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Jo Ann Hardesty Commissioner **Chris Warner** Director

Transportation System Development Charge Annual Report (July 2020 – June 2021)

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 and a half fiscal years of the current funding cycle, from January 2018 through June 2021. 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).

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 the 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 \$86 million. This represents 114 projects that have approved TSDC funding. The expected 10-year revenue is approximately \$131 million. With the current fund balance of \$30 million, the TSDC funds will remain a helpful renewable resource in Portland.

The new methodology has increased clarity for developers. The number of alternative-rate studies has significantly decreased this cycle, from several hundred in previous cycles to only a handful currently. The number of appeals has also gone down, showing how the new methodology provides greater clarity and easier implementation.



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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 of the current funding cycle produced data related to **single-family detached housing** with the second year related to **multifamily housing**. While the current contract for data collection specifies these land uses, we expect this effort will continue to include all common land uses 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 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 funding 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 funding 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 funding cycle.

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

The current TSDC funding cycle began in Fiscal Year 2017/18. The first three and a half fiscal years of the current cycle have resulted in \$49,815,834 collected from new development across the city. Please see the attached FY21 Schedule 80 reports prepared for each year of this cycle. For the remainder of the cycle, PBOT expects to collect approximately \$10-11 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.

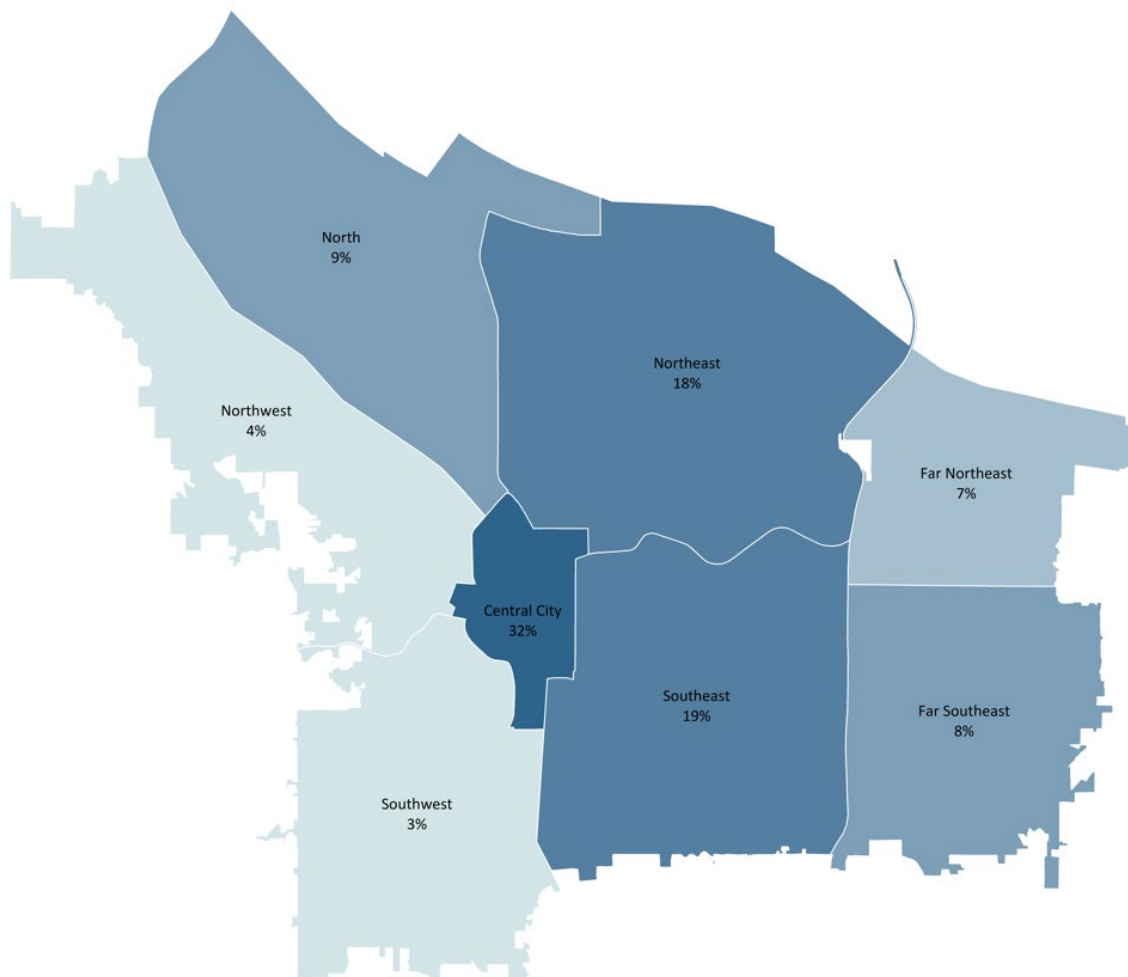
Because of the current funding cycle's revised methodology, PBOT increased the project list to 173 projects. As of this report, 45% of that list (77 projects) have expended or requested TSDC funds.

