



STAFF REPORT

Meeting Type: City Council
Meeting Date: March 4, 2024
From: Jennifer Coker, Public Works Director
AJ Thorne, Assistant Public Works Director
Subject: Creation of an Advanced Financing Reimbursement District for 362nd and Bell Street Construction

DECISION TO BE MADE:

Whether to direct staff to pursue establishment of an Advanced Financing Reimbursement District (AFRD) to recoup City Utility funds invested to build the 362nd and Bell Streets Extension Improvements Project.

BACKGROUND / CONTEXT:

Completion of the street capital project of the extension and connection of 362nd and Bell streets achieved a 30-year goal for the Sandy City Council. The project was completed with a total project cost of \$12.94 million, including all construction, engineering and right-of-way acquisition.

As discussed during the February 5th Council meeting, the City has an option to create an Advanced Financing Reimbursement District (AFRD) to recoup a portion of the project costs. An AFRD will benefit the City by creating a mechanism for future development to pay a share of the cost for the project. Development also benefits, as their portion of the public improvements are available at a substantially discounted price.

Based on feedback from the last meeting, Council is potentially interested in an AFRD but prefers a balanced approach that favors incentives for development. Staff believes council concurs with the approach of using the area apportionment methodology to assign costs.

The decisions before City Council are as follows:

1. Should the City create an AFRD to recover a portion of the project cost?
2. What percentage of the project cost should be sought with this district?
3. What should the term and interest of the district be?

Per the Council's request at the February 5th, 2024 meeting, some additional information was gathered to provide context in the decision making process. These requests included:

- Examples of other reimbursement districts
- Estimated property values for the properties included in the district
- Potential use of Urban Renewal funds to offset a portion of this cost
- Potential of creating reimbursement Street SDCs

Exploration of a reimbursement SDC requires a shift in the current update to the Transportation SDC (TSDC) methodology. This information will be included in an upcoming council session specifically related to the TSDC. Potential use of Urban Renewal funds to offset costs is a feasible option and can also be a subject for future meetings.

ADDITIONAL INFORMATION REQUESTED BY COUNCIL:

AFRD Examples

Table 1 presents a compilation of AFRDs for City of Sandy, as well as an example from Gresham and Sherwood. The term generally appears to be 20 years, although Gresham had an example of 10 years, with the option for their Council to renew for another 10 years. The interest rates are variable and range from zero interest to 6% interest.

Table 1: AFRD Examples

District	Facility	Total	Term	Interest
Sherwood	Sewer	\$500,964.00	None	4%Fee
Gresham	Sewer	\$335,000.00	10 + 10	None
Sandy (Tom Orth)	Street/Utilities	\$345,559.00	20	1.57% Simple
Sandy (4J)	Street/Utilities	\$1,226,336.00	20	None
Sandy	Street/Utilities	\$408,510.00	20	6% Simple

Assessed Land Values

Table 2 below displays property values based on Tax Assessor data.

Table 2: Assessed Land Values

Property	Assessed Land Value	Acres	Zoning	\$/Ac
16370 Royal Ln*	\$423,614	14.18	C2	\$29,874
16200 Royal Ln	\$866,996	7.16	R2	\$121,089
16210 Royal Ln	\$790,994	6.37	R2	\$124,175
16220 Royal Ln	\$689,153	5.45	R2	\$126,450
36405 Hwy 26	\$12,701,710	66.4	C2	\$191,291
36145 Hwy 26	\$1,750,828	16.7	C2	\$104,840

* This property is in farm deferral which keeps assessment artificially low. When land use changes, the property will be reassessed.

Figure 1 is a map showing the location of each property included in the district.

Figure 1. Properties Included In AFRD



KEY CONSIDERATIONS / ANALYSIS:

The total cost of the project was \$12.94 Million. If we subtract the cost of the sewer fund contribution (\$250,128) and the water fund contribution (\$286,212), that leaves a street fund total contribution of \$12.4M. Due to the cost of this project being substantially more than planned, the City needed to apply all of the Street Fund operations surplus of \$2,300,000 in order to afford the project. Recovery of the street operations surplus is a reasonable target for the City to recover as it will allow for necessary and expected street maintenance to continue in Sandy.

The value of this proposed reimbursement district is \$2.48M. This represents a reimbursement value around 20% of the total project costs, which is a substantial discount to property developers over the total cost of building the road, stormwater, sewer and water improvements.

