

FINANCIAL IMPACT STATEMENT

For Council Action Items

(Use this form for Ordinances and Resolutions)
(Deliver original to Financial Planning Division. Retain copy.)

1. Name of Initiator Rebecca Esau Sallie Edmunds	2. Telephone Number 503-823-6966 503-823-6950	3. Bureau/Office/Dept. Development Services Planning and Sustainability
4a. To be filed (date) 11/10/10	4b. Calendar (Check One) Regular Consent 4/5ths [X] [] []	5. Date Submitted to FPD Budget Analyst:

1) Legislation Title: Authorize River Plan/North Reach in-lieu fees and establish a North Reach Reinvestment Fee Credit.

2) Purpose of the Proposed Legislation: To set and adopt the off-site revegetation and mitigation fees called for in the April 15, 2010 adoption of the River Plan / North Reach. There are in-lieu of fees established for multiple activities in the following sections of the North Reach code:

- 33.475.120, 220 and 320 Vegetation Enhancement Standard
- 33.475.130, 230 and 330 IG2 and EG2 Minimum Landscape Area
- 33.475.430.B.1 Standards for Bulkheads
- 33.865.100.B.2.d Mitigation

The revegetation fees linked to the Vegetation Enhancement and IG2/EG2 Landscaping standards are permanent fees for off-site mitigation. The mitigation in-lieu of fees for Bulkheads and Environmental Review required mitigation are temporary fees for a two year period until the City or private contractor establishes a formal mitigation bank for these needs.

Under the River Plan, the revegetation fees are to be adopted based on their actual restoration project cost experience. These fees provide 100% cost recovery for the purchase, site prep, installation and maintenance costs for various restoration and mitigation related activities. Some portion of land acquisition costs, overhead and contingency funds are included. Costs are detailed in the November 4, 2010 report titled *How to Calculate River Plan / North Reach In-Lieu Fees*.

This legislation also provides a North Reach Reinvestment Fee Credit for two years and directs the Office of Management and Finance, Portland Development Commission and Bureau of Planning and Sustainability to return to Council with a funding Strategy in January 2011.

3) Revenue:

Will this legislation generate or reduce current or future revenue coming to the City? If so, by how much? If new revenue is generated identify the source.

This legislation has the potential to generate anywhere from a few hundred thousand up to a million dollars of revenue in support of the River Restoration Program during the two-year interim in-lieu of fee period. The amount of revenue is dependent on the actual site development activity within the North Reach.

4) Expense:

What are the costs to the City as a result of this legislation

Costs to the City include restoration project plan development, project implementation, project

maintenance and management of collected fees. These costs are generally accounted for within the fees.

In addition there are costs related to the North Reach Reinvestment Fee Credit Those will be estimated by the Office of Management and Finance.

5) Staffing Requirements:

a) Will any positions be created, eliminated or re-classified in the current year as a result of this legislation?

No new positions are anticipated. River restoration projects are likely to be managed within existing staff resources and contracts for BES.

b) Will positions be created or eliminated in *future years* as a result of this legislation?

As a result of this legislation, the Bureau of Environmental Services is expected to create 1.5 FTE beginning in FY 2010/2011 to 1) provide technical support for the River Restoration Program, including site design and implementation, 2) develop the mitigation bank certification procedure and 3) assist the Bureau of Development Services with the review of North Reach development permit applications

6) Change in Appropriations: Budget changes for the current year must go through the BMP Process. This section may only be use with prior permission of your OMF analyst for exceptions.

Fund	Center Code	Account	Amount	Project Fund	Project No.
OMF USE ONLY					

Commissioner Randy Leonard



APPROPRIATION UNIT HEAD (Typed name and signature)

EXHIBIT A

River Plan/North Reach In Lieu Fee Schedule

1. Vegetation Enhancement

Authorized by Sections 33.475.120, 33.475.220 and 33.475.320

\$7.42 per square foot of enhancement area times the area equal to 15% of the development site within the River Overlay zone(s). The maximum amount to be collected by the City per project, in order to achieve conformance with the standard, is the lesser of (a) 1% of the project value; or (b) \$200,000.

2. Minimum Landscaping

Authorized by Sections 33.475.130, 33.475.230 and 33.475.330

\$7.42 per square foot of enhancement area times the area equal to 15% of the development site. Applies only to developments located in IG2 and EG2 zones.

