

CITY OF ALBANY
CITY COUNCIL WORK SESSION
City Hall, Council Chambers
333 Broadalbin Street SW

Wednesday, February 2, 2011
6:00 p.m.

MINUTES

CALL TO ORDER

Mayor Sharon Konopa called the meeting to order at 6:02 p.m.

ROLL CALL

Councilors present: Councilors Dick Olsen, Jeff Christman, Bill Coburn, Floyd Collins, Bessie Johnson (arrived at 6:17 p.m.), and Ralph Reid, Jr.

PROPOSED TRANSPORTATION SYSTEM DEVELOPMENT CHARGE (TSDC)

Transportation Systems Analyst Ron Irish explained at the Public Hearing held January 12, 2011, Council heard testimony, adopted the Methodology setting the maximum SDC fee at \$10,000 per single family home, closed the public hearing, and asked staff to set up a work session to discuss options for setting TSDCs. Council also asked staff to provide additional data along with the TSDC flat fee Resolution, which retains current TSDCs for a single-family home (\$1,734), project that level until the end of the TSP, and establish a project list with the expectation that Council would have some flexibility each year to adjust those fees to add needed projects to the list.

Irish presented the TSP Project Summary spreadsheet (Attachment 1) listing all the projects in the adopted Transportation System Plan and comparing the Ramped Option and Flat Fee Option. On page 4 of the spreadsheet, Irish explained with the Ramped Option, 88 projects could be completed in comparison to the Flat Fee Option of 54 total projects. Irish then presented a graph of the Transportation SDC Fee Options for a single-family home comparing the Flat Fee and Ramped options, and a table and graph showing the building permit costs from 1997 through 2010 and comparing the total permit costs, land costs, and median home sales during that same time period. Irish also said a letter is attached to the Council agenda packet that staff received from Metropolitan Land Group stating their concern in regards to several projects that may be moved off the revised list and supporting a delayed ramp approach as proposed in the resolution presented to Council during the public hearing on January 12, 2011.

Councilor Bill Coburn said there was a discussion at the last meeting in regards to reviewing the fees on an annual basis and Council could adjust the rate upwards when there are indicators showing the economy is recovering, and asked if this would be brought back to Council on an annual basis. Public Works Director Diane Taniguchi-Dennis said this would be brought back annually to Council because of the change in the ENR index and the decision could also be made in regards to changes to the projects listed. Dennis said a statement could be added to the resolution to this effect. Coburn felt this was needed.

Councilor Floyd Collins said he agreed with adding this statement to the Resolution, and felt each year advocates would be approaching Council to add projects to the list, not just opponents to adjusting the fee. Collins pointed out the revenue collected over the first 14 months is the same for both options. Collins added that the flat fee option says we acknowledge the economic conditions, keeping the rates "status quo" relative to a single family house, but we make the commitment to review on an annualized basis. If we go to the ramped fee, even though the revenue is the same, the message is we're adjusting fees up 20 percent.

Councilor Dick Olsen said over the next 10 years in the flat fee and ramped options, the plan is to spend \$15 million on projects, and asked if the current SDC funds available are included in the balance shown on the spreadsheet for the projects listed in the next four-year period. Irish explained the existing SDC account balance is approximately \$6-\$7 million, adding that a large portion of that fund has been obligated to the Lowe's development and the extension of Oak Street, with the balance available for some of the priority projects.

Olsen asked about funding for projects not on the list, such as the one discussed in the letter from the Metropolitan Land Group. Irish explained the basic difference between the ramped and the flat fee options in the short-term is with the ramped fee, the City could offer a credit to a developer for projects on the list because more funds will be available in the long-term, and with the flat fee option, developers will be requesting their projects be added to the funded project list in order to qualify for credit, or they would need to decide whether to build the infrastructure with no SDC participation. Olsen expressed concern about using existing SDC funds and not saving for future developments, and said he has reservations about not using the ramped method.

Collins explained if a project is not on the funded list and a developer pays for building the infrastructure without SDC credit, the developer would put the cost of that improvement in the cost of the land sold to a builder. The builder would then pay the \$1,734 as opposed to the fee that was ramped at the time. The builder would be paying higher land values, but wouldn't pay the increased permit costs across the counter.