This new methodology, developed in collaboration with Dr. Kelly Clifton at Portland State University (PSU) and Dr. Kristina Currans at University of Arizona, 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 four fiscal years are summarized in the table below. This information was also mapped to provide a visual representation of the information.

District	FY 2017/18 to FY 2019/20		FY 2020/21		Total	
	TSDC Revenues	% of Revenues	TSDC Revenues	% of Revenues	TSDC Revenues	% of Revenues
Central City	\$13,559,065	32%	\$2,176,944	29%	\$15,736,009	32%
Far Northeast	\$3,040,385	7%	\$326,109	4%	\$3,366,494	7%
Far Southeast	\$4,033,984	10%	\$99,984	1%	\$4,133,968	8%
North	\$3,784,112	9%	\$691,092	9%	\$4,475,204	9%
Northeast	\$7,054,310	17%	\$1,920,292	26%	\$8,974,602	18%
Northwest	\$1,946,208	5%	\$231,558	3%	\$2,177,766	4%
Southeast	\$7,583,393	18%	\$1,745,472	24%	\$9,328,865	19%
Southwest	\$1,407,777	3%	\$215,149	3%	\$1,622,926	3%
Total	\$42,409,234		\$7,406,600		\$49,815,834	



Specific collection types are summarized below.

Fee Code	FY 2017/18 to FY 2019/20	FY 2020/21	Total
	Revenue	Revenue	Revenue
Portland Housing Bureau - Processing Fees (Applies to Citywide Revenue)	\$17,000	\$7,500	\$24,500
Portland Housing Bureau - Interest (Applies to Citywide Revenue)	\$26,543	\$11,552	\$38,095
Cash - First 10-Year Citywide Revenue	\$9,845	\$0	\$9,845
Cash - Second 10-Year Citywide Revenue	\$17,895,439	\$54,198	\$17,949,637
Cash - Third 10-Year Citywide Revenue	\$17,362,151	\$6,813,358	\$24,175,509
Cash - North Macadam Revenue	\$292,968	\$0	\$292,968
Cash - Innovation Quadrant Revenue	\$1,169,394	\$302,021	\$1,471,415
Deferral - Citywide	\$3,540,661	\$176,348	\$3,717,009
Deferral - North Macadam Overlay	\$0	\$0	\$0
Deferral - Innovation Quadrant Overlay	\$70,600	\$0	\$70,600
Loan - Citywide	\$1,774,535	\$41,623	\$1,816,158
Loan - North Macadam Overlay	\$184,024	\$0	\$184,024
Loan - Innovation Quadrant Overlay	\$66,073	\$0	\$66,073
TOTAL	\$42,409,234	\$7,406,600	\$49,815,834

In Fiscal Year 2020/21, \$331,466 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 \$10-11 million per year.

We reviewed the current lien account balances for this report. There is approximately \$3,065,875 for the citywide account. For the two overlay zones, there is approximately \$9,866 for the Innovation Quadrant and there is no account balance for North Macadam.

We evaluated planned (assessed) forecast revenue 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 FY 2020/21, \$29,801,698 is pending citywide, \$65,725 is pending