3. River Environmental – Bulkhead Mitigation

Authorized by Section 33.475.430.B.1

\$71.90 per square foot of area filled in between an existing and new bulkhead. Applies only to developments located in River Environmental Overlay Zones.

4. Natural Resource Mitigation

Authorized by Section 33.865.100.B.2.d(2)

Habitat Type	Rate per DSAY
Riverine	\$235,100
Riparian	\$168,000
Upland	\$59,000
Stream	\$220,700
Wetland	\$25,400

Applies only to developments located in River Environmental Overlay Zones. DSAY refers to a Discounted Service Acre Year, a numerical value that represents the degree of impact on each of five classifications of habitat.

EXHIBIT B

River Plan / North Reach

Estimating the Cost of the North Reach Reinvestment Fee Credit for In Lieu Fees

November 10, 2010

	Description	Cost Components	Total in lieu fee	Notes	The next two years 1/1/11 – 1/1/13
1. Bulkhead Mitigation Standard Applies in the River environmental overlay zones only	<p>Requires that the applicant pay a fee to compensate for the impact to natural resources from installing a new bulkhead riverward of an existing bulkhead. The payment is based on the square footage of area filled in between the existing and new bulkhead.</p> <p>Applicant must pay an in lieu fee to the City. On site mitigation is not allowed when meeting this standard.</p>	<p>Restoration: \$66.44 Acquisition: \$5.50</p>	<p>\$71.90/sq ft (rounded)</p>	<p>See Appendix C, Table 25.</p>	<p>There was one bulkhead replacement over the past 10 years. Staff estimates that there could be one in the next two years. The mitigation fee for a case similar to the one approved in 2004 is estimated to be \$226,485.</p>
2. Mitigation Applies in the River environmental overlay zones only	<p>River Review allows for a payment in-lieu of on-site mitigation when development will have a significant impact on natural resources. The mitigation in lieu fee is determined through use of the Functional HEA model.</p> <p>If on-site options are not practicable or ecologically beneficial, City staff will require off site mitigation. Applicants can pay the City a fee in lieu of mitigation.</p>	<p>Hard: varies by habitat type Soft: 90% Acquisition: \$5.50 Contingency: 75% of hard costs</p>	<p>The fee is based on the quality of the habitat types before and after development.</p>	<p>See Appendix A, and C.</p>	<p>There was an average of 5.3 cases per year over that past 10 years. The River Plan would have only required that half of these go through a review or 2.6. Given that some of these cases would review state and federal review and those reviews can be lengthy, staff estimates that there could be 4 permits to develop in the river environmental zone over the next two years. Staff estimates that required mitigation would range from about 10,000 – 200,000. For the purposes of this estimate we assume the following</p> <p>1 @ \$20,000 1 @ \$40,000 1 @ \$100,000 1 @ \$200,000</p> <hr/> <p>\$360,000</p>

ORDINANCE No.

Authorize River Plan/North Reach in-lieu fees and establish a North Reach Reinvestment Fee Credit.
(Ordinance)

The City of Portland ordains:

Section 1. The Council finds:

1. On April 15, 2010, City Council adopted Ordinance No. 183694, adopting River Plan/North Reach, and directing City bureaus to implement the programs, projects, regulations and financing tools to implement the plan. The River Plan is the first update of the Willamette Greenway Plan in more than twenty years, and is designed to comply with Statewide Planning Goal 15 (Willamette Greenway).
2. River Plan/North Reach amends City Code Title 33 (Chapters 33.475 and 33.865) to include specific regulatory requirements for landscaping, vegetative enhancement and mitigation of development impacts that require development review, findings and decision-making by the City. These administrative responsibilities may include administration of fees and charges, mitigation banks and other strategies and action to ensure compliance with City Code, and achievement of River Plan goals.
3. The River Plan/North Reach code directs the Bureau of Development Services (BDS) to establish and administer in-lieu mitigation fees to finance City restoration projects that are required to mitigate the natural resource and habitat impacts of private development.
4. BDS intends to assign administrative responsibilities for the in-lieu mitigation fees to the Bureau of Environmental Services (BES). In so doing, BES will be able to organize a comprehensive River Restoration Program that integrates the goals of River Plan/North Reach and the City's Watershed Management Plan.
5. BES will rely on scientific and financial reports and studies to administer in-lieu mitigation fees, including the following:
 - a. *Habitat Valuation Methodology*. Prepared for the Bureau of Planning and Sustainability by Tetra Tech. October 2010.
 - b. *Science Panel Report*. Memo from Kaitlin Lovell to Sallie Edmunds. November 1, 2010.
 - c. *Willamette River Mitigation In-Lieu Fees*. Prepared for the Bureau of Planning and Sustainability by Tetra Tech. October 2010.
 - d. *Updated Restoration Site Cost Estimates*. Memo from Paul Ketchum and Kristen Acock to Sallie Edmunds. June 9, 2009.
 - e. *How to Calculate River Plan / North Reach In-Lieu Fees*. Prepared by the Bureau of Planning and Sustainability. November 2010.

