO ORDER
2. TRANSFER STATION PRESENTATION FROM RECOLOGY
3. SYSTEM DEVELOPMENT CHARGE (SDC) DISCUSSION
4. ADJOURNMENT

**Meeting Accessibility Services and Americans with Disabilities Act (ADA) Notice:** Kent Taylor Civic Hall is accessible to persons with disabilities. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made a least 48 hours before the meeting to the City Recorder (503) 435-5702 or [Claudia.Cisneros@mcminnvilleoregon.gov](mailto:Claudia.Cisneros@mcminnvilleoregon.gov).



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## City of McMinnville, OR

Transfer Station Impacts and Improvements  
McMinnville March 16, 2022 City Council Work Session



# Transfer Station History

|      |                                       |
|------|---------------------------------------|
| 1994 | Opened purely as a recycling facility |
| 2001 | Started taking trash from the public  |
| 2017 | Expanded to take route waste          |
| 2021 | Riverbend closure                     |



# *Impacts – Riverbend closure*



|                                     |   |
|-------------------------------------|---|
| <b>Increased Public Volume</b>      | Grew by 5x the prior volume   |
| <b>Disposal Cost</b>                | Grew by almost double - tons are now trucked to Coffin Butte                                |
| <b>Increased Headcount</b>          | Added six employees to handle additional public traffic                                     |
| <b>Larger Loads</b>                 | No longer just pickups – now construction trailers and dump trucks using tipping floor      |
| <b>Tip Fee</b>                      | Lowest in the area and has not been increased – dump trucks coming as far away as Vancouver |
| <b>Maintenance and Improvements</b> | Added wear and tear to the site and needed improvements to future proof for growth.         |



# New Tip Fees

## Household Garbage

\$20.00 per cubic yard – Up from \$10.00

Light, Loose items

## Construction Debris

\$30.00 per cubic yard - New

Medium weight debris

## Heavy Loads

\$40.00 per cubic yard - New

Sod. Roofing. Rock. Concrete

These rates are surrounding areas





**City of  
McMinnville**

ADMINISTRATION

**City of McMinnville  
City Attorney's Office**

230 NE Second Street  
McMinnville, OR 97128  
(503) 434-7303

[www.mcminnvilleoregon.gov](http://www.mcminnvilleoregon.gov)

## STAFF REPORT

**DATE:** March 16, 2022  
**TO:** Jeff Towery, City Manager  
**FROM:** Amanda Guile-Hinman, City Attorney  
**SUBJECT:** Systems Development Charges – Methodology Policies

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### **I. Report in Brief**

City staff seeks Council feedback regarding policies that will impact the methodologies developed to establish updated SDCs charged to new development. Specifically, as discussed in more detail below, staff needs Council input on the following:

1. The specific types of SDCs charged. Currently the City only charges Parks SDC on residential development and does not charge a stormwater SDC.
2. SDC cost recovery. Currently the City does not charge new development the full cost of improvements that are needed to support new development.

Over the next few years, the City will be considering new and updated facilities master plans. Those master plans will identify the infrastructure and facility projects that will be required to support the current and future population and development in the City. For infrastructure and facilities needed to support new development, the City employs a revenue-generating source described in Oregon statutes as Systems Development Charges (SDCs). The purpose behind SDCs is to “provide equitable funding for orderly growth and development in Oregon’s communities...” ORS 223.297.

SDCs help to pay for capital improvement projects that are needed, at least in part, to accommodate new development. As such, SDCs are paid by development. How the City creates the SDCs involves two key steps: (1) adoption of a capital improvement plan or master plan that includes a list of the capital projects needed to support planned new development; and (2) creation and adoption of a methodology that takes the capital

projects, projected new units (such as trips, houses, meters, etc.), and assigns a dollar value per unit to be charged to new development. Developing these methodologies involves several policy considerations.

Staff seeks initial Council feedback on certain SDC methodology policies to ensure consistency across the various master planning processes and to align Council expectations with the deliverables from the relevant consultants working on these projects. This Staff Report will explain SDCs and how they are developed, discuss McMinnville's current SDCs, and review the SDC methodology policies about which staff seeks Council input.

## **II. Background**

Since the 1970s, local jurisdictions used SDCs for public improvements. In 1989, Oregon adopted state statutes regulating local SDCs to provide consistency across the state and to limit the types of capital improvements that could be funded through SDCs. The last significant revision to the SDC statutes occurred in 2003. The SDC statutes are found in ORS 223.297 through 223.314. In addition to the state statutes, the McMinnville Municipal Code also regulates the administration of SDCs, which is in MMC Chapter 3.12.

### **A. What is a system development charge?**

State law defines a system development charge as:

[A] reimbursement fee, an improvement fee or a combination thereof assessed or collected at the time of increased usage of a capital improvement or issuance of a development permit, building permit or connection to the capital improvement. "System development charge" includes that portion of a sewer or water system connection charge that is greater than the amount necessary to reimburse the local government for its average cost of inspecting and installing connections with water and sewer facilities.

An SDC generally has two components to it – a reimbursement fee and an improvement fee, and those fees represent the costs associated with capital improvements necessary to support new development. A reimbursement fee is the fee for costs from capital improvements that have already been constructed or are under construction. An improvement fee is the fee for costs of future capital improvements.

State statutes allow local governments to include both reimbursement fees and improvement fees in the total SDC, as well as cost recovery for complying with the statutes, including the cost associated with tracking SDC expenditures and developing the necessary methodologies to establish SDCs.

## **B. What is a capital improvement that is SDC eligible?**

State law limits the types of capital improvements for which SDCs may be collected. The five (5) types of capital improvements that are eligible to be funded by SDCs are: (1) water, (2) wastewater/sanitary sewer, (3) stormwater, (4) transportation, and (5) parks and recreation. SDCs cannot be used to pay for the operation or maintenance of the capital improvements, but rather the costs to pay for the construction of the capital improvements.

## **C. How is an SDC established?**

The first step to establishing a SDC is to develop and adopt a capital improvement plan, public facilities plan, or master plan that lists the capital improvements that the City intends to fund, at least in part, with SDCs. The list needs to include the estimated cost, timing, and percentage of costs eligible to be funded by SDCs. For example, the City's current Transportation System Plan (TSP) includes a chapter entitled, "Funding Plan and Capital Improvement Plan," that identifies the projects in the TSP and notes which ones are SDC eligible.

