

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AUTHORIZING)	RESOLUTION NO. 82 - 344
THE METROPOLITAN SERVICE DISTRICT)	
(METRO) TO APPLY ON THE BEHALF OF)	Introduced by the
GRESHAM AND CENTRAL COUNTY SERVICE)	Regional Development
DISTRICT OF MULTNOMAH COUNTY TO)	Committee and the
TO THE OREGON DEPARTMENT OF)	Council Coordinating
ENVIRONMENTAL QUALITY (DEQ) FOR)	Committee
A LOAN TO CONSTRUCT A SANITARY)	
SEWER DRY LINE IN BURNSIDE)	

WHEREAS, There will be a savings of approximately \$4 to \$5 million in building costs if the sewer line is installed simultaneously with the construction of the Banfield Light Rail system; and

WHEREAS, Massive inconvenience would result from installing sewers after the light rail system is constructed; and

WHEREAS, Investment in the LRT is approximately \$211.7 million of which \$21.7 million has been provided through the State of Oregon and an investment of \$3 million in sewers would maximize the return on already committed public funds; and

WHEREAS, Substantial development will occur along Burnside Street from 102nd to 197th as a direct result of the construction of the LRT and sewers; and

WHEREAS, In response to a DEQ ruling prohibiting cesspools and seepage pits, Multnomah County has committed to construct sewers in 90 percent of the unsewered areas in East Multnomah County by 1990; and

WHEREAS, It is necessary to construct a sewer line along Burnside Street following the Banfield Light Rail Transit corridor to comply with the Multnomah County sewer commitment; and

WHEREAS, It is necessary to apply for a loan from DEQ State Pollution Control Bond fund for the construction of the sewer line from 102nd Avenue to 197th Avenue on the behalf of Multnomah County and Gresham; and

WHEREAS, The rate of interest for the loan will not exceed the rate of interest the State is paying, plus administrative overhead costs, at the time the loan is made; and

WHEREAS, Alternative financing through General Obligation Bonds or private sector financing is unlikely and cannot meet the time constraints imposed by Tri-Met's timeline for design and construction of the light rail; and

WHEREAS, Pollution Control Bonds are the only source of funds immediately available to construct sewers in Burnside simultaneously with light rail construction; and

WHEREAS, Metro shall enter into an intergovernmental agreement with Gresham and the Central County Service District of Multnomah County prior to receiving loan proceeds, whereby this agreement will provide for repayment of the loan to the State and for the delineation of the ownership of the system approximately at 148th Avenue; now, therefore,

BE IT RESOLVED,

Metro is hereby authorized to apply to the Oregon Department of Environmental Quality for Pollution Control Bonds to construct a sanitary sewer dry line along Burnside Street from 102nd

Avenue to 197th Avenue, this application shall be on the behalf of the Central County Service District of Multnomah County and the city of Gresham who shall be solely responsible for debt repayment.

ADOPTED by the Council of the Metropolitan Service District this 22nd day of July, 1982.

Bob Oleson for
Presiding Officer

SB/srb
6298B/252
07/16/82

*Sue
fyi*



METRO

METROPOLITAN SERVICE DISTRICT

527 S.W. HALL ST., PORTLAND, OR. 97201, 503/221-1646

MEMORANDUM

Date: July 19, 1982
To: Metro Councilors via Executive Officer
From: *Phillip Whitmore*, Development Director
Regarding: Request for Banfield Sewer Funding

To-date the following actions have been taken by the concerned jurisdictions:

July 6, 1982	Gresham City Council voted 6-1 to urge Metro to apply for \$3 million State Pollution Control Bonds. (<u>The Gresham Outlook</u> printed a favorable editorial urging this action.)
July 7, 1982	Metro Regional Development Committee voted 4-0 to recommend favorable action to the full Metro Council.
July 12, 1982	Metro Council Coordinating Committee voted 5-0 to recommend favorable action to the full Metro Council.
July 15, 1982	Multnomah County passed resolution urging and supporting Metro's application for sanitary sewer.
July 22, 1982	Metro Council scheduled for action on this item.

In early September the funding request will go to the Legislative Emergency Board if the Metro Council approves a Resolution. DEQ requires three weeks for their staff review, and the Emergency Board requires an additional three weeks after the DEQ staff report is complete. Since that is a very tight timeline, Bill Young Director of DEQ asked that we submit the funding request for his staff review subject to whatever action the Council takes on July 22. In response on July 16, we provided Mr. Young the funding request with the Gresham and Multnomah County Resolutions, staff reports and draft Metro Resolution.

