

TO: Oregon City, City Commission
From: John Lewis, Public Works Director
RE: SDC Increase for Transportation

For the past year and a half, Oregon City has been working with the community to update the Transportation System Plan. At the May 15, 2012 City Commission hearing, staff provided preliminary information regarding the trade-off between congestion and investing in improvements to our transportation system. The City Commission directed staff to investigate the issue further and provide additional information.

Mobility (Congestion Standards on ODOT Facilities):

The proposed Transportation System Plan (TSP) is designed to comply with mobility standards established in the Regional Transportation Functional Plan and used by ODOT on the state highway system. As part of the analysis conducted for the TSP, twenty key intersections were analyzed to determine their performance in 2035 based on planned development. The predicted performance at these 20 key intersections was compared with the mobility standards proposed in the TSP. If the level of congestion exceeded allowable standards, projects were identified that would improve intersection performance to meet the applicable mobility standards and were included within the TSP. Example projects that increase capacity and allow an intersection to meet the mobility standards include the construction of an additional turn lane or the installation of a traffic signal. Once the projects are constructed the intersection would meet the mobility standard over the planning horizon.

For most of the key intersections, affordable and implementable improvements were identified which would allow the intersection to meet mobility standards during the 20-year planning horizon. However, at three intersections, the improvements necessary to satisfy the mobility standard were determined to be so costly that they could not be reasonably constructed. The three locations, all on the state highway system, are:

I-205/OR 213 Interchange- According to ODOT the redesigned interchange would include construction of additional lanes and bridges, costing \$100 million to \$200 million.

OR 99E/I-205 Interchange- The City and ODOT agreed that the redesigned interchange would include increasing the capacity of the freeway off-ramps with additional lanes or extending existing lanes, costing \$10 million to \$30 million or more. Speculation today suggests that the "or more" solutions could include additional travel lanes on I-205 between the Gladstone interchange and the West Linn/Lake Oswego interchange.

Beavercreek Road/OR 213 - The 2001 TSP identified a grade-separated interchange costing \$20 million. Adjusting for inflation, that same project today would be \$26 million.

Using the lowest range of the estimated costs, the total of all the intersection improvements is \$136 million ($\$100M + \$10M + \$26M = \$136M$). Again, these locations are all on the state highway system.

ODOT (Mobility Concerns in our Region):

Even in combination, ODOT, Clackamas County, and Oregon City do not have projected funding to implement the \$136 million needed to reconstruct the three facilities to comply with the mobility standards. Due to the large cost associated with the improvements, the projects do not appear on the Oregon Highway Plan, the Regional Transportation System Plan or the proposed TSP project list because there is no reasonable likelihood that the projects will be funded. ODOT has made it clear to staff that they would oppose constructing the improvements associated with the intersections and would not contribute any funds for this purpose. ODOT's current revenue projections will be sufficient to cover only the highest priority projects within the region. There is no state or regional funding identified for the three Oregon City locations.

Because funding is not likely to be available to implement these very expensive projects, ODOT recommends that the City undertake additional studies to develop other ways of meeting the City's transportation needs that do not involve major construction projects at these three locations. In addition, these studies may support adoption of alternate mobility standards that allow for a greater level of congestion than is currently allowed by ODOT or is proposed in the TSP. The transportation studies would likely look more broadly at the intersections to identify less costly improvements that provide some increased capacity as well as opportunities to invest in the local network to provide alternative routes and improvements for non-automobile travel in an effort to reduce peak hour trips at the aforementioned intersections. The scope of these additional studies has not been determined and may result in the identification of additional projects that could be added to those already included TSP. As most other jurisdictions in the region are also discovering that insufficient funds will be available to meet mobility standards, additional studies and the adoption of alternate mobility standards that allow for greater levels of congestion will likely be pursued by many jurisdictions. Undertaking such studies and adopting alternate mobility standards, an action that will also need to be taken by the Oregon Transportation Commission if it involves state highways, is likely to take 12-24 months to complete.

Mobility Until Alternate Mobility Standards Are Adopted:

As specified in the Oregon City Municipal Code, most developers are required to conduct a traffic study identifying the traffic impacts of development on proximate intersections throughout the City that are most likely to be more significantly impacted. The Municipal Code requires that if development puts more than 20 new automobile trips through an intersection during the AM or PM peak hour, an analysis is required to demonstrate compliance with mobility standards.

