



Memorandum

To: Miranda Bateschell and Kim Rybold, City of Wilsonville

Date: October 4, 2022

From: Todd Chase and Timothy Wood, FCS GROUP

CC: Project Advisory Members

RE Town Center Infrastructure Funding Plan: Draft Findings & Recommendations

INTRODUCTION

This Memorandum identifies funding strategies for constructing new public facilities required to accommodate current and future development within the Town Center plan district.

The adopted Wilsonville Town Center Master Plan (Plan) provides a detailed framework for the funding plan. Included within the Plan document are key assumptions regarding current and future land use and development conditions, and an assessment of transportation and infrastructure requirements.



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DEVELOPMENT PROGRAM ASSUMPTIONS

Exhibit 1 summarizes the current and expected future level of development that are expected to occur within the Town Center. While the Plan reflects a development horizon of 40 years, this funding plan is focused on the initial 20-25 years as the *baseline scenario* for evaluating public facility funding requirements.

Development absorption forecasts for this funding plan were derived from the Town Center Plan and refined based on current market considerations which are discussed in the next section.

Exhibit 1 Town Center Baseline Development Program

Current and Future Development Assumptions, Wilsonville Town Center				
	Commercial (SF)	Retail (SF)	Office (SF)	Housing (Units)
Existing	299,240	321,340	178,950	80
Net New Development (Years 1-20)	130,230	31,860	297,440	880
Net New Development (Years 1-40)	204,595	50,000	541,050	1,600
Net Total Development (Year 20)	429,470	353,200	476,390	960
Net Total Development (Year 40)	503,835	371,340	720,000	1,680
Projected Employees (Year 40)	1,000	740	2,880	
<i>Building SF per Job</i>	504	502	250	

Development Absorption (Avg. Annual)	Commercial (SF)	Retail (SF)	Office (SF)	Housing (Units)
Baseline Scenario	5,115	1,250	13,526	40
High Scenario	6,512	1,593	14,872	44
Low Scenario	3,836	938	10,145	30

Source: Wilsonville Town Center Master Plan, Table 3.1.

Emerging Market Considerations

To enhance the veracity of the long-range development absorption assumptions for the Town Center, FCS evaluated recent market conditions within the southern portion of the greater Portland Region and considered the level of retail demand that could be supported based on future growth in the Town Center and the City as a whole.

The national and regional economy are still evolving in the aftermath of the global COVID-19 pandemic and related recession that occurred during the first half of 2020. U.S. economic activity continues to expand despite headwinds from persistent inflation and rising interest rates. While consumer confidence has cooled, real consumer spending continues to grow. Wages continue to rise, although when adjusted for inflation, overall consumer purchasing power is declining and the housing affordability gap is growing. Business activity is holding up despite continued supply chain issues and a very tight labor market. Many economists are predicting that worldwide and U.S. gross domestic product (GDP) growth will increase at a modest rate during 2022 and slower growth in 2023, before making big gains in 2024.

Within the greater Portland Region, the real estate market is still showing signs of expansion. As of the Spring/Summer of 2022, the year-over-year market trends were positive for multifamily and retail sectors but a bit negative for the office sector (**Exhibit 2**). Long-term outlook is promising for these sectors. Expectations are still a bit weak for office but much stronger for multifamily and retail/service sectors.

Exhibit 2

Sector	Near-Term Outlook	Long-Term Outlook	YTD Absorption	YTD Vacancy Rates	YTD Lease Rates
Multifamily	Excellent	Excellent	Positive	Stable	Up 8% +/-
Office	Weak	Good	Negative	Rising	Down 1% +/-
Retail/Service	Fair	Good	Positive	Declining	Up 3% +/-

Source: Kidder Matthews, 2022 Q1.

Within Wilsonville the multifamily and retail/service sectors are both expected to expand faster than the office sector. Office vacancy rates in Wilsonville are still in double digits (nearly 12%) as of June 2022 but should decrease over the coming months before it restabilizes by about year 2025 (**Exhibit 3**).

Exhibit 3

Wilsonville Office Market Conditions, 2022 Q1	
Market Inventory	1,230,000 SF
Vacancy Rate	11.7%
Vacant Inventory	143,910 SF
YTD Net Absorption	(15,901)
Proj. Annual Leasing Activity	22,000 SF
Avg. Lease Rates	\$25.42
Annual Change in Rates	Down 1% +/-
Years Until Market Stabalizes (5-6% Vacancy)	3.3

Source: Kidder Matthews, 2022 Q1.

The multifamily market in Wilsonville is strong and growing. As local and regional population levels increase, FCS expects annual apartment and townhouse absorption in Wilsonville over the next few decades will range from 100 to 120 units per year. Given the proximity of the Wilsonville Town Center to services, pubic transit, and community parks and amenities, it is the ideal location for much of this development to occur.

The commercial service and retail market is also expected to expand over time as local buying power increases with the addition of new residents. City of Wilsonville resident buying power over the next 20 years is projected to expand by \$170 million per year by 2042. This level of new spending could support approximately 219,000 SF of new floor area (see **Exhibit 4**).

If long-range development forecasts for housing within the Town Center hold true, FCS expects the that the additional households that move into the Town Center will contribute approximately \$73.5 million in new retail buying power annually, which could support an estimated 37,000 SF of retail demand (see **Exhibit 4**). This added buying power would represent a 17% overall increase in citywide retail demand.

Exhibit 4**Wilsonville Area: Net New In-Store Retail Demand****2022 to 2042 forecast**

Proj. Net New Households by year 2042	4,644			
Per Capita Income (2022 est.)	\$	45,939		
Proj. Net New Aggregated Income	\$	459,610,281		
	Proj. Annual Retail Spending per Household*	Proj. Additional Retail Demand	Avg. Annual Sales per	Supportable Floor Area (SF)
Food Stores	\$6,052	\$28,104,728	\$750	37,000
General Merchandise	\$25,738	\$119,514,633	\$850	141,000
Food & Drink	\$4,798	\$22,279,890	\$550	41,000
Total	\$36,588	\$169,899,252		219,000

Wilsonville Town Center Area: Net New In-Store Retail Demand**2022 to 2042 forecast**

Proj. Net New Households by year 2042	800			
Proj. Avg. Household Size	2.0			
Proj. Net New Population	1,600			
Per Capita Income (2022 est.)	\$	45,939		
Proj. Net New Aggregated Income	\$	73,502,880		
	Proj. Annual Retail Spending per Household*	Proj. Additional Retail Demand	Avg. Annual Sales per	Supportable Floor Area (SF)
Specialty Food Stores	\$6,052	\$4,841,943	\$750	6,000
General Merchandise	\$25,738	\$20,590,238	\$850	24,000
Food & Drink	\$4,798	\$3,838,427	\$550	7,000
Total	\$36,588	\$29,270,609		37,000

non-store retail purchases, which are assumed to increase from 2.5% to 10% of total retail sales by year 2042.