Konopa explained that in the beginning of the TSP process there was discussion regarding the need for higher SDC fees if the needed projects identified by staff and prioritized by Council were to be built, and feels that we're going against what Council originally set out to accomplish in order to have a solid Transportation System Plan.

Collins added that the project list was based on the assumption of the growth pattern identified four years ago. If growth doesn't occur, then some of the projects will need to slide on the list until the growth does occur.

Konopa asked staff if this was the second time the project list has been scaled back in order to keep the fee down.

Richardson explained the maximum allowable SDC fee is \$10,000. Staff scaled that down to \$3,000 in order to fund the high-priority projects in the first 10 years. Konopa confirmed that other projects are again being moved off the list using the flat fee option.

Christman asked under the ramped scenario, if the first increase would be in July 2012. Irish confirmed that in July 2012 it would increase by 20 percent. Christman confirmed that in July 2012, the effect of the ramped option would be the same as the flat fee option if Council would review it again yearly. Irish explained that the fund balance would be the same, but the option chosen might make a difference for a developer, depending if that project is on the funded list.

Christman said his concern is that the City will get into the same situation we did with the Building Department not increasing fees, and felt those who object would do so whenever fees were to increase because no one wants the cost of doing business to go up. Christman added that he is leaning more towards the ramped option because he feels that a plan needs to be in place in order to finance the priority projects.

Coburn said he agrees with Floyd in keeping the fee flat and re-visiting it a year from now, and feels that SDC fees should probably have been raised years ago when there was a lot of building going on, but now is not the time. Coburn added that he feels it is important for the City to be seen as construction-friendly.

Johnson asked if we went from the flat fee of \$1,734 to \$3,000, what difference would it make on building one regular house. Irish said beyond the initial difference in the fee, it depends to some degree on whether the development that created the lot was an eligible project and received credit. For a lot that already exists, it would be cheaper, but for a lot that was developed and not eligible for credit, the cost for the land would probably be higher. Irish added that the \$3,000 fee would only be implemented if Council passed a resolution to do so.

Olsen asked about the existing balance of the SDC fund. Irish said the balance of the SDC fund has been growing steadily over last few years as the City assigned low levels of SDC funds to a lot of different projects, but did not have the matching funds available to build any one project. Olsen asked about matching the needs with revenues, and Irish agreed that if growth didn't occur as expected, the demand wouldn't occur and the revenue stream wouldn't be coming in as fast as anticipated, resulting in a delay of projects, which would be the same for either of the SDC options. Irish added the methodology adopted that set the \$10,000 maximum fee was established to maximize the growth potential of all the different classifications of projects.

MOTION #1: Coburn made a motion to adopt the resolution identified as attachment 2 and asked staff to add a statement that it will be reviewed in one year. The motion seconded by Collins.

Olsen said it was difficult voting for this as he was unsure of the criteria to be used for reviewing it.

Collins said the minimum criteria would be: 1) what is the economic conditions occurring in our community at the time, and 2) what has been the turnaround in the number of permits being requested. Annual review would give Council a chance to review what the economy is doing and adjust.

Olsen asked what the ramped method would be, and Collins said if the Council didn't take action it would be an automatic 20 percent per year.

Coburn said perhaps a task force could be established to come up with a way of analyzing the economic indicators to give the Council justification for making a decision.

City Manager Wes Hare said it is a policy decision what the Council wants for their community. SDCs are not intended to cover all the infrastructure cost, but are supposed to help offset the costs associated with increased growth. Hare said knowing what other communities are charging may make a difference because choosing where to build can sometimes be based on cost. Richardson responded with the information that Corvallis was charging a TSDC of \$2,100 in 2007-2008.

Collins said he did research 6-7 years ago when a relative was relocating to the valley. Collins explained that a builder was building model homes in Corvallis, Albany, Monmouth and Salem. It was the same house and the same approximate-sized lot, and went from Corvallis to Salem to Albany to Monmouth with \$25,000 increments. It wasn't the price of the SDCs, it was the community and the market that set the price. The SDC is the component of the market price, it is not the driver.

