

# PBOT

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## Transportation System Development Charge Annual Report (July 2019 – June 2020)

### Summary

This report summarizes the last two 10-year Transportation System Development Charge (TSDC) funding cycles, from 1997–2007 and 2007–2017. It also summarizes the first three fiscal years of the current cycle, from January 2018 through June 2020. Each funding cycle corresponds with a specific funding methodology, fee schedule, and a project list that emphasizes the evolving priorities of the Portland Bureau of Transportation (PBOT).

Since 1997, PBOT has been able to fund 63% of their TSDC project list, a total of 53 projects. With the development of the current cycle, PBOT modified the methodology for TSDC rates to better meet current transportation priorities and to fund projects that met those priorities.

The two overlay zones – Innovation Quadrant and North Macadam – are still in a repayment phase and will sunset once fully repaid. The Innovation Quadrant overlay is the area near Oregon Museum of Science & Industry (OMSI) and Portland State University (PSU). The North Macadam overlay is the area near Oregon Health & Science University (OHSU). These special districts are used to fund specific projects within these areas vital to their success.

There are several projects planned in the current TSDC cycle. At the time of this report, the planned expenditures were approximately \$186 million. This represents 154 projects that have approved TSDC funding. The expected 10-year revenue is approximately \$131 million. With the current fund balance of \$52 million, the TSDC funds will remain a helpful renewable resource in Portland.



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The new methodology has increased clarity for developers. The number of alternative rate studies has decreased significantly this cycle, from several hundred in previous funding cycles to only a handful currently. Appeals have also gone down, demonstrating that the new methodology provides greater clarity and ease of implementation.

As we continue with this new methodology, we are looking to expand our local database of “person trips” for different land uses. This data, collected locally, helps PBOT better understand various impacts to our transportation system. This will improve the ability to develop a TSDC project list that meet the city’s needs.

The first year produced data related to **single-family detached housing** with the second year related to **multifamily housing**. While the current data collection contract specifies these land uses, it is expected that this effort will continue to include all the common land uses that we expect in the city.

## Introduction

One way the city pays for better transportation facilities is through Transportation System Development Charges (TSDCs). These are one-time fees charged to development to help pay for a portion of the cost of new streets, sidewalks, and other infrastructure that will be used by future Portlanders.

Portland has had a TSDC program in place since 1997. From 1997-2017, TSDCs generated over \$129 million for new street connections, intersections, sidewalks, bike lanes, and transit enhancements that keep our city moving. In collaboration with its partners and stakeholders, the city updates its TSDC program every 10 years to make sure the right projects are constructed to meet the demands of the future.

Projects not directly funded through TSDC funds may have been funded through other means. If the project was underway or expected to be a priority, it was added to the next project list. Unfunded and low-priority projects were removed from the Transportation System Plan (TSP) master project list. The TSP 2020 minor update, currently in progress, will modify the city’s project priorities.

### First TSDC funding cycle (1997–2007)

The first TSDC funding cycle began in Fiscal Year 1997/98. Over the course of the 10-year cycle, PBOT collected \$55,410,304 from new development across the city. These funds were applied to TSDC projects for this period.

The initial TSDC project list had a total of 37 projects, of which PBOT funded roughly 57% (21 projects). These 21 projects had a total expenditure of \$41,758,118. The resulting balance of funds from this first cycle was \$10,064,137 and was rolled into the next funding cycle.

### Second TSDC funding cycle (2007–2017)

The second TSDC funding cycle began in Fiscal Year 2007/08. Over the course of this 10-year cycle, PBOT collected \$74,568,401 from new development across the city. These funds were applied to the TSDC projects for this period.

The second TSDC project list had a total of 47 projects, of which roughly 68% (32 projects) were funded. These 32 projects had a total expenditure of \$77,070,560. Fourteen of these projects were fully completed, nine were in progress by the end of the period, and nine had committed funds but had not started. The resulting balance of funds from this second cycle was \$60,606,021, only accounting for projects completed or in-process at the end of the cycle.

### Third (Current) TSDC funding cycle (2017–2027)

The current TSDC funding cycle began in Fiscal Year 2017/18. The first three fiscal years of the current cycle have resulted in \$42,409,234 collected from new development across the city. Please see the attached Schedule 80 reports prepared for each year of the cycle. For the remainder of the cycle, PBOT expects to collect approximately \$10.5 million per year from future development. PBOT expects to spend 2-3% of collections for administrative purposes. This is consistent with bureau practice over previous TSDC funding cycles.