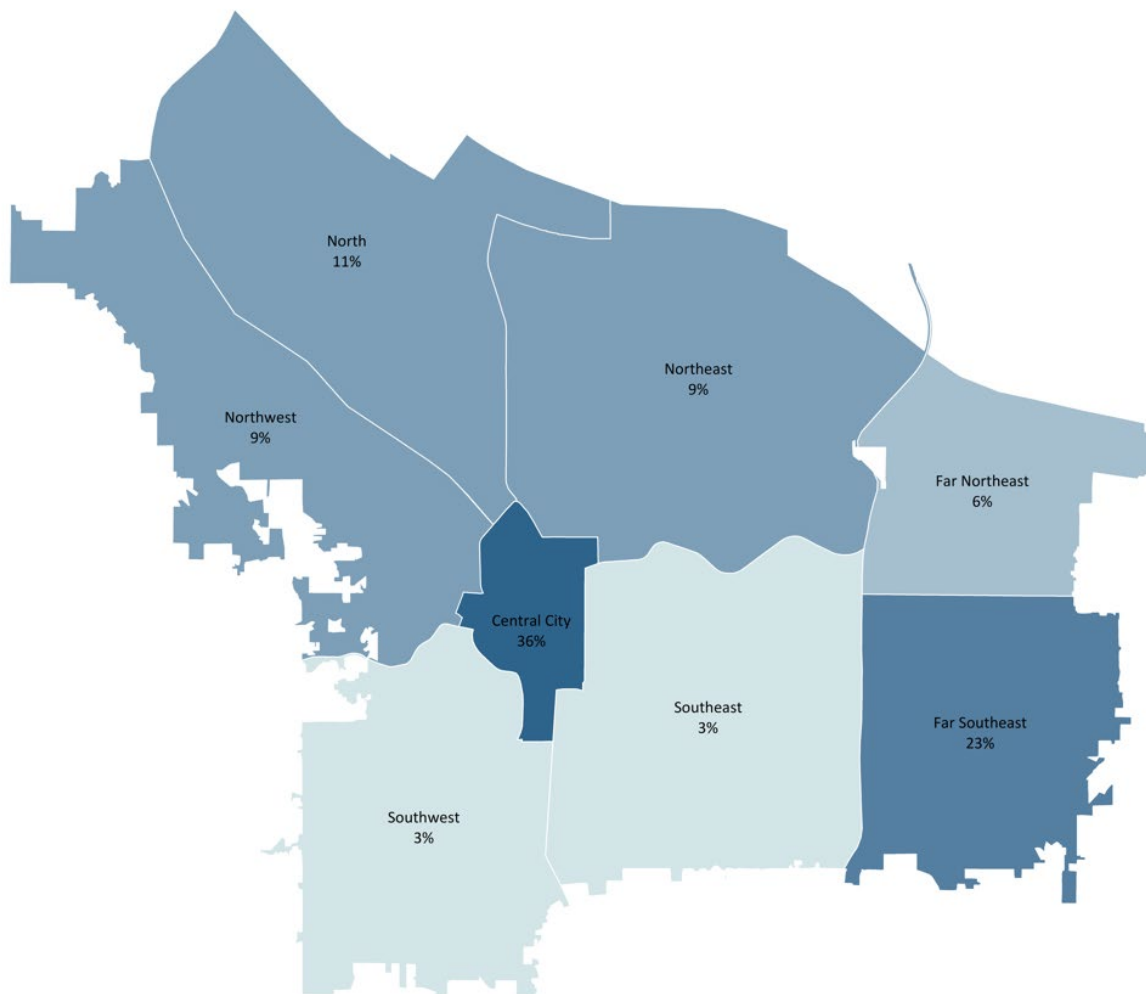
within the Innovation Quadrant overlay, and \$1,134,702 is pending within the North Macadam overlay. However, there is no guarantee these permits will be issued and the TSDC paid.

