DATE: February 13, 2025

TO: Sherilyn Lombos (City Manager) and Don Hudson (Assistant City Manager/Finance Director), City of Tualatin

FROM: Becky Steckler, AICP, Jen Cannon, AICP, and James Kim, ECOnorthwest

SUBJECT: Climate Funding Analysis for the City of Tualatin

# Executive Summary

Climate change is a global issue, and everyone contributes to it. Greenhouse gas (GHG) emissions are coming from our buildings, cars, and industries. The City of Tualatin's assessment showed its main sources of emissions are building energy (42 percent); imported emissions from goods, food, and fuel production (41 percent); and transportation energy (12 percent).[1] Although local emissions in Tualatin are expected to decrease over time thanks to strong state climate regulations impacting utilities,[2] this reduction alone will not be enough to reach the City's goal of net zero emissions by 2050.

The City of Tualatin is already stepping up to the challenge. It approved a Climate Action Plan (CAP) in early 2024 after two years of work. In October 2024, the City Council adopted a two-year work plan with actions that ensure the community moves closer to achieving its climate action goals. Two of those actions are (1) dedicating employee resources to manage and communicate implementation of the CAP and (2) evaluating potential funding sources to support CAP actions.

To that end, ECOnorthwest researched potential fiscal tools for funding the City of Tualatin's implementation of the CAP. The first step was to conduct a scan of funding tools that the City might want to consider. These tools were explored in the context of the City's budget and financial condition. With feedback from the City of Tualatin, ECOnorthwest prioritized six tools for further evaluation.

As a result of that analysis, ECOnorthwest identified two promising revenue sources to fund climate-related work in the short-term. These resources can help fund staffing costs needed to kickstart the management and communication of the CAP actions. The City of Tualatin City Council can consider adopting one or more of the funding tools.

- 0.5% increase in right-of-way fees for electricity, telecommunication, and waste management services to raise about $327,000 per year.

[1] The City of Tualatin. *Tualatin's Community Climate Action Plan.* 2024. https://www.tualatinoregon.gov/sites/default/files/fileattachments/public_works/page/54031/cap_executive_summary_0513.pdf

[2] Oregon Department of Energy. "Oregon Energy Strategy." https://www.oregon.gov/energy/Data-and-Reports/Pages/Energy-Strategy.aspx

- 5% increase in building permit fees to raise about $60,000 per year, though this value will fluctuate year to year with economic cycles.

To fund its CAP in the long-term, the City of Tualatin will need additional resources. There is a long list of options the City can consider. Working with City staff, ECOnorthwest identified three best options. They will not fully fund the CAP, but they are the least likely to face barriers. To be sure, adopting any one of these options will require concerted effort from the City, including campaigns to organize support and address concerns. Moreover, the use of the new revenues may be limited to specific purposes (e.g., transportation infrastructure). The three analyzed options are:

- 1.5% increase in right-of-way fees for electricity, natural gas, telecommunication, and waste management services to raise about $1,208,000 per year. This action will require establishing new franchise agreements.
- 3-cent gas tax to raise about $246,000 per year, though this value will fluctuate year to year and decrease over time with increasing vehicle fuel efficiency.
- 5% increase in Transportation Development Tax to raise about $70,000 per year, though this value will fluctuate year to year with economic cycles and a nexus study may be required.

Additionally, the City may want to consider applying for grant opportunities that can provide one-time funding. This memorandum includes some examples the City could monitor and explore.

# Organization of This Memorandum

- **Fiscal Context** (page 4): A quick reminder of limitations on revenue options for Oregon cities.
- **Short-Term Funding Options** (page 5): Two revenue options to get started on CAP actions.
- **Long-Term Funding Options** (page 9): Three revenue options to continue working on CAP actions.
- **Grant Opportunities** (page 14): A list of current or upcoming grant opportunities to monitor or apply for.
- **Additional Funding Ideas** (page 17): A list of other funding options that were considered, but ultimately not recommended.

# Research Process

ECOnorthwest worked with the City Manager and the Assistant City Manager/Finance Director between November 2024 and January 2025 to identify research objectives, vet potential funding options, and confirm analysis details. Estimating the revenue potential required detailed financial data from the City as well as information from City reports, including the Annual Comprehensive Financial Report.

When evaluating the funding tools for their advantages and disadvantages, ECOnorthwest used a systematic framework to make sure all tools were consistently evaluated. The evaluation informed the "Arguments For" and the "Arguments Against" sections of each revenue tool, using the following criteria:

- Adequacy: How much revenue can it generate?
- Administrative ease: Is it easy to implement with existing resources?
- Flexibility: What can the revenue be used for?
- Stability: Will the revenue fluctuate over time?
- Fairness: Who benefits and who pays? Does the tool treat similar taxpayers consistently? Do those with more resources pay more than those with less?
- Nexus: Is there a clear connection between the tax and the taxed economic activity?
- Neutrality: Is it likely to cause unintended changes in where people spend money and how much they spend?
- Political viability: Who will support and who will oppose it?
- Transparency: Is it easy to see or understand the new tax?