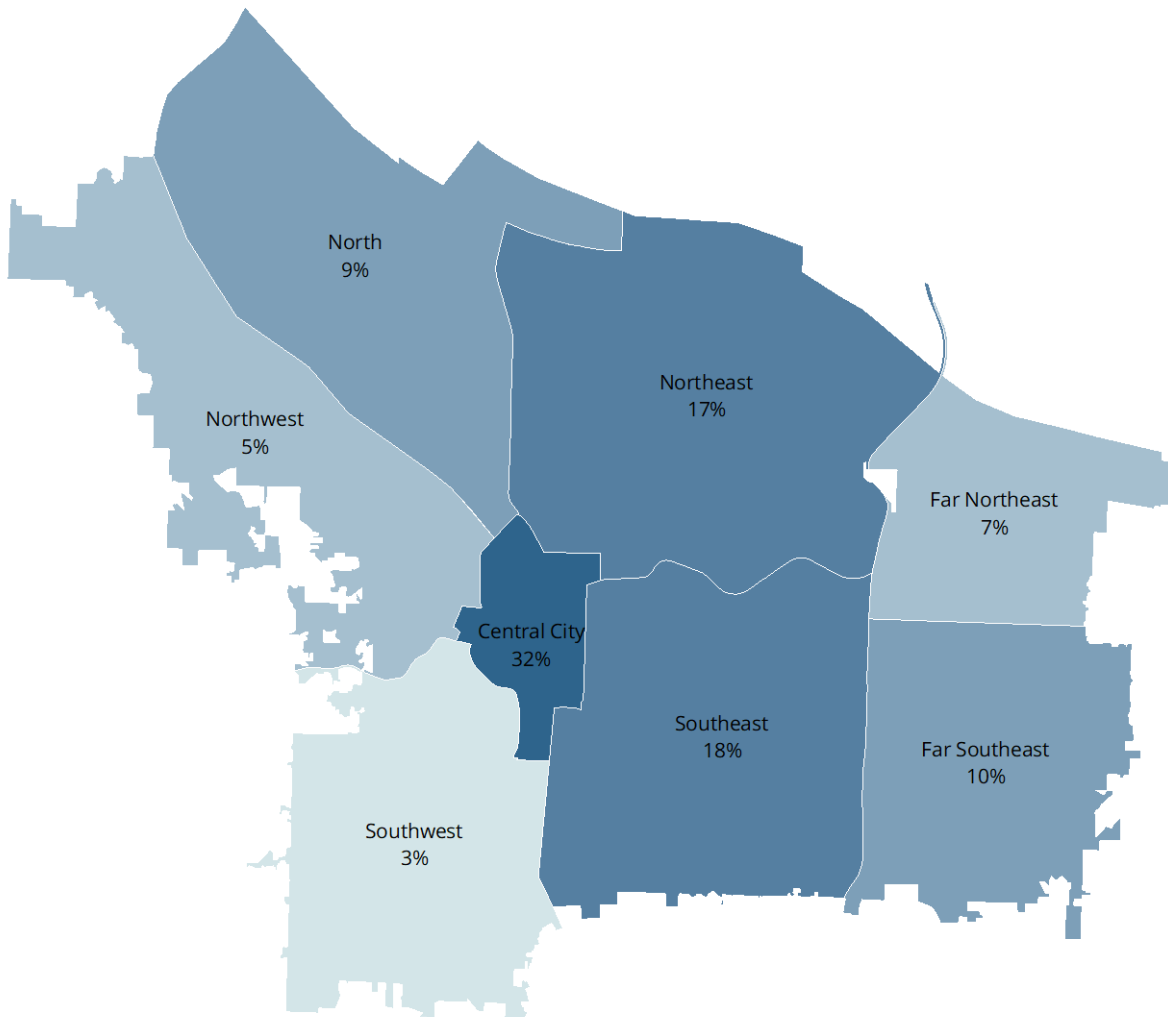
Because of the current cycle's revised methodology, PBOT increased the project list to 169 projects. As of this report, 33% of that list (56 projects) have requests for TSDC funds.

