

Forest Grove, Oregon



WESTSIDE PLANNING AREA  
FUNDING APPROACH

December, 2016



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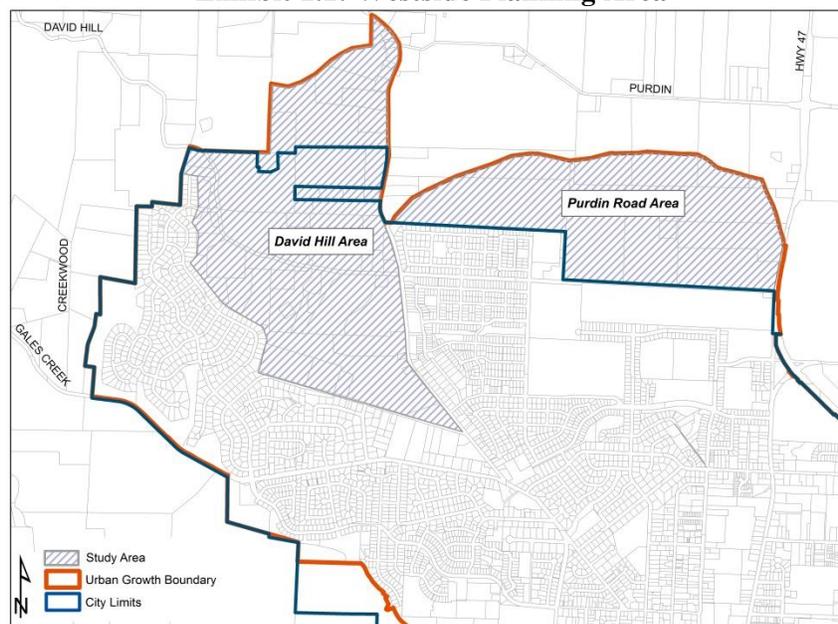
## SECTION I: INTRODUCTION

This section describes the context and project approach upon which the body of this report is based.

### A. PURPOSE

This Funding Approach document is intended to provide a course of action for the City to consider funding techniques that foster development within the Westside Planning Area (Area). The City of Forest Grove (City) has been working on a land use and infrastructure framework that will enable annexation of unincorporated areas known as the David Hill and Purdin Road areas. **Exhibit 1.1** shows the Westside Planning Area.

**Exhibit 1.1: Westside Planning Area**



The David Hill/Gales Creek planning area (also known as the David Hill planning area) has been included in the Forest Grove Urban Growth Boundary (UGB) for several years. According to forecasts prepared by Metro for regional planning purposes, it is anticipated that approximately 90% of the David Hill planning area could be developed by 2025. Purdin Road was included in the UGB in 2014 but is largely rural and has not yet been fully planned. For analysis purposes, it is assumed that the Westside Planning Area (including both David Hill and Purdin Road areas) will be fully developed over a 20-year time frame.

## B. BACKGROUND

The City of Forest Grove (population 23,080 in 2015) is currently the 22<sup>nd</sup> largest city in Oregon and is at the west side boundary of the Metro regional planning area. Forest Grove was incorporated in 1872 and is located within 20 miles of Portland and 10 miles from Oregon’s Silicon Forest (Hillsboro and unincorporated WA County).

The goal of the Westside Planning effort is to provide a land use framework and financing plan to promote a well-planned, mixed-use community. At build-out, the Area is zoned to accommodate approximately 2,050 dwellings and approximately 61,500 gross square feet of leasable commercial space. In addition, an elementary school site, a community park, and a fire station are planned in the Area. **Exhibit 1.2** shows the total buildout assumptions in acres and units.

**Exhibit 1.2**

Exhibit 1.2: Westside Planning Area Growth Forecast - Buildout							
		Purdin		David Hill/Gales Creek		Total	
	Unit Type	Acres	Units	Acres	Units	Acres	Units
<b>Single Family Detached</b>	Dwelling Units	125.64	976	198.27	853	323.91	1,829
<b>Single Family Attached</b>	Dwelling Units	18.50	221	0.00	4	18.50	225
<b>Retail</b>	1,000 SF	4.20	46.5	2.90	15.0	7.10	61.5
<b>School</b>	1,000 SF	11.96	65.0	0.00	0.0	11.96	65.0
<b>Park Acres</b>	Acres	10.98	--	0.00	0.0	10.98	--
<b>Fire Station</b>	Employees	2.00	3.0	0.00	0.0	2.00	3.0
<b>Total</b>		173.28		201.17		374.45	

**Source:** Revised Final Westside Water, Sewer and Stormwater Infrastructure Analysis dated June 24, 2016; compiled by FCS GROUP.

The dwelling unit growth assumptions provided above reflect estimates from the “Infrastructure Analysis” which reflects permitted zone density levels. The projected dwelling count, 2,054 in total, is higher than the Planning Commission recommendation of 1,895 units. The higher dwelling count is relied upon by engineers to ensure that the planned roads and infrastructure are designed to handle total allowable site development. In addition to infrastructure planning, the higher development forecasts also assume there will be flexibility through the public hearing review process to modify the land use designations to reflect current market and site development conditions. For example, the Infrastructure Analysis assumes the R-10 (Residential – 10,000 square foot lot size) zone is applied above the 440 foot elevation while the Planning Commission recommendation for that area is Suburban Residential, 1 unit per acre.

Aligning the growth forecast with project costs is critical to maintaining a rational nexus between the planned growth and the capital project costs contained in the local system development charge (SDC) methodology.

## C. PROJECT APPROACH

Following this Introduction, there are four main sections in this report:

- **Funding Framework (Section II).** In this section, potential funding sources for transportation, water, sewer, stormwater, and parks capital facilities are identified.

- **Capital Costs (Section III).** This section documents capital improvement costs for public facilities required to serve the Westside Planning Area.
- **Funding Evaluation & Recommendations (Section IV).** This section includes an evaluation of potential funding sources to be considered for the Westside Planning Area. This section also includes recommends new funding sources needed to pay for facilities needed to serve future development in the Westside Planning Area.
- **Market Considerations (Section V).** This final section discusses comparable development costs, SDCs, and home sales prices in and around the greater Portland Metro Region, with particular emphasis on Washington County.

While this report focuses on transportation, water, sewer, parks and stormwater capital facilities, the City intends to work with regional service providers to implement separate funding strategies for power/communication and other services.

## SECTION II: FUNDING FRAMEWORK

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This section identifies funding tools and techniques that are often used in Oregon.

When capital improvements are funded or financed by the local jurisdiction, service provider(s), or through development agreement(s) the funding options used in Washington County include:

- ◆ System Development Charge (SDC)
- ◆ Transportation Development Tax (TDT)
- ◆ Utility Fee
- ◆ Local Option Levy
- ◆ Local Improvement District (LID)
- ◆ Reimbursement District
- ◆ Urban Renewal District (Tax Increment Financing)
- ◆ Debt Financing
- ◆ Public Improvement Agreements

A summary of these local options is provided below. The preferred mix of funding and financing requires careful consideration of the timing of development and the phasing of specific projects so that public facilities can be provided in a manner that is generally concurrent with expected levels of market activity or absorption. Please refer to **Section IV** for an evaluation of potential funding sources.

### A. SYSTEM DEVELOPMENT CHARGES

Oregon Revised Statutes (ORS) 223.297 to 223.314 authorize local governments to establish system development charges (SDCs), one-time fees on new development usually paid at the time of building permit issuance. SDCs are intended to recover a fair share of the capital improvements, including the cost of existing and planned facilities that provide capacity to serve future growth.

ORS 223.299 defines “capital improvements” as facilities or assets used for:

- ◆ Water supply, treatment, and distribution;
- ◆ Waste water collection, transmission, treatment, and disposal;
- ◆ Drainage and flood control;
- ◆ Transportation; and
- ◆ Parks and recreation.

If the required public facilities are included as a “qualified public improvement” per ORS 223.309, then the local government must have an ordinance or resolution that establishes or modifies an

improvement fee to provide credit against such fee for the construction of a qualified public improvement.

The City of Forest Grove currently charges SDCs for water and parks. The transportation, sewer, and stormwater SDCs are based on Washington County or Clean Water Services (CWS) methodologies.

## B. TRANSPORTATION DEVELOPMENT TAX

Washington County implemented the Transportation Development Tax (TDT), a countywide tax consistent with SDC law, on all development within the County. The City of Forest Grove can use TDT revenues on transportation projects that are included in the TDT project list.

Approved by Washington County voters on November 4, 2008 (Measure No. 34-164), the TDT replaced the previous fee, known as the Traffic Impact Fee. The TDT went into effect on July 1, 2009. Because Forest Grove is located within Washington County, the city may decide to use Washington County Transportation Development Tax (TDT) revenues for roadway improvements that add capacity.

## C. UTILITY FEES

Utility rates are a common way to raise local revenues for required infrastructure facilities and operations. They require approval and adoption by the city or service district as well as meet state and local regulations. Utility fees are paid for by customers within the service area and typically are included in monthly or bi-monthly utility bills for other services. Forest Grove currently imposes utility fees for sewer, water, and electrical services.