Development Program Scenarios

It is likely that the amount of new commercial retail development that was assumed in the Town Center Master Plan (shown in Exhibit 1) is achievable over 40 years or less. Given the pace of multifamily housing demand, it is very likely that the Town Center could attract more housing than what the Town Center plan had anticipated when it was adopted in 2020. The future for new office development is less certain and is likely to occur at a slower pace than anticipated in the Town Center Plan.

Considering current real estate market conditions along with the time it takes to advance funding/financing and design/permits for initial public facility investments, FCS recommends that the Town Center Infrastructure Funding Plan consider adjustments to market absorption forecasts, as shown in in **Exhibit 5**. The updated development program assumes that 75% of the original baseline development forecast for office is realized by year 40. This change in the long-range forecast also assumes added demand for 300 additional multifamily dwellings relative to the baseline development program.

Exhibit 5 Town Center Development Program Update

	Commercial (SF)	Retail (SF)	Office (SF)	Housing (Units)
Existing	299,240	321,340	178,950	80
Net New Development (Years 1-20)	130,230	31,860	223,080	948
Net New Development (Years 1-40)	204,595	50,000	405,788	1,900
Net Total Development (Year 20)	429,470	353,200	402,030	1,028
Net Total Development (Year 40)	503,835	371,340	584,738	1,980
Existing Employees	594	640	716	
Projected Employees (Year 40)	1,000	740	2,339	
<i>Building SF per Job</i>	504	502	250	

* Assumes 75% office potential achieved by year 40; which results in 1.55 additional acres for multifamily.

The pace of new development within the Town Center is likely to increase after transportation access improvements are made and pedestrian/bicycle amenities are constructed. The resulting development forecast by five-year period is provided in **Exhibit 6**. It is recommended that the funding plan for the Town Center be based on the updated development program.

This results in an initial (25-year) Town Center development program used for the funding plan is as follows:

- 1,200 net new multifamily dwelling units;
- 253,625 SF of net new office floor area;
- 127,825 SF of net new commercial (service) floor area; and
- 31,250 SF of net new retail floor area.

Exhibit 6

Wilsonville Town Center: Projected Pace of Absorption Relative to Avg. Annual Forecast

	Years 1 thru 5	Years 6 thru 10	Years 11 thru 15	Years 15 thru 20	Total
<i>WEIGHTS</i>	25%	25%	25%	25%	100%
<i>RELATIVE ABSORPTION VARIANCE (from average annual forecast)</i>					
<i>Housing</i>	0.5	1.25	1.25	1.00	1.00
<i>Commercial</i>	0.25	0.75	1.50	1.50	1.00
<i>Retail</i>	1.00	1.00	1.00	1.00	1.00
<i>Office</i>	0.00	0.75	1.00	1.50	0.81

Development Absorption (Avg. Annual)	Commercial (SF)	Retail (SF)	Office (SF)	Housing (Units)
Most Likely Scenario	5,115	1,250	10,145	48
High Scenario	5,882	1,438	11,666	55
Low Scenario	4,348	1,063	8,623	40

Source: Exhibit 5. High/Low scenarios assume 15% variance from baseline.

It is also important to understand the relationship between new development and related parking needs and stormwater runoff impacts attributed to net new impervious surface area (ISA) added. Those assumptions are shown below in **Exhibit 7**. The overall findings indicate that new rooftops and surface parking areas are expected to result in impervious surface area (ISA) that ranges from:

- 1.6 SF for each SF of commercial floor area;
- 1.7 SF for each SF of office floor area;
- 2.6 SF for each SF of retail floor area; and
- 825 SF for each dwelling unit.

It is likely that the total existing ISA within the Town Center will not likely increase much at all once large existing surface parking lots are redeveloped with a mix of housing and commercial uses.

Exhibit 7 Impervious Surface Area Analysis

Parking and Impervious Surface Area (ISA) Assumptions, Wilsonville Town Center

Impervious Surface Area Assumptions	Commercial	Retail	Office	Housing *	Notes
Avg. Annual Residential Units Added				48 DUs	Exhibit 6
Avg. Annual Floor Area Added	5,115 SF	1,250 SF	10,145 SF	57,000 SF	Exhibit 6
Avg. Building Height	2.0	2.0	3.0	4.0	allowance
Avg. Annual ISA Added for Rooftops	2,557 SF	625 SF	3,382 SF	14,250 SF	calculated
Parking & Landscaping Areas					
Avg. Parking Stalls per 1,000 SF of Building	3 stalls	6 stalls	4 stalls		allowance for surface lots
Avg. Parking Stalls Added per Dwelling Unit				1.5 stalls	allowance for surface lots
Avg. Annual ISA Added for Parking/Landscaping	5,371 SF	2,625 SF	14,203 SF	24,938 SF	@350 GSF per parking stall
Total Avg. Annual ISA Added	7,928 SF	3,250 SF	17,584 SF	39,188 SF	calculated
Avg. ISA Added Per SF of Building Floor Area	1.6 SF	2.6 SF	1.7 SF		calculated
Avg. Annual Net New ISA Added Per Dwelling Unit				825 SF	calculated

* Assumes 1,200 GSF of covered floor area per average dwelling unit.

Safe and convenient parking is always an important element within successful Town Centers. As the Town Center develops, we would expect there to be a wide mix of short-term on-street public parking as well as long-term public and private parking. The net new development within the Town Center is expected to require over 2,000 parking stalls over the next 40 years. While most of this parking is likely to be constructed by private developers as part of new development projects, a coordinated parking management program is necessary to minimize parking needs (through shared parking arrangements) and optimize vehicular circulation and short-term turnover.

While the cost of a public parking structure is beyond the scope of this analysis, a 400-space public parking structure would likely require \$20-25 million in G.O. Bond financing. A public parking structure would also require about 4.4 fewer acres of land area than what surface parking would require and would make more land available for private development. A preliminary assumption is that it would support about 195 additional housing units and 24,000 SF of ground floor commercial.

INFRASTRUCTURE REQUIREMENTS& COSTS

The Town Center Plan identifies the transportation and public facilities required to provide an adequate level of service within the area. **Exhibit 8** depicts the location of public facility needs in and around the Town Center. These public facilities have been evaluated by David Evans Associates (DEA) along with City of Wilsonville public works and planning staff as part of this funding plan project.