*Revised
7-16-82*

BEFORE THE COUNCIL OF THE
METROPOLITAN SERVICE DISTRICT

FOR THE PURPOSE OF AUTHORIZING)
THE METROPOLITAN SERVICE DISTRICT)
(METRO) TO APPLY ON THE BEHALF OF)
GRESHAM AND MULTNOMAH COUNTY TO)
TO THE OREGON DEPARTMENT OF)
ENVIRONMENTAL QUALITY (DEQ) FOR)
A LOAN TO CONSTRUCT A SANITARY)
SEWER DRY LINE IN BURNSIDE)

RESOLUTION NO. 82-344

Introduced by the
Coordinating Committee

WHEREAS, There will be a savings of approximately \$4 to \$5 million in building costs if the sewer line is installed simultaneously with the construction of the Banfield Light Rail system; and

WHEREAS, Massive inconvenience would result from installing sewers after the light rail system is constructed; and

WHEREAS, Investment in the LRT is approximately \$211.7 million of which \$21.7 million has been provided through the State of Oregon and an investment of \$2.5 to \$3 million in sewers would maximize the return on already committed public funds; and

WHEREAS, Substantial development will occur along Burnside Street from 102nd to 197th as a direct result of the construction of the LRT and sewers; and

WHEREAS, In response to a DEQ ruling prohibiting cesspools and seepage pits, Multnomah County has committed to construct sewers in 90 percent of the unsewered areas in East Multnomah County by 1990; and

WHEREAS, It is necessary to construct a sewer line along Burnside Street following the Banfield Light Rail Transit corridor to comply with the Multnomah County sewer commitment; and

WHEREAS, It is necessary to apply for a loan from DEQ State Pollution Control Bond fund for the construction of the sewer line from 102nd Avenue to 197th Avenue on the behalf of Multnomah County and Gresham; and

WHEREAS, The rate of interest for the loan will not exceed the rate of interest the State is paying, plus administrative overhead costs, at the time the loan is made; and

WHEREAS, Alternative financing through General Obligation Bonds or private sector financing is unlikely and cannot meet the time constraints imposed by Tri-Met's timeline for design and construction of the light rail; and

WHEREAS, Pollution Control Bonds are the only source of funds immediately available to construct sewers in Burnside simultaneously with light rail construction; and

WHEREAS, Metro shall enter into an intergovernmental agreement with Gresham and Multnomah County prior to receiving loan proceeds, whereby this agreement will provide for repayment of the loan to the State and for the delineation of the ownership of the system approximately at 148th Avenue; now, therefore,

BE IT RESOLVED,

Metro is hereby authorized to apply to the Oregon Department of Environmental Quality for Pollution Control Bonds to

construct a sanitary sewer dry line along Burnside Street from 102nd Avenue to 197th Avenue.

ADOPTED by the Council of the Metropolitan Service District
this _____ day of _____, 1982.

Presiding Officer

SB/srb
6298B/252
07/06/82

STAFF REPORT FOR THE DECISION OF
THE METRO COUNCIL

IN THE MATTER OF:

A resolution requesting the Metropolitan Service District (Metro) to apply on the behalf of Gresham and Multnomah County to the Oregon Department of Environmental Quality (DEQ) with legislative review by the Emergency Board for a loan to construct a sanitary sewer dry line in Burnside from 102nd Avenue to 197th Avenue.

RECOMMENDED COUNCIL ACTION:

Approve the resolution submitted for Council action at the request of Multnomah County and Gresham.

PURPOSE:

To secure funding for sewers in Burnside to be constructed simultaneously with the Banfield Light Rail Transit (LRT) system.

To avoid exorbitant future costs and massive inconvenience of placing sewers in Burnside after light rail is complete.

To comply with the DEQ rule prohibiting cesspools and seepage pits and Multnomah County's commitment to provide sewers in unserved areas in East Multnomah County by 1990.

BACKGROUND:

Cost Savings

Immediate substantial cost savings can be realized if sewers are installed in Burnside Street along with the Banfield LRT. The current design for the Banfield system calls for dual light rail tracks down the center of the street and one auto lane on each side of the tracks. The project currently does not provide for sewers in the Central County Service District or the Gresham Basin. Placement of sewers after the light rail system is constructed would require tearing out both sides of the right-of-way for the entire length of the project from 102nd to 197th and using expensive sheet piling excavation. Multnomah County's Department of Environmental Services estimates that it would conservatively cost \$7 to \$8 million to install sewers after the light rail system is complete. The estimate to install sewers simultaneously with light rail construction is \$2.5 to \$3 million. This would pay for the construction of a dry line only. It does not include the connection to the existing Gresham system or the connection to the Inverness Plant or the Inverness Plant expansion.