## D. LOCAL OPTION LEVY

After full annexation of the Westside Planning Area, the City could adopt a resolution that would advance an election by voters (within the planning area or the city at large) to establish a local option levy for ad valorem taxes to fund capital improvements. The City can choose to use the levy for two types of costs, operational and capital costs. An operational levy is valid for 5 years and a capital levy for 10 years. Local option levies would have to be reapproved by voters in the future. Issues with tax compression may also arise under Measures 5 and 50, which limit taxable amounts local jurisdictions may assess each year. The City currently has a local option levy for operations.

## E. LOCAL IMPROVEMENT DISTRICT

Cities in Oregon have the statutory authority to establish local improvement districts (LIDs) and levy special assessments on the benefited property to pay for improvements. These assessments are payable in annual installments for up to 30 years. LIDs are generally used for capital improvement projects that benefit numerous large tenants and/or private property owners.

The primary advantage of LIDs from the city's perspective is the ability to obtain a consistent level of revenue early in the development process. An LID can also provide the developer a certain degree of financial flexibility compared to SDCs. Financial intermediaries such as banks now view LIDs as a more reliable funding source than others (such as SDCs) and are more apt to provide loans based on future LID revenue streams.

## F. REIMBURSEMENT DISTRICT

Similar to LIDs, cities can negotiate advance financing arrangements with developers where a developer or city agrees to front capital improvements/investment within a designated reimbursement district. The party that advances the financing is then partially reimbursed as new land use development approvals are granted within the district over a period that usually extends up to 15 years. With reimbursement districts there is no guarantee that future revenues will be as steady and reliable as with the LID or property tax assessments.

## H. URBAN RENEWAL DISTRICT (URD)

The City currently has an urban renewal district (URD) in place that includes the Town Center and Pacific Avenue/19<sup>th</sup> Avenue corridor between the Town Center and generally Quince Street. There may be an opportunity to utilize funding from the creation of a new URD in the Westside Planning Area provided appropriate findings could be met. In many cases, URD funds are combined with other local funding sources to leverage non-local grants or loans to pay for needed infrastructure improvements. Additional analysis is required to determine whether a URD for the Westside Planning area is a viable option.

## I. PUBLIC DEBT FINANCING

The City may incur debt to pay for capital facilities, such as roads, stormwater facilities, parks and other projects in areas annexed by the City. The most typical forms of financing public infrastructure are through bonds or loans. Bonds are a common means of financing projects whose benefits are not confined to a single local district. General obligation (GO) bonds are advantageous because their debt service is funded by a property tax levy that is outside the limits of Measure 5. While GO bonds require voter approval, revenue bonds and full faith and credit bonds do not.

Revenue bonds require an ongoing source of revenue that can be pledged to payment of debt service. A utility fee or local option levy and LID payments could serve this purpose. A reserve requirement on revenue bonds would commit the City to maintain a bond reserve, which could be used to meet payments in the event pledged revenues fall short. This reserve is often set at the least of (a) 10 percent of the issue price of all new and outstanding parity bonds, (b) maximum annual debt service on all new and outstanding parity bonds, and (c) 1.25 times average annual debt service on all new and outstanding parity bonds. The reserve requirement is dictated by the terms of the bond resolution.

A hybrid of these two bond types is the full faith and credit bonds. This type of bond represents an unsecured claim on all the revenue streams of an agency without the pledge of any particular revenue stream. Full faith and credit bonds do not require voter approval and they are not subject to debt service coverage requirements. However, like revenue bonds, an ongoing source of revenue would need to be pledged to protect the City's general fund from added risk.

The city may also utilize state loans to fund strategic capital facilities. State loan funds available from Business Oregon currently include the Special Public Works Fund and the Oregon Bond Bank. Special Public Works funds are available on a competitive basis to public jurisdictions and can fund projects up to \$3.0 million in size but require well-secured loan guarantees from the applicants.

## G. PUBLIC IMPROVEMENT AGREEMENTS

Forest Grove uses “Public Improvement Agreements” in cases where a developer is required to construct public facilities to city standard as a condition of development. The agreement also provides assurances to the City and to the developer that the regulations that apply will not change during the term of the agreement. Agreements usually identify provisions for reservation or dedication of land for public purposes; responsibilities for providing infrastructure and services; and construction expenditure provisions for public facility investments.

## SECTION III: CAPITAL COSTS

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This section describes Westside Planning Area public infrastructure capital costs. The capital costs are not comprehensive and reflect project improvements that will be ‘conditioned on approval of new development’ within the Area. For transportation, this generally includes collector facilities and excludes local neighborhood streets (which are also required to serve new development). For sanitary sewer and water facilities, this includes trunk line improvements and pump stations. Stormwater facilities cost elements reflect the projects needed to address water run off attributed to new transportation facilities and their impervious surface area. Finally, parks facilities are those identified in the Parks Master Plan that benefit the Westside Planning Area.

It should be noted that additional facilities will be required to handle on-site development impacts. Local neighborhood streets, water lines (connecting with trunk lines) and sewer lines below 12 inch diameter are expected to be constructed at the expense of developers.

### A. CAPITAL COST SUMMARY

The City has identified infrastructure costs for transportation, water, sewer, stormwater, and parks facilities in the Westside Planning Area. **Exhibit 3.1** summarizes the total project costs by infrastructure type which equates to approximately \$47.6 million, or about \$127,179 per acre (\$2.92 per SF of land area). Please refer to **Appendix A** for a summary of expected project costs and potential revenues under the current SDC rate structure by planning subarea (David Hill and Purdin Road).

A short-term investment of approximately \$3.5 million is required to serve the David Hill area before development can occur.

Transportation is a large portion of total costs at \$30.2 million. The next most expensive requirement is water at \$8.5 million. It is assumed that the sanitary sewer facilities will cost \$3.6 million, Stormwater facilities estimated at \$1.6 million, and parks facilities estimated at \$3.6 million. Please see **Section V** for detailed project infrastructure improvement and cost assumptions.

**Exhibit 3.1**

<b>Westside Planning Area Infrastructure Cost Assumptions</b>					
	<b>Short Term Public Costs</b>	<b>Long Term Public Costs</b>	<b>Total Local Public Costs</b>	<b>Number of Projects</b>	<b>Avg. Cost per Acre</b>
<b>Transportation<sup>1</sup></b>	\$1,454,000	\$28,776,800	\$30,230,800	11	\$80,734
<b>Water</b>	875,000	7,658,000	8,533,000	13	\$22,788
<b>Sewer</b>	1,128,750	2,506,850	3,635,600	8	\$9,709
<b>Stormwater</b>	0	1,575,000	1,575,000	12	\$4,206
<b>Parks<sup>2</sup></b>	0	3,648,000	3,648,000	3	\$9,742
<b>Total</b>	<b>\$3,457,750</b>	<b>\$43,760,650</b>	<b>\$47,622,400</b>	<b>47</b>	<b>\$127,779</b>

**Source:** Revised Final Westside Water, Sewer, and Stormwater Infrastructure Analysis dated June 24, 2016; compiled by FCS GROUP.

<sup>1</sup> Costs for transportation include only the collector road network and do not include local residential streets.

<sup>2</sup> Parks costs are applicable only in the Purdin Road area.

## B. CURRENT FUNDING FRAMEWORK

Major annexation areas require significant levels of capital investments in public infrastructure facilities. This section identifies the current funding framework for transportation, wastewater, water, and stormwater facilities.

- ◆ **Transportation:** The City currently charges the Washington County Transportation Development Tax, a countywide one-time tax on development.
- ◆ **Water:** The City currently owns and operates its own utility. The utility charges utility rates and levies system development charges (SDCs).
- ◆ **Sewer:** Clean Water Services (CWS) is the service provider for the City and the city has responsibility for maintaining gravity lines 12 inches or less in diameter. CWS sets the rates and SDCs, of which the City receives a portion. The City currently receives 20% of the revenue from the SDC and 80% goes to CWS. After July 2018, the City's share will drop to 4% of the SDC fee. We assume that the City will receive 4% of the SDC revenue. The City maintains an additional local sewer surcharge in addition to the CWS rates.
  - For all sewer pipes 8 inches or smaller in diameter, the City requires developers to build for local facilities. For pipes between 8 and 12 inches, it has been the City's policy to reimburse the developer for oversizing the line. In this analysis, we assume the City discontinues its reimbursement policy.
- ◆ **Stormwater:** Clean Water Services (CWS) is the service provider for the City and the City has responsibility for maintaining local stormwater quality/quantity facilities. CWS sets the rates and SDCs, of which the City receives a portion. The City receives shared stormwater SDCs similar to sewer. The City maintains an additional local stormwater surcharge fee to the CWS rates.
- ◆ **Parks:** The City currently charges an SDC to fund future parks and recreation facilities.

See **Exhibit 3.2** for a summary of current SDC rates and the City share of each rate. We have included only single family dwelling charges because, while multifamily units are levied a lower SDC, it is unclear how many will be constructed.