The resulting summary of facility capital costs are based on more detailed unit-cost assumptions, which are included in **Appendix**

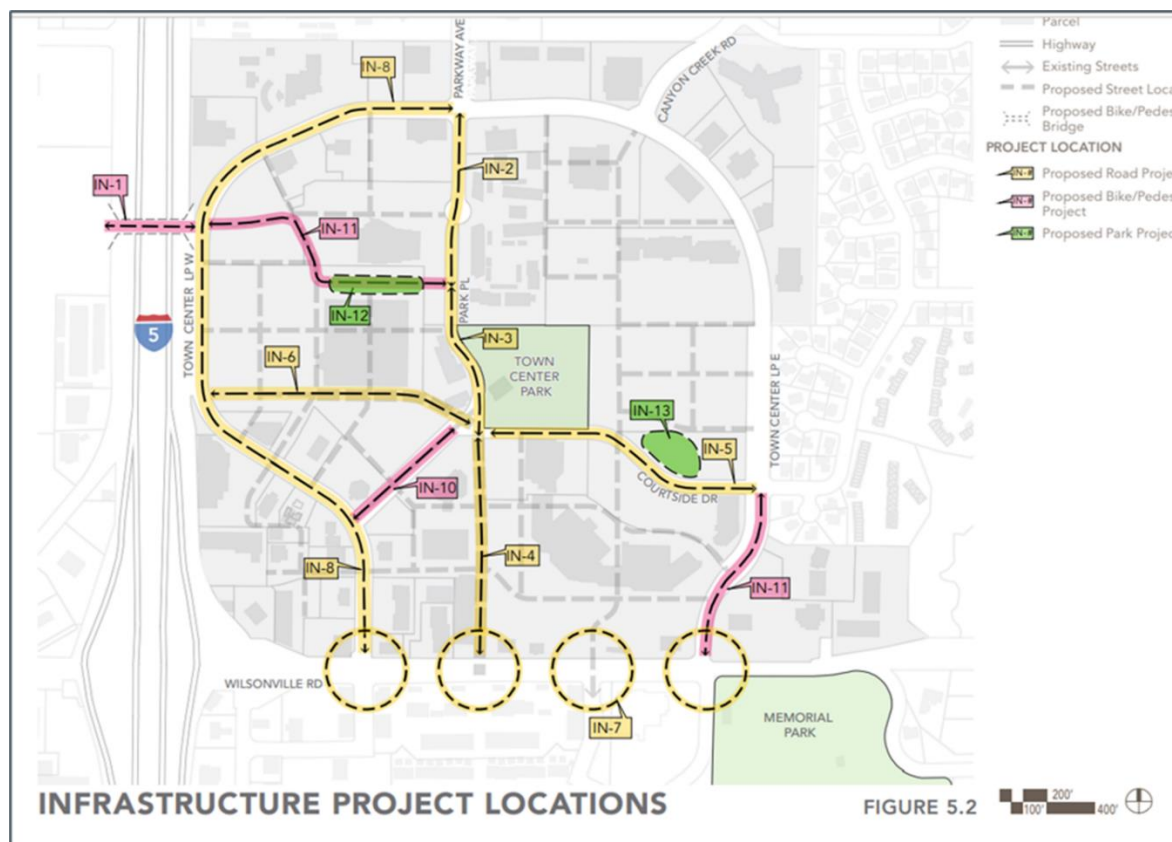
A. The total capital cost for the identified facilities is estimated at approximately \$82.3

to \$90.2 million. The lower range (utilized for this Funding Analysis) assumes that 50% of the costs incurred by developers for stormwater facility improvements would be eligible for reimbursement by the City. The upper-end of the range assumes that 100% of the stormwater facility costs are eligible for reimbursement or fully paid for by the City.

Public Facility Type	Capital Cost
Parks	\$ (954,015)
Transportation	\$ (54,250,100)
Sewer	\$ (9,905,300)
Water	\$ (9,283,895)
Stormwater*	\$ (7,898,665)
TOTAL	\$ (82,291,975)

*Values expressed in 2022 dollar amounts. * Analysis assumes that 50% of stormwater facility costs are eligible for reimbursement by City to developers.*

Exhibit 8



BASELINE FUNDING SCENARIO & GAPS

The baseline funding scenario relies primarily upon the current system development charges (SDCs) that have already been adopted by the City of Wilsonville. Hence, the baseline funding scenario provides an understanding of the relative funding gaps that are likely to exist if the City were to rely only upon current SDCs to fund the public facility improvements described in the preceding section. Any resulting funding gaps would need to be addressed by the adoption of new funding tools and techniques.

The existing adopted SDCs and related assumptions for the baseline funding scenario are shown in **Exhibit 9**. For analysis purposes, this funding analysis applies that January 2023 adopted rates to the future development program using the updated development program forecast.

Exhibit 9: Adopted System Development Charges (SDCs)

Public Facility Type	Commercial Misc. Services	Retail Shopping Center	Office Gen. Office Building	Housing Apartment Unit	Notes
Parks	\$ 365	\$ 1,689	\$ 729	\$ 5,645	1
Transportation	\$ 26,852	\$ 36,484	\$ 12,405	\$ 11,076	2
Sewer	\$ 6,635	\$ 19,235	\$ 4,642	\$ 4,975	3
Water	\$ 13,270	\$ 38,470	\$ 9,284	\$ 9,950	4
Stormwater	\$ 0.74	\$ 0.74	\$ 0.74	\$ 0.74	5

Source: City of Wilsonville, charges as of 7/1/2023.

Acronyms: kSF = 1,000 SF of building floor area, EDU = equivalent dwelling unit.

Notes

- 1 Charge per kSF for non res, and per dwelling unit for res.
- 2 Charge per EDU for non res, and per dwelling unit for res.
- 3 Charge per EDU for non res, and per dwelling unit for res.
- 4 Estimated water SDC charge per ERU, assumes 2 x sewer charge.
- 5 Charge per impervious surface area.

Using the SDC assumptions shown above, a preliminary analysis of the potential SDC revenue that could be derived over the next 25 years was conducted based on the net new development within the Town Center. The baseline scenario revenue is summarized in **Exhibit 10**.