The second step is to create and adopt a methodology that determines the per-unit charge to be assessed on new development. The methodology objective is that future development contributes an equitable share of the cost of existing and future facilities reflective of its impact on the public systems. The methodology for each type of SDC is different, but the general approach is as follows.

1. Start with the total project costs that are SDC eligible from the list developed from the capital improvement plan or master plan.
2. Determine an impact measurement for the specific public system. For example, the standard impact measurement for transportation SDCs is the number of new vehicle trips that will be generated from new development. Stormwater SDCs' impact measurement is typically determined by new impervious surface. Sanitary sewer SDC charges are often based on daily flow and discharge.
3. The total project costs that are SDC eligible are divided by the total number of increased impacts (e.g., total new vehicle trips generated or total new impervious surface area). The resulting number is the per-unit SDC that will be charged to new development. Attached as **Attachment 1** to this Staff Report is an example from the City of Eugene that charts out how the per-unit charges are determined in various SDC methodologies.

## **III. McMinnville's SDCs**

Depending on the type of development, McMinnville currently assesses two to three (2-3) types of SDCs of the five (5) types allowed under Oregon law. For residential development, the developer is assessed transportation, wastewater, and parks SDCs. For

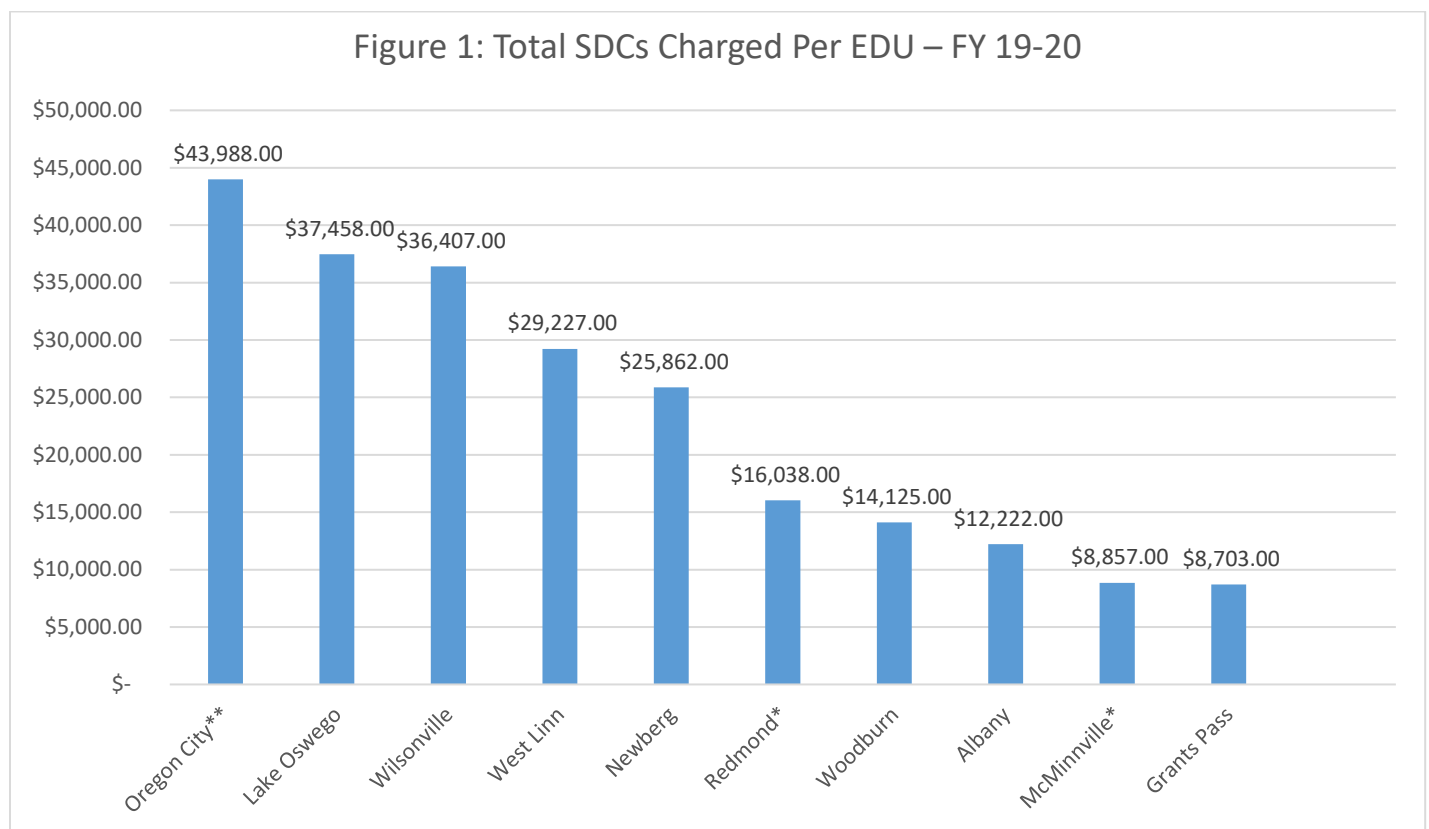


commercial and industrial development, developers are assessed transportation and wastewater SDCs. Parks SDCs are currently not collected for commercial and industrial development. Stormwater and water SDCs are not collected from any development in McMinnville.

McMinnville's current per-unit SDCs are:

- Transportation - \$2,693 per net new PM peak hour trips
- Sanitary Sewer - \$3,547 per equivalent dwelling unit
- Parks (residential only) - \$2,617 per equivalent dwelling unit

McMinnville's SDCs are generally lower than many other similarly sized jurisdictions.



\* FY 20-21 Charges

\*\* Calendar Year 2022 Charges

Additional information regarding other cities' SDCs as of fiscal year 2019-20 is attached as **Attachment 2**.

The City has scheduled several facility master plans and master plan updates that will include capital improvement projects that will be SDC eligible. Below is a chart showing the various plans and current estimated dates for issuing requests for proposals to consultants to complete the master plans or plan updates.