### Exhibit 3.2

SDCs Charged in Forest Grove per Dwelling		
Infrastructure Type (with Oversight Jurisdiction)	Total Rate Per Unit	City Share of Rate
Transportation (Washington Co)*	\$7,914	\$7,914
Water (City)	\$5,478	\$5,478
Sewer (CWS)	\$5,300	\$212
Stormwater (City)	\$510	\$510
Parks (City)	\$3,000	\$3,000

**Source:** Clean Water Services, Washington County, and City of Forest Grove, compiled by FCS GROUP.

\*Reflects blended rate of TDT which accounts for single family detached (~89% of development) and single family attached (~11% of development).

If we assume that the existing (status quo) SDCs are the only source of funding for Westside Planning Area infrastructure, we would expect the City to collect adequate revenues *over time* to meet capital requirements for water, sewer, and parks, but not enough revenues for transportation or stormwater facilities (see **Exhibit 3.3**).

Because major public facility improvements are needed before significant levels of development can be approved, and the fact that SDC revenues accrue with new development, the “pay as you go” approach is not a feasible solution for funding short-term capital projects.

Other local policy questions to address include:

- ◆ Should all development impact fees (SDC and TDT revenues) collected from development in the Westside Planning Area be dedicated to projects located in this plan district?
- ◆ What is the timing of revenues in relationship with the planned schedule of capital expenditures? If capital facilities are needed before development occurs and SDC revenues are collected in subsequent years, how will the City be able to advance fund the planned infrastructure?
- ◆ What funding alternatives should the City adopt to provide adequate funding in the short-term and long-term, particularly for transportation and stormwater facilities which are projected to have a major funding gap without adoption of new funding sources.
- ◆ Do certain capital projects have limited benefits to either Purdin Road or David Hill, the two components of the Westside Planning area?

These and other policy considerations are discussed in the next section.

**Exhibit 3.3**

<b>Potential Revenue from Current SDCs Compared with Project Costs</b>					
	<b>Net New Dwelling Units</b>	<b>City Share of Rates</b>	<b>Total Projected Revenue</b>	<b>Total Local Public Costs</b>	<b>Total Local Public Costs</b>
<b>Transportation</b>	2,054	\$7,914	\$16,254,437	\$30,230,800	(\$13,976,363)
<b>Water</b>	2,054	\$5,478	\$11,251,812	\$8,533,000	\$2,718,812
<b>Sewer</b>	2,054	\$212	\$435,448	\$3,635,600	(\$3,200,152)
<b>Stormwater</b>	2,054	\$510	\$1,047,540	\$1,575,000	(\$527,460)
<b>Parks</b>	2,054	\$3,000	\$6,162,000	\$3,648,000	\$2,514,000

**Source:** Clean Water Services, Washington County, and City of Forest Grove, compiled by FCS GROUP.

**Note:** Multifamily dwelling SDCs are approximately 70% of single family SDCs.

**B.1 Funding Scenarios**

Three funding scenarios were evaluated that would dedicate varying levels of current SDC/TDT revenue to the Westside Planning Area: 18%, 40%, and 100%. The range in percentages reflects a low-end, high-end and middle range scenario. The 18% scenario reflects the estimated share of future growth (in population) of Westside Planning Area compared to current citywide population. The 100% scenario assumes that all SDC/TDT revenues collected in the Westside Planning Area are dedicated to projects in the Area. The 40% SDC/TDT allocation scenario represents an assumption that reflects the West Side Planning Area’s share of total city-wide housing growth forecasts for the City of Forest Grove over the next 20 years.

## SECTION IV: FUNDING EVALUATION

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This section provides an evaluation of the funding tools that were identified previously.

### A. FUNDING EVALUATION CRITERIA

An evaluation of funding options for each public facility type was conducted to ascertain the relative potential for implementing the potential funding measures identified above.

#### A.1 Equity

Equity is defined herein as the equitable distribution of cost/risk among three categories: existing city residents, future West Planning Area residents, and current developers/property owners.

A score was assigned to each funding scenario ranging from low cost/risk (3) to high cost/risk (1). The overall equity score for each funding scenario was determined based upon the average of the scores awarded in this category.

#### A.2 Reliability of Funds

Reliability of funds is an important consideration, especially if debt is used to advance funding for improvements. Funding sources such as SDCs and Reimbursement Districts do not generate a predictable revenue stream and have poor reliability scores. Secured revenue bonds, special districts, and LIDs tend to be far more reliable and less risky to the agency that takes on debt. A score of 1 (low) to 3 (high) was assigned to each funding scenario based on how reliable the funds were in each scenario.

#### A.3 Market Acceptance

Adequate public facilities must be provided (and funded) before major private development can occur. The ability for the public or private sector to fund necessary infrastructure to accommodate new private development is an important consideration. If there is an over reliance on private developers/property owners to fund all necessary public infrastructure, the development costs per unit of net development (housing units or commercial floor area) may drive up costs to a level that exceeds supportable market prices. However, if new public facilities are funded primarily using SDCs or General Funds, it is likely that the city would not invest in these facilities until adequate capital reserves are established which could take many years. A score of 1 (low) to 3 (high) was assigned to each funding scenario based on the relative potential it would have to facility development within the near-term, six years.

#### A.4 Ease of Implementation

Ease of Implementation refers to the process and administrative cost required to implement the funding sources identified. Some funding sources, such as utility rates and SDCs, do not require

public votes to enact and therefore are relatively easier to implement than funding sources that require a public vote or legal formation steps (such as a new local option levy or LIDs). A score of 1 (low) to 3 (high) was assigned to each funding scenario based on the relative ease of implementation to enact the relevant funding options.

## A.5 Ability to Address Costs

Using the adopted facility master plans and the CIP, City staff was able to identify a preliminary list of facility improvements necessary to make development possible. Each improvement inherently entails additional capital costs that are to be incurred by the city, other major service providers (e.g., Washington County), or developers.

A score of 1 (low) to 3 (high) was assigned to each funding scenario based on the anticipated level of funds it would generate in comparison to the expected near-term and long-term capital cost requirements.

## A.6 Total Evaluation Score

As shown in **Exhibit 4.1**, a total score was computed for each funding scenario using the overall equity score and the scores assigned for the ability to do the following: facilitate development, implement the funding scenario, address cost. The total score was then used to rank each funding scenario. The scenarios with the highest scores are identified as the preferred funding scenario for each public facility type. **The recommended funding options include a combination of area specific SDCs, utility fee surcharges for stormwater facilities, and local improvement districts (if necessary). Development Agreements are recommended for developments involving more than 7 lots, specifying private construction of sewer and water lines under 12 inches, and land to be dedicated for public facilities.**

**Exhibit 4.1**

Westside Plan District Evaluation of New Funding Options								
Funding Option	Equity	Reliability of Funds	Market Acceptance	Ease of Implementation	Ability to Address Near-Term Costs	Ability to Address Long-Term Costs	Overall Score (sum of + s)	Funding Recommendation
Development Agreements	+	+++	++	+++	+++	++	14	✓
Utility Fees (Area Specific)	++	+++	+++	++	+	+++	14	✓
SDC (Area Specific)	++	+	+++	+++	+	+++	13	✓
Local Improvement District	++	+++	+	+	+++	++	12	✓
Bonding (LTGO)	+	+++	++	+	+++	+	11	
Utility Fees (citywide)	+	+++	+	++	+	+++	11	
Local Option Levy	++	++	+	+	+	+++	10	
SDC (citywide)	+	+	++	++	+	+++	10	
Reimbursement District	++	+	++	+	+	++	9	
Urban Renewal District	+	+	+	++	+	++	8	

Notes:

+ least positive

++

+++ most positive

Source: FCS GROUP

## B. TRANSPORTATION FUNDING APPROACH

### B.1 Capital Cost Requirements

The total transportation facility cost for the projects that are required to accommodate Westside Planning Area development is estimated at \$30.2 million as shown in **Exhibit 4.2**. City staff

confirmed that these improvements are needed to serve planned growth created by trips to/from the Westside Planning Area. Hence, the capital costs should be borne by property developers and/or future property owners in the Westside Planning Area.

In the short-term (next 5-6 years) Project 9b (Thatcher Road improvements) must be constructed to provide adequate transportation to serve new growth in the David Hill area. Discussions with city staff determined that since this project will primarily benefit the David Hill area, its cost should be attributed to property developers and future property owners within the David Hill area. All other transportation projects are long term and benefit the Westside Planning Area as a whole.

