To: Washington County Board of Commissioners

From: Brent Curtis, Planning Manager
Department of Land Use & Transportation

Subject: NORTH BETHANY TRANSPORTATION INTERIM FUNDING STRATEGY

STAFF REPORT

For the October 19, 2010 Board of Commissioners Hearing
(The public hearing will begin no sooner than 10AM)

I. STAFF RECOMMENDATION

Open a public hearing on the proposed North Bethany Transportation Interim Funding Strategy. Hear the staff report, presentations and public testimony, and continue the proposed North Bethany Transportation Interim Funding Strategy to October 26, 2010.

II. OVERVIEW

Very early in the planning process for North Bethany, the Washington County Board of County Commissioners (Board) directed that transportation infrastructure financing tools be in place prior to development. The Board further directed that development in North Bethany must pay for substantially more of the road improvements necessary to serve new development.

During the summer and fall of 2009, the Board considered and adopted A-Engrossed Ordinance No. 712, which amended the Washington County Comprehensive Plan to adopt components of the North Bethany Subarea Plan. During the spring and summer of 2010, several workgroups addressed a host of issues relating to implementation and funding approaches for North Bethany. The Growth Management and Transportation Funding workgroup (workgroup 3) refined the Project List, and reviewed potential sequencing of the road improvements, as well as options and mechanisms to fund the transportation infrastructure.

This staff report provides an overview of the solutions identified by the Growth Management and Transportation Funding workgroup, as well as background and supporting information. The North Bethany Transportation Interim Funding Strategy is intended to address a balance of project needs and available revenue sources.
III. FUNDING MECHANISMS & REVENUE SOURCES

Many different transportation funding approaches have been explored related to North Bethany. The following funding mechanisms, in addition to many other approaches, have been considered and forwarded as viable for providing the necessary transportation revenues for North Bethany.

- The **Transportation Development Tax (TDT)** will continue to be applied within the North Bethany Subarea. During the planning process, the TDT rates are being phased-in. For planning purposes, the TDT rate is assumed to be fully phased in, and the full rates (effective 7/1/2012) are assumed to be paid. It is understood that some development may occur prior to that time. Assuming the full rate effective July of 2012, is paid by all land use categories would result in approximately $31.9 million dollars in TDT revenue collected from the North Bethany Subarea. Of this TDT revenue, 75 percent (approximately $23.9 million dollars towards the $69 million dollars on the revised project list) was allocated towards improvements on the revised project list. The remaining $8 million dollars would be available for other county road improvements generated by the development. Note that while this is considered a public funding mechanism, the North Bethany community contributes this revenue at the time of the building permit application. Careful monitoring of the TDT credits issued within North Bethany will be necessary to determine if the 75% TDT funding target is reached or exceeded.

- A **North Bethany Transportation System Development Charge (NBTSDC)** is proposed as a new revenue source. The NBTSDC would have a very similar structure to the existing TDT. The NBTSDC would work as a supplemental charge on development (building permits) within the North Bethany Subarea. The NBTSDC rate structure was discussed at length by the Growth Management and Transportation Funding workgroup. A rate was arrived upon, and the proposed NBTSDC is expected to generate about $22.4 million dollars towards the $69 million dollars on the revised project list. The NBTSDC can be enacted by Resolution and Order of the Board. Such a Resolution and Order has been noticed, and continued at public hearings through-out the North Bethany adoption proceedings.

- A **County Service District (CSD)** is proposed as a new revenue source. The specifics of the CSD would be developed after approval of the North Bethany Transportation Interim Funding Strategy. Generally the CSD would provide, at a minimum, ongoing funding towards transportation improvements necessary to support North Bethany. It is envisioned that once the district is no longer needed, it could be dissolved. The CSD is needed to provide revenue towards the necessary capacity improvements not funded by (or only partially funded) by the other funding mechanisms. It is expected that the CSD would contribute approximately $11.2 million dollars towards the $69 million dollars on the revised project list. At the Board’s direction, the CSD would be developed and placed on the May 2011 ballot. If passed, the district would be formed and the Board could remove the “interim” designation from this funding strategy. If not passed, review of the transportation funding strategy would be necessary. Many details of forming the CSD still need to be developed. These details include the rate per $1,000 assessed value, the duration of the CSD, and determining weather the CSD would also be used for non-transportation needs within North Bethany. Many members of the Growth Management and Transportation Funding workgroup expressed serious concerns that the proposed County Service District could be used as a funding mechanism for purposes beyond transportation capital and maintenance needs. Further the workgroup members have expressed an
interest in proceeding with a ballot initiative for the County Service District as soon as possible in 2011.

- The **Major Streets Transportation Improvement Program (MSTIP)** is expected to continue to provide revenue for transportation improvements. The funding strategy recognizes that these transportation investments improve the entire community and provide roadway options for the existing community as well as the North Bethany Subarea. The funding strategy assumed a $10 million dollar MSTIP project would be applied towards the $69 million dollars on the revised project list. The Washington County Coordinating Committee needs to be consulted regarding this $10 million MSTIP project.

- **Local Improvement District (LID):** One or more Local Improvement Districts may be formed. A LID would impose a special assessment lien on property to fund transportation improvements. Typically, this assessment is spread over a period of time with annual payments made at the same time as property taxes. This tool is being evaluated in lieu of the County Service District, and maybe come an alternative funding mechanism if the County Service District is not approved.

