

A G E N D A

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METRO

MEETING: METRO TECHNICAL ADVISORY COMMITTEE

DATE: May 6, 2009
DAY: Wednesday
TIME: 10:00 a.m. to noon
PLACE: Room 370A&B

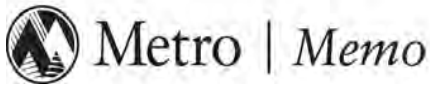
TIME	AGENDA ITEM	ACTION REQUESTED	PRESENTER(S)
10:00 a.m.	CALL TO ORDER AND INTRODUCTIONS		Robin McArthur
1. 45 min.	Housing <ul style="list-style-type: none"> Preliminary Residential Urban Growth Report Housing Needs Analysis <i>Objectives: Identifying any issues for further discussion</i>	Discussion	Malu Wilkinson
2. 45 min.	Transportation <ul style="list-style-type: none"> HCT Priorities and Draft Plan <i>Objectives: Discuss recommended technical and public priorities and draft plan (resolution to be distributed at meeting)</i>	Discussion	Tony Mendoza
3. 15 min.	Construction Excise Tax Update <i>Objective: Status report on tax and future steps</i>	Informational & Discussion	Andy Shaw
12 noon	ADJOURN		

Next regularly scheduled meeting (MTAC meets the 1st & 3rd Wednesday of the month): May 20, 2009

For further information or to get on this mailing list, contact Paulette Copperstone @ paulette.copperstone@oregonmetro.gov or 503-797-1562

Metro's TDD Number – 503-797-1804

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To: MTAC

Date: May 1, 2009

From: Tony Mendoza, Transit Project Analysis Manager

Subject: High Capacity Transit System Plan Proposed Tiered Ranking and Draft System Expansion Policy

Introduction

The Regional High Capacity Transit System Plan identifies corridors where new high capacity transit lines (HCT) could be developed over the next 30 years and prioritizes corridors based on evaluation criteria adopted by the region through this process. Much of the technical work for this study has been completed and the study is now in the final phase of evaluation and corridor prioritization. This memo summarizes the study process, provides key results (Figure 2 shows preliminary corridor priorities) and describes proposed policy changes.

Specifically, at the May 1st meeting, TPAC is being asked to review and comment on:

- Proposed tiers for project prioritization
- Proposed System Expansion Policy that establishes a process for advancement of projects over time, and which provides a process to select top tier projects to advance into the federal project development process

MTAC will also see the first draft of Resolution 09-4052, for adoption of Regional High Capacity Transit System Plan into the Regional Transportation Plan. This resolution is scheduled to be adopted by JPACT in June and Metro Council in July.

Role of High Capacity Transit

Metro's *Making the Greatest Place* process will position the region as a national leader in addressing the 21st Century challenges of energy independence and carbon neutrality – all the while maintaining its high quality of life and vibrant economy. The region's 2040 Growth Concept stresses the development of a world class high capacity transit system, but recognizes HCT is not a meaningful goal in and of itself; rather, it is one key element of an integrated strategy to accommodate the region's increasing population while reducing the negative

impacts of that population on land, air and water quality. The other critical element is land use policy. More than any single factor, regional land use policy has positioned the Portland region as a model for transit-supportive development. However, density throughout much of the region is still relatively low and auto dependent, and per capita transit use is still lower than many major urban areas in the United States. While the region intends to be aggressive in continuing to develop its high capacity transit system, resources are limited and it is essential that HCT future investments be used to leverage achievement of land use and economic development goals. Continued economic growth in the region will rely on investment in a transit system that can move an increasing share of the population fast and efficiently between key markets. Achievement of other environmental, placemaking, and equity goals will also rely heavily on a well formed high-capacity transit system.

Regional HCT Plan Outcomes

The Regional High Capacity Transit System Plan, scheduled for adoption in July 2009, will identify regional HCT priorities for the next Regional Transportation Plan (RTP) cycle. In addition to identifying near-term priorities, the HCT System Plan will provide a framework for the region to identify new HCT priorities as current priorities are implemented. While HCT priorities will be updated every four years as part of the RTP, Metro will not complete a system-wide study with this degree of detail and evaluation each RTP update. The proposed process for advancement provides a clear set of guidelines and actions that will guide the selection of new regional HCT priorities and, more importantly, provide a specific process for advancement that corridor communities can follow (in collaboration with Metro, TriMet and other jurisdictions) to advance their project.

The Regional HCT System Plan is not intended as a review of the regional transit structure, its management, or a complete service analysis of the existing HCT system. Rather it is designed to set near- and long-term priorities for HCT system expansion. The plan uses technical evaluation of possible investments to set priorities, but more importantly seeks to align HCT project advancement in a way that supports and enhances the goals of the RTP and Region 2040 Plan. In short, HCT system capital investments must be recognized as an element of a much broader corridor strategy that includes supportive land use and Transit Oriented Development (TOD), comprehensive parking programs, well developed access systems for pedestrians and cyclists, park-and-rides and feeder bus networks. The Regional HCT System Plan will create a new policy framework where these elements lead or parallel major capital investment in HCT.