As explained above, some intersections on the state highway system cannot be brought into compliance with current ODOT and proposed TSP mobility standards without unreasonably expensive projects for which there is no identified funding. As the City is not required to assure compliance with mobility standards for permitted and conditional uses on state facilities beyond what is identified in the Regional Transportation System Plan, the City is proposing to temporarily exempt permitted and conditional uses from complying with the current mobility standards for the three aforementioned locations and all **state facilities** within or adjacent to the regional center. Attached is a table illustrating the standards applicable to the various intersections. This temporary exemption would be in effect while the City undertakes more detailed analysis and pursues adoption of an alternate mobility standard over the next 12-24 months.

Providing a temporary exemption for permitted and conditional uses with regard to their impact on state highway facilities would align City code requirements with ODOT requirements and other local

governments which do not require compliance for any ODOT facility. In addition, the exemption satisfies the City’s obligation to implement the state and regional transportation plans as required by state law.

Improvements identified in the TSP would be constructed but would not necessarily result in satisfaction of the mobility standards at the locations discussed above. If there are no improvements identified in the TSP associated with an intersection, no improvements would be made at that intersection. Since the aforementioned expensive improvements are not included in the TSP, congestion would be allowed to occur at these locations. Since the expensive improvements at these three key locations are not included in the TSP project list, the current SDC program does not include the collection of any funds to pay for any improvements at these locations.

Based on direction from the Commission, research was undertaken to identify opportunities to collect additional funding for congestion reduction.

TSP Project Funding:

In the proposed Transportation System Plan, 360 transportation projects were identified totaling an estimated \$226 million worth of investments. These were determined based on the study of 20 intersections plus the inclusion of those projects not yet completed within the existing TSP.

A majority of the funding for these projects is provided by transportation system development charges (SDC’s). Transportation SDC’s are a one-time fee paid when development occurs that are used to fund the expansion of the transportation system to accommodate the increased demand from development. The City is expected to collect approximately \$131 million of SDC’s paid for by development through 2035. SDC funds may be utilized for projects that increase capacity of the transportation system, such as additional travel lanes, new trails, etc.

Projects or portions of projects that do not increase the capacity of the system may not utilize SDC funds. Examples include upgraded retaining walls, new guardrails, signal equipment replacement and upgrades, or new curbs and gutters. Non-SDC eligible projects must be funded through other means, such as Urban Renewal, the Street Fund, or other state or federal grants. As noted above, the City projects \$14.7 million in revenue for non-SDC eligible expenses.

| Funding Anticipated to be Raised to Implement Projects Identified in the TSP | |
|---|------------------------|
| SDC Revenue | Non-SDC Revenue |
| Street SDC - \$129,360,000 | \$14,700,000 |
| Pedestrian/Bicycle SDC - \$1,680,000 | |
| \$131,040,000 | \$14,700,000 |

Some of the improvements in the TSP include both SDC eligible and non-SDC eligible components. For example, when reconstructing and widening a roadway, the costs associated with reconstruction are not eligible for SDC funding while the costs associated with the additional travel lane are eligible to use SDC funds. Since many of the TSP identified projects include both SDC and non-SDC eligible components, the City cannot expect to fund all of the projects identified in the TSP. Due to the inability to fund the non-SDC eligible portions, the proposed Transportation System Plan divided the list of improvements to the transportation system into two categories: those likely to be funded and those which are not.

The proposed TSP assumed the SDC rates will remain unchanged. The SDC’s collected through 2035 are projected to slightly exceed the amount of SDC’s needed to fund all SDC eligible project costs. Any excess will allow the TSP project list to be amended to include additional projects following the completion of the alternate mobility studies.

Funding Sources for Projects Identified in the TSP

| | SDC Eligible Costs | Non-SDC Eligible Costs | Total Project Costs |
|-----------------|---------------------------|-------------------------------|----------------------------|
| Driving | \$99,631,974 | \$66,749,526 | \$166,381,500 |
| Walking | \$7,152,538 | \$7,594,963 | \$14,747,500 |
| Biking | \$2,581,413 | \$2,741,088 | \$5,322,500 |
| SUP | \$13,796,068 | \$16,427,433 | \$30,223,500 |
| Family Friendly | \$0 | \$5,240,500 | \$5,240,500 |
| Crossing | \$0 | \$2,880,000 | \$2,880,000 |
| Transit | \$0 | \$1,300,000 | \$1,300,000 |
| Total | \$123,161,992(1) | \$102,933,509 | \$226,095,500 |

- (1) The \$7,878,008 difference between the SDC Revenue and the Total SDC Eligible Costs is projected revenue that is yet to be allocated in the “likely to be funded” project list because the corresponding non SDC revenue is yet to be identified. Additional non SDC revenue which is not realized in the TSP is alternative funding such as grants and loans. Assuming the City is successful with obtaining grants or loans to help with additional project funding, the difference between SDC revenue and Total SDC Eligible Costs would balance.