This new methodology, developed in collaboration with Dr. Kelly Clifton at PSU, was based upon **person trips**, not the traditional methodology based on **vehicle trips**. This methodology to convert vehicle trips into person trips has already been added to the latest edition of the Institute of Transportation Engineers (ITE) Trip Generation Manual. Additionally, PSU and PBOT have been collecting and synthesizing person trip data for the use in the program.

## Current TSDC cycle revenue

Revenue data for the previous three fiscal years are summarized in the table below. This information was also mapped to provide a visual representation of the information.

District	FY 17-18		FY 18-19		FY 19-20		Total	
	TSDC Revenues	% of Revenues	TSDC Revenues	% of Revenues	TSDC Revenues	% of Revenues	TSDC Revenues	% of Revenues
Central City	\$7,272,444	41%	\$3,423,314	24%	\$2,863,307	27%	\$13,559,065	32%
Far Northeast	\$308,293	2%	\$1,442,880	10%	\$1,289,212	12%	\$3,040,385	7%
Far Southeast	\$375,897	2%	\$3,113,088	22%	\$544,999	5%	\$4,033,984	10%
North	\$1,949,069	11%	\$295,106	2%	\$1,539,936	15%	\$3,784,112	9%
Northeast	\$2,238,101	13%	\$2,560,448	18%	\$2,255,762	22%	\$7,054,310	17%
Northwest	\$595,642	3%	\$812,169	6%	\$538,397	5%	\$1,946,208	5%
Southeast	\$4,595,984	26%	\$1,709,280	12%	\$1,278,129	12%	\$7,583,393	18%
Southwest	\$247,108	1%	\$1,045,989	7%	\$114,680	1%	\$1,407,777	3%
<b>Total</b>	<b>\$17,582,539</b>		<b>\$14,402,273</b>		<b>\$10,424,422</b>		<b>\$42,409,234</b>	



Specific collections types related to funds collected is summarized below.

Fee Code	FY 17-18	FY 18-19	FY 19-20	Total
	Revenue	Revenue	Revenue	Revenue
PHB - Processing Fees (Applies to Citywide Revenue)	\$3,500	\$6,500	\$7,000	\$17,000
PHB - Interest (Applies to Citywide Revenue)	\$6,268	\$9,983	\$10,293	\$26,543
Cash - First Ten Year Citywide Revenue	\$2,448	\$2,924	\$4,473	\$9,845
Cash - Second Ten Year Citywide Revenue	\$13,888,534	\$3,508,889	\$498,016	\$17,895,439
Cash - Third Ten Year Citywide Revenue	\$225,783	\$8,106,360	\$9,030,008	\$17,362,151
Cash - North Macadam Revenue	\$19,943	\$0	\$273,025	\$292,968
Cash - Innovation Quadrant Revenue	\$954,356	\$181,394	\$33,645	\$1,169,394
Deferral - Citywide	\$2,156,886	\$865,698	\$518,076	\$3,540,661
Deferral - North Macadam Overlay	\$0	\$0	\$0	\$0
Deferral - Innovation Quadrant Overlay	\$70,600	\$0	\$0	\$70,600
Loan - Citywide	\$254,221	\$1,470,430	\$49,885	\$1,774,535
Loan - North Macadam Overlay	\$0	\$184,024	\$0	\$184,024
Loan - Innovation Quadrant Overlay	\$0	\$66,073	\$0	\$66,073
<b>TOTAL</b>	<b>\$17,582,539</b>	<b>\$14,402,273</b>	<b>\$10,424,422</b>	<b>\$42,409,234</b>

In fiscal year 2019/20, \$565,015 in refunds were issued. They represent refunds to developers who received approval on an alternate rate request, approval of an appeal, or projects that cancelled their permit application.

### Forecast for current cycle

In order to evaluate the current cycle, assumptions are necessary to evaluate the impacts of TSDC funding requests. For example, based on recent trends, we expect to receive approximately \$10.5 million per year.

A review of the current lien account balances was conducted for this report. There is approximately \$1,211,737 for the citywide account. The two overlay zones have approximately \$10,288 for the Innovation Quadrant and there is no account balance for the North Macadam overlay.