Exhibit 10 SDC Revenue Forecast, Wilsonville Town Center

	Years 1-5	Years 6-10	Years 11-15	Years 15-20	Years 21-25	Years 26-40	Total
Parks	\$ 1,442,000	\$ 3,606,000	\$ 3,606,000	\$ 2,885,000	\$ 2,884,750	\$ 8,654,250	\$ 23,078,000
Transportation	\$ 2,244,000	\$ 5,609,000	\$ 5,609,000	\$ 4,487,000	\$ 4,487,250	\$ 13,461,750	\$ 35,898,000
Sewer	\$ 717,000	\$ 1,793,000	\$ 1,793,000	\$ 1,435,000	\$ 1,434,500	\$ 4,303,500	\$ 11,476,000
Water	\$ 1,435,000	\$ 3,586,000	\$ 3,586,000	\$ 2,869,000	\$ 2,869,250	\$ 8,607,750	\$ 22,953,000
Stormwater	\$ 52,000	\$ 131,000	\$ 131,000	\$ 105,000	\$ 104,750	\$ 314,250	\$ 838,000
TOTAL	\$ 5,890,000	\$ 14,725,000	\$ 14,725,000	\$ 11,781,000	\$ 11,780,500	\$ 35,341,500	\$ 94,243,000

Source: calculated based on prior tables and stated assumptions.

* depicts expected SDC revenue after SDC credit allowance for current development impacts*

The difference between the public facility capital cost and the expected level of current SDC revenues reflects the expected *public funding gap* for each facility that is likely to occur if supplemental funding sources are not created. As indicated in **Exhibit 11**, based on the current SDCs on new development, significant funding gaps are expected for transportation, sanitary sewer and stormwater facilities. Funding gaps would be particularly acute during the first 25 years. Some form of advance financing (likely in the form of debt incurred by the City) would also be required since public facility investments would be needed in the short term, before SDC fund balances accumulate.

Exhibit 11

Public Facility Type	Capital Cost	SDC Revenue (Years 1-25)	SDC Revenue (Years 1-40)	Funding Gap (years 1-25)	Funding Gap (years 1-40)
Parks	\$ (954,015)	\$ 14,423,750	\$ 23,078,000	\$13,469,735	\$22,123,985
Transportation	\$ (54,250,100)	\$ 22,436,250	\$ 35,898,000	(\$31,813,850)	(\$18,352,100)
Sewer	\$ (9,905,300)	\$ 7,172,500	\$ 11,476,000	(\$2,732,800)	\$1,570,700
Water	\$ (9,283,895)	\$ 14,345,250	\$ 22,953,000	\$5,061,355	\$13,669,105
Stormwater*	\$ (7,898,665)	\$ 523,750	\$ 838,000	(\$7,374,915)	(\$7,060,665)
TOTAL	\$ (82,291,975)	\$ 58,901,500	\$ 94,243,000		

Values expressed in 2022 dollar amounts. * Analysis assumes that 50% of stormwater facility costs are eligible for reimbursement by City to developers.

INFRASTRUCTURE FUNDING OPTIONS

In addition to the existing SDC funding sources there are several potential new funding tools and techniques that can be considered to address potential funding gaps. Based on experience in other Oregon cities, these funding techniques include:

- Citywide SDCs
- Supplemental SDCs (within Town Center only)
- Utility Rates and surcharges
- Urban Renewal Area (Tax Increment Financing)
- Local Improvement Districts
- Reimbursement Districts
- Development Agreements with Special Assessments
- Debt Financing (public)

Evaluation of Funding Techniques

An evaluation of funding options was conducted to ascertain the relative merits of the potential funding measures identified above. The evaluation criteria used for the Town Center Infrastructure Funding Plan included consideration of how a funding technique would impact housing costs, equity impacts and

other criteria listed below. A score of 1 (least positive impact) to 5 (most positive impact) was assigned to each funding technique using the following criterion.

Near-Term and Long-term Capital Funding Amount Raised

Each funding technique has the potential of increasing revenue to the city that can be used to fund or finance construction of public facilities. In some cases, such as with the use of SDCs and LIDs, the funds generated can only be used for eligible capital projects. In other cases, such as with utility rates, the funds can be used for operations or capital improvements. In general, the broader the assessment area (e.g., citywide assessment vs. special district), the greater the potential revenue. A score of 1 (low) to 5 (high) was assigned to each funding technique based on the anticipated level of capital funding it would generate over time.

Flexible Funding

The ability to address infrastructure capital facility requirements or maintenance needs which arise over time is another consideration. While each funding technique that has been identified has some restrictions on how funds will be used, the ability to allocate revenues to various capital needs can provide the city with flexibility to address unanticipated needs and leverage non-local grants or developer contributions. For example, utility charges and special assessments are far more flexible than SDCs in how they can be used. A score of 1 (low) to 5 (high) was assigned to each funding technique based on the level of restrictions that would be place.

Ease of Implementation

Ease of Implementation refers to the city administrative cost required to implement the funding technique. Some funding sources, such as utility rates and SDCs do not require public votes to enact and therefore are easier to implement than funding sources that require a public vote or legal formation steps such as a new limited general obligation (G.O.) Bond or the formation of an LID. A score of 1 (low) to 5 (high) was assigned to each funding scenario, based on the relative ease of implementation to enact the relevant funding options.

Administration Costs

The cost to the city (staff time) of administering a new funding technique is an important consideration, which can result in short-term and long-term cost considerations. In general, augmenting an existing funding technique, such as a utility surcharge increase, is typically less costly than creating and maintaining a new funding technique, such an LID or urban renewal district. A score of 1 (low) to 5 (high) was assigned based on the anticipated level of administrative costs and staff time that would be required.

Market Acceptance

This criteria reflects the relative level of acceptance that developers would likely have for each of the funding techniques being evaluated. Typically, developers are more receptive to fees or charges that do not directly impact the cost of construction. Funding sources, such as SDCs and LIDs are generally less favorable to developers in comparison to utility rates or urban renewal areas that provide tax increment

financing for public facilities. A score of 1 (low) to 5 (high) was assigned to each funding technique based on its relative market acceptance from a developer's perspective.

Impact on the Cost of Housing

Consideration is given to how each option would impact housing costs within the Town Center. Funding techniques that tend to be passed directly on to homebuilders and homebuyers (such as SDCs and LIDs) have a more direct impact on housing prices than other techniques such as utility rate surcharges or urban renewal district funding through tax increment financing. A score was assigned ranging from least favorable impact/higher relative cost (1) to most favorable impact/lower relative cost (5).