Actual expenditures in current cycle

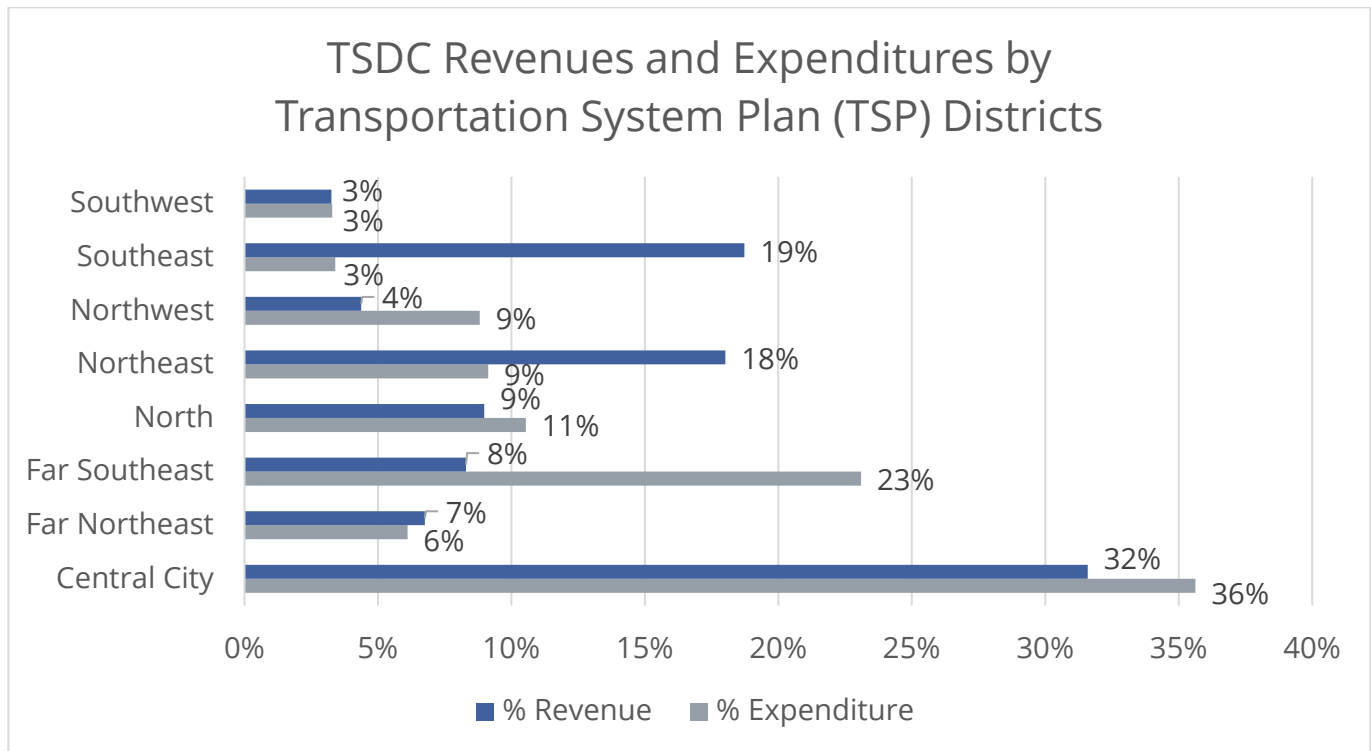
Actual expenditures for the third (current) funding cycle through FY 2020/21 are available. The data in the table shows the revenues, expenditures, and fund balance.

Fiscal Year	Beginning Fund Balance	Revenues	Expenditures	Ending Fund Balance
2017/18	\$59,673,382	\$18,531,661	\$7,878,072	\$70,326,970
2018/19	\$70,326,970	\$15,663,251	\$14,110,025	\$71,880,197
2019/20	\$71,880,197	\$11,729,688	\$31,814,673	\$51,795,212
2020/21	\$51,795,212	\$7,897,227	\$29,202,306	\$30,490,134

The map below shows the distribution of expenditures for the third (current) funding cycle through FY 2020/21.



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 FY 2020/21.



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 the Capital Investment Committee (CIC), 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 table below reflects work in process or planned per fiscal year of the current cycle. This data represents current requests approved for TSDC funding.

Fiscal Year	Number of Projects	Total TSDC Request
2021/22	49	\$34,292,932
2022/23	32	\$27,740,342
2023/24	19	\$14,154,811
2024/25	9	\$5,578,876
2025/26	4	\$1,875,713
2026/27	1	\$1,498,805
Total	114	\$85,141,479

Another representation of this data is by Transportation System Plan (TSP) district. This geographic representation helps us evaluate how each district is represented in TSDC funding requests.

District	Number of Requests	Total TSDC Request	% of Request
Central City	23	\$25,395,901	30%
Far Northeast	20	\$10,389,694	12%
Far Southeast	18	\$14,551,700	17%
North	7	\$3,571,378	4%
Northeast	27	\$20,306,087	24%
Northwest	3	\$508,451	1%
Southeast	8	\$5,385,217	6%
Southwest	8	\$5,033,052	6%
Total	114	\$85,141,479	

Exemptions and discounts

The city grants TSDC exemptions and discounts in certain situations. The three main discounts are adjustments made based on person trips, 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 saw steady growth in permitted ADUs, but that has started 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
2020/21	210	\$572,995.00

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:

Person Trip Adjustments			
Fiscal Year	Development Area	Permits	TSDC Discounted
2020/21	Central City	8	\$1,081,857
	Centers and Corridors	20	\$124,157
Total			\$1,206,013

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 stay this way for the near-term.

