

EUGENE CITY COUNCIL

AGENDA ITEM SUMMARY



Action: Execution of Document to Provide for Payment of Veterans Affairs Clinic's Systems Development Charges

Meeting Date: May 27, 2014
Department: Public Works
www.eugene-or.gov/pw

Agenda Item Number: 3C
Staff Contact: Kurt Corey
Contact Telephone Number: 541-682-8421

ISSUE STATEMENT

This is an action item to direct the City Manager to execute a document that provides for the City's payment of the Veterans Affairs (VA) Clinic's Systems Development Charges (SDC) from future property tax revenue that the City will receive from the construction of the VA Clinic and that will allow the City to issue a building permit for the project.

BACKGROUND

Generally, a current owner of record who wishes to develop their property must pay an SDC that is imposed when new development, expansion, or an intensification of use of property occurs that is served by City infrastructure (e.g., at construction of a new building or expansion or change of use of an existing developed site). The fees are used to fund the non-assessable portion of the construction of infrastructure (wastewater, stormwater, transportation, and park facilities) needed to support growth in the community and to recoup a portion of the community's investment in the infrastructure already in place.

Regarding the construction of the VA Clinic, in February 2012, the City Council directed the City Manager to look at what action the City could take in order to make sure that the City remained competitive for the siting of a new VA Clinic. To that end, the City committed that the developer of a new VA Clinic would not be required to pay the City's SDCs related to the VA Clinic.

In order to ensure that the City's SDC fund is able to pay for the infrastructure upon which the City's SDC methodology is based, the City intends to make the SDC fund whole by paying the VA Clinic's SDC fees with future property tax revenue that the City will receive from the construction of the VA Clinic.

If approved by the Eugene City Council, the City Manager will execute a document whereby the City will pay the City-imposed SDCs related to construction of the VA Clinic from property tax revenue that the City will receive from the construction of the VA Clinic, with the first payment due on or before November 2017. The estimated SDC amount is \$1,100,000 (estimated installment payments of \$110,000 per annum).

The developer of the VA Clinic will soon be ready to pick up a building permit and before that can happen, a mechanism to address the SDCs needs to be in place. Approval of the recommended motion will allow the City to issue the building permit now, even though the actual payment for the SDCs will not happen until later. This is similar to the mechanism that the City offers others who desire to pay their SDCs in installments, rather than all of the SDCs upfront. Payment for the VA Clinic SDCs would essentially come from the future property tax dollars that the City receives from the private owner/developer of the VA Clinic (the federal government will be leasing the building, rather than owning it, which makes the building subject to property taxes).

RELATED CITY POLICIES

The City's authority to establish and adopt system development charges (SDCs) is granted by the Eugene Charter of 1976 and by ORS 223.297 - 223.314. By virtue of that authority the City adopted Eugene Code, 1971 sections 7.700 - 7.740 and related provisions.

The City Council adopted Growth Management Study (GMS) policies to provide direction for provision of infrastructure services related to new development:

GMS Policy #14: Development shall be required to pay the full cost of extending infrastructure and services, except that the City will examine ways to subsidize the costs of providing infrastructure or offer other incentives that support higher density, in-fill, mixed-use, and redevelopment.

COUNCIL OPTIONS

The City Council can approve or not approve the execution of a document that provides for the City's payment of the VA Clinic's SDCs from future tax revenues.

CITY MANAGER'S RECOMMENDATION

The City Manager recommends proceeding with executing a document that provides for the City's payment of the VA Clinic's SDCs from property tax revenue that the City will receive from the construction of the VA Clinic.

SUGGESTED MOTION

Move to approve the City Manager proceeding with the execution of a document that provides for the City's payment of the VA Clinic's SDCs from property tax revenue that the City will receive from the construction of the VA Clinic, with the first payment due on or before November 2017.

ATTACHMENTS

None.

FOR MORE INFORMATION

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