Tualatin Climate Action Funding Analysis

ECOnorthwest

February 24, 2025

Presenter

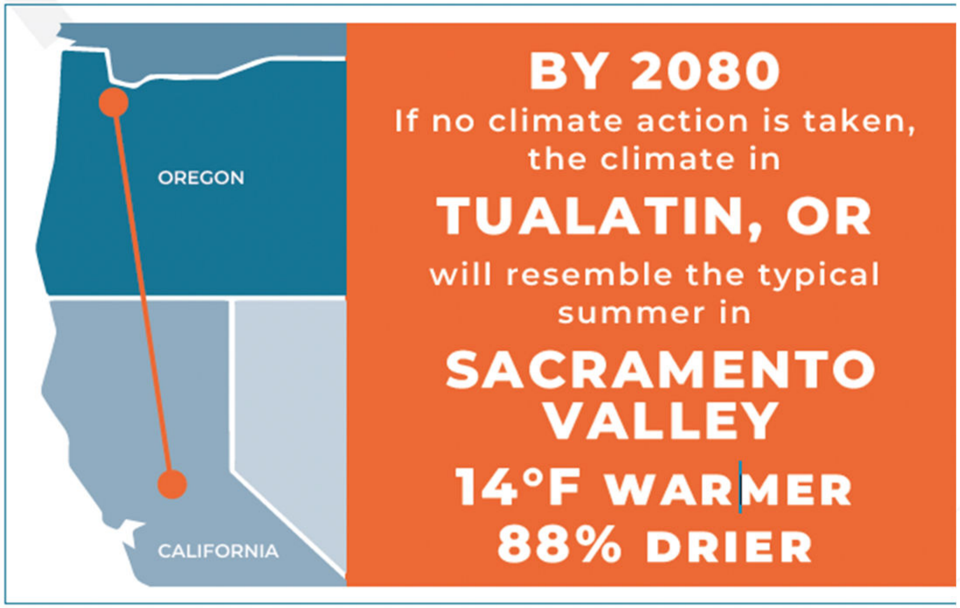
Becky Steckler, AICP

Project Director at ECOnorthwest

Lead in climate adaption and resilience projects

Presentation Outline

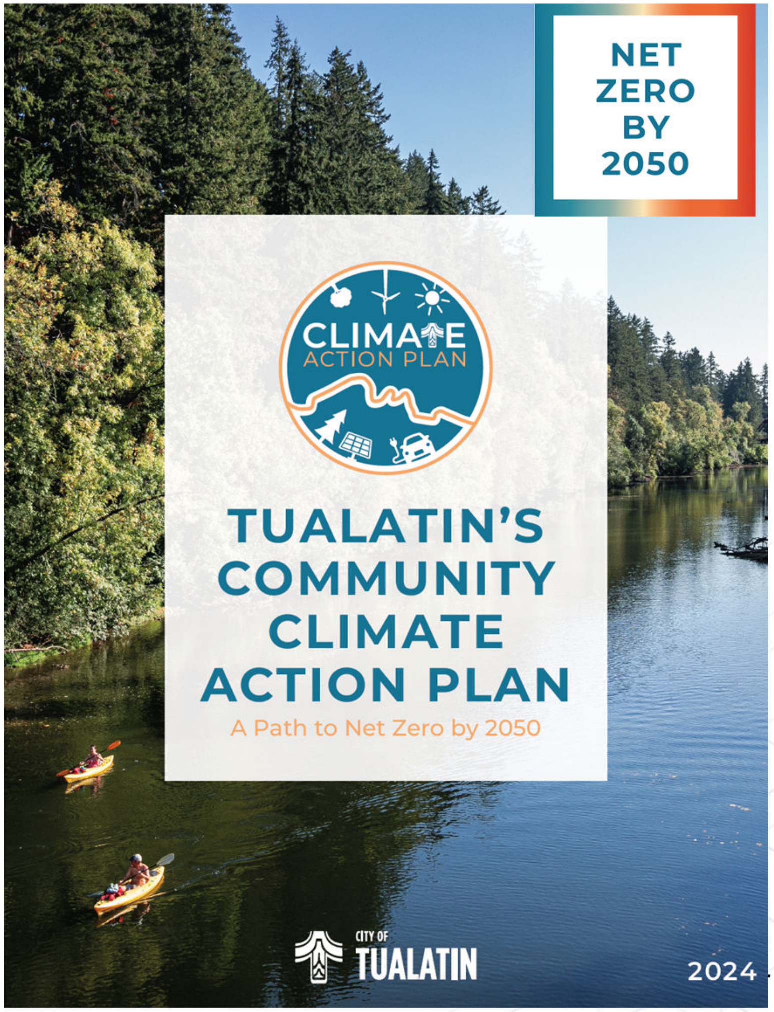
- Background for this work
- Analysis approach and evaluation framework
- Results of evaluation
- Funding tools discussion



Purpose of this meeting is to discuss and get feedback on draft findings, ask questions, and confirm next steps.