Low-Income Housing Exemptions		
Approved FY 2020/21	Units	SDC Exemptions
Homeownership	254	\$806,078
Rental	895	\$2,215,648
Total	1,149	\$3,021,726
Repaid FY 2020/21	Units	SDC exemptions
Homeownership	30	\$108,019
Rental	0	\$0
Total	30	\$108,019

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 include credits that have expired since the start of the recent cycle.

TSDC Credits				
Cycle	Issued	Redeemed	Expired	Balance
FYs 97-07	\$6,564,985	\$2,456,050		
FYs 07-17	\$1,179,107	\$3,629,668	\$1,204,393	
FYs 17-27	\$4,447,192	\$4,780,371	\$4	
Total	\$12,191,284	\$10,866,090	\$1,204,397	\$120,796

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 does not reflect 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 weekdays. 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 we then apply to the TSDC program. PBOT partnered with Portland State University (PSU) staff to determine how to collect this data and document the effort.

PSU has collected data over two years, on two different land uses. The first year was single-family detached housing, and the second year was multifamily housing.

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 larger than 1,200 square feet and one for those smaller. 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 2019 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 multifamily developments based on unit size. This result does not align with 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.

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).

Work is under way to better understand revenue forecasting and analysis. This means comparing projected and actual growth as well as seeing whether the TSDCs spent align with this growth.

We are currently evaluating the recent zoning code changes related to the Residential Infill Project and Shelter to Housing Continuum. Specifically, for TSDCs, we're analyzing the effect of blending of single family and multifamily rates to provide a consistent rate per dwelling unit regardless of the unit or housing type.

Additional work through our program of collecting person-trip data allows us to modify TSDC rates to better reflect the impact of Portland development and the investments that improve our transportation network. Further, the newest 11th edition of the ITE Trip Generation Manual includes significantly more person-trip data which will help us supplement the data we collect and use for the TSDC program.

City of Portland
Office of Transportation

SDC Report for Fiscal Year: 2020-21

FY 20-21

RESOURCES

Beginning Fund Balance		51,795,212.13
Adjust - Beg Fund Bal Interest		0.00
Revenue		
Citywide SDC Revenues	7,210,701.37	
N Macdam District	0.00	
In Quad District	303,100.60	
Interest earnings	383,425.50	
Total - Revenue		<u>7,897,227.47</u>
TOTAL - RESOURCES		<u>59,692,439.60</u>

REQUIREMENTS

Administrative costs	655,185.02	
SDC Renewal	55,162.96	
Refunds	14,547.17	
Total Admin		<u>724,895.15</u>

Project Costs (SDC eligible) - LGIP Deposit

Project Costs (SDC eligible) - Direct Exp

T00024 - Columbia Blvd/MLK Blvd	0.00
T00274 - Red Electric Trail, SW	236,823.17
T00386 - Burgard/Time Oil Road	85.27
T00450 - 45th & California LID, SW	40,098.00
T00451 - Columbia Blvd: Cully Blvd & Alderwood Rd, NE	0.00
T00453 - St. Johns Truck Strategy, Ph. II, N	266,775.88
T00455 - East Portland Access to Employment, SE/NE	918,436.37
T00456 - Halsey Streetscape: 103rd - 113th, NE	9,752.27
T00457 - Downtown I-405 Ped Safety Imp, SW	6,742.86
T00458 - South Rivergate Freight Project, N	1,913,059.93
T00460 - Connect Cully, NE	11,861.82
T00461 - Bond: Gibbs-River Pkwy, SW	64,305.26
T00465 - Division Bus Rapid Transit, SE	7,865,000.25
T00497 - Flanders Crossing: 15th - 16th, NW	4,465,426.29
T00526 - Errol Heights	0.00
T00537 - 70s Greenway: Flavel - Sacramento, NE	282,457.00

