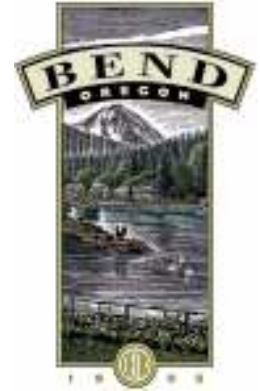


M E M O R A N D U M



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TO: **BEDAB ADVOCACY SUBCOMMITTEE**
FROM: **SUSANNA JULBER, SNR. PROJECT & POLICY ANALYST**
SUBJECT: **SDC DEFERRAL PROGRAM – SMALL LOT/ MULTI
FAMILY ANALYSIS AND SDC PROGRAM ALTERNATIVES**
DATE: **JANUARY 22, 2016**
CC: **CAROLYN EAGAN, ECONOMIC DEVELOPMENT DIRECTOR**

This memo will discuss additional data the BEDAB Advocacy Subcommittee requested at their November 30 meeting regarding a proposed SDC deferral program. At the November meeting, the Subcommittee was interested specifically in the proportion of SDCs to building valuation for smaller lots (those less than 6,000 square feet) as well as multi-family housing (greater than 3 units). Staff will discuss this data with the Committee at the January 25 meeting, and request Committee input on program recommendations that will go for approval to BEDAB, with the intent of bringing a package to the City Council as part of a broader incentive program.

The City Council expressed interest in renewing a deferral program at a recent Council meeting. Working with the Subcommittee, we would like to develop some program options to bring to the full BEDAB for input and development of proposals to bring to Council.

Previous SDC programs

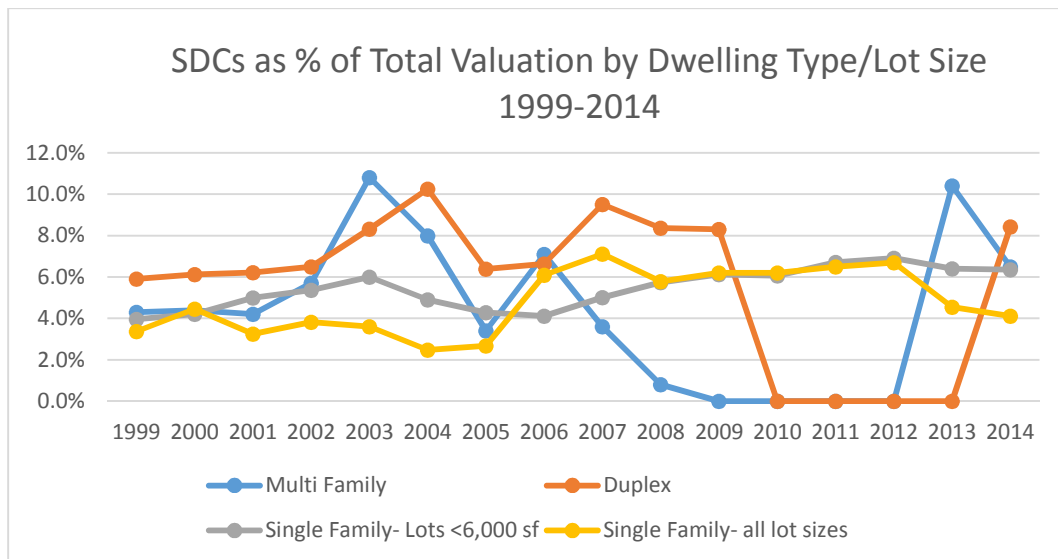
In 2010, the city created two new SDC financing programs. An SDC 9-month deferral program for residential development and a 0% financing program for commercial development. Both programs expired during the summer of 2015.

In discussions with developers, the both programs have been cited as cumbersome with burdensome requirements; however, in evaluating other cities' deferral programs, they require similar elements- liens, credit checks, and title reports. The difference is that many cities use more advanced software programs than Bend's, which will hopefully be more streamlined following the LEAP project.

Analysis of Costs for Multi Family and Smaller Lots

Figure 1 provides a breakdown of SDCs relative to valuation for varying single family, multi-family (3 units or greater), duplexes, and single family on small lots (less than 6,000 sf). The Advocacy Subcommittee was interested in evaluating this data to see if a deferral program could be tailored to incentivize smaller home development. The data illustrates that in general over time, SDCs are most expensive in proportion to valuation for single family, followed by duplexes, single family on smaller lots, and finally multi family. The spike in the data in 2013/2014 results from a few very expensive projects, and the flat data line are for the years 2009-2012, when there were no measurable multi-family or duplex projects constructed.