Fee Increase:

On May 15, City staff presented options to address funding shortfalls and the predicted failure to achieve mobility standards at the interchanges of I-205/99E, I-205/ OR 213 and the intersection of Highway 213/Beavercreek Road. The approach included the possibility of a fee to improve mobility that could be used over the next 12 to 24 months as the City investigates and pursues alternative mobility standards for these state facilities. Once these studies are completed, the SDC’s and mobility standards in the Oregon City Municipal Code (OCMC 12.04.205) will be amended to reflect the changes.

As discussed above, ODOT has indicated that state funding is not available to implement major projects at these locations. A federal grant, such as the one that funded the Jughandle project, or Urban Renewal funds are potential sources of funds but both seem unlikely. If a grant opportunity became available the City would likely be required to provide a share of the grant funding. Since the two interchange projects and the 213/Beavercreek intersection are not identified in the TSP, no SDC fees are currently being collected to fund improvements or even a share of improvements at these locations. Three options are presented below that discuss options available to the City including two that would generate additional funds that could be used to implement small scale improvements to enhance mobility at these locations or provide the local share as a match against a potential grant to implement a larger project.

City Commission direction is required for the staff to proceed with implementation of a fee or modification of the SDC program. Following the June 19 hearing Staff will implement the preferred option identified by the City Commission.

Option A: Increase System Development Charges

Collect additional Transportation SDC's to fund construction of 10% of the lowest estimated project costs for the improvements necessary to achieve the proposed TSP mobility standard at the interchanges of I-205/99E, I-205/ OR 213 and the intersection of Highway 213/Beavercreek Road.

Fee Calculation:

The total of all the intersection improvements is \$136 million ($\$100M + \$10M + \$26M = \$136M$)

It is likely that the City would have to pay for 20% of the improvements, or \$27.2 million ($\$136M * 0.20 = \$27.2M$)

Since SDC may only be utilized to fund increased capacity, it is likely that 50% of the projects are SDC eligible, or \$13.6 million ($\$27.2M * 0.5 = \$13.6M$)

A total of \$13.6 million is likely needed to provide the opportunity for the City to receive future federal grants for the three locations. If no grants are available, the mobility fee could be used to improve mobility for the intersections exempted as previously discussed above. Implementation of this option would result in an increase of transportation SDC's by approximately 12.5% to all development. If the money was not used for SDC-eligible projects relieving congestion at the intersections, the money collected from the increased SDC would be returned and the SDC assessment would be recalculated.

Option B: A Fee per each Automobile Trip through the Three Intersections

When development occurs, a traffic study is generally conducted identifying the traffic impacts of development on intersections throughout the City. When a vehicle trip is identified at the interchanges of I-205/99E, I-205/ OR 213 and the intersection of Highway 213/Beavercreek Road and that causes the mobility standard to be exceeded, a fee would be paid into the mobility fund.

Fee Calculation: Fee for the interchange of I-205/ OR 213: \$861.70 per car

The total intersection improvement is \$100 million

The City to fund 20% of the improvements to receive a grant, or \$20 million ($\$100M * 0.20 = \$20M$)

It is likely that 50% of the projects are SDC eligible, or \$10 million ($\$20M * 0.5 = \$10M$)

11,605 peak-hour trips are anticipated to use the intersection in excess of the mobility standard in 2035.

The total cost divided by the proposed increase in traffic results in a fee of \$861.70 per car ($\$10M / 11,605 = \861.70).

Fee for the interchange of I-205/99E: \$84.42 per car.

The intersection improvement is \$10 million.

The City to fund 20% of the improvements to receive a grant, or \$2 million ($\$10M * 0.20 = \$2M$).

It is likely that 50% of the projects are SDC eligible, or \$1 million ($\$2M * 0.5 = \$1M$).

11,845 peak-hour trips are anticipated to use the intersection in excess of the mobility standard in 2035.

The total cost divided by the proposed increase in traffic results in a fee of \$84.24 per car ($\$1M / 11,845 = \84.24).

Fee for the intersection of Highway 213/Beavercreek Road: \$374.91 per car.

The intersection improvement is \$26 million.

The City to fund 20% of the improvements to receive a grant, or \$5.2 million ($\$26M * 0.20 = \$5.2M$).