Funding Evaluation Summary

A total score was computed for each funding technique based on the sum of the score in each criterion. The cumulative total score was then used to rank each funding option. Based on the results shown in **Exhibit 12**, the local funding techniques with the highest scores are shown below and are recommended for additional consideration:

- **Urban Renewal District.** The City can create an URD within the Town Center area that generates Tax Increment Financing (TIF) revenue derived from net new assessed property value that occurs over time. TIF revenue can be utilized for public facility capital improvements identified in an adopted Urban Renewal Plan.
- **Citywide System Development Charge** focused primarily on transportation and parks systems. Given the community-wide benefits that would be generated within the redeveloped Town Center, the City could consider including all or portions of major public facility elements (capacity increasing share only) in a citywide SDC update.
- **Stormwater Utility Fee Surcharge.** Considering the costs associated with retrofitting and maintaining *green streets*, a utility surcharge could generate a dedicated source of funding and could be utilized to finance interfund loans for advanced financing of initial catalyst improvements.
- **City Bond or Debt Issuance.** In order to advance construction of major transportation improvements and sewer/water/storm systems, the City and/or the Urban Renewal Agency should consider its ability to combine various existing and new sources of funding and dedicate that revenue to related debt principal and interest.

A preliminary analysis of these funding techniques is provided in **Appendix B**. Key findings include:

- A new Town Center Urban Renewal District is likely to support maximum indebtedness of approximately \$40 million before revenue sharing (if any). This funding technique received the highest overall evaluation score and would help address the majority of expected capital facility funding gaps for transportation, sanitary sewer and stormwater.
- A citywide TSDC increase of approximately \$2,000 per peak hour vehicle trip would be expected to address approximately half of the transportation funding gap or \$16 million.

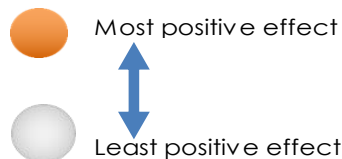
- A special Town Center assessment on surface parking of \$7/month per surface stall could support nearly \$1.8 million in stormwater facility improvements and related “green street” maintenance.
- The City could consider advance financing through Business Oregon loan programs, limited GO Bonds (which do not require voter approval) or interfund loans (e.g., loans from the water fund to the sewer fund) for sanitary sewer or stormwater improvements, which would be repaid from rates or one of the new funding sources identified.
- The City could entertain a policy that provides developer 50% or more reimbursement for costs associated with on-site stormwater improvements using funds from one of the aforementioned revenue sources.

Exhibit 12

**Wilsonville Town Center
Local Funding Options**
DRAFT

Funding Technique	Evaluation Criteria								Avg. Score
	Near-term Funding Raised	Long-term Funding Raised	Flexible Funding	Ease of Implementation	Ongoing Admin. Costs to City	Market Acceptance	Housing Cost Impact	TOTAL	
Urban Renewal Area (URA)									4.3
Update System Dev. Charges Citywide (SDCs)									3.5
Utility Fee Surcharge for stormwater (based on surface parking)									3.9
City Bond or Debt Issue (councilmatic)									4.3
Special Assessment District (business license fee surcharge)									3.3
System Development Charge Overlay (SDCs)									2.4
Developer Agreements (with Special Assessment)									2.3
Local Improvement District*									2.4

* assumes developer(s) advance financing through development agreement(s) for new district.

Legend

Funding Plan and Implementation Actions

Implementing the funding plan for the Town Center will require a series of actions that will each require continued cooperation with public and private stakeholders over the next few years. As the timing of future development becomes more certain, and the cost and phasing of major public facilities is solidified, this funding plan will need to be amended to reflect such changes.

The purpose of this funding plan is to identify the actions that the City should take to move forward with the findings identified above. Overall recommendations for funding public facilities in the Town Center are identified in **Exhibit 13**. Once these funding sources are established, the City will be in a better position to consider the issuance of advance financing (debt) to construct strategic public facility investments.

Exhibit 13. Draft Capital Funding Plan

Public Facility	Primary Funding Sources				
	Existing Water/ Sewer Utility Rate Rev.	Update Citywide Streets and Parks SDCs	New Town Center Special Assessment	New Town Center Urban Renewal Dist.	Developer Dedications
Parks		✓		✓	
Streets and Bike/Ped		✓		✓	
Water	✓				
Sanitary Sewer	✓			✓	
Stormwater	✓		✓	✓	✓

Near-term Actions (years 1-2)

1. City Council to discuss and refine the Town Center Infrastructure Funding Plan based on community input.
2. City updates and adopts the citywide transportation and parks SDC methodology report with new rates and charges.
3. City prepares and adopts a Town Center Urban Renewal Plan.
4. City refines and implements a special assessment for the Town Center focused on a share of stormwater capital improvements and maintenance requirements.
5. As new development occurs, City establishes development agreements that clearly identifies public facility requirements, cost shares that apply to future Town Center construction permits.

APPENDIX A

PUBLIC FACILITY COST ESTIMATES

Capital Cost Estimates by David Evans

5/25/2022

Project Number	Project Name	Cost Estimate (Design/Const /ROW)	SDC Category
IN-1	I-5 Bike/Pedestrian Bridge Gateway	\$ 15,000,000	Transportation
IN-2	Park Place Redesign (Town Center Loop to Northern Edge of Town Center Park)	\$ 6,016,685	Transportation
IN-3	Park Place Redesign (Town Center Park to Courtside Drive, Framework Project)	\$ 3,557,920	Transportation
IN-4	Park Place Extension(Courtside Drive to Wilsonville Road, Framework Project)	\$ 7,207,510	Transportation
IN-5	Courtside Drive Improvements (Park Place to Town Center Loop E)	\$ 5,010,740	Transportation
IN-6	Courtside Drive Extension (Park Place East to Town Center Loop W, Framework Project)	\$ 5,873,760	Transportation
IN-7	Wilsonville Road Intersection Modifications	\$ 2,462,155	Transportation
IN-8	Town Center Loop W Modifications	\$ 2,666,805	Transportation
IN-9	Local Road Network	N/A	N/A
IN-10	Park Place Promenade Redesign	\$ 2,628,740	Transportation
IN-11	Cycle Tracks	\$ 1,790,770	Transportation
IN-12	Promenade (Framework Project)	\$ 2,035,015	Transportation
IN-13	Town Center Skatepark	\$ 954,015	Parks
IN-14	Water, Sewer and Stormwater System Upgrades	\$ 34,986,525	


TOTAL \$ 90,190,640

IN-14	Storm System Upgrades	\$ 15,797,330
IN-14	Sanitary System Upgrades*	\$ 9,905,300
IN-14	Water System Upgrades	\$ 9,283,895
SUBTOTAL		\$ 34,986,525

* excludes private lines of 8" diameter or less.