# Fiscal Context

Like many other communities in Oregon, the City of Tualatin faces a difficult challenge: to provide more services with limited funds. People generally expect their governments to do more but do not necessarily want to pay higher taxes.

This is particularly true with climate-related investments and actions. Residents, employers, and workers in Tualatin may recognize the dire need to combat climate change and its effects, and they may support the City's strategies and goals in the CAP. But only few will decide to pay new taxes now to fund investments and actions that are unlikely to generate results until years later.

The City's existing funding sources cannot grow fast enough to even partially fund its CAP actions because of limitations on property taxes, the main source of revenue for Oregon cities. Measures 5 and 50 created a framework that capped property taxes and made annual increases more predictable.

- Measure 5, passed in 1990, capped property taxes at $10 per $1,000 of real market value for general government services and $5 per $1,000 for education services.
- Measure 50, passed in 1997, created a permanent tax rate limit for each taxing district that cannot be changed by the district or its voters. Voters can approve temporary levies (i.e., local option levies) to exceed the permanent tax rate.
- Measure 50 also separated the assessed value from the real market value. The assessed value is used to calculate property taxes for each property and cannot grow more than 3 percent each year, though exceptions apply for new constructions and major renovations. Measure 5 limits still apply to the real market value.

Since the adoption of Measures 5 and 50, the real market values (e.g., housing prices) and the cost of providing government services grew faster than the assessed values of existing properties. Although a steady flow of new development has allowed property tax revenues to grow at 4 to 5 percent per year, future growth remains uncertain. Moreover, property taxes from industrial equipment can increase or decrease each year depending on depreciation of existing equipment and investment in new equipment.

As a result of the property tax limitations, Oregon cities are generally left with the following options to fund new programs and projects.

- Asking voters to approve local option levies every 5 or 10 years.
- Attracting and permitting new construction and major improvements that can increase the taxable assessed value, though they represent a small fraction of the total tax roll.
- Increasing other taxes and fees or adopting new ones that charge for government services, including access to the public right-of-way.

To fund climate actions, the City of Tualatin may have to make difficult decisions.

# Short-Term Funding Options

The City of Tualatin's short-term goals to advance the CAP include finding dedicated resources for managing and communicating its implementation. Assuming the City's planned budgets and existing funding sources cannot fund new CAP actions, the City will need to raise new revenue. An analysis of potential funding tools found two tools that can be implemented relatively easily while raising meaningful revenue. Although there certainly are some important tradeoffs to consider, they may be the best options for raising new revenue in the short-term.

## A1. Right-of-Way Fees / Franchise Fees (0.5 percent)

Cities can charge utility-type companies for their privilege to use public rights-of-way (like streets, sidewalks, and roads) to install and maintain infrastructure such as pipes, wires, and poles. These are also called franchise fees, privilege taxes, and utility license fees, with slightly different nuances. They are a tax on the company's gross revenue. These fees continue year to year without a sunset period.

Right-of-way fees can cover administrative costs of regulating the utility or be used as a general revenue source. These revenues can be used to fund energy efficiency programs, renewable energy investments, and water conservation efforts. The City of Tualatin's franchise fee revenues were $3.0 million in FY 2024, representing about 7 percent of governmental activities revenues.[3]

The City of Tualatin currently assesses the following right-of-way/franchise fees:

- Electric: 3.5 percent of gross revenue[4]
- Natural gas: 5.0 percent of gross revenue[5]
- Telecommunications: 5.0 percent of gross revenue[6]
- Waste management: 3.0 percent of gross revenue[7]

These charges are in addition to application fees, system development charges, and installation charges.

The fees on telecommunication carriers cannot exceed 7 percent of gross revenue (see ORS[8] 221.515).

*Disclaimer: ECOnorthwest's analysis is based on its interpretation and knowledge of Oregon laws. The City of Tualatin should consult its Legal Services Department before acting on information in this memorandum.*

[3] City of Tualatin. *Annual Comprehensive Financial Report*. For Fiscal Year ended June 30, 2024.
[4] City of Tualatin. *Fee Schedule*. Fees effective July 9, 2024.
[5] Ibid.
[6] Ibid.
[7] City of Tualatin. "Current Franchise Agreements." www.tualatinoregon.gov/legal/current-franchise-agreements
[8] Oregon Revised Statutes

The fees on other public utilities may not exceed 5 percent of gross revenue, unless a franchise agreement is place (see ORS 221.450). The fees can be greater with a franchise agreement. The City of Tualatin has a franchise agreement with PGE but not with other electric or natural gas companies. The City of Tualatin also has a franchise agreement for waste management services. Increasing the fees beyond 5 percent of gross revenue on companies without a franchise agreement may require establishing franchise agreements.