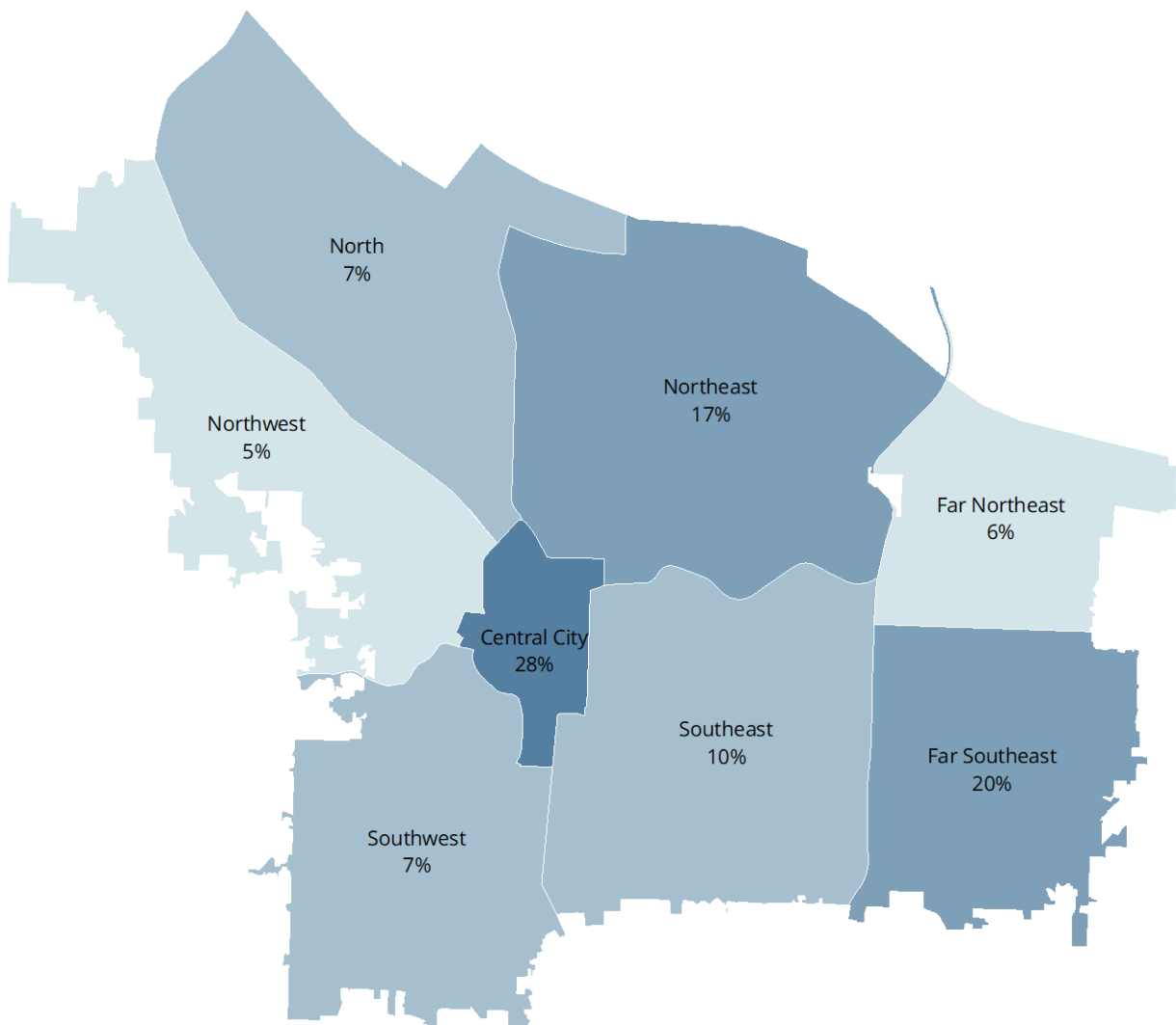
The planned (assessed) forecast revenue was evaluated as potential project revenue for the TSDC program. This represents total revenues currently assessed on building permits not yet issued. As of the end of fiscal year 2019/20, \$19,604,391 is pending citywide, \$351,305 is pending within the Innovation Quadrant overlay, and \$23,750 is pending within the North Macadam overlay. However, there is no guarantee these permits will be issued and the TSDC paid.