Figure 2: Public Facilities Master Planning Schedule

| Plan  | Draft RFP | Issue RFP | Proposals Due | Plan Adoption Consideration |
|---|-----------|-----------|---------------|-----------------------------|
| Water Reclamation Facility Master Plan Update | 2/22/2022 | 3/8/2022  | 4/8/2022      | 2023                        |
| Wastewater Conveyance MP                      | 2/22/2022 | 3/8/2022  | 4/8/2022      | 2023                        |
| Transportation System Plan Update             | 3/1/2022  | 3/15/2022 | 4/29/2022     | 12/31/2023                  |
| Parks and Open Space MP Update                | 11/5/2021 | 2/11/2022 | 3/15/2022     |                             |
| Stormwater Master Plan Update                 | 8/1/2022  | 8/15/2022 | 9/1/2022      | 2024                        |

#### IV. SDC Methodology Policy Considerations

##### A. Assessing SDCs on New Development

Staff seeks Council input regarding: (1) the assessment of Parks SDCs against different types of new development and (2) the creation of a stormwater SDC.

##### 1. Parks SDC

As discussed above, the City does not currently assess the Parks SDC on new commercial or industrial development. According to the latest League of Oregon Cities System Development Charges Survey (February 2020) (“LOC Survey”), of the cities that responded to the survey, 57 had established a Parks SDC to help fund parks. That represented 59% of the cities surveyed. The 57 cities generally had populations greater than 3,000 and were mostly located within the Metro, Willamette Valley, and Central Oregon regions. Of the 57 surveyed cities that had a Parks SDC, 54 identified whether they collect a Parks SDC from residential only or from residential and non-residential development. Thirty-two assessed the SDC against all development and 22 assessed the SDC only on residential development.

Parks SDCs may be assessed against non-residential development because people who are employed by or visit the establishment use parks, trails, recreation facilities, and other public open spaces. Some cities assess non-residential development to ensure that all development equitably shares in the cost of constructing parks, trails, open space, and recreation facilities. Typically, Parks SDCs are assessed by either the number of employees or the square-footage of a building, or a combination of both.

Since the City is beginning the process of updating the Parks, Recreation, and Open Space Master Plan, staff seeks Council feedback of whether to explore assessing a Parks SDC against new non-residential development along with residential development.

## **2. Stormwater SDC**

The City does not assess a Stormwater SDC. In the LOC Survey, 46 respondents stated they had a stormwater SDC. These cities mainly had populations greater than 3,000 and were generally located in the Metro, North Willamette Valley, and South Willamette Valley regions. These regions are all contained within the Willamette River Basin where periodic flooding occurs and governments must maintain stormwater systems to manage rain, runoff, and flooding.

Stormwater SDCs may be assessed against all development to fund infrastructure to manage and treat stormwater. Stormwater infrastructure can enhance the City's drainage system and improve water flow capacity and quality of creeks, rivers, and other water courses in the community, among other benefits.

The City will begin updating its Stormwater Master Plan this summer or fall. Staff seeks Council's feedback whether to pursue a Stormwater SDC, which will then be part of the master planning process, particularly regarding funding future projects.

## **B. Cost Recovery from New Development**

Staff also seeks Council input regarding cost recovery of capital projects from new development. As previously stated, the purpose of SDCs is to provide an equitable funding source for capital improvements needed to support future growth and development. In other words, SDCs are for new development to pay for its direct impact on City-wide infrastructure. When a policy decision is made to not collect the full amount of SDCs that, pursuant to an SDC methodology, is attributable to new development, the impact of that decision is that other revenue resources must be used to fund capital projects, such as taxpayers and rate payers.

### **1. Percentage of Cost Recovery**

An important policy for Council to consider is if Council wants to work toward a certain percentage of cost recovery from new development for its impact on public infrastructure. There are two key factors when examining cost recovery: (1) what percentage does the Council prefer as a goal for cost recovery; and (2) what fees are included in cost recovery.

Council has the authority to obtain 100% cost recovery for new development's impact on city-wide infrastructure. Previously, the City did not seek full cost recovery from new development. For example, the City has generally not analyzed or collected reimbursement fees, which can be a component fee of SDCs. The City also has not

included the administrative cost recovery that is allowed under the Oregon SDC statutes. Moreover, as identified above, the City has not obtained any cost recovery through SDCs for its stormwater system or non-residential development's use of City parks, recreation, and open space.

Staff seeks initial direction from Council regarding cost recovery.

- Does the Council want to strive for a certain percentage of cost recovery?
- Is the Council interested in exploring both reimbursement fees and improvement fees?
- Should allowable administrative costs be incorporated into a SDC methodology?

## **2. Subsidizing SDCs**

When a policy decision is made to not assess or collect SDCs from new development, that cost must be recovered from other sources. Therefore, staff seeks Council feedback regarding whether to consider subsidizing certain types of development. Currently, affordable housing projects that meet the standards in MMC 3.10.060 are exempt from paying transportation or wastewater SDCs, though the Code does not expressly identify another funding source to recover that lost revenue. Staff seeks input from Council regarding the following policy questions:

- If additional SDCs are adopted, should the City explore further subsidizing SDCs assessed against affordable housing projects?
- Are there other types of development that the Council may want to explore subsidizing SDCs?

As an example, to encourage compact development in areas that allow higher density, the City of Eugene offers a certain percentage discount for such development. Eugene also provides some discount for green design characteristics.

## **3. Scalability/Variability of SDCs**

Another policy consideration that staff also seeks Council feedback is whether to explore scaling SDCs for residential development based on house size. Certain SDCs, in particular transportation SDCs and Parks SDCs, are applied at the same rate for each single residence regardless of size. Historically, methodologies did not consider the size of the house because there was generally not statistically valid evidence that more people live in a larger house than a smaller house. However, more cities are examining a means of considering characteristics of a house, such as number of bedrooms or square footage of the house, to assess SDCs. For example, the City of Eugene charges certain SDCs based on house type, and information from federal agencies such as the Department of Housing and Urban Development may support charging the variable SDCs on residential development based on factors such as house size or number of bedrooms.

Staff requests Council feedback whether it would like to explore methodologies that consider the scalability of SDCs for residential development.