Nearby cities have increased their utility license fees to support their general funds, which include climate-related uses.

- The City of Milwaukie: In 2024, the City Council increased fees on electric and natural gas providers from 5 percent to 8 percent. The fee on communications providers was already 7 percent.[9]
- The City of Gresham: In 2020, the City Council increased fees on electric and natural gas providers from 7 percent to 10 percent.[10] A portion of the increased fee is dedicated to City's Streetlight program. The fee on communications providers is 7 percent.[11]

While these fees are paid by utility companies, the costs are likely to be passed onto utility customers. Utility companies can include line items for the fee in their monthly bills to customers or incorporate them into other charges. In either case, Tualatin residents and business owners may not notice this change because they tend to focus on the total bill amount. Still, excessive increases in the fees are likely to financially impact Tualatin residents and business owners.

Even if the fees are fully passed onto utility customers, the impact on monthly bills is expected to be a couple of dollars. For example, if monthly utility expenses add up to $400, a 0.5 percent increase would equal a $2 increase.

Utility use is clearly related to GHG emissions. Generating and supplying electricity produces GHG missions, though the state requires electricity suppliers to eliminate their greenhouse gas emissions by 2040.[12] Burning natural gas to heat homes and water produces GHG emissions. The energy required to power telecommunication networks and devices—including broadband and data centers[13]—relies on electricity. Finally, waste disposal makes up a tiny fraction of local GHG emissions, but that share will grow as a percent of total emissions as emissions associated with electricity decreases over time.

**Analyzed Action:** Increase existing right-of-way/franchise fees on electric utility, telecommunication, and waste management companies by 0.5 percentage points. This would increase the fees to 4.0 percent of gross revenue for electric companies, 5.5 percent

[9] City of Milwaukie. "Utility license fee increase for electricity and natural gas." www.milwaukieoregon.gov/finance/utility-license-fee-increase
[10] City of Gresham. "Utility License Fees." www.greshamoregon.gov/services/utilities/utility-license-fee-increase/
[11] City of Gresham. *Master Fee Schedule*. July 3, 2024.
[12] Oregon Department of Environmental Quality. "Oregon Clean Energy Targets." www.oregon.gov/deq/ghgp/pages/clean-energy-targets.aspx
[13] U.S. Department of Energy. "DOE Releases New Report Evaluating Increase in Electricity Demand from Data Centers." December 20, 2024.

of gross revenue for telecommunication companies, and 3.5 percent of gross revenue for waste management companies. Do not change the right-of-way fee for natural gas companies since it may require new franchise fee agreements.

**Figure 1. Current and Analyzed Right-of-Way Fees (Option A1)**

| UTILITY TYPE | CURRENT RATE | ANALYZED RATE |
|---|---|---|
| **Electric** | 3.5% | 4.0% |
| **Natural Gas** | 5.0% | 5.0% (no change) |
| **Telecommunication** | 5.0% | 5.5% |
| **Waste Management** | 3.0% | 3.5% |

Source: ECOnorthwest

**Arguments For**

- Fee increases are expected to generate about $327,000 per year.[14]
- Fee increases are relatively small (0.5 percent), keeping the total tax rates competitive compared to some other jurisdictions in the region.
- Right-of-way/franchise fees can generate consistent revenue that comes from a broad tax base.
- Revenue can be added to the general fund and used flexibly.
- Increasing existing fees is easier to implement than establishing new ones.
- Utility uses are directly related to greenhouse gas emissions, so charging based on resource consumption is aligned with the goals of the CAP.
- Fee increases could incentivize property owners to make energy efficiency improvements in their buildings.

**Arguments Against**

- Though they are charged directly to utility providers, they are likely to be passed on to utility customers.
- They disproportionately affect lower-income households that spend a larger portion of their income on utilities.
- Natural gas use is also directly related to greenhouse gas emissions. Increasing the fee on electricity use without increasing the fee on natural gas use could appear illogical.

[14] Based on ECOnorthwest's calculations using financial data provided by the City of Tualatin.

## A2. Building Permit Fee Surcharge

The City charges many types of building permit fees on new development and major improvements. Revenue from these fees in the last 4 years averaged about $1.2 million per year. In the City of Tualatin, building permit fees are deposited into the Building Fund, which funds activities of the building division. Building energy is the largest source of emissions for Tualatin.[15]

**Analyzed Action:** Increase building permit fees by 5 percent and identify activities of the building division that align with CAP goals.