Konopa felt staff has conducted four years of research with the assistance of a consultant doing the initial piece of the TSP; therefore, Council needed to make the decision based on that.

Christman said he understood, but felt that next year they would need some criteria for making a decision on whether to raise the fees.

Taniguchi-Dennis said whether Council adopts the ramp or the flat fee option with reviewing it in a year, the initial fee for a single family home is in the same place. This allows staff to test the methodology. Dennis added that a developer may come advocating for their project to be added to the list, and if it's not a project that can be swapped out, a fee increase may need to be looked at. Dennis said staff will work with the development community to come up with indicators and evaluate those to provide Council with some economic data.

Christman said he agrees with having the information on the economic indicators – quantitative numbers to help them make the decision – and having a plan in place, and feels that those need to be tracked now and not wait until June 15 to figure out what those indicators are.

Johnson feels the \$3,000 ramped option would be the best option so developers know Albany's plan.

Olsen said Council has 15 months to rethink steps in ramp, and should adopt the ramp option.

VOTE - MOTION #1: Konopa asked for a vote on the motion to adopt the \$1,734 flat fee option with review annually. Council defeated the motion with a vote of 4 to 2, with Olsen, Reid, Johnson, and Christman voting no.

MOTION #2: Johnson moved to approve the \$3,000 ramped fee resolution as presented at the January 12, 2011, Council meeting. Christman seconded the motion.

Irish recommended that Council direct staff to bring back the resolution for adoption at the next regular Council meeting.

AMENDED MOTION #2: Johnson amended her motion to direct staff to bring back the ramped fee resolution with the \$3,000 ramped option. Christman agreed to this amendment to the motion.

2nd AMENDMENT TO MOTION #2: Collins made a motion to amend Councilor Johnson's motion to add a "whereas" statement to the resolution that Council will review the rates annually. Coburn seconded the amended motion, saying this communicates to our community that we will be reviewing on an annual basis.

VOTE - 2nd AMENDMENT TO MOTION #2: Konopa asked for a vote on the amendment for Council to review the rates on an annual basis. Motion unanimously passed.

VOTE - AMENDED MOTION #2: Konopa asked for a vote on the main motion to direct staff to bring back the \$3,000 ramped fee resolution to the next Council meeting for adoption. Motion passed 4-2, with Collins and Reid voting no.

Johnson asked if the projects mentioned in the Metropolitan Land Group's letter are in the funded list of projects.

Irish said they referenced three projects in their letter – project I16, traffic signal at the Ellingson Road/Columbus Street intersection, and projects L46 and L53 Oak and Columbus Streets to accommodate future growth associated with the Oak Creek Refinement Plan. Irish explained the traffic signal is on the funded list for the ramped option; however, the Oak and Columbus Street road segments are not. None of the projects are on the funded list for the flat fee option. The decision about L46 and L53 was made because the developer had already received a land-use approval committing them to build and have already paid the SDC fees. Irish added that the developer may ask Council in the future to consider adding these to the funded list with the need to shift funds.

BUSINESS FROM THE PUBLIC

There was no business from the public.

COUNCILOR COMMENTS

Collins reported he heard the post office block has been sold to the federal government, which was previously owned by two individuals. Because a sale to the federal government means the property would be taken off the tax rolls, Collins said he is concerned about the implications to the CARA Plan. Collins said he left a message for Kate Porsche, the City's Urban Renewal Manager.

Collins said he will be absent from the February 9th Council meeting and the February 21st Work Session, and the CARA meeting on February 16th.

Konopa reported Congressional Aides were here and took a tour of the downtown – JC Penney building, The Vault, the Broadalbin Promenade, and the Carousel. Konopa said she also shared a packet of information with them

regarding the East Thornton Lake Natural Area and discussed the funding needs for that project. Konopa added that they expressed a desire to see the Talking Water Gardens this spring along with Senators and Congressman DeFazio.

CITY MANAGER REPORT

There was no report.

ADJOURNMENT

There being no further business, the Work Session adjourned at 7:32 p.m.

Respectfully submitted,

Reviewed by,

Karen Williams
Public Works Project Coordinator

Wes Hare
City Manager