Background

- Tualatin CAP (adopted in 2024), identified 146 actions to implement in the long-term (before 2050)
- 2 strategic actions: (1) dedicate employee resources to manage and communicate implementation of the CAP and (2) evaluate potential funding sources to support CAP actions
- ECOnorthwest was contracted to analyze fiscal tools to fund a dedicated staff member and early implementations of the CAP



ECOnorthwest's scope focused on analyzing fiscal tools to begin funding climate action implementation.

- Scanned funding tools available to the City
- Analyzed six tools in context of the City's budget and financial condition
- **To Do:** Get feedback from City Council

Main Project Goals

- Inform how to fund a staff member dedicated to climate actions
- Identify tools to begin funding needed climate projects
- Council support on funding stream to implement climate projects

Project Timeline

1 Identify a range of options

November 2024

- Identify a range of climate funding options
- Describe advantages disadvantages, and requirements
- Seek input from staff to filter options

2 Assess options

January 2025

- In-depth evaluation of selected options
- Draft memo describing findings
- Seek input from staff

3 Report & presentation

February 2025

We are here

- Provide report with findings
- Present Findings
- Seek input from Staff and City Council
- Finalize Report

Summary of Climate Funding Tools

COMMON TOOLS	INNOVATIVE AND EMERGING TOOLS
• Local Option Levies • Right-of-Way Fees / Franchise Fees • Utility Fees • Gas Tax • Building Permit Fees • Grants	• Share the Pennies (utility bill round-up) • Stormwater Utility Fee • Climate Tax • Development Impact Fee • Green Lodging Tax • Green Bonds

Evaluation of Select Options

Applied a systematic framework to ensure consistent evaluation of each funding option

1. Adequacy & Administrative

How much revenue can it generate? Is it easy to implement?

2. Flexibility & Stability

What can the funding be used for? Will the funding fluctuate over time?

3. Fairness

Who benefits and who pays? Are similar taxpayers treated the same?

4. Nexus & Neutrality

Is there a clear connection between tax and taxed activity? Are unintended changes likely?

5. Political Viability &

Who will support and oppose it?
Is it easy to see or understand the new tax?

Key Findings: Short-Term Options

1) 0.5% increase in right-of-way fees / franchise fees
   - A charge to electricity, telecommunication, and waste management companies
   - Revenue estimate: $327,000 per year
2) 5% building permit fee surcharge
   - Evaluation of a hypothetical 5% increase across building permit fees
   - Revenue estimate: $60,000 per year

Right-of-way Fees / Franchise Fees

Arguments for

- Generates enough revenue to fund a new FTE position
- Relatively small change in the tax rate
- Sourced from a broad tax base and can be used flexibly

Arguments against

- Charges to utility companies can be passed on to customers/residents
- Disproportionately affect lower-income households
- Natural gas use is linked to GHG emissions, but it is not part of this tax option

Building Permit Fee Surcharge

Arguments for

- Ensures those driving new development also pay for mitigating environmental impacts of new development
- Residents are likely to support fees on new development and growth
- The fee increase is unlikely to be easily noticed by residents

Arguments against

- Revenue can fluctuate with economic conditions and development decisions
- Fees could impact the affordability of new buildings
- Development community may be sensitive to this change
- Use of revenue is limited to activities of the building division

Evaluation Results: Short-Term Options

Options	Adequacy & Admin Ease	Flexibility & Stability	Fairness	Nexus & Neutrality	Political Viability	Overall Assessment
Right-of-Way Fees / Franchise Fees (0.5%) *Estimate: $327,000*	★★★	★★★	★★	★★★	★★★	High 14/15
Building Permit Fee Surcharge *Estimate: $60,000*	★★	★	★★★	★★★	★★★	Medium 12/15

Evaluation Scores: ★★★ = High ★★ = Medium ★ = Low

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Discussion

- What are your reactions to the short-term options?
- What option(s) do you prefer today?
- What considerations or concerns do you have?

Key Findings: Long-Term Options

1) 1.5% increase in right-of-way fees / franchise fees
   - A charge to electricity, natural gas, telecommunication, and waste management companies
   - Revenue estimate: $1,208,000 per year
2) 3-cent gas tax
   - A new local gas tax
   - Revenue estimate: $246,000 per year
3) 5% Transportation Development Tax (TDT) surcharge
   - Evaluation of a hypothetical 5% increase across TDTs
   - Revenue estimate: $70,000 per year

Evaluation Results: Long-Term Options

Options	Adequacy & Admin Ease	Flexibility & Stability	Fairness	Nexus & Neutrality	Political Viability	Overall Assessment
Right-of-Way Fees / Franchise Fees (1.5%) *$1.2 million*	★★★	★★★	★★	★★★	★	Medium 12/15
Gas Tax *$246,000*	★★★	★	★★	★★★	★	Medium 10/15
Transportation Development Tax Surcharge *$70,000*	★★	★	★★★	★★★	★★	Medium 11/15

Evaluation Scores: ★★★ = High ★★ = Medium ★ = Low

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Discussion

- What are your reactions to the long-term options?
- What guidance do you have for staff?

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