To: Washington County Board of Commissioners

From: Andrew Singelakis, Director
Department of Land Use and Transportation

Subject: PROPOSED A-ENGROSSED ORDINANCE NO. 793 - An Ordinance Amending Washington County Code Section 3.17, Adjusting the Transportation Development Tax

August 5, 2014

STAFF REPORT

For the August 5, 2014 Board of Commissioners Hearing
(The public hearing will begin no sooner than 10:00 am)

I. STAFF RECOMMENDATION

Conduct the public hearing on A-Engrossed Ordinance No. 793. At the conclusion of public testimony, close the public hearing and adopt A-Engrossed Ordinance No. 793.

II. OVERVIEW

Proposed A-Engrossed Ordinance No. 793 makes three adjustments to the countywide Transportation Development Tax (TDT). The ordinance:

- Ends a temporary discount on TDT rates that was established by Ordinance No. 729 in 2009, extended by A-Engrossed Ordinance No. 746 in 2012, and continued through Board of Commissioners (“Board”) resolutions in 2013 and 2014. The discount is approximately 20% compared to full TDT rates. Without Board action, the discount would automatically end on June 30, 2015.

- Adjusts the timing of TDT calculations for applicants that have obtained building permits and have deferred some TDT until building occupancy. Applicants would be allowed to pay the TDT rate in effect at the time of building permit acquisition and TDT deferral. Currently, applicants that defer to occupancy must pay the rate that is in effect at the time of occupancy.
• Makes permanent the Change-in-Use Discount enacted through Ordinance No. 751 in 2012. The discount was previously set to expire on July 1, 2015. This discount applies to existing, previously occupied buildings changing to certain commercial and industrial uses.

The provisions of A-Engrossed Ordinance No. 793 would become effective October 1, 2014, per Board direction at the July 15, 2014 first reading of this ordinance.

III. BACKGROUND

Washington County voters approved the countywide TDT in November 2008. The ballot measure updated and replaced the prior Traffic Impact Fee (TIF) which was established countywide in 1990. The TDT is a countywide charge that all development applicants within Washington County, including those within the incorporated cities of Washington County, must pay. The TDT (Ordinance 691-A) became effective July 1, 2009 and was intended to roughly double the rates developers pay toward transportation capacity improvements. The original TDT ordinance stepped up rates annually over four years, arriving at full rates on July 1, 2012. In part due to the economic recession, the TDT has been amended four times since adoption:

• Ordinance No. 729 (2009) provided an additional 20%, 10% and 5% discount during the stepping up of rates in Fiscal Years 2009-10, 2010-11 and 2011-12, respectively.

• Ordinance No. 741 (2011) allowed more flexibility in claiming previous uses to offset TDT charges.

• A-Engrossed Ordinance No. 746 (2012) delayed the final step increase in TDT rates, effectively extending a 20% discount until as late as June 30, 2015. It also required the Board to revisit the discount each spring in 2013 and 2014. In both of those instances, the Board continued the discount.

• Ordinance No. 751 (2012) established a temporary 50% or 75% discount on TDT charges for changing the use of previously-occupied buildings to certain commercial and industrial uses. Discounts are 50% for buildings three years or older and 75% for buildings 20 years and older, but limited to a maximum of 5,000 square feet of floor area. The discount was originally set to expire on July 1, 2015.

On March 18, 2014 the Board held a public hearing for the annual review of the TDT discount, as required by A-Engrossed Ordinance No. 746. Staff presented information describing recent economic trends and communicating the recommendation of the Washington County Coordinating Committee. These items are summarized below.
Economic Indicators

Key economic findings communicated in the March 18 staff presentation included the following:

- Countywide TDT activity (revenue plus credits) in Fiscal Year (FY) 2012-13 was nearly double that of the previous year, totaling over $16 million countywide and marking the third consecutive year of growth in TDT activity since the FY 2009-10 low point.

- The number of residential building permits obtained throughout Washington County in FY 2012-13 was about 65% higher than the previous fiscal year.

- The number of home sales, as well as the sales price of those homes, increased 13% in the Portland region between calendar year 2012 and 2013, with Washington County real estate markets performing similarly.

- The January 2014 unemployment rate in Washington County was 5.8%, which was lower than that of the region, state and nation, and the third lowest county rate in the state. (The May 2014 unemployment rate was 5.9%).

- Washington County in November 2013 hosted 260,000 jobs, an all-time high and therefore recouping all job losses associated with the recession. (The May 2014 jobs number was 261,900).

- The TDT Construction Cost Index affects TDT rates as soon as the discount ends. The index has been trending downward because it is based on a five-year running average that currently includes recession years. As a result, full rates enacted by this ordinance will be slightly lower than those initially envisioned in the phase-in schedule. For example, the TDT charge for a single-family detached home will be $8,036 instead of $8,225.

- Countywide, eight applicants used the Change-in-Use Discount in FY 2012-13, with an average savings of $11,000 per applicant, and one applicant saving $60,000. FY 2012-13 was the first year the discount was available; greater participation may occur in subsequent years as the discount becomes more familiar and the economy continues to improve.

Washington County Coordinating Committee Input

The Washington County Coordinating Committee (WCCC), consisting of mayors and other officials from around the county, advises the Board on matters pertaining to the TDT. County staff discussed the TDT rate discount with the WCCC at its February 10, 2014 meeting, providing much of the same economic information described above. Representatives from the Homebuilders Association of Metropolitan Portland and the Westside Economic Alliance were also present at the meeting.

The WCCC expressed mixed feelings about the discount, with some members wishing to continue the discount until July 2015 to avoid impeding the recent economic recovery, some
members wanting to discontinue the discount in July 2014 to implement voters’ original intent of doubling traffic impact fees, and several members proposing a third option in which rates would step up halfway toward full rates in FY 2014-15, then step up to fully phased-in rates in July 2015. Ultimately, the WCCC voted unanimously (with one abstention) to advise the Board to continue the TDT discount until July 2015.

Board Resolution & Order 14-27
Following the staff presentation on March 18, the Board voted to continue the TDT rate discount, but with direction to staff that the discount should be terminated prior to June 30, 2015. Additionally, some Commissioners stated a desire to address other aspects of the TDT, including extending the Change-in-Use Discount and locking in discounted TDT rates for applicants who are already in the development process. The Board directed staff to return with a new ordinance later in the year. This direction was memorialized in Resolution & Order 14-27.

Proposed A-Engrossed Ordinance No. 793 carries out Board direction.

Engrossment
A first reading of Ordinance No. 793 occurred at the July 15, 2014 Board meeting. At that time the Board directed staff to engross Ordinance No. 793 in order to make the effective date of the ordinance October 1, 2014 instead of September 4, 2014.

Ordinance Notification
Information on Ordinance No. 793 was e-mailed to the Washington County Coordinating Committee, the Washington County Coordinating Committee Transportation Advisory Committee, TDT coordinators at cities, the Homebuilders Association of Metropolitan Portland, the Westside Economic Alliance, the Westside Transportation Alliance, and interested parties lists associated with the above groups. Information on the engrossment was e-mailed to TDT coordinators at cities. The TDT website was updated to provide information on the ordinance, including digital copies of the ordinance text and the proposed new TDT rate table.