Inconvenience

The presence of light rail and the relatively narrow auto lanes would mean that if sewer were installed after light rail, Burnside would be rendered inoperable for all practical purposes during sewer construction. This is different from normal in-street sewer construction where traffic can merely be shifted.

Compliance with DEQ

On April 6, 1982, Multnomah County received a letter from DEQ reaffirming an order of March 1981 which directed that no building permits would be issued without sewers after January 1, 1985. At the strong urging of DEQ, Multnomah County passed Ordinance No. 216 committing to sewer 90 percent of the unserved area by 1990.

Unique Situation

Special notice should be paid to the facts that this is a unique situation in that:

1. The Banfield LRT is the only rail system currently being constructed in Oregon;
2. As part of the \$211.7 million investment in light rail, the State has committed \$21.7 million; and
3. It is extremely difficult to charge people now for a dry line which they cannot use in the short-run.

Development

Investments in sewers and light rail would create substantial benefits for the community. In East Multnomah County, Economic Research Associates (ERA) sees a strong market force for residential uses. In fact, market demand exists for 20 percent of all residential development in the County, east of the Willamette River, to occur within a five minute walk of light rail. According to ERA, the only major constraint to achieving new private development around the Burnside Street stations is a lack of sanitary sewers.

\$2.5 MILLION INVESTMENT IN SEWERS PRODUCES THESE BENEFITS

<u>Residential</u>	<u>by 1985</u>	<u>by 2000</u>
New residential units	250 - 550 units	2,950 - 4,350 units
Jobs from new units	640 person years	5,840 person years
Direct wages from new units	\$12 million	\$109.5 million
Assessed value of new units	\$26 million	\$237.25 million
Annual property taxes	\$624,000	\$5,696,000
Building Permit fees	\$240,000	\$2,190,000
Average fed/state/local taxes	\$1.9 million	\$17.5 million
New daily ridership on LRT	480-640 riders	4,860-6,480 riders
New neighborhood retail	---	55,000-70,000 sq. ft.
New office	---	100,000-150,000 sq. ft.

Source: Economic Research Associates
 1980 Econometric Model, National Association of Home Builders

Time Constraints

The County is now in a process of designing sewers for placement in Burnside from 102nd to 148th with the firm of Kramer, Chin and Mayo. Gresham is designing sewers from 148th to 197th with in-house staff. In order to coordinate with the design for the LRT, these designs must be complete by October 1, 1982. Tri-Met intends to bid construction on Burnside in November 1982 and to sign a contract for construction in January 1983. If sewers are to be constructed simultaneously with the building of the LRT, the decision on financing must be made now.

Intergovernmental Agreement

Prior to receiving loan proceeds, an Intergovernmental Agreement between Gresham, Multnomah County and Metro will be in place which will provide for repayment of the loan to the State and for the delineation of the ownership of the system which divides approximately at 148th Avenue.

Alternative Financing

There is very little likelihood of voter approval for a General Obligation Bond for construction of sewers in a single street. In addition, the time frame for this project precludes the feasibility of General Obligation Bond financing. The Economic Recovery Act of 1981 provides tax incentives for private investment in public facilities. The Act, however, does not have sufficient experience to risk public facilities financing of the nature of this project without thorough analysis--the urgency of the timing involved in this project precludes this as an option at this time.

A local improvement district (LID) is impractical since

the property owners would be asked to pay now for a dry line they cannot use in the short-run. Based on ERA projections for new development, it would be unfair to ask current property owners to pay for a dry line benefiting new development since new development means a change of ownership.

Recommended Financing

It is proposed that Metro supported by Gresham and Multnomah County will request a loan from State Pollution Control Bond funds, administered by the EQC. The rate of interest will not exceed the rate of interest the State is paying, plus administrative overhead costs, at the time the loan is made. The funds would be made available to Tri-Met for the construction of the sewer line at the time of light rail construction.

It is the intention to defer principal and interest payments for a period of several years until development can begin to occur as a result of light rail and sewer construction.

A payback period of 10 years from the time of project completion would be guaranteed. This is predicated on the anticipated development in the Corridor projected by ERA. The development will be relied upon to help pay construction costs, and the development will not be occurring until after the light rail system is complete.