Regional HCT System Plan Process to Date

The Regional HCT System Plan process is entering the final phase of corridor evaluation (see figure 4). To date significant work has been done by Metro's technical team as well as the HCT Subcommittee and other Metro policy committees. Steps completed in the process to date include:

- Early plan public outreach to identify key issues and corridors for evaluation.

- Stakeholder interviews to identify major issues and objectives of regional partners, stakeholders and local jurisdictions, and to develop an initial universe of corridors to evaluate.
- Formation of and meetings with a “Think Tank” group, a group of regional leaders in a number of related fields formed to provide high-level concept development to guide the Regional High Capacity Transit System Plan.
- Development of a long-list of 55 potential regional High Capacity Transit corridors and projects for evaluation.
- Development of a set of screening criteria to evaluate the long-list of corridors identified in the outreach process.
- Application of screening criteria to the long-list of corridors identified in the public outreach process, narrowing corridors for further evaluation to 15.
- Adoption of 15 corridors that passed the initial screen (see figure 5).
- Development and adoption of Evaluation Criteria that are being used in this second phase of the analysis to guide the prioritization of corridors.
- Evaluation and prioritization of adopted Regional HCT system corridors (preliminary results can be viewed in Figure 2).

Corridor Evaluation Process

A Multiple Account Evaluation (MAE) approach was used to select and prioritize the ‘best’ HCT corridors for investment. The MAE approach is intended to provide a robust, coherent and transparent framework for the detailed evaluation of many potential investments, fitting for a long-range regional plan. Specifically, the process is designed to:

- Ensure a consistent level of detail across the criteria and be commensurate with the level of project information available
- Enable sufficiently disaggregate scoring, in order that the level of impact can be differentiated between corridors
- Present the information clearly, concisely and on a consistent basis so that decision makers can compare corridors against each other

The MAE used 25 adopted evaluation criteria, which were developed through an extensive process involving public input and extensive input for the HCT Subcommittee and other Metro standing committees. The 15 adopted Regional HCT corridors were evaluated using these criteria and prioritized in tier as described below.

From the outset of the process, it was proposed that no explicit weighting is given to the criteria. This would undermine the basic principle behind the MAE process - that decision makers are allowed to consider the implications of the evaluation and make informed decisions

with the outcomes. This allows every individual to apply their own emphasis as to what criteria are most important and to advocate for projects from a basis of sound and consistent information

The HCT Subcommittee, which has met twice to review the evaluation outcomes, concluded that all adopted evaluation criteria should be used in the prioritization process and that no explicit weighting should be given to any criteria. The evaluation process has revealed that ridership, though not weighted, is an important indicator of how a corridor scores since ridership modeling is based on many of the other socioeconomic and performance criteria used in the evaluation. Public outreach efforts and a survey of Metro's standing committees revealed that ridership (or ridership potential) was seen as the most important single factor in determining where new HCT investments should be made.

The draft prioritization results presented in Figure 2 use all but 25 of the adopted evaluation criteria to rank corridors. The three criteria that do not distinguish corridors at this level of analysis are safety, 4(f) impacts and of roads right of way, because of each of these impacts could vary greatly based on final design.