Staff also notes that such considerations may create complexities in the creation and administration of SDC methodologies and collection, which Council may want to consider when determining whether, and if so how much, administrative costs are assessed as part of the SDCs.

**V. Attachments:**

Attachment 1: City of Eugene representative charts of SDC methodologies

Attachment 2: Other cities' SDCs as of FY 2019-20

**VI. Fiscal Impact:**

Policies regarding SDC methodologies will inform the fiscal impact of SDCs and whether the City can fund future capital improvement projects.

FIGURE G-1

## Rate-Setting Methodology

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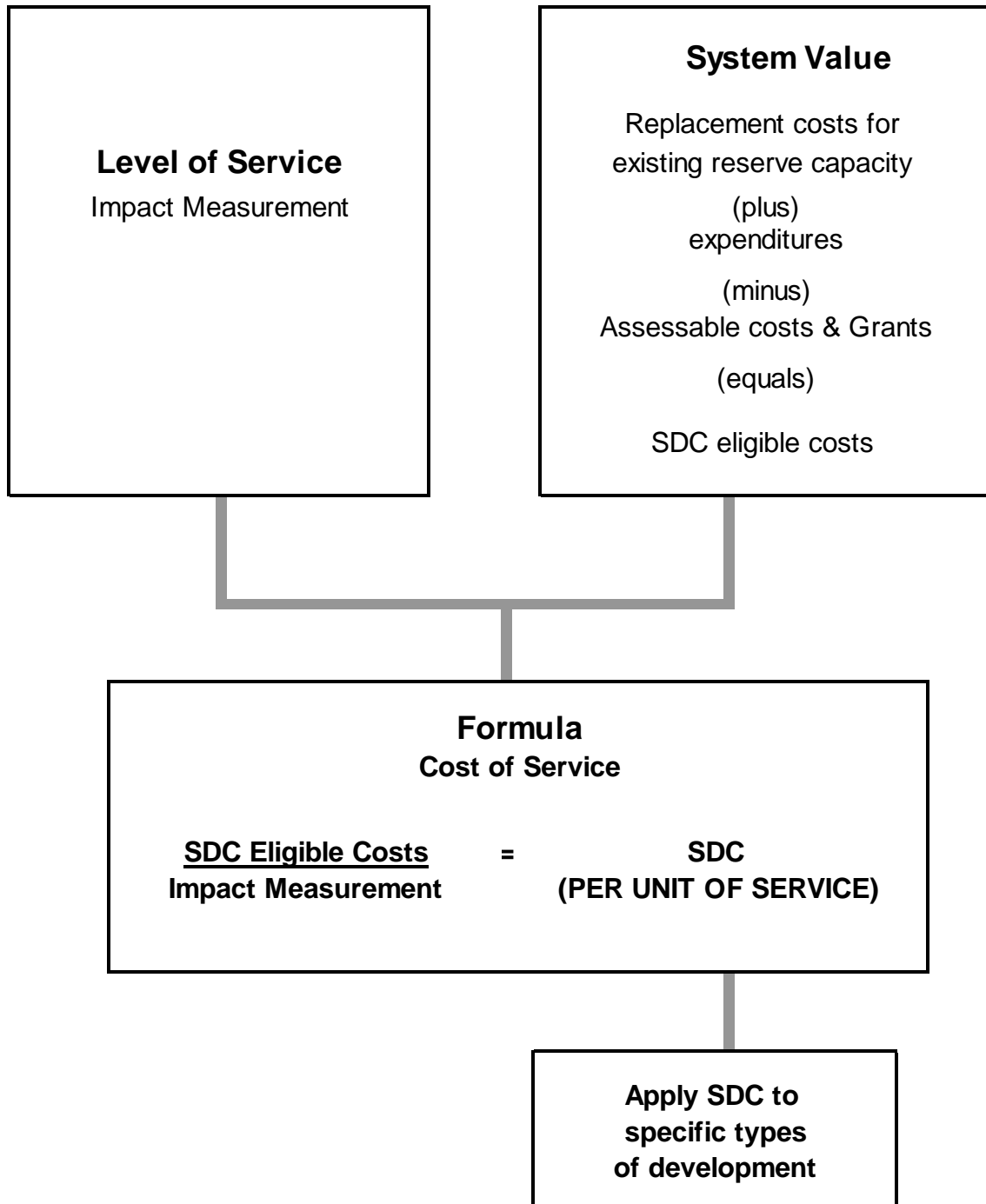
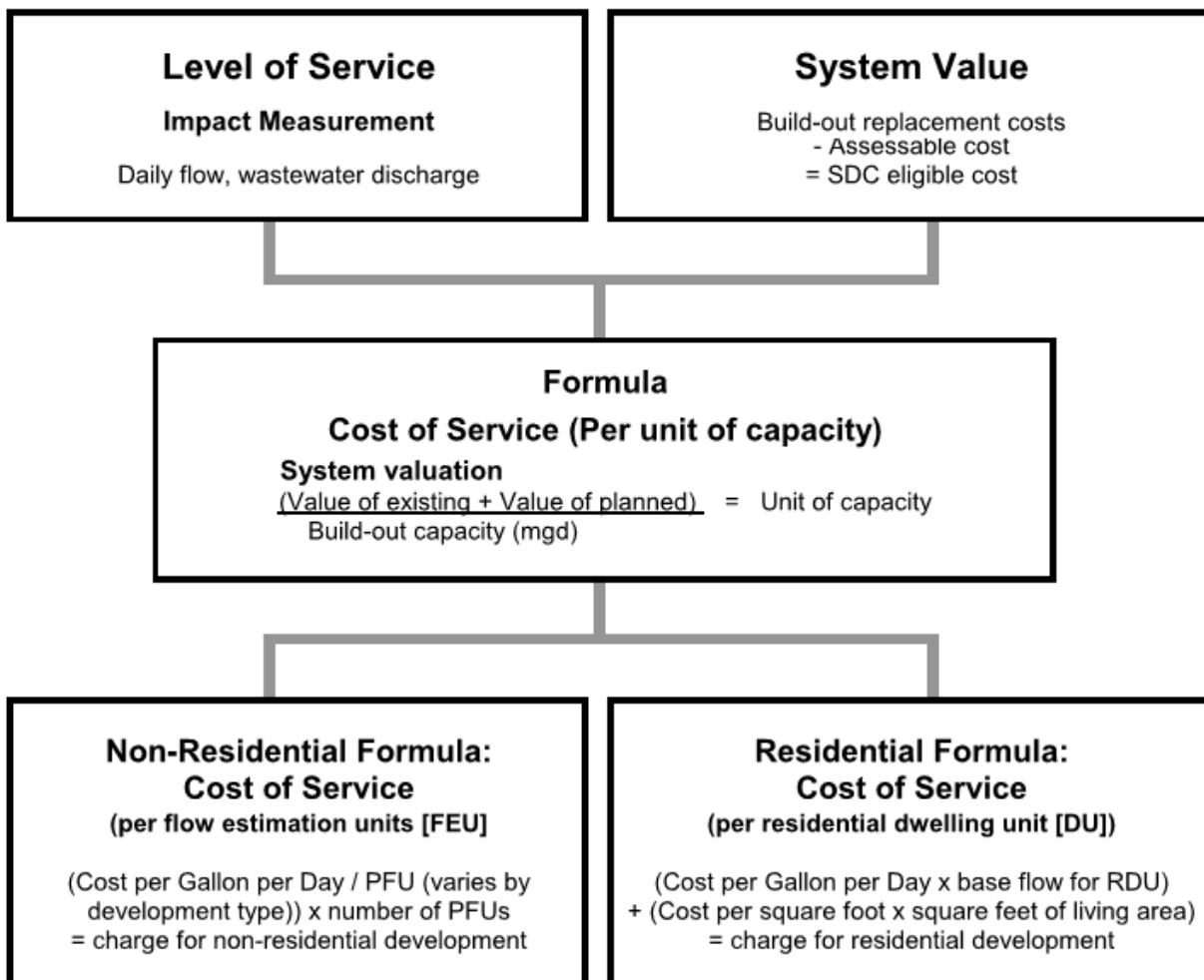
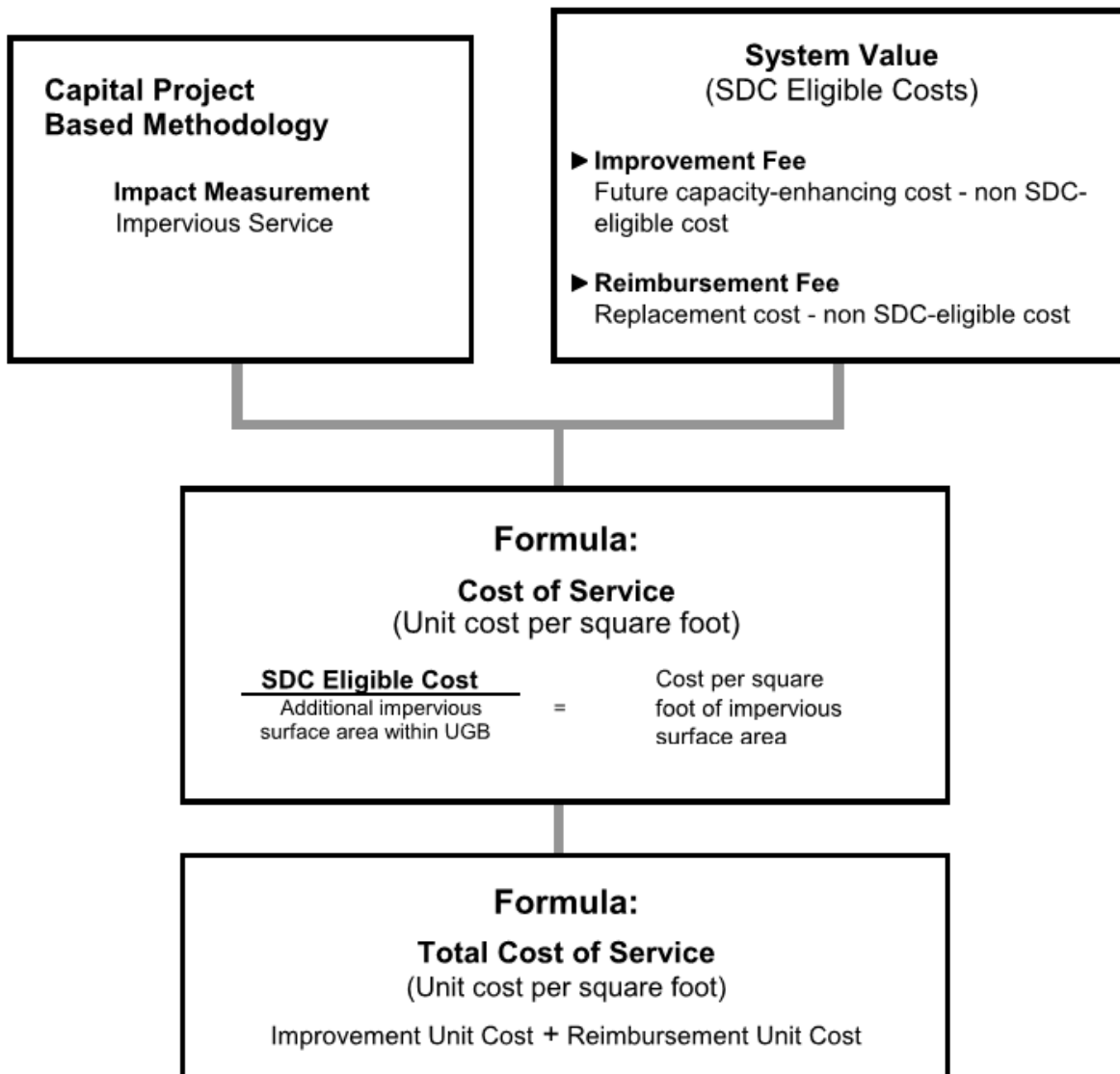