## Actual expenditures in current cycle

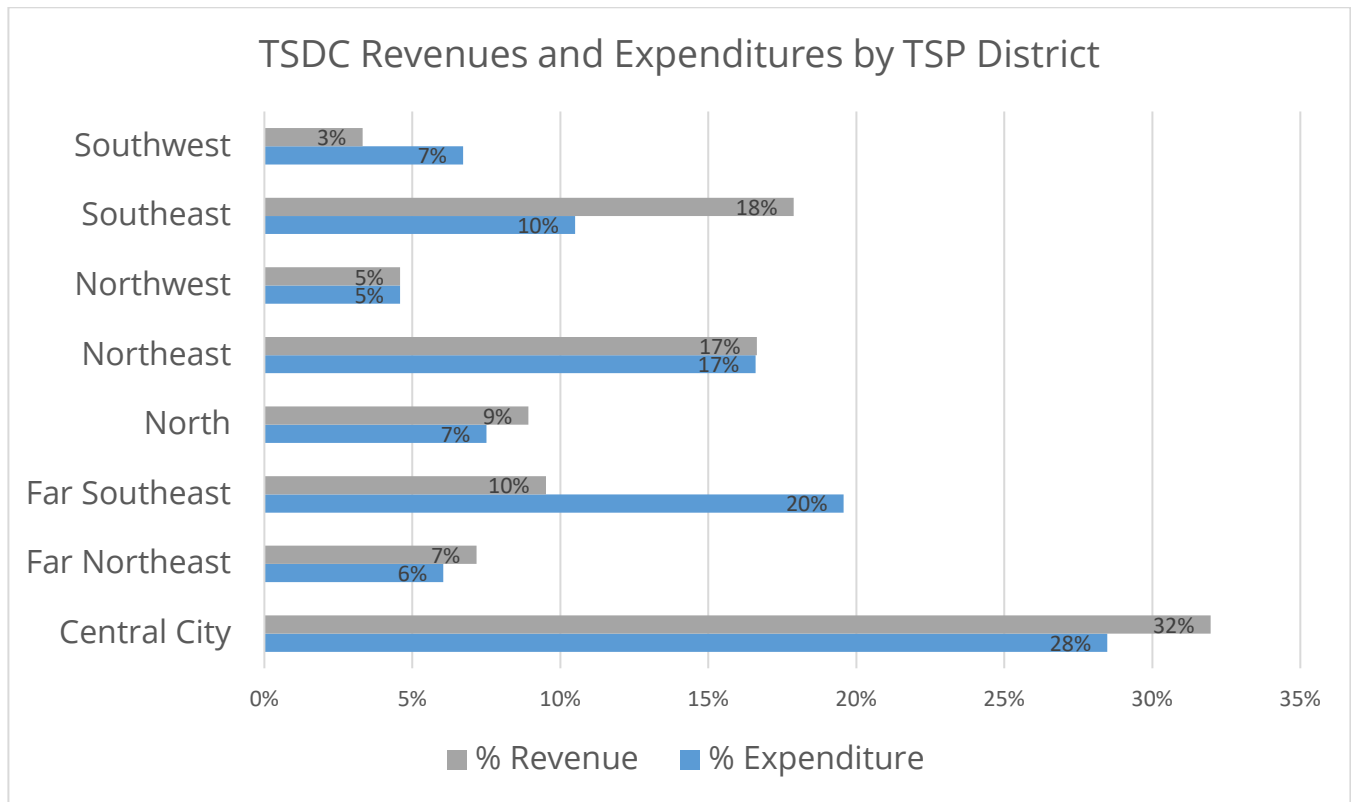
Actual expenditures for the third (current) funding cycle through fiscal year 2019/20 are available. The data in the table shows the revenues, expenditures, and fund balance.

Fiscal Year	Beginning Fund Balance	Resources	Requirements	Ending Fund Balance
17-18	\$59,673,382	\$18,531,661	\$7,878,072	\$70,326,970
18-19	\$70,326,970	\$15,663,251	\$14,110,025	\$71,880,197
19-20	\$71,880,197	\$11,729,688	\$31,814,673	\$51,795,212

The below map shows the distribution of expenditures for the third (current) funding cycle through fiscal year 2019/20.