APPENDIX B

SUPPLEMENTAL REVENUE ANALYSIS

In addition to the existing SDC funding sources there are several potential new funding tools and techniques that the City of Wilsonville can consider for addressing potential public facility funding gaps. Based on experience in other Oregon cities, these funding techniques include:

- Citywide SDCs
- Supplemental SDCs (within Town Center only)
- Utility Rates and surcharges
- Urban Renewal Area (Tax Increment Financing)
- Local Improvement Districts
- Reimbursement Districts
- Development Agreements with Special Assessments
- Debt Financing (public)

Citywide SDCs

ORS 223.297 – 223.314 provides “a uniform framework for the imposition of system development charges by governmental units” and establishes “that the charges may be used only for capital improvements.” An SDC can be formulated to include one or both of the following components: (1) a reimbursement fee, intended to recover an equitable share of the cost of facilities already constructed or under construction and (2) an improvement fee, intended to recover a fair share of future, planned, capital improvements needed to increase the capacity of the system. ORS 222.299 defines “capital improvements” as facilities or assets used for:

- Water supply, treatment and distribution;
- Wastewater collection, transmission, treatment and disposal;
- Drainage and flood control;
- Transportation; or
- Parks and recreation.

SDCs may include an “improvement fee” for new facilities and a “reimbursement fee” associated with capital improvements already constructed. SDCs cannot be used for operation or routine maintenance.

Wilsonville already collects SDCs for the above-mentioned categories and may apply SDC funding to designated Town Center capital improvements that enhance capacity as required to address future growth needs. Potentially applicable facilities include streets, transit facilities, pedestrian and bicycle facilities, storm drainage and flood control improvements.

In order to enhance SDC revenues and allocate SDC funds, the city should consider updating its citywide SDC methodology reports for transportation, parks and storm water facilities. This would

entail an update to the capital facilities program list, cost estimates, and calculation of improvement fee and reimbursement fee calculations. Key objectives of the SDC updates could focus on:

- **Full Cost Recovery** (with the inclusion of transportation projects identified in the current Town Center capital facilities plan).
- **Bike, pedestrian and transit facilities elements** (relates to Full Cost Recovery for street and pedestrian, bicycle and transit facility improvements).
- **Incentive-Based SDCs** (SDC adjustment/reduction with potentially lower trip generation rates for Town Center development due to on-site travel demand management techniques which lower peak-trip generation).

Oregon law requires that the city provide an SDC credit to developers who construct a qualified public facility improvement that has been adopted on the SDC project list. The amount of credit that is provided and the terms of how the credit is issued (cash or voucher) varies depending upon the facility type, location and level of private investment.

A preliminary analysis provided below indicates that a citywide Transportation SDC increase of approximately \$1,996 per peak hour vehicle trip would be required to address 50% of the \$31.8 million funding gap associated with Town Center transportation improvement costs. Hence, the overall citywide TSDC rate would need to increase from \$6,631 per peak hour vehicle trip to \$8,627 under this scenario, with other assumptions being equal.

Rather than creating/adopting an SDC overlay for the Town Center (which may result in higher fees that discourage redevelopment there), the city may desire to revisit its overall Transportation SDC methodology for calculating citywide SDCs, with a Town Center subarea that results in lower rates in that location).

Concurrent with the TSDC update, the city should also consider updating the citywide Parks SDCs. This would create an opportunity to evaluate the impact of including “linear parks and pathway” projects in the Parks SDC capital project list instead of including those projects on the Transportation SDC project list. This could have the advantage of lowering TSDC rates and may or may not increase the overall Parks SDCs after existing and planned levels of service characteristics are determined.

Supplemental SDCs

In addition to the citywide SDC charges, a special district or overlay charge may also be considered. These supplemental SDCs on new development will help the City generate additional revenue to address the cost of new infrastructure investments that are required to maintain current levels of service. For example, a \$5,000 per dwelling supplemental transportation SDC in the Town Center area (with 2,000 net new dwelling units expected over the next 20 years) could generate \$10 million in revenue to be used for SDC-eligible water capital projects.

FCS evaluated the level of supplemental SDCs required for the city to “break even” with respect to the city share of infrastructure capital cost requirements. For example, as shown in the table below a supplemental Town Center Area Transportation SDC of \$14,109 per peak hour vehicle trip would be required to address 50% of the transportation funding gap. Hence, the overall Town Center TSDC rate would need to increase from \$6,631 per peak hour vehicle trip to \$20,740 under this scenario,

with other assumptions being equal. The results indicate that supplemental transportation SDCs and stormwater SDCs may result in significant cost burdens on new development that would hamper future development potential.

SDC or Special Assessment needed to address transportation or stormwater funding gap....

	Transportation	Stormwater	
Gap Funding Requirement	(\$31,813,850)	(\$7,374,915)	

Sensitivity Analysis:	@25% of Gap	@50% of Gap	@100% of Gap	Unit
Town Center Surcharge Analysis				
Transportation SDC	(\$7,055)	(\$14,109)	(\$28,219)	per ERU
Stormwater Special Assessment	(\$1,635)	(\$3,271)	(\$6,541)	per ERU
Citywide Surcharge Analysis				
Transportation SDC		(\$1,996)	(\$3,992)	per ERU
Stormwater Special Assessment		(\$3,271)	(\$6,541)	per ERU

Local Improvement District

Cities in Oregon have the statutory authority to establish local improvement districts and levy special assessments on the benefited property to pay for improvements. These 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 formation of LID districts could be considered as a potential primary source of funding Town Center streetscape improvements because there will be direct benefits to multiple property owners.

The primary advantage of LIDs is the ability to attain a consistent level of revenue generation early in the development process. Financial intermediaries, such as banks, now view LIDs as a more reliable funding source than some funding sources (such as SDCs) and therefore are more apt to provide loans based on future LID revenue streams.

Reimbursement District

Similar to LIDs, cities can negotiate public/private advance financing arrangements with developers, where a developer agrees to front capital improvements/investment within a designated zone of benefit district (ZBD). The developer is then partially reimbursed as new land use development approvals are granted within the ZBD over a period that usually extends 10-15 years. While ZBDs have been successfully utilized in Wilsonville in the past, there is no guarantee that future revenues will be as steady and reliable as with the LID or property tax assessments.

Economic Improvement District

Cities may establish an Economic Improvement District (EID) or business improvement district (BID) to create additional revenue for targeted infrastructure improvements or enhanced operating/advertising services (e.g., special signage, lighting and landscaping at key gateways). EIDs

require the formation of a special benefit district area, identification of improvements and services to be funded, along with an assessment mechanism and methodology report that is subject to approval by more than 33% of businesses within the district. In Oregon, most EIDs are limited to relatively small annual assessments and used to enhance maintenance and marketing activities. For analysis purposes, FCS GROUP evaluated the revenue generation potential from a local special EID assessment on building floor area and parking within the Town Center.