FIGURE 4

## Local Wastewater System



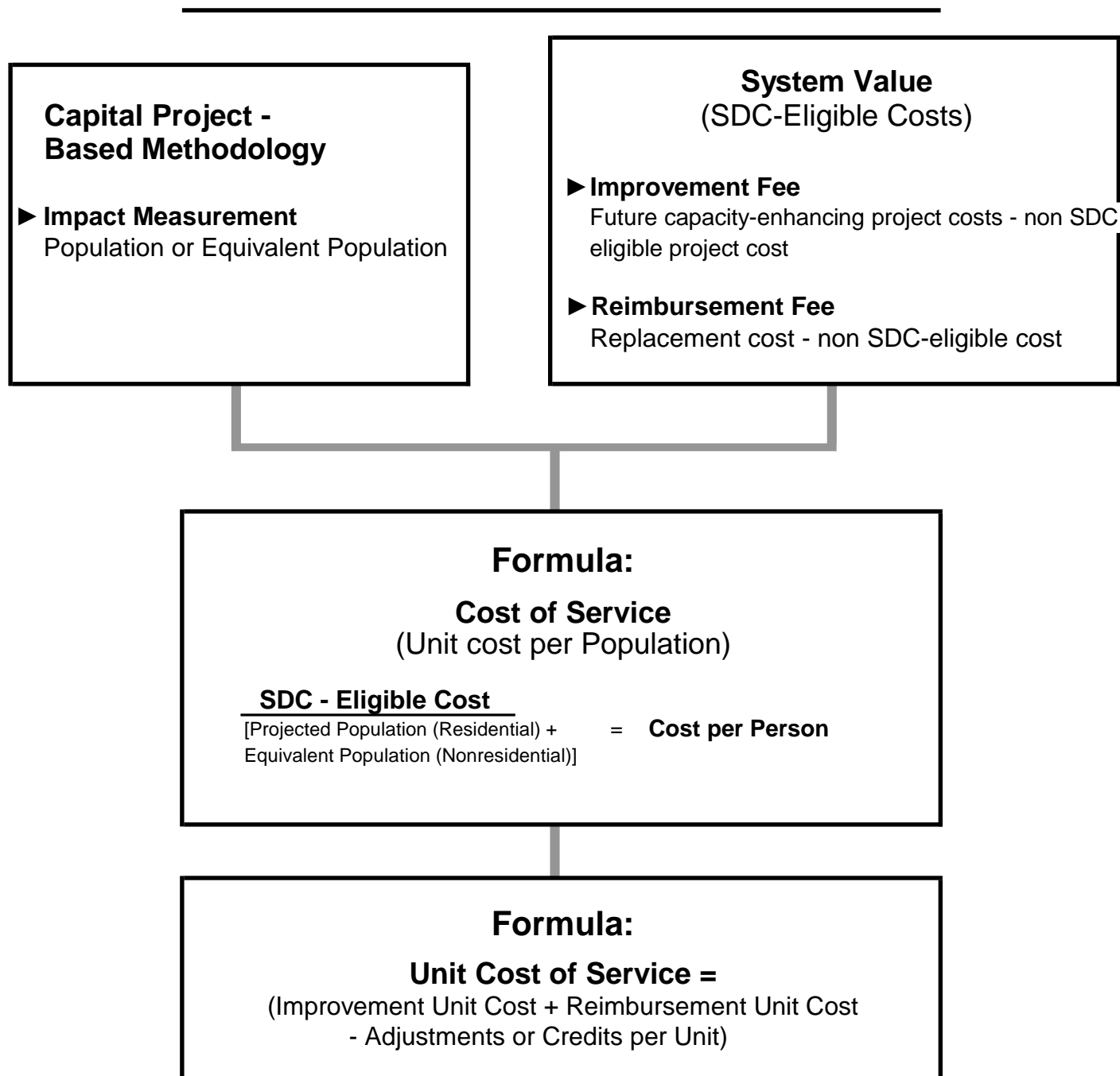
**FIGURE 5**  
**Stormwater System**



NOTE: The costs per unit of measure, can be found in Table 8 and the SDC fee schedule in Appendix F.



**FIGURE 6**  
**Parks System**



NOTE: The costs per unit of measure, can be found in Table 17 and in Appendix F.

FY19-20

| MULTI-CITY SDC COMPARISON   |                 |                 |                 |                 |               |                  |
|-----------------------------|-----------------|-----------------|-----------------|-----------------|---------------|------------------|
| SINGLE FAMILY RESIDENCE     |                 |                 |                 |                 |               |                  |
| City                        | Parks           | Sewer           | Water           | Transportation  | Stormwater    | Total            |
| Grants Pass                 | \$ 879          | \$ 3,179        | \$ 3,005        | \$ 1,124        | \$ 516        | \$ 8,703         |
| Garibaldi                   | \$ 816          | \$ 2,755        | \$ 1,980        | \$ 1,650        | \$ 2,000      | \$ 9,201         |
| Monmouth                    | \$ 2,053        | \$ 3,394        | \$ 1,743        | \$ 3,852        | \$ 285        | \$ 11,327        |
| Albany <sup>1</sup>         | \$ 1,720        | \$ 3,560        | \$ 2,857        | \$ 4,085        | No SDC        | \$ 12,222        |
| Lebanon                     | \$ 3,545        | \$ 4,251        | \$ 2,543        | \$ 1,936        | \$ 255        | \$ 12,530        |
| Eugene                      | \$ 4,246        | \$ 2,340        | \$ 3,415        | \$ 2,113        | \$ 668        | \$ 12,782        |
| Columbia City               | \$ 2,019        | \$ 1,623        | \$ 4,292        | \$ 4,575        | \$ 388        | \$ 12,897        |
| Woodburn                    | \$ 3,530        | \$ 2,977        | \$ 3,756        | \$ 3,532        | \$ 330        | \$ 14,125        |
| <b>Corvallis (Current)</b>  | <b>\$ 6,607</b> | <b>\$ 4,377</b> | <b>\$ 1,430</b> | <b>\$ 3,042</b> | <b>\$ 278</b> | <b>\$ 15,735</b> |
| <b>Corvallis (Proposed)</b> | <b>\$ 6,804</b> | <b>\$ 4,416</b> | <b>\$ 1,440</b> | <b>\$ 3,067</b> | <b>\$ 278</b> | <b>\$ 16,006</b> |
| Salem                       | \$ 4,438        | \$ 3,975        | \$ 5,064        | \$ 3,975        | \$ 613        | \$ 18,065        |
| Gresham                     | \$ 4,204        | \$ 6,318        | \$ 4,751        | \$ 4,111        | \$ 1,203      | \$ 20,587        |
| Veneta                      | \$ 4,882        | \$ 6,387        | \$ 7,306        | \$ 2,496        | \$ 208        | \$ 21,279        |
| Silverton                   | \$ 6,240        | \$ 4,653        | \$ 8,286        | \$ 3,760        | \$ 877        | \$ 23,816        |
| Newberg                     | \$ 6,912        | \$ 6,729        | \$ 5,431        | \$ 6,421        | \$ 369        | \$ 25,862        |
| Philomath                   | \$ 1,094        | \$ 8,829        | \$ 9,616        | \$ 5,581        | \$ 1,728      | \$ 26,848        |
| Portland                    | \$ 9,682        | \$ 6,917        | \$ 4,593        | \$ 5,393        | \$ 1,159      | \$ 27,744        |
| West Linn                   | \$ 11,535       | \$ 3,781        | \$ 9,425        | \$ 3,168        | \$ 1,318      | \$ 29,227        |
| Wilsonville                 | \$ 6,099        | \$ 5,503        | \$ 9,600        | \$ 13,357       | \$ 1,848      | \$ 36,407        |
| Beaverton                   | \$ 11,895       | \$ 5,800        | \$ 9,007        | \$ 8,968        | \$ 1,252      | \$ 36,922        |
| Hillsboro                   | \$ 6,393        | \$ 5,800        | \$ 15,450       | \$ 8,968        | \$ 560        | \$ 37,171        |
| Lake Oswego                 | \$ 14,057       | \$ 2,957        | \$ 8,122        | \$ 12,160       | \$ 162        | \$ 37,458        |
| <b>McMinnville (FY21)</b>   | <b>\$2,617</b>  | <b>\$3,547</b>  | <b>\$0</b>      | <b>\$2,693</b>  | <b>\$0</b>    | <b>\$8,857</b>   |