Prioritizing Corridors through System Expansion Policy

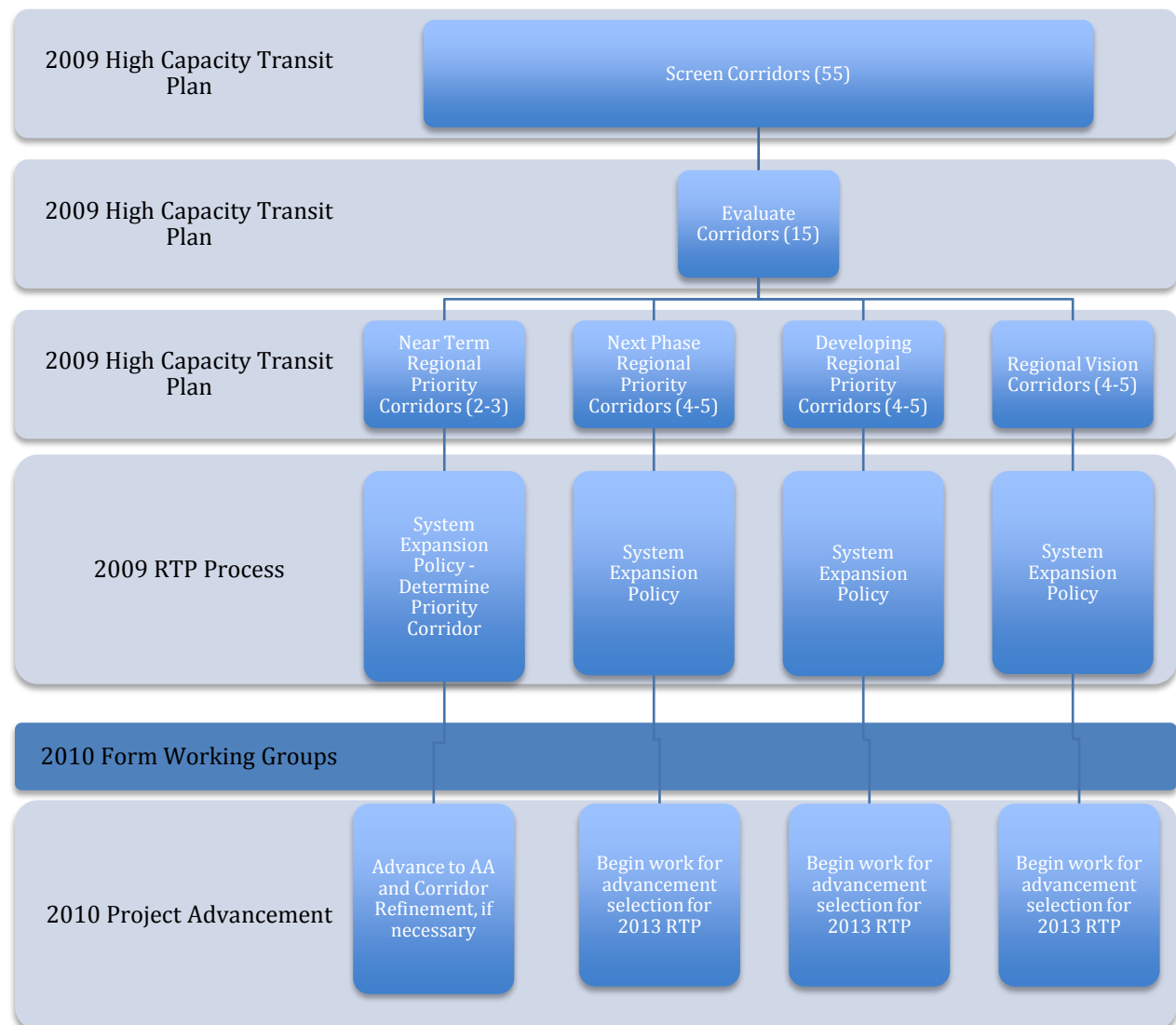
A key goal of this Regional HCT System Plan is to identify the highest priorities for regional HCT investments in the near term. Equally important, is the development of a framework that clearly delineates criteria for expansion of the HCT system over time. This new System Expansion Policy will help the region direct funding to major transit investment that best meet RTP goals and make the most cost effective use of limited public resources to build great communities.

An effective System Expansion Policy will make clear to jurisdictions in a proposed corridor what actions need to be taken to create an urban environment and community that merits rail expansion or a new HCT line. The Policy will also encourage jurisdictions along the alignment to work jointly to meet minimum land use and transportation targets for performance of an HCT line. The System Expansion Policy, as proposed, is designed to create assurance that future regional investments in transit infrastructure support the region's efforts to build great communities, achieve the 2040 Vision and more specifically to meet the Regional Transportation Plan goals and policies.

Potential HCT corridor projects are organized into groupings, or tiers based on the HCT evaluation criteria. The System Expansion Policy will be used to:

- 1) Identify which near term regional priority corridor(s) should move into the federal project development process toward implementation; and
- 2) Clearly delineate a process by which potential HCT corridors can move closer to implementation, advancing from one tier to the next through a set of coordinated Metro and local jurisdiction actions in concert with the regular RTP update cycle.

Figure 1: Summary of Regional HCT Plan Corridor Screening, Evaluation and Prioritization
 (This chart summarizes the process to move from a long-list of potential HCT corridors to a set of regional priorities that will integrate with the RTP update.)



Description of Tiers and Advancement Process

Regional HCT System corridors have been grouped into one of four tiers. This initial assignment of corridors tiers is preliminary and is expected to be adjusted by input from the HCT Subcommittee and other Metro policy committees. Also, the actions suggested for each tier are preliminary and are presented as a draft concept; they will require further review and revision before being adopted. Metro actions for supporting corridor communities in each tier will be further detailed in the HCT Corridor Advancement and System Expansion Policy element of the Regional HCT System Plan.

The four tiers are described in Figure 2, along with near-term action steps for corridor communities for receiving Metro assistance in station area land use and access planning. Communities in a corridor will be required to form a staff-level and an elected official Corridor Working Group under an Intergovernmental Agreement (IGA) or Memorandum of Understanding (MOU) in order to be considered for advancement to a higher tier. A Corridor Working Group will include representatives from the jurisdictions along the corridor, TriMet, and Metro (ODOT and/or other jurisdictions may be required depending on the corridor).