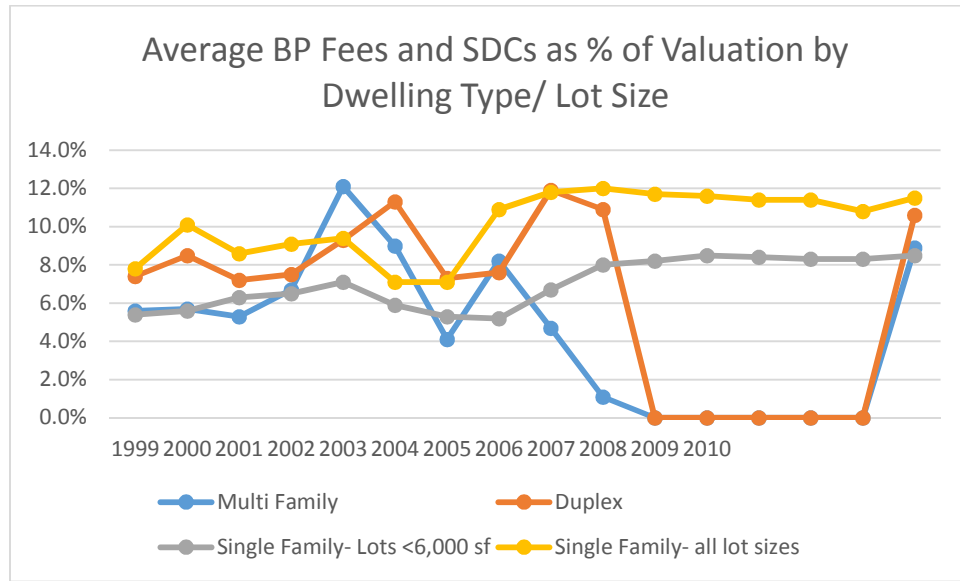
Figure 1. Percent of SDCs Relative to Valuation by Year.



Details- Average SDCs as Percent of Valuation by Year.																
	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14
Multi Family	4.3%	4.4%	4.2%	5.7%	10.8%	8.0%	3.4%	7.1%	3.6%	0.8%	0.0%	0.0%	0.0%	0.0%	10.4%	6.5%
Duplex	5.9%	6.1%	6.2%	6.5%	8.3%	10.3%	6.4%	6.6%	9.5%	8.4%	8.3%	0.0%	0.0%	0.0%	0.0%	8.4%
Single Family- Lots <6,000 sf	4.0%	4.2%	5.0%	5.4%	6.0%	4.9%	4.3%	4.1%	5.0%	5.7%	6.1%	6.1%	6.7%	6.9%	6.4%	6.4%
Single Family- all lot sizes	3.4%	4.5%	3.3%	3.8%	3.6%	2.5%	2.7%	6.1%	7.1%	5.8%	6.2%	6.2%	6.5%	6.7%	4.4%	4.1%

Figure 2 shows the cost of SDCs and average building permit costs relative to valuation.

Figure 2. Percent of Permit Fees & SDCs Relative to Valuation by Year.



Details- Average BP Fees and SDCs as a % of Valuation by Year.																
Type of Dwelling/ Lot	99	00	01	02	03	04	05	06	07	08	09	10	11	12	13	14
Multi Family	5.6%	5.7%	5.3%	6.7%	12.1%	9.0%	4.1%	8.2%	4.7%	1.1%	0.0%	0.0%	0.0%	0.0%	0.0%	8.9%
Duplex	7.4%	8.5%	7.2%	7.5%	9.3%	11.3%	7.3%	7.6%	11.9%	10.9%	0.0%	0.0%	0.0%	0.0%	0.0%	10.6%
Single Family- Lots <6,000 sf	5.4%	5.6%	6.3%	6.5%	7.1%	5.9%	5.3%	5.2%	6.7%	8.0%	8.2%	8.5%	8.4%	8.3%	8.3%	8.5%
Single Family- all lot sizes	7.8%	10.1%	8.6%	9.1%	9.4%	7.1%	7.1%	10.9%	11.8%	12.0%	11.7%	11.6%	11.4%	11.4%	10.8%	11.5%

Defining a New Program

Any proposed program will need to be evaluated by the City. A critical step in developing any program is the defined purpose. If a new SDC program were created what would be the purpose of the program?

- To reduce a cost barrier to building multi-family/affordable units?
- To allow builders to have more cash so that they can build additional units of any size during a calendar year?
- Some other purpose?

Another reason, not yet discussed by the committee would be to create an SDC program may be to incentivize some of the infill development that will be allowed under the new development code after adoption of the UGB.

Next Steps

At the January 25, 2016 BEDAB Advocacy meeting the goal will be to

1. Define the purpose of a new program
2. Consider the following:
 - Should Water, Sewer, Transportation SDC funds be used as a fund to incentivize building?
 - What are the costs associated with using these funds to incentivize business?
 - What are the risks associated with using these funds to incentivize business?
3. Finalize a recommendation for the BEDAB to consider at the February 2, 2016 BEDAB meeting

At the February 2 BEDAB meeting, the BEDAB will decide if they have a program to propose to the City Council. If so, the proposal will be presented to Council.