Table 2 – Multi-City SDC Comparison

## Notes

1 With the exception of Albany, only communities with parks, sewer, water, transportation, and stormwater SDCs are listed for comparison.

The City of Albany is provided as an often-requested comparator.



**City of  
McMinnville**

ADMINISTRATION

# Systems Development Charges – Methodology Policies

McMinnville City Council Work  
Session

March 16, 2022

# Roadmap for Discussion

- Purpose for Discussion
- What are systems development charges (SDCs)?
  - Who pays them?
  - For what can they be used?
- McMinnville's SDCs
- SDC Policy Considerations
  - What SDCs should we charge
  - Methodology - Cost recovery

# Purpose for Discussion

- Current SDC Cost Recovery
  - Not currently in full cost recovery
  - Taxpayers and rate payers subsidizing new development
- Facility Master Planning
  - Parks, Recreation, and Open Space (PROS) Master Plan
  - Transportation System Plan
  - Stormwater Master Plan
  - Wastewater Conveyance and Water Reclamation Facility Master Plans

# What Are SDCs?

- One-time fee imposed on development
  - Applicable at time of increased usage of capital improvement, issuance of permit, or connection to capital improvement
- 2 components
  - Reimbursement fee
  - Improvement fee
- Funds capital improvements
  - Water
  - Wastewater (sanitary sewer)
  - Stormwater
  - Transportation
  - Parks and Recreation
- Governed by ORS 223.297-223.314 and local code
- Purpose
  - Equitably assess new development for impact on city-wide systems

# What Are SDCs? (cont.)

- Adopt a capital improvement plan/master plan
  - Plan for future growth
  - Includes list of capital improvements that City intends to fund with SDCs
  - List can be modified
- Develop a list and methodology for determining charge
  - List of capital improvements that City intends to fund with SDCs
    - List of projects
    - Estimated costs, timing, percentage that are SDC eligible
    - Can be modified
  - Methodology can include both reimbursement fees and improvement fees
  - Basis for charge
    - Measure of capacity
    - Why appropriate
    - How much capacity used by different developments
  - Recovery percentage
- Charge, collect, and spend SDCs

# What Are SDCs? (cont.)

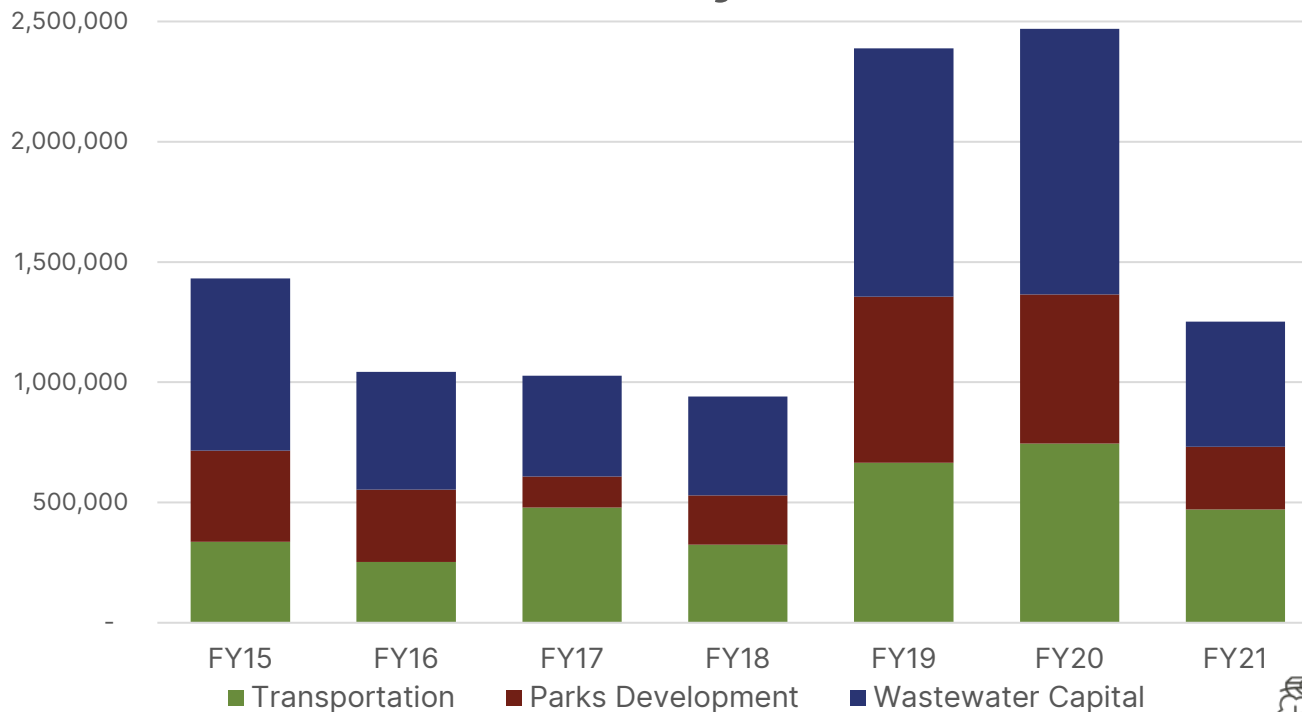
- Spending SDCs
  - Project must be in adopted capital improvement plan and project list
  - Reimbursement fees only for capital improvements already constructed or under construction
  - Improvement fees only for capacity-increasing capital improvements
  - Repayment of debt okay
  - Cannot use SDCs from one fund to pay another capital improvement
  - Can use SDCs to comply with SDC statutes
    - Developing plans/methodologies
    - Accounting of SDC expenditures
    - Related staff time