Figure 3 provides a conceptual proposal of the local actions including formation of a Corridor Working Group and development of a Corridor Problem Statement. Specific targets (i.e., planned land use density) would be developed for each System Expansion Criterion. These targets would not be absolute thresholds for advancement, but rather clear measures against which to update regional priorities during each RTP update.

The project advancement process could be supported by Metro in a variety of ways, including staff resources, grant funding and/or grant writing assistance, with resources more heavily weighted toward higher tier corridors

Figure 2: Preliminary Ranking By Tiers

Tier	HCT Corridor Number	RTP Mobility Corridor Reference	Corridor Description (Mode As Evaluated)	Preliminary Ranking Score	Actions		
					Actions for Next 4-Years	Urban Growth Report (UGR)	Urban and Rural Reserves
Near Term Regional Priority	10	5 - Central City – Gateway; 6 – Gateway to Gresham/Fairview/Wood Village/Troutdale	Portland to Gresham via Powell (LRT)	25	• See Local Jurisdiction and Metro Actions for <i>Regional Priority</i> Corridors Listed in Figure 3	The location of High Capacity Transit and local land use actions and investments will influence future capacity for residential and employment in the region.	Location of High Capacity Transit may influence the location of future Urban Reserves and Urban Growth Boundary expansions.
	11	2 – Central City – Tigard; 4 – Portland Central City; 20 – Tigard - Sherwood	Portland to Sherwood via Barbur/Hwy 99 (LRT)	29			
	34*	2 – Central City – Tigard; 3 - Tualatin – Wilsonville; 19 – Beaverton – Tigard; 22 – Beaverton – North Plains	Beaverton to Wilsonville (LRT)	24			
Next Phase Regional Priority Corridors	8	8 – Clackamas – Oregon City	CTC to Oregon City via I-205 (LRT)	13	• See Local Jurisdiction and Metro Actions for <i>Next Phase</i> Corridors Listed in Figure 3	The location of High Capacity Transit and local land use actions and investments will influence future capacity for residential and employment in the region.	Location of High Capacity Transit may influence the location of future Urban Reserves and Urban Growth Boundary expansions.
	17	22 – Beaverton – North Plains; 24 – Beaverton to Forest Grove	Sunset Transit Center to Hillsboro via Hwy 26 / Evergreen (LRT)	17			
	28	2 – Central City – Tigard; 7 – Oregon City – Tualatin; 8 – Clackamas – Oregon City	Clackamas Town Center to Washington Square via I-205/217 (LRT)	15			
	29	2 – Central City – Tigard; 11 – Milwaukie to Clackamas	Clackamas Town Center to Washington Square via RR ROW (LRT)	20			
	32	24 – Beaverton – Forest Grove	Beaverton to Hillsboro via TV Highway (LRT)	16			
	55**	9 – Gateway – Clark County	Gateway to Salmon Creek via I-205	RTC **			
Developing Regional Priority Corridors	9	8 – Clackamas – Oregon City; 11 – Milwaukie to Clackamas	Park Ave to Oregon City via McLoughlin (LRT extension)	11	• See Local Jurisdiction and Metro Actions Listed for <i>Developing Corridors</i> in Figure 3	The location of High Capacity Transit and local land use actions and investments will influence future capacity for residential and employment in the region.	Location of High Capacity Transit may influence the location of future Urban Reserves and Urban Growth Boundary expansions.
	12	24 – Beaverton – Forest Grove	Hillsboro to Forest Grove (LRT extension)	9			
	13	6 – Gateway – Gresham/Fairview/Wood Village/Troutdale	Gresham to Troutdale Extension (LRT Extension)	7			
	17D	22 – Beaverton – North Plains	Tanasborne (LRT extension)	7			
Regional Vision Corridors	13D	15 - Gresham/Fairview/Wood Village/Troutdale – Damascus	Troutdale to Damascus (LRT)	1	• See Local Jurisdiction and Metro Actions for <i>Vision Corridors Listed</i> in Figure 3	The location of High Capacity Transit and local land use actions and investments will influence future capacity for residential and employment in the region.	Location of High Capacity Transit may influence the location of future Urban Reserves and Urban Growth Boundary expansions.
	16	12 – Clackamas – Happy Valley; 13 – Happy Valley - Damascus	Clackamas Town Center to Damascus (LRT)	-3			
	38S	20 – Tigard – Sherwood/Newberg	Sherwood to Tualatin (LRT)	1			
	43	16 – Rivergate – I-5; 18 – Portland Central City – Columbia County	Downtown Portland to Yellow Line via St. Johns (LRT)	4			
	54	6 – Gateway – Gresham/Fairview/Wood Village/Troutdale; 16 – Rivergate – I-5; 17 – I-5 – Columbia South Shore	Troutdale to St. Johns via US 30 (LRT)	5			

*The WES Corridor upgrade will be placed in the Next Phase category – upgrades will be examined in phases. Some portions of this corridor are included in corridors 28, 29 and potentially 11.