**Arguments For**

- A 5 percent increase is expected to generate about $60,000 per year.
- The fees ensure those driving new development also fund its environmental mitigation.
- In general, voters are more likely to support fees on new development and growth rather than fees on themselves.

**Arguments Against**

- Revenue can depend on the pace of development, which can fluctuate with economic conditions and development decisions. In the past four years, annual building permit fees revenue ranged from about $700,000 to $1.6 million.
- The fees can increase development costs, impacting affordability.
- Support for fees on new development can be at odds with support for removing barriers to housing production. Opposition is likely to be concentrated among developers and people engaged in development activities.
- Use of building permit fees revenue is limited to activities of the building division, but many kinds of projects can be funded within this category (e.g., *Strategy 4.1 Energy efficiency and conservation*).

[15] The City of Tualatin. *Tualatin's Community Climate Action Plan.* 2024.

# Long-Term Funding Options

Implementing the goals in the CAP will require a large amount of ongoing funding. The options above are unlikely to be sufficient. ECOnorthwest analyzed three other potential options for long-term funding. Revenue from some of these options can only be used for transportation-related programs. Transportation energy makes up 12 percent of local emissions for Tualatin.[16]

## B1. Right-of-Way Fees / Franchise Fees (1.5 percent)

The City of Tualatin can raise much more revenue with right-of-way/franchise fees if the rates are increased higher than by 0.5 percentage points. Fees on telecommunication carriers cannot exceed 7 percent of gross revenue. Fees on other companies without a franchise agreement is limited to 5 percent of gross revenue, so higher fees can require establishing new franchise agreements.

**Analyzed Action:** Increase existing right-of-way/franchise fees by 1.5 percentage points for electric, natural gas, and telecommunication companies. This would increase the fees to 5.0 percent of gross revenue for electric companies, 6.5 percent of gross revenue for natural gas and telecommunication companies, and 4.5 percent for waste management companies.

**Figure 2. Current and Analyzed Right-of-Way Fees (Option B1)**

| UTILITY TYPE | CURRENT RATE | ANALYZED RATE |
|---|---|---|
| **Electric** | 3.5% | 5.0% |
| **Natural Gas** | 5.0% | 6.5% |
| **Telecommunication** | 5.0% | 6.5% |
| **Waste Management** | 3.0% | 4.5% |

Source: ECOnorthwest

**Arguments For**

- Fee increases are expected to generate about $1,208,000 per year.[17]
- Right-of-way/franchise fees can generate consistent revenue that comes from a broad tax base.
- Revenue can be added to the general fund and used flexibly.
- Increasing existing fees is easier to implement than establishing new ones.
- Utility uses are directly related to greenhouse gas emissions, so charging based on resource consumption is aligned with the goals of the CAP.

[16] The City of Tualatin. *Tualatin's Community Climate Action Plan.* 2024.
[17] Based on ECOnorthwest's calculations using financial data provided by the City of Tualatin.

**Arguments Against**

- Though the fees are charged directly to utility providers, they are likely to be passed on to utility customers. It would be prudent to conduct some public opinion research and engage members of the public before moving forward.
- If the fees are fully passed onto utility customers and monthly utility expenses add up to $400, a 1.5 percent increase would equal a $6 increase per month.
- They disproportionately affect lower-income households that spend a larger portion of their income on utilities. Expanding the City's Utility Bill Assistance program could offset some equity concerns.
- The fee increases could make the tax rates less competitive compared to other jurisdictions in the region.

## B2. Gas Tax

All levels of government can charge a tax on gasoline sold at gas stations in Oregon. Drivers purchasing gasoline in Tualatin pay federal ($0.184 per gallon), state ($0.40 per gallon), and Washington County ($0.01 per gallon) taxes. The City of Tigard is the only jurisdiction in Washington County to charge a local gas tax ($0.03 per gallon). Other nearby jurisdictions with local gas taxes are:

- Multnomah County: $0.03 per gallon
- City of Portland: $0.10 per gallon
- City of Troutdale: $0.03 per gallon
- City of Milwaukie: $0.02 per gallon
- City of Happy Valley: $0.02 per gallon

The City of Tualatin's Road Operating Fund—which accounts for gas taxes received from the State of Oregon and Washington County for the operation and maintenance of the street system, traffic signals, bike paths and landscaping of roadside area—received about $3.1 million in revenues in FY 2024, including interest.[18]

A key concern with a local gas tax is that drivers may avoid purchasing gas in Tualatin. There are neighboring jurisdictions without gasoline taxes (though Tigard charges it), so drivers who are aware of the tax may plan ahead and fill up elsewhere. This could not only limit the revenue potential but also negatively impact gas station employment.