# McMinnville's SDCs

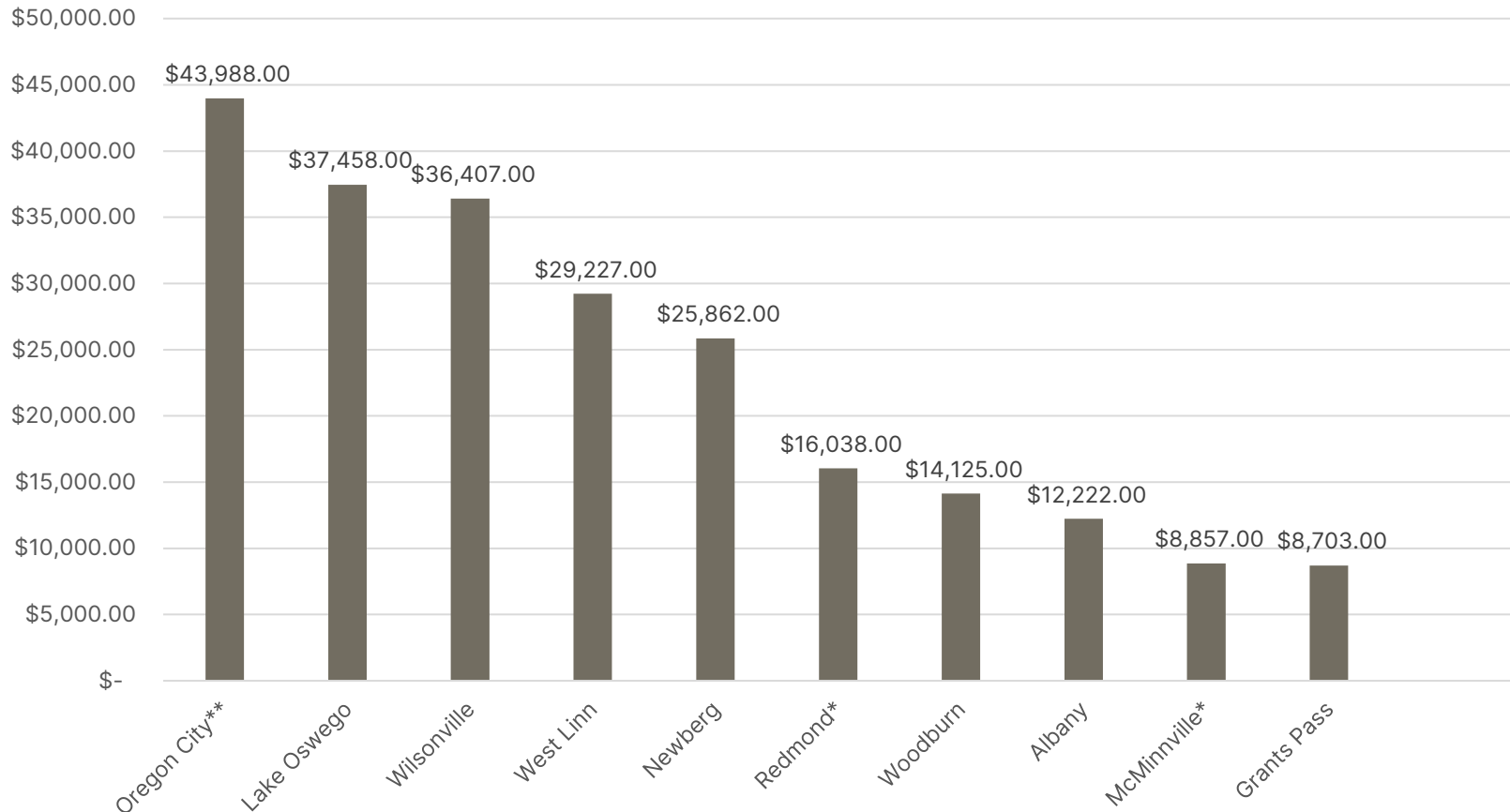
- Transportation - \$2,693 per net new PM peak hour trips
- Sanitary Sewer - \$3,547 per equivalent dwelling unit
- Parks (residential only) - \$2,617 per equivalent dwelling unit
- No water or stormwater SDCs

## SDC Actuals for City of McMinnville



# McMinnville's SDCs Compared

Total SDCs Charged Per EDU – FY 19-20



\* FY 20-21 Charges

\*\* Calendar Year 2022 Charges

# Policy Considerations

- Assessing SDCs
  - Consider whether to extend Parks SDCs to all new development
  - Consider stormwater SDC
- Cost Recovery
  - What percentage?
  - What is included?
    - Administrative costs?
  - Policy to subsidize certain developments' SDCs?
    - Affordable Housing
    - Incentivizing certain development?
  - Scalability of SDCs