For example, as shown in the table below, a bond or loan for capital improvements could be secured through a special assessment based on existing and future building floor area or parking stalls. Preliminary analysis as shown in the table below indicates that a \$4 million bond could be funded through a special assessment, such as an LID or EID, that equates to \$5.00 per SF (one-time fee) or \$0.26 per SF per year for 20 years.

Special Assessment Analysis based on Existing SF of Floor Area ...

	Low	Middle	High
Capital Amount	\$4,000,000	\$5,000,000	\$6,000,000
Existing ERUs	405	405	405
Existing + Future ERUs	2,660	2,660	2,660
Net New ERUs	2,255	2,255	2,255
Average Cost per ERU			
Weighted Avg. LID Cost per ERU	(\$5,825)	(\$7,281)	(\$8,738)
Equivalent 1 time Special Assessment per SF of Floor Area	\$5.00	\$6.25	\$7.50
LID Cost as Avg. Annual Assessment per ERU**	(\$467)	(\$584)	(\$701)
Annual Business License Fee per SF of Non-Res Floor Area*	\$0.26	\$0.33	\$0.39

* As Business License Fee surcharge within Economic Improvement District per ORS 223.144. Requires 33%+ approval by businesses.

* assumes:	799,530	existing s.f. of non-res floor area
interest rate	5%	
Years to maturity	20	

Utility Fees and Connection Charges

Utility rates and connection charges are a common way to raise local revenues to pay for required infrastructure facilities and operations but require approval and adoption by the City (utility district) and must meet state and local regulations.

In light of the fact that the City of Wilsonville has relatively high combined water and sewer rates (in comparison to other cities in the greater Portland region), a rate overlay district that results in higher water or sewer rates for the Town Center area may render the area less competitive and is not recommended at this time.

Given the significant level of funding gaps that are expected for stormwater facilities in the Town Center, the city may desire to implement a stormwater utility fee surcharge based on existing and future surface parking stalls. A preliminary analysis indicates that a surcharge of surface parking stalls

of \$7 per month would generate enough revenue to finance approximately \$1.8 million of the funding gap for stormwater facilities.

Special Assessment Analysis based on Parking Stalls...

Stormwater Capital Revenue Requirement	\$ 1,843,729	25% of Gap
Existing Parking Stalls	1,346 stalls	
Proj. Parking Stalls in Year 20	2,438 stalls	
Stormwater LID charge at 25% of Gap	\$1,370	per stall
equivalent monthly payment	(\$9)	per stall
or Monthly Utility Fee Surcharge		
Based on existing stalls	(\$9)	per stall
Based on future stalls	(\$5)	per stall
Based on midpoint	(\$7)	per stall

Urban Renewal District

There may be opportunities to utilize funding from the creation of a new Town Center Urban Renewal District (URD) for eligible economic development improvements. In many cases, URD funds are combined with other local funding sources (e.g., SDCs) to leverage non-local grants or loans.

Maximum Indebtedness Requirements

After the passage of House Bill 3056 (passed by the Oregon Legislature in 2009) urban renewal agencies have new limits on the amounts of maximum indebtedness (MI) in an urban renewal plan adopted after January 1, 2010.

- If the total “frozen tax base” is \$50 million or less, the total MI may not exceed \$50 million.
- If the frozen base is more than \$50 million, but less than or equal to \$150 million, then MI may not exceed \$50 million, plus ½ of the difference between \$50 million and \$150 million.
- If the total frozen base is greater than \$150 million, the total MI may not exceed \$100 million, plus 35% of the amount over \$150 million (this is the case in the Town Center where the current tax base is approximately \$173.9 million).

Revenue Sharing Possibilities

There are also new possibilities for revenue sharing with overlapping districts for plans adopted or substantially amended to increase MI after January 1, 2010.

- Revenue sharing among overlapping tax districts begins in the later of the 11th year after the initial plan was adopted, or when TIF collections equal or exceed 10% of the initial MI.
- For any year when TIF collections equal or exceed 10% of the initial MI, but are less than 12.5% of the initial MI, the UR agency receives the 10%, plus 25% of the tax increment between 10% and 12.5%. Overlapping tax districts receive 75% of the tax increment between 10% and 12.5%.

- For any year when TIF collections equal or exceed 12.5% of the initial MI, the UR agency receives the 12.5% tax increment, and any tax increment collections greater than 12.5% are distributed to overlapping taxing districts.

Concurrence Waivers

Variations in the maximum indebtedness requirements and the revenues sharing provisions can occur if the municipality obtains the written concurrence of the overlapping tax districts that impose at least 75% of the taxes imposed under the permanent rate limits in the URD.

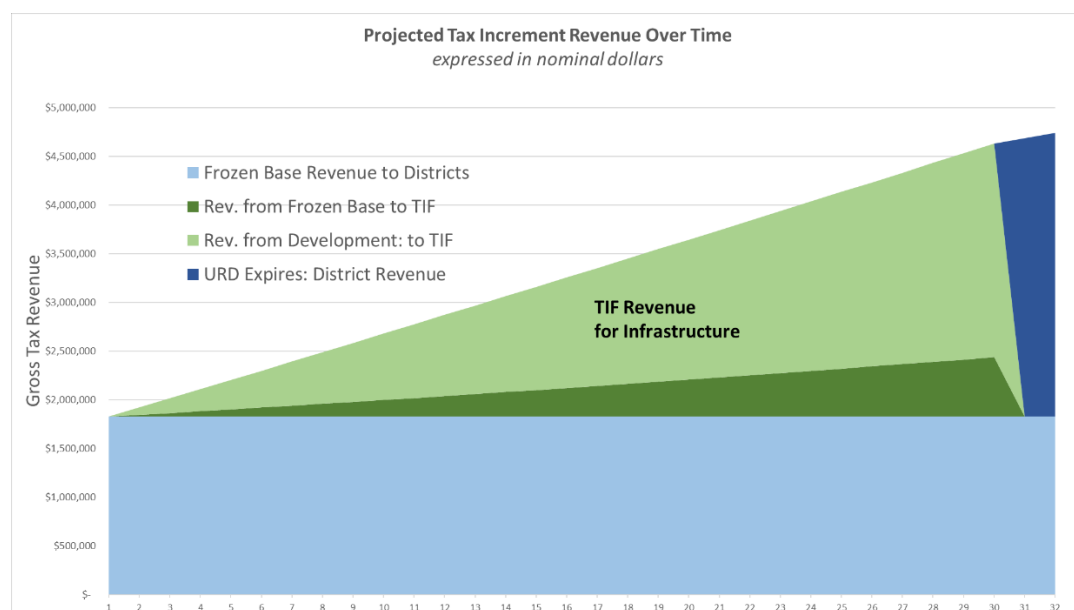
In light of these and other URD provisions, the city of Wilsonville may consider an expansion of an existing URD or the creation of a new district.