However, studies show gas taxes tend to have a minimal impact on gas purchases. A 3-cent increase is expected to decrease gas demand by less than 1 percent.[19] The small effect on gas

[18] City of Tualatin. *Annual Comprehensive Financial Report.* For Fiscal Year ended June 30, 2024.
[19] A review of literature shows a range of reductions. (1) David Coyle, Jason DeBacker, and Richard Prisinzano. "Estimating the supply and demand of gasoline using tax data." *Energy Economics* 34, no. 1 (2012): 195-200. doi.org/10.1016/j.eneco.2011.07.011. This study indicates a short-run elasticity of negative 0.07, which is equivalent to a 0.06% reduction based on an assumed gas price of $3.50 per gallon and a 3-cent gas tax. A higher assumed gas price would mean a smaller reduction. (2) Lutz Kilian and Xiaoqing Zhou. "Gasoline demand

demand is in part due to the small size of the gas tax. Hypothetically, a 30-cent gas tax could reduce gas demand by several percentage points.[20]

**Analyzed Action:** Ask voters to adopt a 3-cent gas tax.

**Arguments For**

- A 3-cent gas tax is expected to generate about $246,000 per year.[21]
- Administration would be easy, as it is collected and distributed by the Oregon Department of Transportation's Fuel Tax Group.
- Gas taxes can address greenhouse gas emissions from the transportation sector. They are applied broadly to all gas users.

**Arguments Against**

- Gas tax is becoming a less reliable revenue source as vehicles become increasingly more fuel-efficient and as people transition to electric vehicles (EVs)—Oregon is one of top EV states.[22] An alternative transportation funding source is a road usage charge (RUC), or vehicle miles traveled (VMT) tax. The State of Oregon has one of the longest running Road Usage Charge pilot programs in the country. While lawmakers are anticipated to introduce legislation for a transportation package in 2025,[23] it remains to be seen if they will expand the RUC, which could potentially replace the gas tax. It is unclear if a new RUC program would allow for local rates or fees (similar to the local gas tax).
- A gas tax can disproportionately affect lower-income households that spend a larger portion of their income on gasoline. Moreover, higher-income households are more likely to own EVs, avoiding the gas tax altogether.
- Use of the revenue is limited to transportation-related projects, though there still are many transportation activities related to the Climate Action Plan (i.e., *Strategy 6.1 Fuel Switching* and *Strategy 6.2 Active Transportation*)

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more responsive to price changes than economists once thought." Federal Reserve Bank of Dallas. June 16, 2020. Accessed December 27, 2024. https://www.dallasfed.org/research/economics/2020/0616. This article suggests a short-run elasticity of negative 0.37, which is equivalent to a 0.32% reduction based on an assumed gas price of $3.50 per gallon and a 3-cent gas tax. (3) Shanjun Li, Joshua Linn, and Erich Muehlegger. "Gasoline Taxes and Consumer Behavior." Harvard Kennedy School. M-RCBG Faculty Working Paper No. 2012-02. www.hks.harvard.edu/sites/default/files/centers/mrcbg/files/MRCBG_FWP_2012_02-Muehlegger_Gasoline.pdf. This study indicates a 5-cent increase would reduce gas consumption by 1.3% in the short-run.

[20] But one should be careful to use estimates that are extrapolated from a study on small changes. The effect of the first 10-cent increase could be different than the effect of the next 10-cent increase or the following 10-cent increase.

[21] Based on ECOnorthwest's calculations using Oregon Department of Transportation's taxable distribution reports. This imputed value also incorporates a 1% reduction to account for a small chance that some drivers may sometimes purchase their gas in nearby jurisdictions as a result of the new gas tax.

[22] Gosia Wonzniacka. "Oregon surpasses 100,000 registered electric vehicles, remains one of top EV states." *Oregonlive*. November 19, 2024. www.oregonlive.com/environment/2024/11/oregon-surpasses-100000-registered-electric-vehicles-remains-one-of-top-ev-states.html

[23] Elizabeth Castillo. "Oregon lawmakers address transportation policy and hit the road." Oregon Public Broadcasting. June 10, 2024. www.opb.org/article/2024/06/09/think-out-loud-oregon-lawmakers-address-transportation-policy-on-road-trip/

- Gas tax revenue can fluctuate over time as people adjust their driving behaviors based on economic conditions.
- Public support for a gas tax is not yet explored. The City of Tualatin may want to develop a clear communication plan and ask potential voters (through surveys, conversations, public meetings) before moving forward with a ballot measure. ORS 319.950 requires a vote to implement a gas tax.