Repayment

There are several options for repayment of this loan:

1. General Obligation Bonds may be issued in a timely manner in the Central County Service District and in Gresham for the combination of sewer improvements.
2. Loan repayment could come from a District and Gresham tax base.
3. A local improvement district could be formed along Burnside Street from 102nd to 197th at a later date.
4. A special connection zone for the Burnside Corridor will be established to generate special fees imposed upon new multi-family units and commercial development. The connection fee would be determined by the final amount of the EQC loan.
5. The County could request EQC to implement the provisions of SB 853, allowing issue of General Obligation Bonds without voter approval. This would be used only as a last resort. To use this method,

the EQC must identify a potential threat to public health. Gresham and the County would have to be directed by EQC to provide sewers as a solution to the problem and Gresham and the County would then sell bonds to generate the necessary revenues which would make the sewers operable.

FINDINGS OF FACT

1. Finding: Cost Savings

Substantial cost savings can be realized by constructing sewers simultaneously with the LRT.

2. Finding: Inconvenience

Massive inconvenience would result from installing sewers after the light rail system is constructed.

3. Finding: Committed Investment

Investment in the LRT is approximately \$211.7 million of which \$21.7 million has been provided through the State of Oregon. An investment of \$2.5 to \$3.0 million in sewers would maximize the return on already committed public funds.

4. Finding: Development Potential

Substantial development will occur along Burnside Street from 102nd to 197th as a direct result of the construction of the LRT and sewers. However, this development will be unrealized unless sewers as well as light rail are constructed.

5. Findings: Compliance

DEQ has restricted development in East Multnomah County in the unsewered area by precluding all building permits along Burnside after January 1, 1985, without connections to sewers.

6. Finding: Timing

Time is of the essence in order to coordinate with Tri-Met's timelines for design and construction of the light rail.

7. Finding: Alternative Financing

Alternative financing through General Obligation Bonds or private sector financing is unlikely and cannot meet the time constraints.

8. Finding: Pollution Control Bonds

Pollution Control Bonds are the only viable source of funds immediately available to construct sewers in Burnside simultaneously with light rail construction.

SB/srb
6284B/304

A G E N D A M A N A G E M E N T S U M M A R Y

TO: Metro Council
FROM: Executive Officer
SUBJECT: Resolution to Apply for a Loan from the Department of Environmental Quality (DEQ) for Funding of Burnside Sewers

I. RECOMMENDATIONS:

- A. ACTION REQUESTED: The Council Coordinating Committee will review the Resolution and will be requested to forward it to the Council for adoption authorizing Metro to apply for a loan to construct a sanitary sewer dry line on Burnside from 102nd Avenue to 197th Avenue simultaneously with the construction of the LRT system.
- B. POLICY IMPACT: Metro will act as a conduit for loan funds on behalf of Gresham and Multnomah County. Construction of sewers in conjunction with LRT along Burnside has been identified as a high priority under the Transit Station Area Planning and Regional Joint Development Programs.
- C. BUDGET IMPACT: All administrative and bond financing costs will be borne by Multnomah County, Gresham and the bonds proceeds. Multnomah County and Metro currently have a \$5,000 contract to assist with this proposal.

II. ANALYSIS:

- A. BACKGROUND: Substantial cost savings can be realized by constructing sewers simultaneously with the light rail. Timing is of the essence in order to coordinate with Tri-Met's time lines for design and construction of the light rail.

Substantial development will occur along Burnside Street from 102nd to 197th as a direct result of light rail and sewers. However, this development will be unrealized unless sewers as well as light rail are constructed.

Investment in the light rail is approximately \$211.7 million of which \$21.7 million has been provided through the State of Oregon--an investment of \$2.5 to \$3 million in sewers would maximize the return on already committed public funds.

DEQ has in fact restricted development in East Multnomah County by precluding all building permits along Burnside after January 1, 1985 without connections to sewers.

The presence of light rail and the relatively narrow auto lanes would mean that if sewer were installed after light

rail, Burnside would be rendered inoperable for all practical purposes during sewer construction. This is different from normal in-street sewer construction where traffic can merely be shifted.

- B. ALTERNATIVES CONSIDERED: There is very little likelihood of voter approval for a General Obligation Bond for construction of sewers in a single street. In addition, the time frame for this project precludes the feasibility of General Obligation Bond financing. The Economic Recovery Act of 1981 provides tax incentives for private investment in public facilities. The Act, however, does not have sufficient experience to risk public facilities financing of the nature of this project without thorough analysis--the urgency of the timing involved in this project precludes this as an option at this time.

A local improvement district (LID) is impractical since the property owners would be asked to pay now for a dry line they cannot use in the short-run. Based on ERA projections for new development, it would be unfair to ask current property owners to pay for a dry line benefiting new development since new development means a change of ownership.

- C. CONCLUSION: Forward to the Metro Council recommending adoption.

SB/srb
6297B/283
07/06/82