

IMPACT STATEMENT

Legislation title: Create the Errol Heights Local Improvement District to construct street, sidewalk, and stormwater improvements (Hearing; Ordinance; C-10064)

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Purpose of proposed legislation and background information:

This ordinance will form the Local Improvement District (LID) for street and stormwater management improvements in the Errol Heights section of the Brentwood-Darlington neighborhood in southeast Portland.

Background:

City Council passed Resolution No. 37530 in February 2021 authorizing PBOT to begin LID Formation Proceedings. Since then, PBOT has finalized the plans, specifications and estimate for the street and stormwater management improvements and finalized the project funding (detailed in the Financial and Budgetary section below).

About the Project and Proposed LID Formation:

Errol Heights has nearly 1.2 miles of unpaved streets and virtually no stormwater infrastructure, which makes travel difficult for people walking, biking and driving, slows emergency response times, and contributes to localized flooding and private property impacts. Most of the Errol Heights area was not annexed to the City of Portland until 1986, and it still retains a rural feel.

Efforts to develop a funding solution for Errol Heights street improvements date back to 2008. An LID proposed in that year did not move forward primarily due to the cost burden on property owners – it required assessments of approximately \$80,000 on average. A second LID attempt in 2014 utilized newly-approved and lower-cost “shared street” standards, but still required an average assessment of \$25,000, faltering once again.

The currently proposed LID keeps the lower-cost street standards from 2014, but provides a larger public subsidy, and offers property owners a full payment deferral of the LID assessment until the next sale of the property after the LID final assessment or a title transfer. Property assessment is based on a per-square foot calculation, with some case-by-case reductions allowed for existing street improvements.

Petitions for the currently proposed LID were circulated in Errol Heights in spring of 2018 and again in fall 2020 (the latter to account for properties that had changed owners). As of the filing date of this Resolution, PBOT has received outright petition support of 56.8%

based on the assessment methodology. If properties encumbered with Waivers of Remonstrance are added to this total, de facto support increases to 67.3%. LIDs statutorily require 51% support; the petitions for the Errol Heights LID exceed this threshold.

Final plans, specifications and estimates are now complete for the project, which consists of paving all unpaved streets in Errol Heights, adding a sidewalk to the north side of SE Malden Drive, adding a sidewalk to the south side of portions of SE Tenino Drive and SE Tenino Court, paved driveway connections, street lights, street trees, and stormwater management systems including swales, sump systems, and two large treatment and detention ponds. Additional street frontage improvements along the perimeter of Errol Heights Park will be paid for by Portland Parks and Recreation.

Financial and budgetary impacts:

The Errol Heights LID will be leveraged by public funds at an approximate 4:1 ratio. This public subsidy makes the LID sufficiently affordable to earn majority support among Errol Heights property owners, as evidenced by the petition support that was received. Property owners will be assessed \$2.55 per square foot of land area, with some discounts for the presence of partial street improvements. For a typical 5,000-square foot “Portland lot,” this equates to an assessment of \$12,750. Actual assessments among the 116 properties in the LID range from \$1,335.31 to \$74,753.25, with an average assessment of \$14,137.58. The LID assessments are expected to raise total revenue of \$1,639,959.58.

Public funds leveraging the LID are broad-based across multiple bureaus and funding sources. The approximate funding blend is as follows, covering all project phases (planning, design, right-of-way, construction).

• Local Improvement District:	\$1,639,960	18%
• General Fund “Out of the Mud” Allocation:	\$2,000,000	21%
• Transportation System Development Charges:	\$2,000,000	21%
• Bureau of Environmental Services:	\$2,872,620	31%
• <u>Portland Parks and Recreation:</u>	<u>\$ 847,172</u>	<u>9%</u>
• TOTAL:	\$9,359,752	

Funding commitments from BES and Parks are estimates and bureaus will be responsible for 100% of the actual costs for design and construction. Cost responsibilities for each bureau will be memorialized in forthcoming Memorandums of Understanding (MOUs). These MOUs will be signed by the bureau directors or their designees prior to construction.

Every property owner in the Errol Heights LID is being offered a full payment deferral of the assessment until the next sale of property after final LID assessment, with no interest or other financing fees due. The LID assessment will take the form of a lien on the property title until sale. Because decades will elapse before all 116 properties in the LID turn over, PBOT will need to carry the up-front cost of the LID and any financing. PBOT has allocated \$1,639,960 of General Transportation Revenue (GTR) to carry these costs. LID assessment payments from future property sales will be used to reimburse GTR.

The estimated total project cost, inclusive of all project phases, is \$9,359,752. The construction contract is estimated to be in the \$6 million to \$8 million range. The level of confidence in the Engineer's Estimate is high because the final plans, specifications, and estimate were completed in January 2022 after four years of iterative design refinement.

Funds for construction of the project are programmed in the PBOT Capital Improvement Program in FY 2021-22 and 2022-23 under cost center T00526. No changes or updates to the budget are anticipated at this time.

Community impacts and community involvement:

PBOT and other city staff have engaged the Errol Heights community to discuss street improvements for at least the past 15 years. As noted above, LID formations faltered in 2008 and 2014 due to untenable financial burdens on property owners. When Council provided additional subsidy for the project as part of the General Fund "Out of the Mud" allocation starting in 2016, combined with BES's tentative commitment of CIP funds, the LID became financially feasible to the extent that PBOT initiated design engineering and additional public outreach.

At a community open house in December 2017, staff shared preliminary project designs, sought feedback on where to place limited sidewalks, and explained LID details, including the commitment to full deferral. Staff also presented the results of a hedonic real estate analysis that found that the assessment will be equal to or less than the expected boost in property value provided by paved streets compared to gravel streets. The project manager followed up with one-on-one communications with affected property owners.

PBOT distributed LID petitions in April 2018 and hosted a May 2018 "office hours" session in the neighborhood to answer detailed questions. The 2018 petition drive yielded greater than 50% outright support, clearing the criteria for LID formation. However, design engineering challenges and new funding questions in 2019 and 2020 delayed implementation of the LID. All the while, PBOT provided updates to the neighborhood.

With public funding and design engineering issues settled in fall 2020, PBOT provided a comprehensive project update to the neighborhood (by first class mail and email) and initiated a second round of petitions. The second round of petitions was necessary to account for the fact that about ten properties had changed hands since 2018, causing outright support to drop below 50%. Despite COVID-19 and its economic impacts, PBOT received 24 new petitions of support as of the filing date of this Resolution, bringing LID support up to 57%. When properties with Waivers of Remonstrance are included, de facto support increased to 67%.

Property owners were notified of this LID formation hearing by mail. PBOT also publicized notice of the hearing in a local newspaper and displayed on neighborhood lawn signs placed within the LID Boundary.

Budgetary Impact Worksheet

Does this action change appropriations? (if appropriating budget in ordinance check yes if not check no. Please contact Sean O'Reilly on this and for help to fill this out).

- YES:** Please complete the information below.
- NO:** Skip this section

Fund	Fund Center	Commitment Item	Functional Area	Funded Program	Grant	Sponsored Program	Amount

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