### Exhibit 4.2

Transportation Facility Cost Estimates						
No.	Street Name	Limits	Description	David Hill Area Cost	Purdin Road Area Cost	Total Cost
<b>Short Term Projects</b>						
9b	Thatcher Road	David Hill Road to Purdin Road	Full improvements to Council Creek crossing	\$1,454,000		\$1,454,000
<b>Long Term Projects</b>						
1	Road 1 - Gales Ck (Vista Drive)	Watercrest Road to NW Thatcher Road	Construct new 1,050-foot urban collector street	\$1,000,300		\$1,000,300
2	Road 2 - Gales Ck	Area 7 to Area 8	Construct new 3,200-foot urban collector street	\$4,246,000		\$4,246,000
3	Road 3 - Gales Ck	Area 8 Connector	Construct new 600-foot urban collector street	\$787,200		\$787,200
4	Road 4 - David Hill	David Hill Road to Purdin Road	Construct new 4,700-foot urban collector street	\$6,409,200		\$6,409,200
5	Road 5 - David Hill (Plum Hill Road)	Area 13 Mid-Block Connection to Thatcher Road	Construct new 1,250-foot urban collector street	\$1,212,200		\$1,212,200
6	Road 6 - David Hill	Area 13 to temporary turn-around	Construct new 2,300-foot urban collector street	\$2,391,000		\$2,391,000
7	Road 7 - Purdin	Brooke Street to David Hill Road	Construct new 5,500-foot urban collector street		\$4,766,200	\$4,766,200
8	Road 8 - Purdin	David Hill Road to Proposed Brooke Street	Construct new 1,750-foot urban collector street		\$1,583,700	\$1,583,700
9a	Road 9 - Thatcher	David Hill Road to Purdin Road	Half street reconstruction, 4,050-foot 1/2 street improvements. Excluding Council Creek Crossing	\$2,437,500		\$2,039,500
10	Road 10 - David Hill	Thatcher Road to West of Area 9	Full street reconstruction, 5,100-foot urban collector street	\$3,943,500		\$3,943,500
<i>Long Term Subtotal</i>				\$22,426,900	\$6,349,900	\$28,776,800
<b>Total</b>				<b>\$23,880,900</b>	<b>\$6,349,900</b>	<b>\$30,230,800</b>

Source: Revised Final Westside Water, Sewer, and Stormwater Infrastructure Analysis dated June 24, 2016; compiled by FCS GROUP. Costs shown are in 2016 dollars.

## B.2 Funding Scenarios

Using these three scenarios described above, FCS GROUP calculated the level of funding required from the private sector necessary to cover 100% of the project costs. As mentioned previously, a new local funding source is required for the City to obtain adequate funds to construct the full transportation project list. The City also requires approximately \$1.5 million in short-term funding to construct Thatcher Road (Project 9b) improvements.

Exhibit 4.3 shows the level of funding required based on how much TDT revenue is dedicated to the Westside Planning area. In each scenario, the total transportation capital improvement cost is \$30.2 million, but the amount of TDT revenue dedicated to improvements within the Westside Planning Area ranges from \$2.9 to \$16.3 million. Hence, the resulting transportation funding gap is expected to range from \$14 to \$27 million.

### Exhibit 4.3

Transportation Funding Costs			
	18% of Existing TDT Dedicated to Westside Planning Area	40% of Existing TDT Dedicated to Westside Planning Area	100% of Existing TDT Dedicated to Westside Planning Area
<b>Total Costs</b>	<b>\$30,230,800</b>	<b>\$30,230,800</b>	<b>\$30,230,800</b>
<b>TDT Revenue Based on Current Fee</b>	\$16,254,437	\$16,254,437	\$16,254,437
<b>Less Revenue Dedicated to Area</b>	<b><u>-\$2,925,799</u></b>	<b><u>-\$6,501,775</u></b>	<b><u>-\$16,254,437</u></b>
<b>Remaining Costs</b>	<b>\$27,305,001</b>	<b>\$23,729,025</b>	<b>\$13,976,363</b>

Source: FCS GROUP.

Exhibit 4.4 shows the fee amount the City needs to fully fund the remaining funding gap for transportation facilities. Each funding source shown below would be intended to address the funding deficiency. For example, if 40% of the TDT revenues are dedicated to transportation projects within the Westside Planning Area, the net funding gap is expected to be approximately \$23.7 million. Given the level of planned development in the Westside Planning Area, this funding gap could be addressed through any of the following options:

- New transportation SDC of \$11,553 per dwelling unit (one time charge); or
- New transportation utility fee surcharge of \$96 per month; or
- New Local Option Levy of \$1,749 per year for the average home; or
- New Local Improvement District with \$23.7 million in principal and approximately \$8.3 million in interest payments.

### Exhibit 4.4

Transportation Funding Options			
	18% of Existing TDT Dedicated to Westside Planning Area	40% of Existing TDT Dedicated to Westside Planning Area	100% of Existing TDT Dedicated to Westside Planning Area
<b>Costs</b>			
<b>Remaining Costs</b>	<b>\$27,305,001</b>	<b>\$23,729,025</b>	<b>\$13,976,363</b>
<b>New Fee to Recover Remaining Costs in Full</b>			
<b>New SDC (per single family unit)</b>	\$13,294	\$11,553	\$6,804
<b>Utility Fee (surcharge per month)</b>	\$110.78	\$96.27	\$56.70
<b>Local Option Levy (per \$1,000 AV)*</b>	\$6.71	\$5.83	\$3.43
<b>Local Option annual cost/\$300k home</b>	\$2,013	\$1,749	\$1,030
<b>Local Improvement District**</b>	\$36,846,523	\$32,020,949	\$18,860,295

\* assumes special levy applied to Westside Plan District over 10 years.

\*\* assumes LID payments are financed at 6.5% over 10 years.

Source: FCS GROUP.

## B.3 Selected Funding Approach

After discussion with city staff, a preliminary funding approach has been formulated. The funding approach would rely upon an allocation of up to 40% of TDT revenues to the Westside Planning Area combined with a new transportation SDC on new development in the Westside Planning Area, until any transportation financing obligations by the City are met. In this approach, the local transportation SDC would be approximately \$11,369 per dwelling unit (plus administration charges). Note, actual charges would be higher for detached homes and lower for condos/townhomes and multifamily dwellings.

In light of the fact that SDC revenues would cumulate over time they would not be adequate to fully fund the short-term construction of the Thatcher Road project. Also, because David Hill is under multiple ownerships, it is unlikely that any single developer will be able to front the \$1.5 million cost for Thatcher Road improvements on their own. In order to help spur development, the City would need to evaluate the feasibility of advance financing the cost of this improvement project using its LTGO bonding capacity or other financing method. If the City decides to advance financing for this project, the formation of an LID in the David Hill area is recommended.

If a \$1.5 M LID is formed for the benefit area (includes David Hill and Gales Creek areas), the LID assessment would be approximately \$7,456 per acre or \$2,000 per allowable dwelling unit (assumes 90% absorption over 20 years or 771 net new dwelling units). Property owners would have the option of financing LID assessments over a 10 year (or longer) time frame.

City debt payment obligations would have a more secure stream of revenue from LID payments by properties within the David Hill area. In exchange for LID participation (secured by property liens until assessments are paid in full), a lower transportation SDC would be incurred in the David Hill area than in the Purdin Road area. It is recommended that this strategy be further evaluated by the City and subjected to property owner input prior to its refinement and implementation.

## C. WATER FUNDING APPROACH

### C.1 Capital Cost Requirements

The total water system infrastructure cost for the projects that are required to serve future development within the City and accommodate Westside Planning Area development is estimated at \$23.5 million, of which \$8.5 million is required for the Westside Planning Area, as shown in **Exhibit 4.5**.

According to city staff and engineering consultants, one major water supply project in the higher elevation areas of David Hill is required, a 500,000 gallon reservoir, prior to permitting new development. This short term project would cost approximately \$4.2 million. According to engineering estimates, approximately \$440,000 or 10.4% of total cost of these reservoirs would be attributed to serving the David Hill UGB above 440 feet which would include an estimated 105 dwelling units with R10 zoning. If there is a reduction in the density permitted in this area to SR (1 du/acre) approximately \$120,000 or 2.5% of the total cost of these reservoirs would be attributed to serving the David Hill UGB above 440 feet which would include an estimated 24 dwelling units.