**This corridor was selected as part of Southwest Washington Regional Transportation Council (RTC) HCT System Plan. It will be examined as a Next Phase corridor in coordination with RTC.

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Figure 3: Tiers and Corridor HCT Advancement Actions/Support (Draft Concept)

Tier	Summary	Decision Timeline (RTP Update)	Local Actions (Applied to Each Corridor)	Regional (Metro) Supported Actions	System Expansion Criteria (Targets to be Developed through RTP Final Adoption)
Near Term Regional Priority Corridors	Corridors most viable for implementation in next four years.	December 2010	<ul style="list-style-type: none"> • Develop Corridor Working Group • Develop Corridor Problem Statement • Mode and Function of HCT Assessment • Definition of Corridor Extent • Corridor Ridership Development Plan • Station Access and Parking Plans 	<ul style="list-style-type: none"> • Land Use/TOD Plans for Centers and Stations • Ridership analysis • Station Analysis • Coordination with MTIP priorities 	<ul style="list-style-type: none"> • Ridership • Transit Supportive Land Use • Potential Cost Effectiveness • Regional Network Connectivity • Financial Capacity – Capital and Operating Finance Plan
Next Phase Regional Priority Corridors	Corridors where future HCT investment may be viable if recommended planning and policy actions are implemented.	December 2015	<ul style="list-style-type: none"> • Develop Corridor Working Group • Develop Corridor Problem Statement • Mode and Function Assessment of HCT Assessment • Definition of Corridor Extent • Corridor Ridership Development Plan 	<ul style="list-style-type: none"> • Land Use/TOD Plans for Centers and Stations • Station Analysis • Coordination with MTIP priorities 	<ul style="list-style-type: none"> • Ridership • Transit Supportive Land Use • Potential Cost Effectiveness
Developing Regional Priority Corridors	Corridors where projected 2035 land use and commensurate ridership potential are not supportive of HCT implementation, but which have long-term potential due to political aspirations to create HCT supportive built form.	December 2015	<ul style="list-style-type: none"> • Develop Corridor Working Group • Develop Corridor Problem Statement • Definition of Corridor Extent • Corridor Ridership Development Plan 	<ul style="list-style-type: none"> • Land Use/TOD Plans for Centers and Stations 	<ul style="list-style-type: none"> • Ridership • Transit Supportive Land Use • Potential Cost Effectiveness
Regional Vision Corridors	Corridors where projected 2035 land use and commensurate ridership potential are not supportive of HCT implementation and where land use aspirations are for low-intensity built form.	December 2015	<ul style="list-style-type: none"> • Develop Corridor Working Group • Develop Corridor Problem Statement • Definition of Corridor Extent • Corridor Ridership Development Plan 	Land Use/TOD Plans for Centers and Stations	<ul style="list-style-type: none"> • Ridership

HCT Modes

To ensure that all corridors were evaluated evenly in the HCT study, it was assumed that all HCT corridors would be constructed as light rail. This was also done to limit the extent of the evaluation and modeling work, which would have grown exponentially if every possible mode were considered for every corridor. However, the corridor evaluation report includes a detailed summary of each corridor that considers other modal investments as they apply to the specific conditions in the corridor.

Ultimately, modes for HCT system corridors will be selected by corridor working groups and through a required corridor study process. If a lower capital cost project, such as BRT, or smaller, incremental improvements to the bus operations of a corridor, these should be examined by corridor working groups as the function of transit within each corridor.