## B3. Transportation Development Tax Surcharge

The City of Tualatin's Transportation Development Tax (TDT) can fund infrastructure improvements necessary for growth. This fee can align development with sustainability goals, such as transit-oriented growth, multimodal transit, and renewable energy integration. With proper studies that demonstrate the nexus (or link) between the fee and the impact of new development, the City of Tualatin can raise new TDT revenues to fund EV charging stations, bike paths, and transit hubs, for example. TDT revenues in the last 4 years averaged about $1.4 million per year.[24] TDT rates vary by use; for example, $11,478 per unit for single family detached and $7,510 per unit for apartments.[25]

**Analyzed Action:** Conduct one or more nexus studies to assess the possibility of raising the TDT for funding capital investments in climate-related infrastructure.

**Arguments For**

- A 5 percent increase is expected to generate about $70,000 per year.
- The tax ensures those driving new development also fund its environmental mitigation.
- In general, voters are more likely to support a tax on new development and growth rather than a tax on themselves.

**Arguments Against**

- Revenue can depend on the pace of development, which can fluctuate with economic conditions and development decisions. In the past four years, annual TDT revenue ranged from about $700,000 to $1.9 million.
- The tax can increase development costs, particularly for smaller housing types that have smaller building area to spread out the costs. The City could offer deferrals and financing options to minimize impact on new development, though administering those options will take up staff time.
- Adjusting the TDT rates may require one or more nexus studies, which can be time-consuming and difficult to finish all adjustments in a year.

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[24] Based on ECOnorthwest's calculations using financial data provided by the City of Tualatin for fiscal years 2021 through 2024.
[25] City of Tualatin. *Transportation Development Tax Rate Schedule.* For Fiscal Year 2024-25.

- Use of TDT revenue is limited to infrastructure projects related to new capacity, but many kinds of transportation projects can be funded within this category.
- Support for a tax on new development can be at odds with support for removing barriers to housing production. Opposition is likely to be concentrated among developers and people engaged in development activities.

# Grant Opportunities

In addition to the funding options described above, the City could apply for grants in 2025 and beyond. An obvious advantage of grants is that they do not tax residents or local businesses. They are not costless because City staff resources will be needed to research the grants, build partnerships, and write grant applications. Some grants may require the City to provide matching funds or regular progress reports. Still, grants can provide one-time funding without imposing new costs on residents and local businesses.

The City currently has limited capacity with existing staff to apply and manage grants. The City would need to first secure short-term funding or reallocate resources to fund a staff person that could then apply for grants.

Cities have used grants to kickstart their climate-related programs. For example, the City of Tualatin and a coalition of cities received $15 million through the Charging and Fueling Infrastructure (CFI) Grant Program in 2024, although this funding is currently on hold.[26] Grants are temporary funding opportunities, but they can provide short-term funding needed to advance the CAP. Although application periods are variable and the future of federal funding is uncertain, the City of Tualatin can watch for the next opportunity. While there are potentially hundreds of grants that Tualatin could apply for, a few of the possible state and private foundation climate grant fund opportunities include:

- **Community Renewable Energy Grant Program | Oregon Department of Energy:** Oregon communities can receive up to $100,000 for planning projects and up to $1 million for constructing community renewable energy or energy resilience projects. Eligible projects include renewable energy generation systems like solar or wind, and energy storage systems, electric vehicle charging stations, or microgrid technologies paired with new or existing renewable energy systems. Eligible applicants are encouraged to partner with community groups, non-profits, private businesses, and others on potential projects.
    - CAP Priorities:
        - *Focus Area 4: Buildings and energy*
        - *Strategy 6.1: Fuel switching – EVs, renewable diesel, biodiesel, ethanol, and other low-emissions fuels*
    - Deadline: final funding round to be announced in 2025
    - Link: https://www.oregon.gov/energy/Incentives/Pages/CREP.aspx
- **Clean Water State Revolving Fund | Oregon Department of Environmental Quality:** This program works like an environmental infrastructure bank that provides below-market rate loans to eligible recipients for water infrastructure projects. As money is paid back into the state's revolving loan fund, Oregon Department of Environmental Quality (DEQ) makes new loans to other recipients for high priority,

[26] City of Tualatin. “City of Tualatin Awarded $15 Million for EV Charging Infrastructure.” August 27, 2024. https://www.tualatinoregon.gov/publicworks/city-tualatin-awarded-15-million-ev-charging-infrastructure

water quality activities. Repayments of loan principal and interest earnings are recycled back into the program to finance new projects that allow the funds to revolve at the state level over time. Eligible projects include wastewater treatment, nonpoint source pollution management program, stormwater management, water conservation and reuse, energy efficiency, and more.