### Exhibit 4.5

Water Facility Cost Estimates					
No.	Description	Linear Feet	Total Costs	Estimated Costs Attributed to Westside Planning Area	Area of Benefit
<b>Short Term Projects</b>					
10a	One 0.5 MG reservoirs <sup>1</sup>	EA	\$2,390,000	\$500,000	David Hill
	Contingencies and Engineering		\$1,792,500	\$375,000	David Hill
	<i>Short Term Subtotal</i>		<i>\$4,182,500</i>	<i>\$875,000</i>	
<b>Long Term Projects</b>					
1	Road 1 Water main	1,050	63,000	\$63,000	David Hill
2	Road 2 Water main	3,200	192,000	\$192,000	David Hill
3	Road 3 Water main	600	36,000	\$36,000	David Hill
4	Road 4 Water main	4,700	282,000	\$282,000	David Hill
5	Road 5 Water main	1,250	75,000	\$75,000	David Hill
6	Road 6 Water main	2,300	138,000	\$138,000	David Hill
7	Road 7 Water main	5,500	330,000	\$330,000	Purdin Road
8	Road 8 Water main	1,750	105,000	\$105,000	Purdin Road
9	Road 9 Water main	3,500	525,000	\$525,000	David Hill
	One 0.5 MG reservoirs <sup>1, 4</sup>	EA	\$2,403,846	\$0	David Hill URA
11	Two 0.3 MG reservoirs <sup>2</sup>	EA	\$2,910,448	\$1,950,000	Entire Area
12	One 2.25 MG reservoir near Watercrest	EA	\$2,956,522	\$680,000	Entire Area
	Contingencies and Engineering		\$5,709,728	\$3,282,000	Entire Area
	<i>Long Term Subtotal</i>		<i>\$13,322,698</i>	<i>\$7,658,000</i>	
	<b>Total</b>		<b>\$17,505,198</b>	<b>\$8,533,000</b>	

<sup>1</sup> One reservoir expected to be used by development within David Hill from 440 to 615 feet in elevation and portions of the David Hill URA between 190 and 615 feet. The other reservoir expected to be used to serve the remainder of the David Hill URA between 190 and 615 feet which is included herein to account for the shared costs of land acquisition, piping, pressure reducing valves and a pump station. Approximately \$500,000 or 10.4% of total cost of these reservoirs would be attributed to serving the David Hill UGB above 440 feet which would include an estimated 105 dwelling units with R10 zoning. If there is a reduction in the density permitted in this area to SR (1 du/acre) approximately \$120,000 or 2.5% of the total cost of these reservoirs would be attributed to serving the David Hill area above 440 feet which would include an estimated 24 dwelling units.

<sup>2</sup> A portion of these reservoirs will be used to serve the David Hill UGB between 250 and 440 feet. Approximately 67% of total costs would be associated with the David Hill Planning Area.

<sup>3</sup> Approximately 23% of the cost of this reservoir would be associated with the David Hill and Purdin Road Planning Areas.

<sup>4</sup> Cost of second 0.5 MG reservoir is shown for reference only and is not included in the Long Term Subtotal.

**Source:** Revised Final Westside Water, Sewer, and Stormwater Infrastructure Analysis dated June 24, 2016; compiled by FCS GROUP. Costs shown are in 2016 dollars.

## C.2 Funding Scenarios

FCS GROUP calculated the level of funding required from the private sector necessary to cover 100% of the project costs. **Exhibit 4.6** shows the level of funding required based on how much SDC revenue is dedicated to the area. Another funding source is required for the City to construct the full project list unless the City devotes at least 76% of Westside Planning Area future SDC revenues to project capital costs.

**Exhibit 4.6**

<b>Water Funding Costs</b>			
	<b>18% of Existing SDC Dedicated to Westside Planning Area</b>	<b>40% of Existing SDC Dedicated to Westside Planning Area</b>	<b>100% of Existing SDC Dedicated to Westside Planning Area</b>
<b>Total Costs</b>	<b>\$8,533,000</b>	<b>\$8,533,000</b>	<b>\$8,533,000</b>
SDC Revenue Based on Current Fee	\$11,251,812	\$11,251,812	\$11,251,812
<b>Less SDC Revenue Dedicated to Area</b>	<b>-\$2,025,326</b>	<b>-\$4,500,725</b>	<b>-\$11,251,812</b>
<b>Remaining Funding Gap</b>	<b>\$6,507,674</b>	<b>\$4,032,275</b>	<b>\$0</b>

Source: FCS GROUP.

After identifying the remaining costs, **Exhibit 4.7** shows the fee amount the City must adopt to fully fund remaining costs. Each funding source shown below will address the full deficiency. The funding options include: an area specific SDC, utility surcharge, local option levy and a LID.

**Exhibit 4.7**

<b>Water Funding Options</b>			
	<b>18% of Existing SDC Dedicated to Westside Planning Area</b>	<b>40% of Existing SDC Dedicated to Westside Planning Area</b>	<b>100% of Existing SDC Dedicated to Westside Planning Area</b>
<b>Costs</b>			
<b>Remaining Costs</b>	<b>\$6,507,674</b>	<b>\$4,032,275</b>	<b>\$0</b>
<b>New Fee to Recover Remaining Costs in Full</b>			
<b>New SDC (per unit)</b>	\$3,168	\$1,963	\$0
<b>Utility Fee (fixed charge per month)</b>	\$26.40	\$16.36	\$0.00
<b>Local Option Levy (per \$1,000 AV)*</b>	\$1.60	\$0.99	\$0.00
<b>Local Option annual cost/\$300k home</b>	\$480	\$297	\$0
<b>Local Improvement District**</b>	\$8,781,730	\$5,441,323	\$0

\* assumes special levy applied to Westside Plan District over 10 years.

\*\* assumes LID payments are financed at 6.5% over 10 years.

Source: FCS GROUP.

### C.3 Selected Funding Approach

The selected funding strategy for water relies upon the existing water system SDC and assumes that at least 76% of water SDC revenues collected in the Westside Planning Area will be used to meet capital improvement obligations attributed to the area. In this scenario, no additional SDC would be needed.

Similar to the issue of funding short-term transportation projects, the ability for the City to fund required short-term water reservoir improvements using SDC revenues is untenable. It is recommended that the City consider issuing revenue bonds (backed by water rates) or a new GO bond (requires voter approval) to pay for short-term water capital improvements. It is recommended that this strategy be further evaluated by the City and subjected to public input prior to its refinement and implementation.

## D. SANITARY SEWER FUNDING APPROACH

### D.1 Capital Cost Requirements

The total sewer system facility cost for the projects that are required to accommodate Westside Planning Area development is estimated at \$3.6 million, as shown in **Exhibit 4.8**. For sewer lines smaller than 12 inches, the City generally requires private developers to construct and dedicate them prior to development. This means the City will likely require all sewer distribution lines to be built as a condition of development approval. However, there are two short-term sewer line projects totaling \$1.1 million, which would only benefit the David Hill area. The \$1.1 million construction cost would likely be too high for any one developer to afford on their own so some level of upfront public investment would be required.

**Exhibit 4.8**

Sewer Facility Cost Estimates			
No.	Description	Estimated Cost	Area of Benefit
<b>Short Term Projects</b>			
9	Road 9 Sewer Line	\$262,500	David Hill
10	Road 10 Sewer Line (700 LF 12")	\$382,500	David Hill
	Contingencies and Engineering*	\$483,750	David Hill
	<i>Short Term Subtotal</i>	<i>\$1,128,750</i>	
<b>Long Term Projects</b>			
1	Road 1, 2, 3, Sewer Line	\$225,000	David Hill
4	Road 4 Sewer Line	\$300,000	David Hill
5	Road 5 Sewer Line	\$82,500	David Hill
6	Road 6 Sewer Line	\$165,000	David Hill
7	Road 7 Sewer Line (10")	\$405,000	Purdin Road
8	Road 8 Sewer Line (10")	\$255,000	Purdin Road
	Contingencies and Engineering*	\$1,074,350	Entire Area
	<i>Long Term Subtotal</i>	<i>\$2,506,850</i>	
	<b>Total</b>	<b>\$3,635,600</b>	
<p><b>Source:</b> Revised Final Westside Water, Sewer, and Stormwater Infrastructure Analysis dated June 24, 2016; compiled by FCS GROUP. Costs shown are in 2016 dollars.</p> <p>*Contingencies allocated proportionately to developer or City/CWS</p>			

### D.2 Funding Scenarios

**Exhibit 4.9** shows the level of funding required based on how much sewer SDC revenue is dedicated to the area. Another funding source is required for the City to construct the full project list. There are additional timing considerations that require an up-front funding source for the project costs.

### Exhibit 4.9

<b>Sewer Funding Strategy Analysis</b>			
	<b>18% of Existing SDC Dedicated to Westside Planning Area</b>	<b>40% of Existing SDC Dedicated to Westside Planning Area</b>	<b>100% of Existing SDC Dedicated to Westside Planning Area</b>
<b>Total Costs</b>	<b>\$3,635,600</b>	<b>\$3,635,600</b>	<b>\$3,635,600</b>
SDC Revenue Based on Current Fee	\$10,886,200	\$10,886,200	\$10,886,200
Less: CWS Revenue Share	\$10,450,752	\$10,450,752	\$10,450,752
City SDC Revenue Share	\$435,448	\$435,448	\$435,448
<b>Less Net City SDC Revenue</b>	<b>-\$78,381</b>	<b>-\$174,179</b>	<b>-\$435,448</b>
<b>Remaining Funding Gap</b>	<b>\$3,557,219</b>	<b>\$3,461,421</b>	<b>\$3,200,152</b>

Source: FCS GROUP.

After identifying the remaining costs, **Exhibit 4.10** shows the fee amount the City must adopt to fully fund remaining costs. Each funding source shown below will address the full deficiency. Because the City can require developers to build all projects on the list, we have included ‘developer dedications’ for the remaining project costs as the primary funding option.