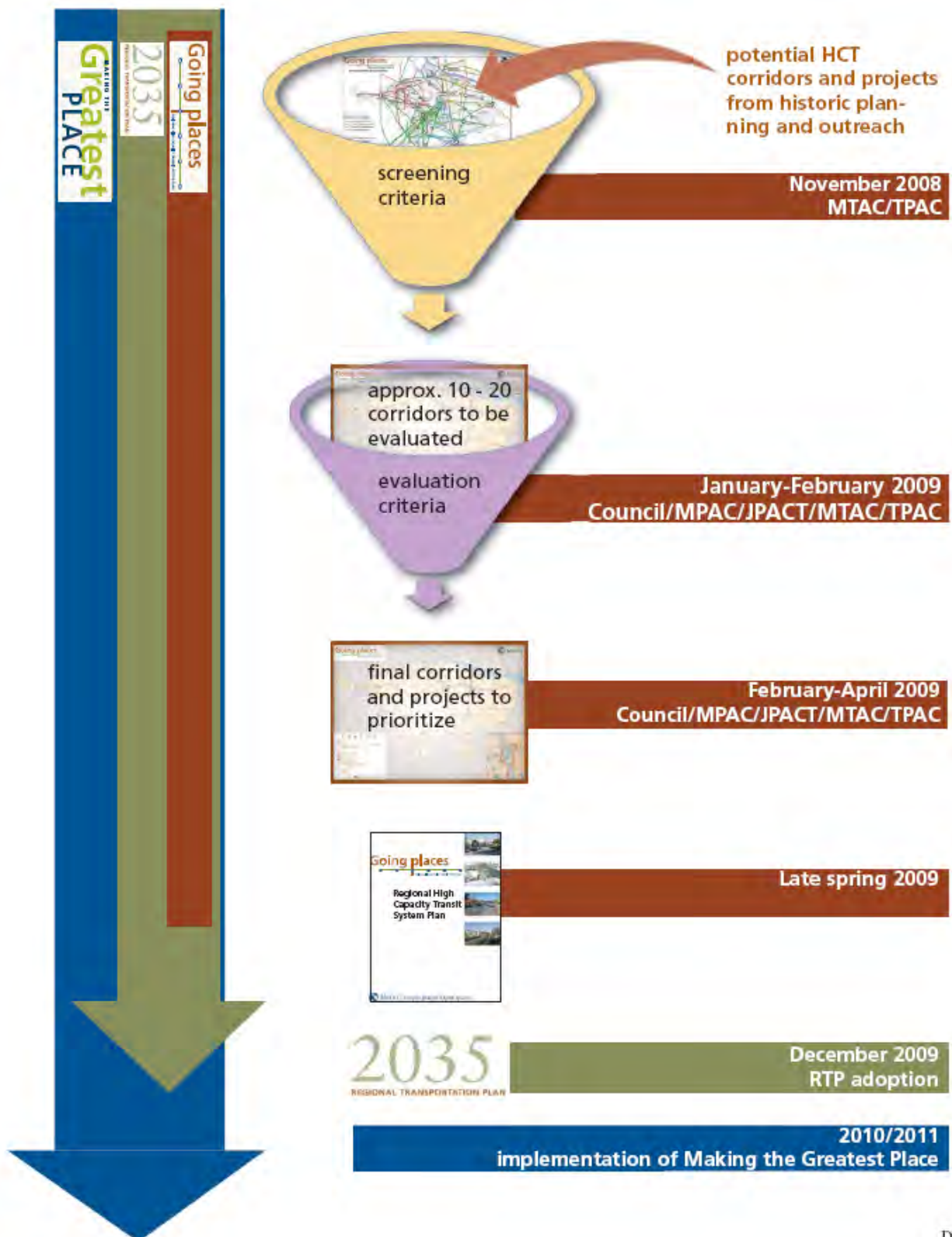
The Final Regional HCT System Plan will include a more comprehensive review of modal options for HCT investment.

Next Steps

The following is a list of next steps (as of April 29, 2009) on the HCT System Plan. Items in *italics* are tentative.

- April 30, 2009: **TPAC** – Discuss recommended technical and public priorities and draft plan.
- May 6, 2009: **MTAC** – Discuss recommended technical and public priorities and draft plan.
- May 12, 2009: **Metro Council work session**
- May 14, 2009: **JPACT** – Discuss recommended technical and public priorities and draft plan.
- May 14, 2009: **HCT MTAC/TPAC Subcommittee** – Recommend HCT plan (action).
- May 22: HCT plan resolution drafted for submission to committees.
- May 27, 2009: **MPAC** – Discuss recommended technical and public priorities and draft plan.
- May 29, 2009: **TPAC** – Recommend HCT plan to JPACT (action).
- June 3, 2009: **MTAC** – Recommend HCT plan to MPAC (action).
- *Early June: **Think Tank***
- June 10, 2009: **MPAC** – Recommend HCT plan to Council for incorporation into the RTP (action).
- June 11, 2009: **JPACT** – Recommend HCT plan to Council for incorporation into the RTP (action).
- *June 23, 2009: **Metro Council work session***
- *July 2, 2009: **Metro Council** – Adoption of High Capacity Transit System Plan for incorporation into the RTP.*