- **Existing funds:** The County has required certain new development near Springville Road to pay into a trust and agency fund for future improvements to Springville. The current balance, after the next phase of Arbor Oaks development, is approximately $1.4 million.

- **Incremental Development Improvements:** As a condition of development approval, many larger land development projects are required to complete road frontage and other capacity or safety improvements. These improvements are not a public cost or responsibility. Often such development funded improvements result in some credit towards system development charges, including the Transportation Development Tax. Credits resulting from developers completing these road improvements may not be applied toward property taxes. The credit provisions are required by state system development charge statutes. Total credits may not exceed the total amount spent on the roadway improvements.

Exhibit A identifies 12 projects for public funding; the specific benefits, costs, and other details of these projects have been discussed at length. Washington County Planning and Engineering staff have reviewed these projects and found this set of improvements to be reasonable and practicable.

Considerable review and refinement of the costs associated with these improvements was completed by the Growth Management and Transportation Funding workgroup. Washington County engineering staff believes that the overall costs associated with these improvements are within the correct range given the unknowns prior to preliminary engineering being completed. While individual project costs may vary slightly more or less as engineering is completed, the total of all projects is not expected to change significantly over time. This list is consistent with the amendments to Article 5, described in A-Engrossed Ordinance 730, Exhibit 9.

All of these projects were identified as necessary to be assured prior to removal of the FD-20 District. The interim funding strategy provides for a public funding mechanism for all but two of the arterial and collector projects within the North Bethany Subarea. These two projects, Springville Road from Kaiser Road to the County Line, and Road A from Kaiser Road to Springville Road, would be funded by
Incremental Development. These two projects are highlighted on Exhibit A. The total cost of the revised project list shows that approximately $69 million dollars in public funding mechanisms would be needed to complete the necessary improvements.

IV. THRESHOLDS & SAFETY

The North Bethany Subarea is intended to provide for a higher quality of urban services than elsewhere within Washington County. This goal would be accomplished by the provision of substantially more of the road improvements necessary to serve new development, as well as provision for “complete streets” that include interim facilities for pedestrian and bicycle modes.

Through the development of this interim transportation funding strategy, three different categories of transportation road improvements have been identified.

1. **Safety**: The standards for safety within North Bethany will work exactly the same as elsewhere within Washington County – development is not allowed where an unsafe situation would be created. Some of the development within North Bethany is expected to trigger necessary transportation safety improvements. Just as elsewhere within Washington County these facilities must be in place prior to development occurring. Some of these safety improvements may also serve to provide access, and improve the capacity of the transportation system.

2. **Access**: Several Roads identified as necessary improvements in the North Bethany Transportation Funding Strategy serve a dual role as system wide capacity improvements and provide access for development to occur. These road improvements are generally expected to occur early in the development of the North Bethany community. Similar to safety, access is necessary prior to development. A-Engrossed Ordinance No. 730 requires that 28 feet of ROW be improved to provide for adequate interim bicycle facilities. In addition, A-Engrossed Ordinance No. 730 requires pedestrian improvements within ¼ mile of pedestrian-orientated uses.

3. **Capacity**: The majority of the roadway improvement projects funded by the interim funding strategy are principally to enhance the capacity of the transportation system. The timing of transportation capacity improvements is not as critical as the timing of safety and access improvements. Development can proceed prior to the full implementation of a capacity improvement, provided that the safety and access requirements are achieved adequately, and that the funding will ultimately become available for the construction of these capacity improvements.

V. SUMMARY

The North Bethany Transportation Interim Funding Strategy provides a compromise between providing for all desired transportation improvements, and practicable revenue availability. The Interim Transportation Funding Strategy provides direction for establishing the specific funding mechanisms by which appropriate arterial and collector road capital improvements will be assured adequate funding prior to development approval.
Two new funding mechanisms are proposed by the Interim Transportation Funding Strategy: a new North Bethany Transportation System Development Charge (SDC) and a new North Bethany Transportation Service District. The transportation SDC is recommended to be adopted concurrent with the interim transportation funding strategy. Adoption of the transportation SDC can be completed by the Board’s action upon the SDC resolution and order. No vote or other additional process is necessary. Adoption of the transportation SDC by the Board will enable a significant element of the interim transportation funding strategy. The Transportation Service District will be developed subsequent to the adoption of the Interim Transportation Funding Strategy. The County Service District will require a vote by the residents of the territory affected. It is anticipated that the Service District vote would occur in May 2011. See Exhibit B of the attached resolution and order for a detailed timeline.

Together with existing funding sources, these two new revenue sources provide and assure adequate revenue for the necessary transportation infrastructure. Board action on the Transportation Funding Strategy will be necessary subsequent to the adoption of both new revenue sources. The Interim Transportation Funding Strategy is a step towards a more complete community designed with better provision and integration of urban services and amenities. Once the specific transportation funding mechanisms described herein (or suitable alternatives) have been adopted or otherwise created, the Board should consider legislative action to remove the FD-20 District within the North Bethany Subarea.

The North Bethany Transportation Interim Funding Strategy includes a mixture of both existing and new funding sources, and generates adequate revenue to provide for the necessary transportation improvements. This staff report is intended to provide an overview of the complex issues considered and sorted by the Growth Management and Transportation Funding workgroup. As described in the background of this staff report, the North Bethany Transportation Interim Funding Strategy is intended to address a balance of project needs and available revenue sources.

Attachments:
- Resolution & Order
  - Exhibit A – North Bethany Interim Funding Strategy
  - Exhibit B – Anticipated Timeline for County Service District Formation