### Exhibit 4.10

<b>Sewer Funding Options</b>			
	<b>18% of Existing SDC Dedicated to Westside Planning Area</b>	<b>40% of Existing SDC Dedicated to Westside Planning Area</b>	<b>100% of Existing SDC Dedicated to Westside Planning Area</b>
<b>Costs</b>			
<b>Remaining Costs</b>	<b>\$3,557,219</b>	<b>\$3,461,421</b>	<b>\$3,200,152</b>
<b>New Fee to Recover Remaining Costs in Full</b>			
<b>Developer Dedications</b>	\$3,557,219	\$3,461,421	\$3,200,152
<b>New SDC (per unit)</b>	\$1.732	\$1.685	\$1.558
<b>Utility Fee (fixed charge per month)</b>	\$14.43	\$14.04	\$12.98
<b>Local Option Levy (per \$1,000 AV)*</b>	\$0.87	\$0.85	\$0.79
<b>Local Option annual cost/\$300k home</b>	\$262	\$255	\$236
<b>Local Improvement District**</b>	\$4,800,262	\$4,670,987	\$4,318,420

\* assumes special levy applied to Westside Plan District over 10 years.

\*\* assumes LID payments are financed at 6.5% over 10 years.

Source: FCS GROUP.

## D.3 Selected Funding Approach

The selected funding strategy for sewer relies primarily upon developer dedications of sewer lines below 12 inches and on existing sewer SDC revenues collected in the Westside Planning Area to be dedicated to Westside Planning Area improvements. Note, this strategy will require concurrence from CWS.

In light of the need for approximately \$1.1 million in short-term sewer project construction to serve the David Hill area, the City should consider its ability to utilize available financing methods, such as its ability to borrow funds from the sewer fund, or the use of LTGO bonding capacity or other sources of debt financing. Debt payments can be secured by a local sewer rate surcharge, SDC payments, and LID or Reimbursement District payment by developers or property owners within the David Hill area. It is recommended that this strategy be further evaluated by the City and subjected to property owner and developer input prior to its refinement and implementation.

## E. STORMWATER FUNDING APPROACH

### E.1 Capital Cost Requirements

The total stormwater system facility cost for the projects that are required to address impacts of new roadway construction within the Westside Planning Area development is estimated at approximately \$1.6 million as shown in **Exhibit 4.11**. The City does not have any short-term projects for stormwater. It should be noted that in addition to the improvements specified in Exhibit 4.11, developers will be required to mitigate stormwater impacts created by their proposed developments.

**Exhibit 4.11**

Stormwater Management Facility Cost Estimates			
Project No.	Description	Estimated Cost	Area of Benefit
Quantity 1	Road 1, 2, 3, Storm Pond	\$75,000	David Hill
Quantity 2	Road 4 Storm Pond	\$75,000	David Hill
Quantity 3	Road 5 and 9 Storm Pond	\$100,000	David Hill
Quantity 4	Road 6 and 10 Storm Pond	\$150,000	David Hill
Quantity 5	Road 7 Storm Pond	\$200,000	Purdin Road
Quantity 6	Road 8 Storm Pond	\$50,000	Purdin Road
Quantity 7	Road 1, 2, 3, Stormwater Treatment	\$35,000	Purdin Road
Quantity 8	Road 4 Stormwater Treatment	\$35,000	David Hill
Quantity 9	Road 5 and 9 Stormwater Treatment	\$70,000	David Hill
Quantity 10	Road 6 and 10 Stormwater Treatment	\$70,000	David Hill
Quantity 11	Road 7 Stormwater Treatment	\$20,000	David Hill
Quantity 12	Road 8 Stormwater Treatment	\$20,000	Purdin Road
	Contingencies and Engineering	\$675,000	Entire Area
	<b>Totals</b>	<b>\$1,575,000</b>	

**Source:** Revised Final Westside Water, Sewer, and Stormwater Infrastructure Analysis dated June 24, 2016; compiled by FCS GROUP. Costs shown are in 2016 dollars.

### E.2 Funding Scenarios

**Exhibit 4.12** shows the level of funding expected for each scenario. Because the current stormwater SDC is \$510 and the City's share is small, existing SDCs do very little to cover capital costs, leaving a large funding gap.

**Exhibit 4.12**

Stormwater Funding Strategy Analysis			
	18% of Existing SDC Dedicated to Westside Planning Area	40% of Existing SDC Dedicated to Westside Planning Area	100% of Existing SDC Dedicated to Westside Planning Area
<b>Total Costs</b>	<b>\$1,575,000</b>	<b>\$1,575,000</b>	<b>\$1,575,000</b>
SDC Revenue Based on Current Fee	\$1,047,540	\$1,047,540	\$1,047,540
<b>Less SDC Revenue Share</b>	<b>\$188,557</b>	<b>\$419,016</b>	<b>\$1,047,540</b>
<b>Remaining Funding Gap</b>	<b>\$1,386,443</b>	<b>\$1,155,984</b>	<b>\$527,460</b>

**Source:** FCS GROUP.

After identifying the remaining costs, **Exhibit 4.13** shows potential methods considered to fully fund remaining costs. Each funding source shown below will address the full deficiency.

**Exhibit 4.13**

Stormwater Funding Options***			
	18% of Existing SDC Dedicated to Westside Planning	40% of Existing SDC Dedicated to Westside Planning	100% of Existing SDC Dedicated to Westside Planning
<b>Costs</b>			
Remaining Costs	\$1,386,443	\$1,155,984	\$527,460
<b>New Fees to Recover Remaining Costs in Full</b>			
New SDC (per unit)	\$675	\$563	\$257
Utility Fee (fixed charge per month)	\$5.62	\$4.69	\$2.14
Local Option Levy (per \$1,000 AV)*	\$0.34	\$0.28	\$0.13
Local Option annual cost/\$300k home	\$102	\$85	\$39
Local Improvement District**	\$1,870,925	\$1,559,934	\$711,777

\* assumes special levy applied to Westside Plan District over 10 years.

\*\* assumes LID payments are financed at 6.5% over 10 years.

\*\*\* City Staff, compiled by FCS Group.

Source: FCS GROUP.

### E.3 Selected Funding Approach

The selected funding approach relies upon the existing SDC and includes a supplemental stormwater rate surcharge of approximately \$7 per month for households within the Westside Planning area (plus administrative charges). This rate surcharge can be phased in over a period of five years and indexed with inflation. Stormwater improvements will likely be built in conjunction with roadway construction projects in the Westside Planning Area. If fund balances from rate surcharges are insufficient to cover the cost of new stormwater ponds, the City may establish reimbursement district(s) for a proportionate share of financing costs, with total charges limited to approximately \$700 per dwelling unit.

## F. PARKS FUNDING APPROACH

### F.1 Capital Cost Requirements

The total parks cost for the three identified projects planned in the Westside Planning Area is estimated at \$6.6 million as shown in **Exhibit 4.14**. The City does not have any short term projects.

**Exhibit 4.14**

Parks Cost Estimates for the Westside Planning Area						
Project No.	Description	Estimated Cost	Attributable to Westside Planning Area	Attributable to Purdin Road Planning Area	Attributable to David Hill Planning Area	Area of Benefit
1	Purdin Road Neighborhood	\$3,000,000	\$3,000,000	\$3,000,000	\$0	Purdin Road Planning
2	Thatcher Park Development	\$3,400,000	\$612,000	\$349,799	\$262,201	Westside Planning Area
3	Dog Park Enhancement	\$200,000	\$36,000	\$20,576	\$15,424	Westside Planning Area
	<b>Totals</b>	<b>\$6,600,000</b>	<b>\$3,648,000</b>	<b>\$3,370,376</b>	<b>\$277,624</b>	

Source: City staff, compiled by FCS GROUP. Costs shown are in 2016 dollars.

## F.2 Funding Scenarios

**Exhibits 4.15 and 4.15a** shows the level of funding by tool. Provided that the City uses SDCs from the entire Westside Planning Area, it will need to dedicate 50% of the SDC revenues collected to have adequate funds to construct the neighborhood park project.

**Exhibit 4.15**

<b>Parks Funding Strategy Analysis for the <i>Purdin Road Planning Area</i></b>			
	<b>18% of Existing SDC Dedicated to Purdin Road Planning Area</b>	<b>50% of Existing SDC Dedicated to Purdin Road Planning Area</b>	<b>100% of Existing SDC Dedicated to Purdin Road Planning Area</b>
<b>Total Costs</b>	\$ 3,370,376	\$ 3,370,376	\$ 3,370,376
<b>SDC Revenue Based on Current Fee</b>	\$ 3,522,000	\$ 3,522,000	\$ 3,522,000
<b>Less SDC Revenue Dedicated to Area</b>	\$ 633,960	\$ 1,761,000	\$ 3,522,000
<b>Remaining Funding Gap</b>	\$ 2,736,416	\$ 1,609,376	\$ (151,624)

City Staff, compiled by FCS Group.

Source: FCS GROUP.