The revenue and expenditure data can be combined to reflect how each district supports PBOT equity goals. The chart below reflects funding by district for the third (current) funding cycle through fiscal year 2019/20.



### Planned expenditures

PBOT requires project managers to submit funding requests to the TSDC program. An evaluation committee of PBOT staff completes an initial review. This committee ensures requests meet the minimum legal criteria for eligibility, are consistent with city plans and policies, perform well on approved investment strategy criteria, and are feasible to fund in the designated timeframe based on a financial analysis. Once projects pass the evaluation committee, they are presented to an approval committee, who make a final determination and appropriation.

The 10 criteria each TSDC request must meet to be considered are:

- appropriateness of request
- plans and policy,
- geographic distribution
- timeliness
- community support
- committed funds
- Vision Zero

- equitable benefits
- multimodal capacity
- impact on the TSDC financial forecast

The evaluation committee meets every month to review requests. The approval committee meets every other month to make their determinations.

The table below reflects completed, in-process, or planned work per fiscal year of the current cycle. This data represents the current requests into the TSDC review and approval process.

<b>Fiscal Year</b>	<b>Number of Requests</b>	<b>TSDC Requests Processed</b>
Prior	5	\$2,449,683
17/18	8	\$3,904,989
18/19	13	\$5,789,332
19/20	36	\$27,327,896
20/21	47	\$67,949,301
21/22	25	\$33,335,922
22/23	10	\$19,714,113
23/24	1	\$407,669
24/25	8	\$6,440,921
25/26	3	\$12,797,016
26/27	1	\$10,000,000
<b>Total</b>	<b>157</b>	<b>\$190,116,842</b>

Another representation of this data is by Transportation System Plan districts. This geographic representation of the data is useful to evaluate how each of the districts is being represented in TSDC funding requests.

<b>District</b>	<b>Number of Requests</b>	<b>Total TSDC Request</b>	<b>% of Request</b>
Central City	15	\$68,409,277	36%
Far Northeast	12	\$10,098,607	5%
Far Southeast	14	\$33,190,271	17%
North	10	\$12,744,428	7%
Northeast	11	\$28,195,894	15%
Northwest	5	\$7,796,388	4%
Southeast	9	\$17,642,811	9%
Southwest	9	\$12,790,210	7%
<b>Total</b>	<b>85</b>	<b>\$190,867,886</b>	



## Exemptions and discounts

The city grants TSDC exemptions and discounts in certain situations. The three main discounts are adjustments made based on person trips, and the development of low-income housing or accessory dwelling units (ADUs). Among other benefits, these discounts encourage development of affordable housing.

**ADUs** are additional dwelling units created on a lot with a house, or a manufactured unit. An ADU is typically smaller than the original unit and can be used in a variety of ways. Over the past several years, the city has seen steady growth in ADUs permitted but that is starting to level off. The amounts below reflect the total amount of TSDCs exempted through a recorded covenant which restricts short-term rentals.

ADU Permits		
Fiscal Year	ADUs	TSDC Exempted
19-20	255	\$675,804

**Person trip adjustments** are another form of discount applied within the TSDC program. These began January 2018 and provide an adjustment to person trip impacts, specifically for developments in areas with higher pedestrian traffic and bicycle use, known as “mode split:

Person Trip Adjustments			
Fiscal Year	Development Area	Permits	TSDC Discounted
19-20	Central City	9	\$1,943,126
	Centers and Corridors	11	\$73,786
<b>Total</b>			<b>\$2,016,913</b>

**Low-income housing exemptions** apply to units in an affordable price category. These units have TSDC fees waived to encourage development. The trend for this type of housing is fairly stable and is expected to continue to be stable for the near-term forecasts.

Low-Income Housing Exemptions		
Approved FY 2019/20	Units	SDC Exemptions
Homeownership	227	\$831,789
Rental	282	\$723,530
<b>Total</b>	<b>509</b>	<b>\$1,555,319</b>
Repaid FY 2019/20	Units	SDC Exemptions
Homeownership	31	\$108,019
Rental	0	\$0
<b>Total</b>	<b>31</b>	<b>\$108,019</b>

## TSDC credits

The TSDC program offers credits to developers building projects on the TSDC project list. These credits may only be used onsite, not transferred to a different development. They last 10 years from the issuance date and expire if not redeemed within that 10-year period.