Preliminary URD Findings

A preliminary URD analysis indicates that a new Town Center URD could support approximately \$40+ million in maximum indebtedness before accounting for revenue sharing among affected taxing districts. Hence, a new URD could be an excellent long-term funding option.

The analysis assumes that future redevelopment within the Town Center over the the next 30 years will yield an increase of \$230 million in net new assessed valuation, including \$116.1 million from land not designated as Vertical Housing Tax Zone (VHTZ) and \$114.1 million from land designated as VHTZ. The VHTZ provides a limited 10-year property tax abatement for building improvements. The level of tax abatement ranges from 40% to 60% depending on the number of upper-levels added.

A sensitivity analysis of two prototype buildings was conducted as part of this funding plan. The results indicate that the potential net new AV for a 3-level mixed use building in a VHTZ would be approximate 19% less than what a non VHTZ building would generate. Similarly, the net new AV from a 4-level mixed use building in a VHTZ would be approximate 28% less than what a non VHTZ building would generate. For analysis purposes, the more conservative future of 28% net tax revenue abatement was assumed for this funding analysis.



Analysis of Tax Lots in Town Center Area by Quintile Tier

Sensitivity Analysis 1: Private Tax Lots at Full Development*

Non VHTZ Private Tax Lots	RMV	AV	Acres
Existing Value	\$152,580,195	\$96,199,105	38.0
Net New AV Expected		\$116,120,752	
Net New AV After Abatement in VHDZ		n/a	

Sensitivity Analysis 2: Private Tax Lots in VHDZ at Full Development*

VHTZ Private Tax Lots	RMV	AV	Acres
Existing Value	\$114,397,356	\$77,671,858	69.6
Net New AV Expected		\$158,511,684	
Net New AV After Abatement in VHDZ		\$114,128,412	

* Assumes 72% of total AV is collected after abatement by year 30.

Sensitivity Analysis 3: Private Tax Lots at Full Development*

Sum of Private Tax Lots	RMV	AV	Acres
Existing Value	\$266,977,551	\$173,870,963	107.6
Net New AV Expected		\$274,632,435	
Net New AV After Abatement*		\$230,249,164	

* Assumes 72% of total AV is collected after abatement by year 30.

The preliminary URD analysis takes into account existing property tax rates and assumes that of the total affected tax rate for the area would be approximately (10.5121) which is lower than the overall total tax rate (18.6906) after taking into account limitations and exemptions.

The resulting estimated net maximum indebtedness for the Town Center before revenue sharing is shown below...

URA Prelim. Feasibility Findings

Education Total *	\$ 19,329,747
General Government	\$ 24,179,700
Total Gross TIF	\$ 43,509,446
Other Adjustments	\$ (1,860,446)
Net TIF (before revenue sharing)**	\$ 41,649,000

*No Direct Impact Due to State Funding Formula

** VHDZ analysis assumes 72% of gross AV is assessed after abatement.

Analysis assumes 30 years until buildout occurs

Debt Financing

The city or any of its enterprise utilities may incur debt to pay for capital facilities, such as water or sewer facilities and other “public” projects deemed to have a community benefit. The most typical forms of financing public infrastructure are through intergovernmental loans, bonds or bank loans. Bonds are a common means of financing projects whose benefits are not confined to a single local district.

Revenue bonds, for facilities such as water improvements, require an ongoing source of revenue that can be pledged to payment of debt service. A utility fee or local option levy combined with a Local Improvement District could generate payments for 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.

Limited General Obligation Bonds or 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.

Development Agreements

The city of may use “Development Agreements” where a developer would agree to construct public facilities to local design standards as a condition of development. Development Agreements can provide the legal basis for significant public or private investments in infrastructure, and can include special assessments (in lieu fees) in the event specified improvements are not constructed by the developer.

The Development Agreement also provides assurances to the city and to the developer that the land use 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.

Key provisions of development agreements typically include:

- Voluntary Agreements between private and public entities
- Usually entails private dedication of land, easements, and/or public facilities in exchange for development entitlements
- Private construction of public facilities to City design standards and limited O&M responsibilities (1-3 years)
- Non-remonstrance towards current and future fees and charges
- Developer may agree to provide advance financing for a portion of the project and request formation of a LID or Reimbursement and/or SDC credit for a share of costs they incur
- Vested rights (time of performance)

- Security bond
- Flexibility (minor and major amendments to the agreement)

Wilsonville could consider a development agreement with a special assessment like the one recently enacted in Wilsonville for the Frog Pond West Planning Area. The Wilsonville City Council enacted a Development Agreement with a special assessment (\$19,000 per dwelling unit) in the Frog Pond planning area. The special assessment is for road, sewer and parks improvements that are not part of the local SDC fee.

This special assessment approach is similar to the reimbursement district concept discussed above; whereas a developer that advances the financing for an eligible public facility could receive up to 100% reimbursement for their investment based on special assessment revenues that are generated over time. This approach tends to shift much of the infrastructure cost burden (and risk) onto the developer, yet allows the developer to potentially recoup their costs more fully than a typical SDC.

Exactions and Dedications

An exaction is a requirement that an owner give up a property right, such as an extra right-of-way, as a condition of approval of a land use decision. Local governments have the power to impose exactions based on zoning and regulatory power they possess. An exaction is constitutional if it complies with the test established in the landmark *Dolan v. City of Tigard*, 512 US 374, 114 Ct 2309, 129 L Ed 2d 304 (1994), which requires:

- The exaction must advance a legitimate public interest;
- The exaction must have an “essential nexus” to the state interest; and
- The exaction is “roughly proportional” to the impacts of the development being considered.

Dedications pertain to capital facility improvements that developers are required to construct and in-turn dedicate to the public for its use and/or ownership. On occasion, exactions and dedications can be used in combination, such as the requirement that a developer construct a public sidewalk along a roadway fronting their property when “major” improvements to the property are made.

Exactions and dedications are typically applied to “local facilities” such as streets and sidewalks or stormwater facilities that are directly related to a property being developed or improved. Other types of major public facilities, such as collector roads and water/sewer trunk lines and pump stations are better addressed (and funded) using one or more of the other funding techniques described herein.

This funding plan assumes that the City requires new development to dedicate a portion of stormwater facility improvements as new development occurs. For analysis purposes, it is assumed that approximately 50% of the private investment or value of these stormwater facility improvements is reimbursed to the developer through one or more of the funding mechanisms identified.