

## IMPACT STATEMENT

**Legislation title:** Authorize a full payment deferral loans program to property owners in the Errol Heights Local Improvement District until the participating property is sold and/or title transferred to another owner or entity (Ordinance; C-10064)

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### **Purpose of proposed legislation and background information:**

This ordinance accompanies the Errol Heights LID formation ordinance and authorizes PBOT to offer a full deferral to property owners within the LID until future property sale or title transfer. This ordinance also details the LID funding options that will be presented to property owners in conjunction with the LID's final assessment. ***This ordinance will only be adopted if the LID formation ordinance is passed by Council.***

Prior to presenting the LID final assessment ordinance to Council, the Portland Bureau of Transportation will offer the full payment deferral loan program option to all property owners within the Errol Heights LID. Property owners can choose to either participate in the deferral program, pay 100% of the LID upon final assessment, or enter into a repayment financing contract at the time of LID final assessment.

### *Background Information:*

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).

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 22-23 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.

It was the combination of the additional public subsidy detailed above and the LID full deferral option that finally gained broad support amongst Errol Heights property owners for the LID formation and the project overall.

**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

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