It is likely that 50% of the projects are SDC eligible, or \$2.6 million ($\$5.2M * 0.5 = \$2.6M$).

6,935 peak-hour trips are anticipated to use the intersection in excess of the mobility standard in 2035.

The total cost divided by the proposed increase in traffic results in a fee of \$374.91 per car ($\$2.6M / 6,935 = \374.91).

Each car identified in a traffic study as using any of the three intersections that causes the mobility standard to be exceeded would be charged a fee for each intersection. The fee would be placed within the mobility fund. Eliminated and collected funds would be returned should the City decide that it no longer desires to construct improvements at these locations.

Option C: Do Not Adopt or Increase Fees

The last option is to retain the existing fees for the next 12-24 months until alternate mobility standards are implemented. Under this option the City would defer SDC increases until special studies are

completed, an alternate mobility standard is adopted, and measures or projects needed to mitigate congestion at the three locations are identified and included in the TSP.

Comparison of SDC’s in the Metro Area:

The Commission directed staff to compile a comparative list of system development charges for various jurisdictions within the metropolitan area. The current SDC’s for Oregon City and eight other jurisdictions are provided below. Of the jurisdictions identified, Oregon City currently has the second highest transportation SDC’s. The “Oregon City w/SDC Increase” depicts a 12.5% fee increase similar to what was discussed previously.

| City | SFR Home | General Office Building (10,000 sq. ft.) | Specialty Retail (2,000 sq. ft.) | Jurisdiction Population |
|-----------------------------------|----------------|--|----------------------------------|-------------------------|
| West Linn | \$8,631 | \$112,300 | \$43,346 | 25,392 |
| Oregon City w/SDC Increase | \$8,568 | \$111,465 | \$43,026 | 32,211 |
| Oregon City | \$7,616 | \$99,080 | \$38,245 | 32,211 |
| Tigard | \$6,665 | \$68,690 | \$17,194 | 49,011 |
| Tualatin | \$6,665 | \$68,690 | \$17,194 | 26,558 |
| Clackamas County | \$3,560 | \$43,410 | \$18,362 | 383,857 |
| Lake Oswego | \$4,195 | \$42,690 | \$5,876 | 37,046 |
| Portland | \$2,773 | \$35,600 | \$9,360 | 593,820 |
| Canby | \$2,955 | \$34,000 | \$10,116 | 16,007 |
| Milwaukie | \$1,693 | \$22,023 | \$8,501 | 20,518 |

Staff Recommendation:

With regard to how the City Code should address mobility standards:

Staff recommends that exemption language be included in the OCMC that would: 1) exempt development proposals for permitted uses or conditional uses from requirements to implement disproportionately-expensive improvements at the I-205/99E interchange, the I-205/213 interchange and the 213/Beavercreek intersection to meet mobility standards; and 2) exempt development proposals for permitted uses or conditional uses from requirements to implement disproportionately-expensive improvements at the intersections inside or directly adjacent to the regional center to meet mobility standards.

This exemption, applicable only to permitted and conditional uses, would exempt a developer from being required to implement any public improvement that is not specifically called for in the TSP. A developer would still be required to provide a traffic analysis report that includes an assessment of the development’s impact on the intersections identified in this exemption and constructing the intersection improvements listed in the TSP or required by the code.

With regard to fee increases to mitigate mobility due to new development inside the City:

Staff recommends the City Commission adopt Option C - Do not adopt or increase fees at this time. This option is recommended because:

1. ODOT has confirmed that it is very unlikely that federal, state, or regional funds will be made available for the three locations.

2. The current SDC's are already at the higher end of the range among other local jurisdictions.
3. Option C allows the City to require minor improvements at the exempt intersections if they are identified in the TSP.
4. Legal counsel has advised that it may not be appropriate to collect fees based upon projects which are not likely to be constructed.
5. Option C avoids further complexity to the existing SDC methodology.
6. Option C avoids the cost of additional administration of SDC's.
7. Choosing Option C would not preclude the City Commission from implementing SDC changes following completion of Mobility Standard studies that will likely be completed within 12-24 months. Staff acknowledges that an increase in SDC's may be required in the future.
8. Option C would not delay adoption of the TSP and code changes. *If the Commission decides to increase the system development charges, the Transportation System Plan and associated amendments to the Oregon City Municipal Code may be approved in June/July, but would not be effective until a resolution increasing the system development charges could be adopted.*

Exhibits:

1. Example Improvements Required when Exceeding Mobility Standards
2. Proposed TSP: Likely and Not Likely Funded Project List