- CAP Priorities
  - *Strategy 1.3: Improve the resilience of Tualatin's natural systems, resources, and infrastructure to handle an increase in heavy precipitation events, flooding, and winter storms*
- Deadlines: April 11, 2025; August 8, 2025; December 12, 2025
- Link: https://www.oregon.gov/deq/wq/cwsrf/Pages/CWSRF-Application.aspx

- **Climate Pollution Reduction Grant (CPRG) | Oregon Department of Environmental Quality:** The State of Oregon was awarded $197 million from the EPA to fund pollution reduction, energy efficiency, and climate resiliency projects in the state. The grant will focus on three main areas for reducing greenhouse gas emissions: waste and materials, buildings, and transportation. The grant is currently in its 1st year of the planning phase, and funding may be available for local jurisdictions, public utilities, local organizations, and Tribes. The State has not yet announced its process for distributing the funds, including whether they will have a competitive grant process for all or a portion of the funds.
  - CAP Priorities:
    - *Focus Area 4: Buildings and energy*
    - *Focus Area 6: Transportation – modes and fuel switching*
    - *Focus Area 7: Consumption – food and goods*
- **Urban and Community Forestry | Oregon Department of Forestry:** Oregon Department of Forestry received $26.6 million through the federal Inflation Reduction Act (IRA) to promote urban and community forest investment and tree equity for overburdened and underserved communities. The funding must entirely benefit either federally recognized tribes or disadvantaged communities as defined by the Climate and Environmental Justice Screening Tool, the Environmental Protection Agency (EPA) IRA Disadvantaged Communities Mapping Tool, or other government-sponsored vulnerability tools
  - CAP Priorities:
    - *Strategy 5.2: Urban and community forestry and carbon sequestration*
  - Deadline: based on past funding availability, next round of funding is likely to be announced in the summer of 2025
  - https://www.oregon.gov/odf/forestbenefits/Documents/ucf-ira-funding-faq.pdf
- **Partners for Places | The Funders Network:** The Partners for Places grants "aims to enhance local capacity to build equitable and sustainable communities in the United

States and Canada. These matching awards support the planning and implementing of urban sustainability and green stormwater infrastructure projects."[27] This opportunity requires partnerships between (1) a local government sustainability and / or water department, (2) a frontline community partner, and (3) a place-based funder. The grant requires a local foundation match of 50% of project budget. Each community partnership must signal its collective priorities and collaborative approaches in the application.

- CAP Priorities:
  - *Strategy 1.3: Improve the resilience of Tualatin's natural systems, resources, and infrastructure to handle and increase in heavy precipitation events, flooding, and winter storms*
  - *Strategy 2.3: Increase preparedness and provide resources to help people who live, work, learn, and play in Tualatin better handle the impacts of heavy precipitation events and winter storms*
  - *Strategy 3.3: Improve resilience of Tualatin's businesses and workers to handle and increase in heavy precipitation events, flooding, and winter storms*
- Deadline: February 28, 2025
- https://www.fundersnetwork.org/partners-for-places/

[27] The Funders Network. "Partners for Places." www.fundersnetwork.org/partners-for-places/

# Additional Funding Ideas

During the evaluation of the funding tools above, ECOnorthwest also identified many other tools that the City of Tualatin might be interested in. ECOnorthwest worked with the city staff and determined that these were less promising than the tools listed above.

- **Green lodging tax:** The City can increase the transient lodging tax (TLT)—currently 2.5 percent—and dedicate the new revenue to uses related to the Climate Action Plan. Seventy (70) percent of TLT revenue's uses are already limited to "tourism promotion" or "tourism-related facilities."[28] Green lodging taxes are charged on hotel stays and other short-term accommodations, providing revenue for climate resilience projects in tourism-heavy areas. For example, in Hawaii, revenue from lodging taxes funds coastal adaptation projects to address sea-level rise, ensuring the sustainability of the state's tourism economy.
- **Local option levies (property tax):** In Oregon, jurisdictions can adopt local option levies to raise new property tax revenues. Voters need to approve and renew local option levies (every 5 years for operating levies and every 10 years for capital levies). The time limitation reassures voters that they have a choice in the tax's future. The City of Tualatin currently does not have a local option levy.
- **Stormwater utility fee**: Based on examples from Cincinnati, Ohio,[29] and Philadelphia, Pennsylvania,[30] the City can create a new fee that is based on impervious surface area and targets properties contributing to runoff and flooding.
- **Utility fees for business-type services:** These are charges for water, sewer, and stormwater services. The City can increase the utility fees or create a new fee category that is charged to utility customers.
- **Utility fee round-up:** Share the Pennies is a voluntary program in Memphis, Tennessee that rounds up utility customers' bills by default to the nearest dollar. Customers are automatically enrolled in the program with the ability to opt-out at any time. The success of the opt-out design is based on behavioral science principles.[31] The revenue funds weatherization and energy-efficient retrofits for low-income households. While the city staff were interested in this innovation, it was found that the round-up and the opt-out mechanism are technically difficult and did not recommend it at this time.