**Exhibit 4.15a**

<b>Parks Funding Strategy Analysis for the <i>David Hill Planning Area</i></b>			
	<b>18% of Existing SDC Dedicated to David Hill Planning Area</b>	<b>50% of Existing SDC Dedicated to David Hill Planning Area</b>	<b>100% of Existing SDC Dedicated to David Hill Planning Area</b>
<b>Total Costs</b>	\$ 277,624	\$ 277,624	\$ 277,624
<b>SDC Revenue Based on Current Fee</b>	\$ 2,640,000	\$ 2,640,000	\$ 2,640,000
<b>Less SDC Revenue Dedicated to Area</b>	\$ 475,200	\$ 1,320,000	\$ 2,640,000
<b>Remaining Funding Gap</b>	\$ (197,576)	\$ (1,042,376)	\$ (2,362,376)

City Staff, compiled by FCS Group.

Source: FCS GROUP.

After identifying the remaining costs, **Exhibits 4.16 and Exhibit 4.16a** show the fee amount the City would need to adopt to fully fund remaining costs. Although there is a funding deficiency for the Purdin Road area for parks facilities, there would be adequate amount of system development charges collected from the David Hill area to finance all the park related facilities. Thus, no other funding options are considered.

**Exhibit 4.16**

<b>Parks Funding Strategy Analysis for the <i>Purdin Road Planning Area</i></b>			
	<b>18% of Existing SDC Dedicated to Purdin Road Planning Area</b>	<b>50% of Existing SDC Dedicated to Purdin Road Planning Area</b>	<b>100% of Existing SDC Dedicated to Purdin Road Planning Area</b>
<b>Costs</b>			
<b>Remaining Costs</b>	\$2,736,416	\$1,609,376	-\$151,624
<b>New Fees to Recover Remaining Costs in Full</b>			
<b>New SDC Purdin Road Planning Area (per unit)</b>	\$1,917	\$1,127	\$0

\* City Staff, compiled by FCS Group.

Source: FCS GROUP.

**Exhibit 4.16a**

<b>Parks Funding Strategy Analysis for the <i>David Hill Planning Area</i></b>			
	<b>18% of Existing SDC Dedicated to David Hill Planning Area</b>	<b>50% of Existing SDC Dedicated to David Hill Planning Area</b>	<b>100% of Existing SDC Dedicated to David Hill Planning Area</b>
<b>Costs</b>			
<b>Remaining Costs</b>	-\$197,576	-\$1,042,376	-\$2,362,376
<b>New Fees to Recover Remaining Costs in Full</b>			
<b>New SDC Westside Planning Area (per unit)</b>	\$0	\$0	\$0

\* City Staff, compiled by FCS Group.

**Source:** FCS GROUP.

### F.3 Selected Funding Approach

The selected funding approach for parks assumes the City will allocate all of the SDC revenues collected in the Westside Planning Area to identified parks projects. This funding approach assumes parks improvements are constructed after SDC revenues are sufficient to cover capital costs. It is possible that a developer may elect to construct and dedicate a neighborhood park to enhance amenities offered by their development. The ability of a developer to construct neighborhood parks can be enhanced if the City’s parks SDC capital project list is amended to include such parks, and the City grants parks SDC credits based on the market value of dedicated land and allowable construction cost of the improvement (designed to city standards). City policies regarding the transferability of parks SDC credit also fosters private parks construction.

## SECTION V: MARKET CONSIDERATIONS

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This section provides an overview of market characteristics related to the near- and long-term development potential for the Westside Planning Area. In order to conduct this analysis, FCS GROUP evaluated current home sales prices in Forest Grove and the surrounding areas of Hillsboro. We also evaluated overall public facility infrastructure costs in comparison with other major annexation areas within the greater Metro Region.

### A. INFRASTRUCTURE COST COMPARISON

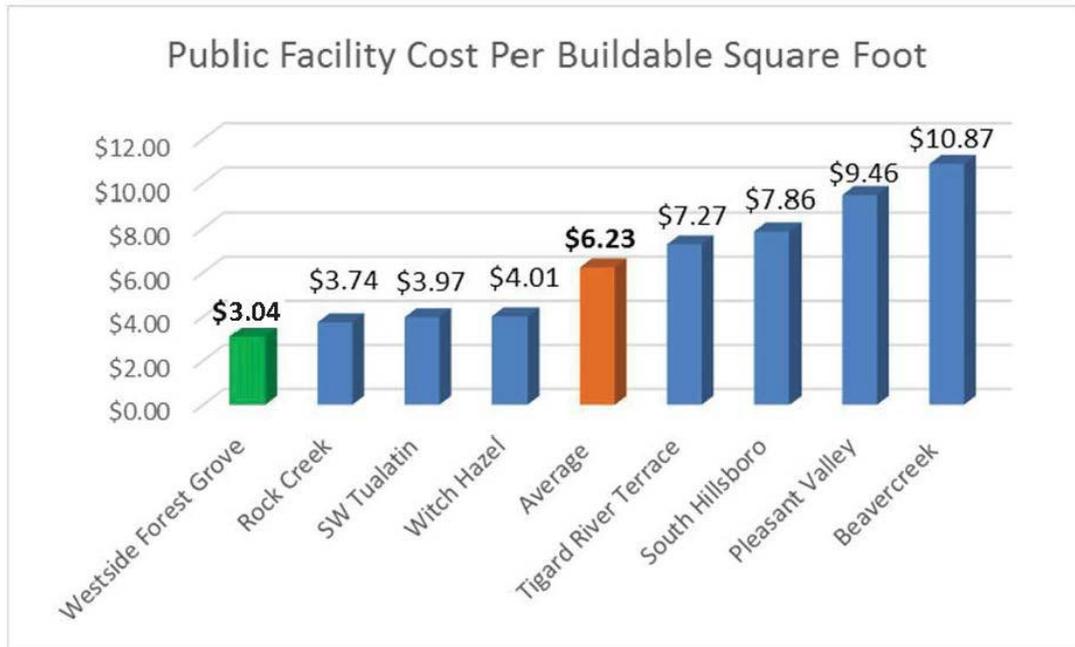
#### A.1 Developer Infrastructure Costs

Prior to annexation, the City would require Annexation and Development Agreements that would identify any on- and off-site public infrastructure improvements required to address impacts related to new development within the Westside Planning Area. While much of the David Hill area is annexed, remaining areas could be subject to Development Agreements or conditions of approval.

The public infrastructure cost to serve development within the 374-acre Westside Planning Area includes projects listed in **Section IV**. The total common infrastructure cost in this analysis is estimated at approximately \$45.7 million. This equates to approximately \$3.04 per net buildable square feet of land area for infrastructure before accounting for credit eligible deductions.

When we compare the cost of required public infrastructure to serve major urbanizing areas around the metropolitan region, we find the \$3.04 per net buildable square feet of land area estimate to be well below the average for seven other urbanizing areas shown in **Exhibit 5.1**. Hence, the preliminary common cost estimates appear to be on the low end of the range of other urbanizing areas in various stages of advanced planning or development. However, any additional fees would have a negative impact on the ability to accommodate subsidized housing in the area. Whether this planning area is the appropriate location for affordable housing is beyond the scope and purpose of this analysis.

**Exhibit 5.1: Estimated Major Infrastructure Cost per Square Feet of Buildable Land Area**

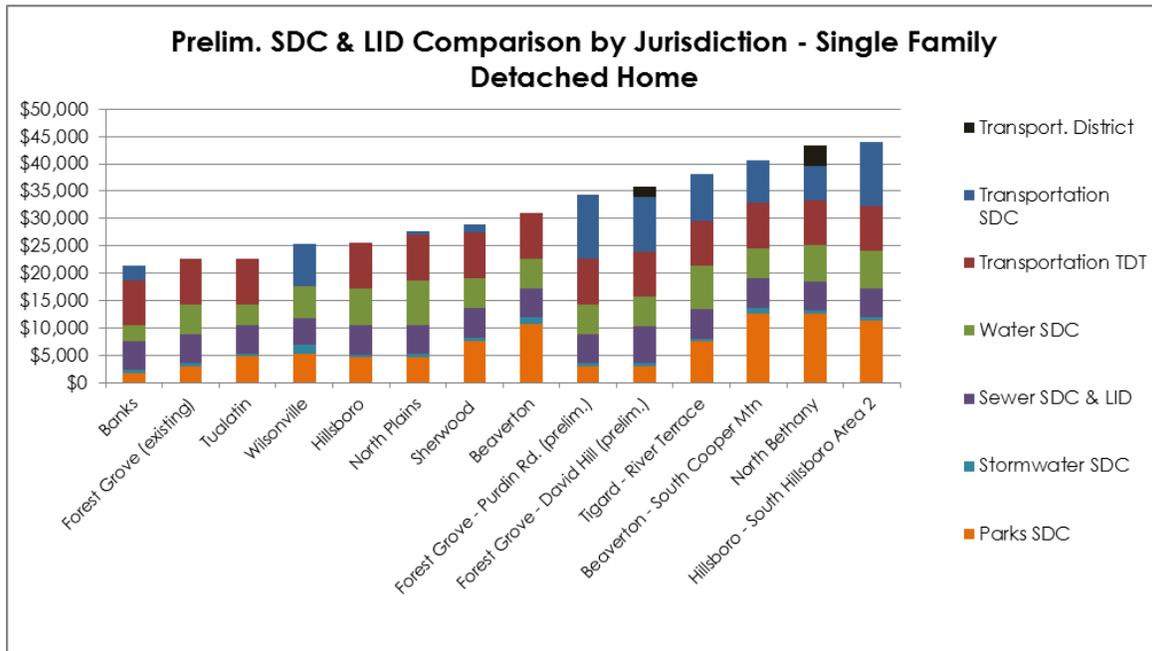


**Source:** analysis by FCS Group using assumptions contained in adopted concept plans and funding strategies for each area; adjusted to 2016 dollars.