T00538 - Burnside St: 8th-24th, W - CLSD	352.00
T00539 - 47th Ave: Columbia-Cornfoot, NE	2,480,535.39
T00585 - 4th Ave: Lincoln-Burnside, SW	0.00
T00588 - Vermont: Oleson - Capitol, SW-C:SD	929.00
T00589 - 136th: Foster - Division, SE	30,934.49
T00591 - Naito: Harrison - Jefferson, SW	1,065,557.83
T00595 - Capitol Hwy: Multnomah Village - West Ptld SW	0.00
T00619 - Front Ave: 9th-19th LID, NW	403,842.00
T00623 - 7th/9th Ave Greenway: Lloyd-Fremont, NE	495,621.50
T00625 - 102nd Ave Crossing Improvements, NE	120,000.00
T00629 - Division St: 82nd-174th, SE	488,583.87
T00631 - I-205 Undercrossing @ Halsey, NE	134,491.20
T00632 - Montavilla-Springwater Connector, SE/NE	427,065.81
T00638 - Sullivan's Crossing over I-84, NE	3,765,707.30
T00642 - Streetcar Vehicle Acquisition	152,089.23
T00644 - 4M Greenway: 130th-174th, SE	219,847.76
T00645 - 20th Ave Bike: Jefferson-Raleigh, SW/NW	12,118.26
T00646 - 122nd Ave Safety Improvements, Ph II, SE/NE	0.00
T00647 - HOP Greenway: Gateway TC-132nd, NE	20,309.34
T00654 - Multnomah Blvd @ Garden Home, SW	271.63
T00660 - Naito: Jefferson to Davis, SW	0.00
T00663 - Halsey St: 114th-162nd, NE	134,956.64
T00686 - Burlington & Edison LID, N	0.00
T00698 - Suttle Road LID, N.	0.00
T00710 - Jade-Monaevilla Connected Centers NE	8,205.89
T00713 - 42nd Ave: Killingsworth - Columbia, NE	0.00
T00717 - 72nd Ave: Sandy - Killingsworth, NE	(1,428.44)
T00718 - Central Eastside Access & Circulation Impr	0.00
T00719 - Brentwood-Darlington - SRTS, SE	40,588.57
T00720 - Glisan: 102nd - 162nd, NE	86,633.44
T00721 - Capitol Hwy: Huber - Taylors Ferry, SW	0.00
T00723 - Cully Neighborhood St Improvements, NE	0.00
T00724 - Division/Midway Street Improvements, SE	0.00
T00725 - Lowell St: Macadam-Moody, S	4,002.13
T00731 - Gideon Pedestrian Overcrossing, SE	0.00
T00736 - 55th-57th: Killingsworth-Emerson LID,NE	234,812.12
T00742 - Flanders Bkwy: 1st-24th Ave, NW	255,000.00
T00757 - Glisan & 113th, SE	131,670.36
T00759 - MLK & Going, NE	145,431.00
T00771 - Foster/Woodstock Couplet: 96th-101st, SE	0.00
T00772 - Lombard St: St Louis-Richmond, N	0.00
T00773 - 60th/Halsey Area Improvements, NE	0.00
T00811 - Cornfoot: 47th - Alderwood, NE	115,857.33
T00821 - Columbia Blvd: Bank St to Macrum Ave, N	597,183.36
T00865 - 150th: Halsey to Powell, NE	12,346.90
T00871 - Halsey: 65th - 92nd, NE	25,947.93
T00881 - Lombard: Greeley-Fenwick, N	2,108.19
T00892 - Ross Island Bridgehead	162,627.43
T00903 - 97th Phase II and Couch/Davis LIDs, NE	0.00
T00945 - NW in Motion	71,493.27
T00947 - Tyron-Stephens, SW	0.00
T00961 - Johnson St: 9th - Broadway, NW	236,168.22
T00999 - MLK Blvd Safety & Access to Transit	3,618.90
T01034 - 122nd Ave Corridor Improvements	4,138.15

T01035 - Stark-Washington Corridor Improvements	0.00	
T01036 - Willamette Blvd AT Corridor	3,867.14	
Portland Milwaukie LR/Streetcar- Debt Payment	303,101.00	
Total - Project Costs (SDC eligible)		<u>28,477,410.51</u>

TOTAL - REQUIREMENTS 29,202,305.66

Ending Fund Balance 30,490,133.94

LIABILITIES

SDC Credits Carried Forward		120,796.48
SDC Credits Issued		
NW Front Ave LID	1,108,417.00	
NW Wilson and 29th	50,916.00	
Conway NW 20th LID	206,241.36	
Capacity-adding Credits	0.00	
Total - SDC Credits Issued		<u>1,365,574.36</u>
less: SDC Credits expiring after ten year term	0.00	
less: SDC Credits Redeemed and check issued for SDC lien	0.00	
less: SDC Credits Redeemed (as a reduction of revenues)	1,365,574.36	
less: SDC Credits expiring after ten year term	0.00	
Total - SDC Credit Redeemed		<u>1,365,574.36</u>
Balance Carried Forward		120,796.48