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[28] ORS 320.300 outlines definitions for tourism promotion and tourism-related facilities as "a conference center, convention center or visitor information center; and other improved real property that has a useful life of 10 or more years and has a substantial purpose of supporting tourism or accommodating tourist activities."
[29] City of Cincinnati. "Rates and Service Charges." www.cincinnati-oh.gov/stormwater/rates-and-service-charges/.
[30] Philadelphia Water Department. "Residential Stormwater Charge." water.phila.gov/stormwater/billing/residential/
[31] Key behavioral science principles are choice architecture, default effect/status quo bias, and framing effect/social norms. Choice architecture: The way options are presented to people influence their decisions. Subtle nudges can guide behavior without limiting freedom of choice. Default effect/status quo bias: People tend to stick with default options rather than making an active choice to manage it. Framing effect/social norms: A choice to "opt-out" suggests people are deciding to not participate in something that is normal or expected.

ECOnorthwest also recommended to the city staff to avoid the following options. Some tools have raised much revenue for Portland and other cities in the county. However, for reasons explained below, these tools are not suitable for the City of Tualatin.

- **Dynamic congestion pricing:** This is a daily fee on vehicles for entering a specific area. The fee can vary during peak times, incentivizing public transit use and reducing emissions. Funds generated are reinvested in transportation improvements, including public transit and active transportation infrastructure. New York City spent a great deal of financial and political capital to adopt the county's first congestion pricing, which started on January 1, 2025. Internationally, London, Singapore, and Stockholm also charge congestion prices.

  **However, congestion pricing is extremely difficult to implement.** First, the tracking, managing, and enforcement mechanism is costly. Second, New York's experience shows strong resistance to congestion pricing in the United States, at least before they are implemented. Oregonians also have a history of opposing tolls.[32] Efforts to create a tolling system for the Portland region's freeways were put on hold by Governor Kotek in March 2024, delaying toll collection to until at least 2026.[33] Congestion pricing would make more sense as a regional policy, not a local one.

- **Gross receipts tax:** Portland's Clean Energy Surcharge is a 1 percent gross receipts tax on large retailers, generating significant revenue for equity-focused climate projects. Funds are allocated to initiatives that prioritize underserved communities, including energy efficiency programs, renewable energy projects, and workforce development in green industries. Gross receipts tax is applied to the gross sales revenue businesses generate. Unlike a sales tax that is applied to final sales to consumers, a gross receipts tax is applied to business transactions.

  **However, Oregon law (ORS 317A.158) prohibits other local jurisdictions from adopting gross receipts taxes** unless it was in place before the law took effect. Portland is the only jurisdiction in Oregon to have a gross receipts tax.

- **Parking tax:** Parking taxes are charged in addition to typical parking fees to fund sustainable transportation infrastructure. These taxes encourage more efficient land use and reduce car dependency by supporting public transit, bike lanes, and pedestrian infrastructure.

  **However, the tax base in Tualatin is not large enough to warrant a parking tax.** Paid parking in Tualatin is limited to the Core Area Parking District. So, a parking tax is unlikely to generate much additional revenue. The FY 2024 revenue for the Core Area Parking District Fund was $95,181, including interest.[34]

- **Sustainability sales tax:** In Colorado, Boulder County and the City of Denver charges a sales tax to help fund their climate goals. Both were approved by voters, 2019 for

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[32] Michaela Bourgeois. "Survey finds majority of Oregon voters oppose proposed tolling projects." *KOIN*. February 26, 2024. www.koin.com/news/oregon/survey-finds-majority-of-oregon-voters-oppose-proposed-tolling-projects/
[33] Oregon Department of Transportation. "I-205 Toll Project." www.oregon.gov/odot/tolling/pages/i-205-tolling.aspx
[34] City of Tualatin. *Annual Comprehensive Financial Report*. For Fiscal Year ended June 30, 2024.

Boulder County and 2020 for Denver.[35,36] These sales taxes generate substantial, stable revenue for a wide range of climate actions.

**However, a sales tax in Tualatin would not be viable.** Voter approval can be extremely challenging, especially in Oregon where no municipality has successfully passed a general sales tax. A sales tax could drive away business activity to neighboring jurisdictions. Also, sales taxes disproportionately burden lower-income households.

[35] Boulder County. *Sustainability Tax: 2023 Report.* www.bouldercounty.gov/climate/s-tax-2023-report/
[36] Conrad Swanson. "Denver Ballot Measure 2A, 2B Results: Voters Approve Taxes for Homeless, Environment." *The Denver Post* (blog). November 4, 2020. www.denverpost.com/2020/11/03/denver-election-results-2a-2b-taxes-homeless-environment/