Table 3 below represents an example AFRD for 20% of the project cost using the area apportionment method, and the impact in terms of dollars as well as a percentage of the property value from tax assessor maps. As a reminder, it is likely that tax assessor maps undervalue the properties, and the AFRD is not payable unless the property develops. The largest property most likely to develop would have 11% of its value due in AFRD payment in this proposal.

Table 3 - Example: AFRD at 20% of Street Fund Project Cost, Area Method

Property Address	AFRD Payable Amount	% Property Value
16370 Royal Ln	\$339,915	80%
16200 Royal Ln	\$180,891	21%
16210 Royal Ln	\$162,914	21%
16220 Royal Ln	\$140,381	20%
36405 Hwy 26	\$1,430,871	11%
36145 Hwy 26	\$225,963	13%
TOTAL	\$2,480,935	

Per Council request, Clackamas County tax assessor maps have been used to provide a rough estimate of property values. The values presented in this report are likely lower than the market values of the properties impacted by this reimbursement district, and thus the percentages of property values shown are likely high. Additionally, the values presented are land only values.

Interest Rate Considerations

The Sandy Municipal Code prescribes that reimbursement districts have a 9% simple interest and that Council has discretion to determine an interest rate. This is a simple interest rate, not compounded. Table 4 presents three interest rates and the impact to each property after 1 year and at 20 years (the potential term of the district). These values are based on the 20% reimbursement values. Further interest rates can be demonstrated at the Council meeting.

Table 4 – Example: Interest Rates and AFRD Payable Amounts

Interest Rate		3%		4%		5%	
Property	Initial Valuation	Year 1	Year 20	Year 1	Year 20	Year 1	Year 20
16370 Royal Ln	\$339,915	\$350,112	\$543,864	\$353,512	\$611,847	\$356,911	\$679,830
16200 Royal Ln	\$180,891	\$186,318	\$289,426	\$188,127	\$325,605	\$189,936	\$361,783
16210 Royal Ln	\$162,914	\$167,802	\$260,663	\$169,431	\$293,246	\$171,060	\$325,829
16220 Royal Ln	\$140,381	\$144,592	\$224,609	\$145,996	\$252,685	\$147,400	\$280,761
36405 Hwy 26	\$1,430,871	\$1,473,797	\$2,289,393	\$1,488,105	\$2,575,567	\$1,502,414	\$2,861,741
36145 Hwy 26	\$225,963	\$232,742	\$361,541	\$235,002	\$406,733	\$237,261	\$451,926

ALTERNATIVE REIMBURSEMENT VALUATIONS

The Council also expressed interest in considering different alternatives for total reimbursement valuation for this district. It was requested that 10%, 20% and 30% total valuations be explored in this meeting. Table 5 below shows the total reimbursement amounts for these scenarios for the Street Fund total project contribution of \$12.4M (not the total project of \$12.94M which included water and sewer contributions). Staff will be able to provide quick calculations in the meeting if further alternatives are to be explored.

Table 5 – Alternative Reimbursement Values

Reimbursement %	10%	20%	30%
16370 Royal Ln	\$169,958	\$339,915	\$509,873
16200 Royal Ln	\$90,446	\$180,891	\$271,337
16210 Royal Ln	\$81,457	\$162,914	\$244,372
16220 Royal Ln	\$70,190	\$140,381	\$210,571
36405 Hwy 26	\$715,435	\$1,430,871	\$2,146,306
36145 Hwy 26	\$112,981	\$225,963	\$338,944
Total	\$1,240,468	\$2,480,935	\$3,721,403

BUDGET IMPACT:

Creation of an AFRD will have a positive impact on the Street Fund and will cost little to administer, although it is uncertain which properties will develop and on what timeline. Without replenishment of the Street Operations Fund, Sandy will be unable to meet the growing needs of the Street maintenance without either increased fees, or an influx of additional funding. Development of one of these properties in the next year would result in a replenishment of the Street operations fund in the next biennial budget.

RECOMMENDATION:

Staff recommends creation of a reimbursement district for the 362nd and Bell Street project. It is recommended that this district is valued at \$2,480,935 a 20% reimbursement, which will recover the funds transferred from Street operation, a 20 year district, and a 5% simple interest.

SUGGESTED MOTION LANGUAGE:

“I move to direct the City Manager to prepare a Resolution for the creation of an Advance Financing Reimbursement District for the construction of 362nd and Bell streets, for consideration at a City Council public hearing. The District is to be valued at \$_____ (\$2,480,935), and is to use the _____ (Area) apportionment methodology. The District is to expire after ____ (20) years and use a simple interest rate of _____(5) %.”

LIST OF ATTACHMENTS / EXHIBITS:

- Presentation slides