



ORDINANCE NO. NS-2563

An ordinance of the City Council Amending Bend Municipal Code Chapter 12.10, System Development Charges

Findings

- A. Oregon Revised Statutes (ORS) 223.297 through 223.316 provide a uniform framework for the imposition of system development charges (SDCs) by local governments, to provide equitable funding for orderly growth and development in Oregon's communities and to establish that the charges may be used only for capital improvements.
- B. SDCs are one-time fees assessed on development projects to fund the infrastructure needed to serve growth. The City charges SDCs to new development to fund capacity-enhancing improvements to its transportation, water, and sewer systems. SDCs fund the transportation, water, and sewer infrastructure needed to support growth and are among the City's most important sources of capital funding outside the voter-approved General Obligation Bond, particularly for transportation infrastructure.
- C. Bend first adopted a code for SDCs in 1991, with updates in 2009, 2011, and 2024.
- D. Bend adopted new methodologies for its sewer, water, and transportation SDCs in 2024, and has updated the fee schedules consistent with these methodologies each year since.
- E. The Bend City Council established the Core Area Tax Increment Finance Area Plan in 2020, to support certain development and redevelopment activities within the Core Area Tax Increment Finance Area. The Core Area Plan is implemented by BURA with advice and input from the Core Area Advisory Board ("CAAB"), pursuant to Bend Municipal Code 17.10.005.
- F. Since 2020, development and redevelopment in the BCD and Core Area TIF Area has been slower than anticipated, due to political, macroeconomic, and other factors.
- G. The City has heard from developers, property owners, retailers, and economic development partners that project feasibility is increasingly challenged by a combination of rising construction costs, high interest rates, labor constraints, and softening market conditions. As a result, development and redevelopment projects may struggle to move forward because the total development costs exceed anticipated returns.
- H. Targeted SDC relief for projects that redevelop within existing buildings advances redevelopment, support community-serving commercial uses, reduce barriers to investment in strategic areas, and advance economic development and urban renewal objectives. SDC relief is anticipated to help activate underutilized properties, improve access to neighborhood services, encourage private investment, support growth in the



City's tax base, and be an early development catalyst to larger redevelopment projects that are envisioned for the Core Area TIF Area over the long-term.

Ordinance

Based on these findings, the City of Bend ordains as follows:

- Section 1.** The provisions of Bend Municipal Code (BMC) Chapter 12.10 are amended as shown on the attached Exhibit A.
- Section 2.** If any provision, section, phrase, or word of this ordinance or its application to any person or circumstance is held invalid, the invalidity does not affect other provisions that can be given effect without the invalid provision or application.
- Section 3.** All other provisions of the Bend Municipal Code remain unchanged by this ordinance and remain in effect.

First Reading

September 16, 2026

Second Reading

October 7, 2026

Adoption by Roll Call Vote

Yes: Kebler, Mendez, Norris, Perkins, Platt, Riley

No:

Melanie Kebler, Mayor

Attest:

Ashley Bontje, City Recorder

Approved as to form:

Ian Leitheiser, City Attorney

Added text in underline

12.10.120 Exemptions.

Certain developments are exempt from payment of SDCs, as described below:

A. Through June 30, 2024, additions to single-family dwelling that do not constitute the addition of a dwelling unit. Beginning July 4, 2024, additions to single-unit dwellings that do not increase the square footage of the dwelling unit to the next tier of SDCs as shown in the SDC fee schedule.

B. An alteration, addition, replacement, change in use or permit or connection that does not increase the parcel's or structure's use or potential use of a public improvement system. The City will determine increase in use or potential use of a public improvement system under this section; this determination is subject to appeal as provided in BC [12.10.170](#). Some redevelopment may be subject to some types of SDCs and not to others.

1. Building permit applications submitted between January 1, 2027, and December 31, 2031, for development meeting all of the following conditions are exempt from payment of all City SDCs:

- a. Non-residential (or the commercial portion of a mixed-use development),
- b. Subject to or exempt from Minimum Development Standards Review under Bend Development Code (BDC) 4.2.400.B.,
- c. Not subject to Site Plan Review under BDC 4.2.500., and
- d. Within the boundary of the Core Area Tax Increment Finance Area at the time of application submittal.

2. No credit will be given for development that was exempt from payment of SDCs under this section, as provided in BC 12.10.130.B.1.a.

C. Beginning July 1, 2024, reconstruction or repair of a building or structure, or portion thereof, which was damaged or destroyed by earthquake, fire, flood, or other natural causes over which the owner had no control, but only if:

1. Such reconstruction or repair is done pursuant to a building permit issued within two years after such damage or destruction, or later if approved by the City and reconstruction design or other work began within two years and is being diligently pursued to completion as determined by the City; and
2. The reconstruction is substantially similar in size to the destroyed building or structure, and does not result in a development in a higher SDC tier (i.e., addition of square footage moving the development into the next highest tier for the SDC charge or change in use that changes the category for assessment of SDCs), as determined by the City. If the redevelopment results in a development in a higher SDC tier, the difference between the prior use and the new use is due; no refunds will be given if the redevelopment results in a lower SDC due.

D. Temporary uses described under BDC Chapter [3.6](#), including temporary construction sheds or trailers erected to assist in construction and maintenance during the term of a building permit, or temporary sales trailer. Notwithstanding the foregoing, if a temporary use connects to the sewer or water system, water or sewer SDCs may be due, in the determination of the Community and Economic Development Director.

E. Other types of development exempted from SDCs according to the methodology most recently adopted by the City. The City Manager or designee is authorized to determine whether a development is exempt as described in the most recent methodology, and process deed restrictions and loan documents to fulfill these exemptions, without further review by the City Council or any of the City's advisory committees. To be eligible for an exemption, a recorded covenant or deed restriction satisfactory to the City must be recorded, requiring that the exempted SDCs will be paid upon the subsequent use of the property, or that the exempted use will continue for a sufficient period of time to justify the exemption. Deed restrictions must be one of the following:

1. For affordable housing intended to be offered for rental for terms of at least 30 days or owner occupancy, a deed restriction stating that in the event the property for which an exemption is granted ceases to qualify for the exemption or is sold or transferred for use other than affordable housing or homeless shelter within 20 years from the date the project is completed, the amount of the exempted SDCs must be repaid, plus interest of nine percent per annum from the date the exemption was recorded. Upon satisfaction of the covenant for the full duration, continued residential use will be considered an "existing use" for purposes of calculating credits against future SDCs due. No credit for existing use will be provided on redevelopment to a nonresidential use, at any time following satisfaction of the covenant for the full duration.

2. For all other uses or affordable housing or shelters that cannot record a 20-year restriction as determined by the City, a deed restriction stating that in the event the property is redeveloped with a use other than the exempt use, full SDCs must be paid for the new use, without credit for the existing use that was exempt from payment of SDCs.

F. Where development consists of only part of one or more of the uses exempt from payment of SDCs under this section or the SDC methodology, only the portion of the development that qualifies for an exemption will be exempted from payment of SDCs. The balance of the development that does not qualify for any exemption under this section is subject to the full SDC. This section applies to mixed-use developments that include standalone uses, and does not apply to uses accessory to residential or shelter developments intended for use of the residents and not the general public (i.e., laundry, pet care, etc.).