Figure 4: Regional High Capacity Transit System Plan Process

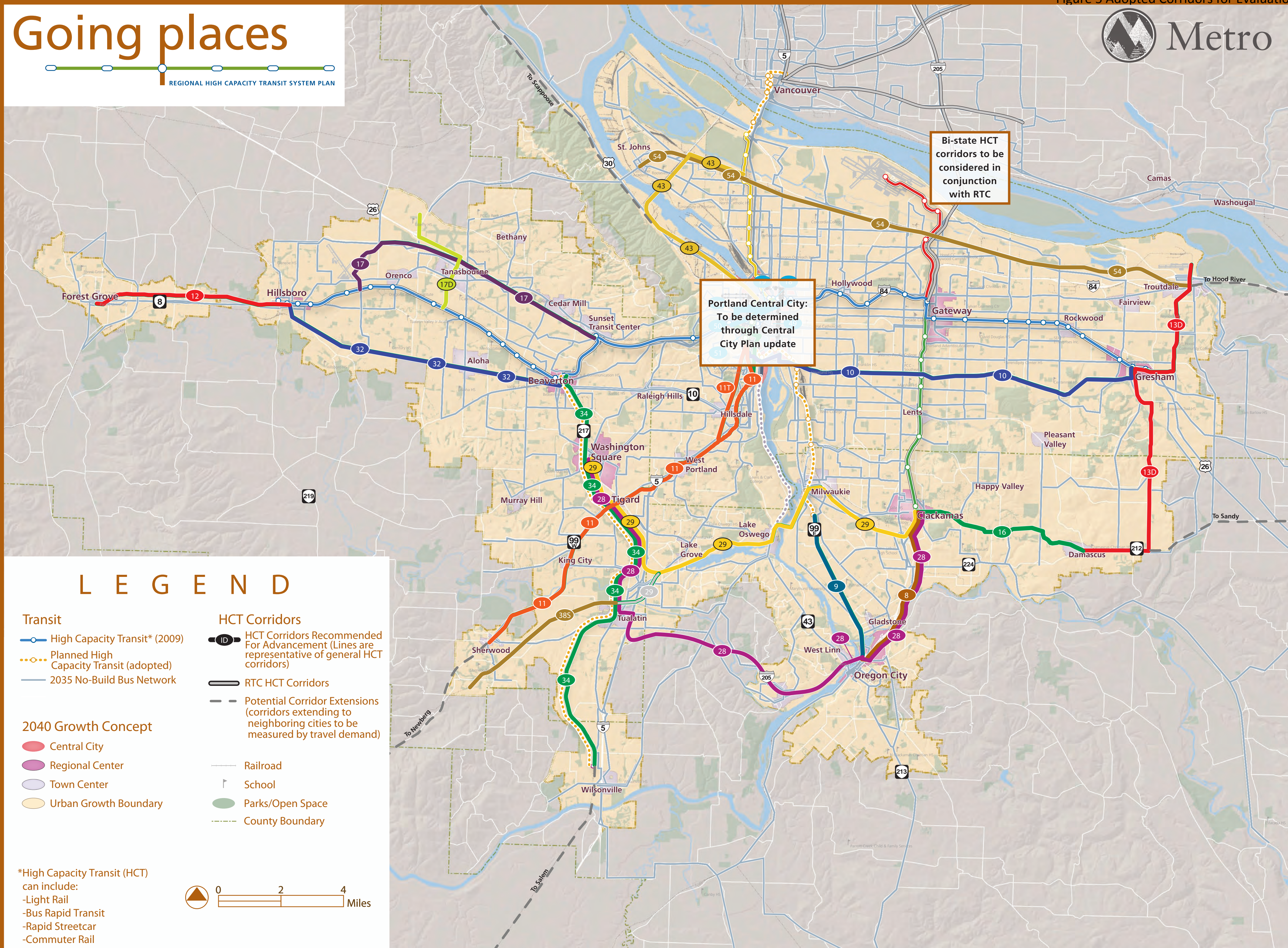


Dec. 3, 2008

Going places

REGIONAL HIGH CAPACITY TRANSIT SYSTEM PLAN

Figure 5 Adopted Corridors for Evaluation





Construction Excise Tax (CET) Performance Review

April 3, 2009

Background

Overview

Metro is the directly elected regional government that serves 1.4 million residents in Clackamas, Multnomah and Washington counties, and the 25 cities in the Portland metropolitan area. Metro is responsible, among other things, for regional land use and transportation planning.

In 2006, after consultation with a broad-based stakeholder committee, the Metro Council established a construction excise tax (CET) to fund planning activities in areas recently added to the Portland metropolitan region's urban growth boundary (UGB). Cities and counties lacked the resources to conduct concept planning in these areas, which is a prerequisite to development. More importantly, this initial planning work is critical to creating vibrant communities, a key goal of Metro's *Making the Greatest Place* initiative.

Making the Greatest Place goals:

VIBRANT COMMUNITIES: People live and work in vibrant communities where they can choose to walk for pleasure and to meet their everyday needs.

ECONOMIC PROSPERITY: Our Children and their children benefit from the region's sustained economic competitiveness and prosperity.

SAFE AND RELIABLE TRANSPORTATION: People have safe and reliable transportation choices that enhance their quality of life.

SUSTAINABILITY: The region is a leader in sustainability and minimizing contributions to climate change.

CLEAN AIR AND WATER: Current and future generations enjoy clean air, clean water, and healthy ecosystems.

FAIRNESS AND EQUITY: The benefits and burdens of growth and change are distributed fairly and equitably.

The CET program has succeeded in raising revenues in a timely fashion to pay for planning work that could not have been funded otherwise. Metro, cities, and counties promptly established intergovernmental agreements. The collection and transfer of excise tax revenues by local governments has been straightforward. Metro has worked closely with grantees to track the achievement of milestones and the payment of grants by Metro to local governments has been timely and simple. As a result the vast majority of the planning work that Metro's CET program was established to carry out is now complete.

The construction excise tax is due to sunset when the total amount of \$6.3 million has been levied (the amount required to fund new area planning activity), which is currently estimated to occur in the fall of 2009. This report provides an overview of how the CET program has performed during the past three years.