## A.2 SDC and TDT Costs

The baseline financial analysis assumes that the developer would pay SDC and TDT charges for transportation and receive credits for constructing credit-eligible improvements. Credit policies are assumed to follow the current City and Washington County practice. The 40% TDT revenue allocation and resulting SDCs and LID charges (before credits) are shown in **Exhibits 5.2 and 5.3**. Please note: these exhibits only show preliminary SDCs and LID assessments and exclude other permits and construction excise taxes associated with development.

**Exhibit 5.2**



Source: analysis by FCS Group as of August 2016.

**Exhibit 5.3**

Jurisdiction	Parks SDC	Stormwater SDC	Sewer SDC & LID	Water SDC	Transportation TDT	Transportation SDC	Transport District	Total
Banks	1,800	510	5,300	2,825	8,278	2,704		21,417
Forest Grove (existing)	3,000	510	5,300	5,478	8,278	-		22,566
Tualatin	4,786	510	5,300	3,754	8,278	-		22,628
Wilsonville	5,374	1,628	4,849	5,842	-	7,695		25,388
Hillsboro	4,647	510	5,300	6,830	8,278	-		25,565
North Plains	4,725	510	5,300	8,169	8,278	638		27,620
Sherwood	7,669	621	5,295	5,592	8,278	1,506		28,961
Beaverton	10,800	1,104	5,300	5,512	8,278	-		30,994
Forest Grove - Purdin Rd. (prelim.)	3,000	510	5,300	5,478	8,278	12,084		34,650
Forest Grove - David Hill (prelim.)	3,000	510	6,727	5,478	8,278	10,084	2,000	36,077
Tigard - River Terrace	7,566	510	5,300	7,917	8,278	8,489		38,060
Beaverton - South Cooper Mtn	12,624	1,104	5,300	5,512	8,278	7,725		40,543
North Bethany	12,645	510	5,300	6,687	8,278	6,113	3,750	43,283
Hillsboro - South Hillsboro Area 2	\$11,433	\$510	\$5,300	\$6,830	\$8,278	\$11,731		\$44,082

Source: survey conducted by FCS GROUP as of August 2016.

Current SDCs in Forest Grove are relatively low compared to other cities in the region. If the City implemented the recommended funding approach, the overall SDCs (and LID charges) would increase by approximately \$13,400 per single family dwelling within the Westside Planning Area. The resulting Westside Planning Area SDCs would be similar to the new overlay areas for South Hillsboro, Tigard River Terrace, Beaverton South Cooper Mountain, and North Bethany.

### A.3 Summary Recommendations

It is recommended that the City of Forest Grove pursue a funding approach as follows:

- ◆ **Transportation:** Allocate 40% of the TDT revenues collected in the Westside Planning Area to Area projects, and adopt a new local transportation SDC (Westside Planning Area only) of approximately \$1,208 per average daily vehicle trip.<sup>1</sup> As indicated in the table below (lower fees would be required for multifamily dwellings and higher fees for detached dwellings). In the short-term, the City should also consider advance financing for the \$1.5 million Thatcher Road improvement project, with repayment using a combination of TDT and SDC revenues and a LID within the David Hill area.

Existing and Proposed Transportation Charges in Forest Grove by Dwelling Type	Current TDT	Proposed Area SDC (prelim.)	Total (prelim.)
Single Family Detached	\$8,278	\$12,084	\$20,362
Apartment	\$5,415	\$7,905	\$13,320
Condo/Townhouse	\$4,951	\$7,227	\$12,178

- ◆ **Water:** Allocate up to 76% of the water SDC revenues collected in the Westside Planning Area to Area projects. In the short-term the City should consider its means to finance a \$4.5 million reservoir improvement (City wide benefit) using rate revenue bonds or hybrid bonds.
- ◆ **Sanitary Sewer:** With concurrence from CWS, require developers to construct sewer lines under 12 inches in diameter as a condition of approval. In the short-term the City should consider its means for advance financing \$1.1 million for sewer truck line construction, using funds borrowed by its sewer fund and payments secured through either an LID or a reimbursement district in the David Hill area.
- ◆ **Stormwater:** Allocate 100% of the stormwater SDC revenues collected in the Westside Planning Area to Area projects and adopt a new local area specific stormwater rate of approximately \$7 per month for customers within the Westside Planning Area. The City may need to consider formation of reimbursement districts in the future if fund balances are inadequate to construct new facilities as development occurs.
- ◆ **Parks:** Allocate 100% of the parks SDC revenues collected in the Westside Planning Area to Area projects.

When accounting for existing TDT and SDCs, and the recommended area-specific SDCs noted above, the total impact fees (TDT and SDCs) for Westside Planning Area development would equate to approximately \$36,000 per single family dwelling unit. See **Exhibit 5.4** for a regional comparison of total SDCs. Note, these assumptions and findings are considered to be preliminary and subject to change and refinement once the City moves forward with a detailed SDC methodology report.

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<sup>1</sup> This allocation of 40% of the TDT revenues collected in the Westside Planning Area to capital projects in the Planning Area reflects the expected growth in average daily vehicle trips that are expected to occur in the Planning Area as a share of the entire City of Forest Grove over the next 20 years; the residual 60% of TDT revenues would be available for citywide needs.

**Exhibit 5.4**

<b>Total SDC &amp; LID assessments per Single Family Detached Dwelling</b>			
	<b>Current/ Proposed SDCs &amp; LIDs per Sq.Ft. of Floor Area <sup>1</sup></b>	<b>Expected Home Sales Price per Square Foot**</b>	<b>SDCs &amp; LIDs as a % of Current Sales Price</b>
<b>Forest Grove (existing)</b>	\$9.03	\$140.72	6.4%
<b>Beaverton - South Cooper Mountain</b>	\$16.22	\$199.98	8.1%
<b>Forest Grove - Westside Planning Area</b>	\$14.43	\$161.83	8.9%
<b>Hillsboro - South Hillsboro</b>	\$17.63	\$171.76	10.3%

Note 1: Assumes 2,500 square foot house and assumes 15% price per square foot premium for housing in new master planned areas.

Note 2: Reflects sales price for homes built since 2010.

Compiled by FCS GROUP based on Zillow .com data.

## Appendix A: Westside Planning Area Costs and Status Quo Revenues

<b>Summary of Capital Infrastructure Costs and Expected Funding Gap Under Status Quo</b>			
<b>Transportation Element</b>			
	<b>David Hill Area</b>	<b>Purdin Road Area</b>	<b>Combined Areas</b>
<b>Total Costs</b>			
Total Costs	\$23,880,900	\$6,349,900	\$30,230,800
Net Revenue Based on Current TDT*	\$6,781,915	\$9,472,522	\$16,254,437
Remaining Costs	\$17,098,985	-\$3,122,622	\$13,976,363
<b>Water Element</b>			
	<b>David Hill Area</b>	<b>Purdin Road Area</b>	<b>Combined Areas</b>
<b>Total Costs</b>			
Total Costs	\$6,855,500	\$1,677,600	\$8,533,100
Net Revenue Based on Current SDC*	\$4,694,646	\$6,557,166	\$11,251,812
Remaining Costs	\$2,160,854	-\$4,879,566	-\$2,718,712
<b>Sanitary Sewer Element</b>			
	<b>David Hill Area</b>	<b>Purdin Road Area</b>	<b>Combined Areas</b>
<b>Total Costs</b>			
Total Costs	\$2,480,600	\$1,155,000	\$3,635,600
Net Revenue Based on Current SDC*	\$181,684	\$253,764	\$435,448
Remaining Costs	\$2,298,916	\$901,236	\$3,200,152
<b>Stormwater Element</b>			
	<b>David Hill Area</b>	<b>Purdin Road Area</b>	<b>Combined Areas</b>
<b>Total Costs</b>			
Total Costs	\$1,067,500	\$507,500	\$1,575,000
Net Revenue Based on Current SDC*	\$436,824	\$610,716	\$1,047,540
Remaining Costs	\$630,676	-\$103,216	\$1,533,098
<b>Parks Element</b>			
	<b>David Hill Area</b>	<b>Purdin Road Area</b>	<b>Combined Areas</b>
<b>Total Costs</b>			
Total Costs	\$648,000	\$3,000,000	\$3,648,000
Net Revenue Based on Current SDC*	\$2,571,000	\$3,591,000	\$6,162,000
Remaining Costs	-\$1,923,000	-\$591,000	-\$2,514,000
* revenues are based on residential development only and conservatively excludes additional long-term SDC revenue from retail, schools and parks.			