Here are the TSDC credits issued, redeemed, or expired. The expired number reflects the rolling 10-year expiration date and includes credits from the previous cycle. The expired credits shown for fiscal years 2017-2027 includes credits that have expired since the start of the recent cycle.

TSDC Credits				
Cycle	Issued	Redeemed	Expired	Balance
<b>FYs 97-07</b>	\$6,564,985	\$2,456,050		
<b>FYs 07-17</b>	\$1,179,107	\$3,629,668	\$1,204,393	
<b>FYs 17-27</b>	\$3,081,617	\$3,414,797	\$4	
<b>Total</b>	<b>\$10,825,709</b>	<b>\$9,500,515</b>	<b>\$1,204,397</b>	<b>\$120,796</b>

## Appeals and request for an alternative rate

The TSDC code allows developers to provide a different trip-generation methodology if they feel the existing methodology is not reflective of their proposed development. The process for this alternative rate study requires that a professional Oregon traffic engineer prepare a detailed report justifying the alternative rate. This includes collecting trip generation data at three similar locations on three consecutive mid-week days. The scope of work must first be verified with city staff to ensure the data is representative of the proposed development.

The first two funding cycles used the standard methodology presented in the ITE Trip Generation Manual. This resulted in several alternative rate studies being submitted to the city. The main reason for this number is that the manual's data was collected for suburban land uses, not urban land uses, and typically results in a higher number of vehicle trips being generated by a specific land use. The new methodology based on person trips is more reflective of an urban area. The current funding cycle is based on person trip methodology.

## Collecting person trip data

Portland wanted a better methodology to calculate city trips and developed a program to collect person trip data for all land uses that we then apply to the TSDC program. PBOT partnered with PSU staff to determine how to collect this data and document the effort.

PSU is collecting data over three years, on three different land uses, one per year. The first year was single-family detached housing, the second year is multifamily housing, and the final year will focus upon institutional land uses.

The methodology for single-family detached housing provided an estimate of person trips, since collecting data would be difficult, costly, and time-intensive. The current methodology has two rates, one for houses over 1,200 square feet and one for under that size. The rate for houses under 1,200 square feet is a 50% reduction of the TSDC rate. One of the goals here was to evaluate the possibility of having a tiered rate for single-family detached housing, similar to Portland Parks & Recreation's SDCs. Based upon the memo, there was clear evidence that a tiered system is possible.

Analysis of data for the previous three years of TSDC assessments for single-family housing showed that most new houses are larger. Implementing a tiered rate could potentially generate \$1.4 million more from single-family detached houses.

The second year of analysis focused on multifamily housing. Data was collected in fall 2019 and showed a rate of 0.47 person trips per dwelling unit in the evening peak hours. For reference, the current TSDC rate schedule applies a 0.60 person-trip rate per dwelling unit. The current rate amounts to \$2,654 per dwelling unit, whereas the observed rate comes in at \$2,079 per unit, about a \$575 reduction per unit.

This study recommends not applying a tiered TSDC rate for multi-family developments based on unit size. While this result does not align with that for the previous single-family TSDC study, this is likely due to the low variation in average unit size as well as the number of bedrooms across the multifamily sample. Although sample size certainly plays a role in this, all but one of the sampled sites had been constructed in the past five years. The sample is likely representative of new development in Portland. Additional variation in sample size might require expanding the search to developments outside of Portland, which works against the goal of collecting more local data. Ultimately, applying a tiered rate to multifamily housing may inhibit multifamily development catered to families and larger households.

The third-year of analysis will be centered on campus and institutional land uses. Collecting this data requires working closely with numerous Portland institutions to determine what data is already being collected. These sites provide a wide range of services with varying enrollment. The data will be evaluated to determine an appropriate person trip-generation rate to apply for the development of existing or new schools.

Collecting this data was delayed due to the large changes in travel behavior due to Covid-19. We are currently evaluating next steps.

## Next steps

During the current funding cycle, we continue to improve the TSDC program. Some improvements are a result of recently adopted policies (PedPDX: Portland's Pedestrian Plan) and others reflect changes in city priorities (TSDC project list amendment). Additional work through our program of collecting person-trip data allow us to modify TSDC rates to better reflect the impact of Portland development and the investments that improve our transportation network.