6. The costs identified in the report *How to Calculate River Plan / North Reach In-Lieu Fees* are based on "conceptual restoration designs". BES standard practices require that conceptual restoration designs include a 75% contingency fee and therefore that is what is included in the calculations. The more refined, "pre-design" only requires a 50% contingency fee. The "final design" only requires a 20% contingency fee.
7. Portland is currently experiencing an economic recession along with the rest of the country. The City wishes to support businesses that make major investments in their facilities. Subsidizing the in lieu fees with a credit would provide this support during this time period.

NOW, THEREFORE, the council directs:

- a. the Council adopts the River Plan/North Reach in-lieu mitigation fees as set forth in Exhibit A of this Ordinance.
- b. to stimulate development in the North Reach, for a period of two years applicants will receive a 50 percent North Reach Reinvestment Fee Credit of their new mitigation in lieu fees (Exhibit B). After two years the credit will expire and applicants will be required to pay the full fee in lieu or purchase the full number of mitigation banking credits. The Office of Management and Finance, the Portland Development Commission and the Bureau of Planning and Sustainability will return to Council with a funding strategy in January 2011.
- c. staff return to City Council with an updated fee schedule and supporting information once "pre-design" is complete and again when "final design" is complete for the two chosen restoration sites.
- d. this Ordinance and the attached schedule of River Plan/North Reach in-lieu mitigation fees (Exhibit A) are binding City policies.

Passed by the Council,
Commissioner Randy Leonard/Mayor Sam Adams
Commissioner of Public Safety

Rebecca Esau/Sallie Edmunds
November 17, 2010

LaVonne Griffin-Valade
Auditor of the City of Portland
By

Deputy

Agenda No.
ORDINANCE NO.
 Title

Authorize River Plan/North Reach in-lieu fees and establish a North Reach Reinvestment Fee Credit.
 (Ordinance)

INTRODUCED BY Mayor Sam Adams Commissioner Randy Leonard	CLERK USE: DATE FILED <u>NOV 17 2010</u>
COMMISSIONER APPROVAL Mayor—Finance and Administration - Adams <i>[Signature]</i> Position 1/Utilities - Fritz Position 2/Works - Fish Position 3/Affairs - Saltzman Position 4/Safety - Leonard <i>[Signature]</i>	LaVonne Griffin-Valade Auditor of the City of Portland By: <i>[Signature]</i> Deputy
BUREAU APPROVAL Bureau: Development Services Bureau Head: Paul Scarlet Prepared by: Rebecca Esau/Sallie Edmunds Date Prepared: November 2, 2010	ACTION TAKEN: NOV 17 2010 SUBSTITUTE PASSED TO SECOND READING DEC 01 2010 3:30 PM TIME CERTAIN
Financial Impact Statement Completed <input checked="" type="checkbox"/> Amends Budget <input type="checkbox"/> Not Required <input type="checkbox"/>	DEC 01 2010 REFERRED TO COMMISSIONER OF FINANCE & ADMINISTRATION
Portland Policy Document If "Yes" requires City Policy paragraph stated in document. Yes <input checked="" type="checkbox"/> No <input type="checkbox"/>	
Council Meeting Date November 17, 2010	
City Attorney Approval	

AGENDA TIME CERTAIN <input checked="" type="checkbox"/> Start time: <u>2 PM</u> Total amount of time needed: 2.5 hrs (2 of 5) (for presentation, testimony and discussion)
CONSENT <input type="checkbox"/>
REGULAR <input type="checkbox"/> Total amount of time needed: _____ (for presentation, testimony and discussion)

FOUR-FIFTHS AGENDA	COMMISSIONERS VOTED AS FOLLOWS:		
		YEAS	NAYS
1. Fritz	1. Fritz		
2. Fish	2. Fish		
3. Saltzman	3. Saltzman		
4. Leonard	4. Leonard		
Adams	Adams		