Planning Mandates

Metro is responsible for managing the UGB and is required, by state law, to maintain a 20-year supply of land for future residential development inside the boundary. Every five years, the Metro Council is required to conduct a review of the land supply and, if necessary, change policy inside the existing UGB, expand the UGB, or both, to meet that requirement.

From 1998 to 2005, Metro added more than 23,000 acres to the UGB. Title 11 of Metro's Urban Growth Management Functional Plan requires the city(ies) or county that will provide services for the

new urban area to adopt comprehensive plan provisions concerning the future urbanization of the area. This must be completed before the land can be converted from rural to urban use. These comprehensive plan provisions must address issues like minimum residential density levels, diversity of housing stock, an adequate transportation system, protection of natural resource areas and needed school facilities.

"The Metro CET grant is a valuable asset for communities in the region to conduct planning work that is necessary for compliance with regional and state requirements. Our city has limited funding, staffing and expertise to develop these studies. The CET grant allowed our community to complete these in a comprehensive manner."

-Anita Yap, Damascus

Obstacle to Compliance

After these new areas were added to the UGB, it became clear that many of the jurisdictions responsible for the new area planning could not comply with planning requirements due to limited staff and a lack of resources. By 2007, less than 15 percent of the land added to the UGB since 1998 was planned and developed, turning Title 11 into what some call an "unfunded mandate". Identifying money to support these planning needs became an issue of regional importance.

A Regional Planning Solution

In 2005, Metro convened key stakeholders to discuss the challenge of paying for planning in expansion areas. Stakeholders included business, labor, development and environmental interests, as well as the Home Builders Association, local elected officials, and city and county planners. Early scoping and discussion with jurisdictions on the needs gap revealed that roughly \$6.3 million was needed to fund planning for the UGB expansions¹ from 2002-2005. There was strong agreement among stakeholders that paying for planning in these areas was a significant regional need. In examining various finance mechanisms, an excise tax on building permits emerged as a preferred tool.

Following the stakeholder meetings, Metro established a Tax Study Committee to further explore and define the parameters for such a tax including tax base, rate, target revenues, duration, dedications, allocation criteria and oversight. The Committee was composed of eleven members that represented various interests including development, schools, land-use advocates, building trades, county and city policy makers, municipal planners, community development groups, and non-voting members of Metro.

After three months of study, discussions, and collaboration, the Tax Study Committee presented their finding and recommendations on the establishment of a CET to the Metro Council and the Metro Policy Advisory Committee (MPAC). MPAC approved the Committee's recommendation, and on March 23rd, 2006, the Metro Council enacted OR 06-1115 establishing the CET, effective July 1, 2006.

¹This number reflects total cost estimates reported to Metro by the jurisdictions for the completion of new area planning.

Tax Structure

The CET applies to building permits issued within the Metro service district boundary. The purpose of the tax is to support new area planning required to make land ready for development after it is included in the UGB. The tax is assessed at 0.12 percent of the total value of the improvements for which a permit is sought.

Exemptions and Exceptions

Permits valued below \$100,000, permits for affordable housing, and permits issued to 501(c)(3) nonprofits are exempt from the tax. Permits for construction valued at more than \$10 million are assessed a flat fee of \$12,000. There have been relatively few exemptions, mostly for qualifying low income housing projects. Metro staff works with the jurisdictions, and sometimes directly with the applicants, to evaluate exemption requests.

Collection

Metro has established intergovernmental agreements (IGAs) with each city and county for the collection of the CET, including the provision of a five percent administrative fee to the jurisdictions responsible for collecting the tax. This administrative fee is collected on site by the jurisdictions and is not part of the funds submitted to Metro quarterly.

Apart from Metro, school districts are the only other entities currently collecting an excise tax in the Portland metro region (under SB 1036, enacted in 2007). The administrative fee provided to jurisdictions under the school excise tax is one percent of total revenues.

"We found the process to be streamlined and easy to work with, and appreciate Metro's flexibility in working through CET milestones, deadlines and the invoicing process. "

-Michael Walter
Happy Valley

Sunset

The CET ordinance included a sunset provision that limits collection of the tax to the last day of the month in which a total of \$6.3 million has been collected. Metro must provide prompt written notice to collecting jurisdictions when the last of the funds are received and certified.

Metro Administration of CET

Review and Funding of Grant Applications

"The process was easy to understand and reimbursements followed in a timely fashion. The City has one more concept plan to prepare, for South End, and we look forward to continuing a positive relationship in that endeavor."

-Dan Drentlaw
Oregon City

Metro worked with regional partners, the Tax Study Committee and MPAC to establish a process to distribute the \$6.3 million that would be raised through the CET. Ultimately, Metro determined that a process of distribution through jurisdictional application was most equitable. Metro became responsible for reviewing applications based on their relevance to regional planning requirements.

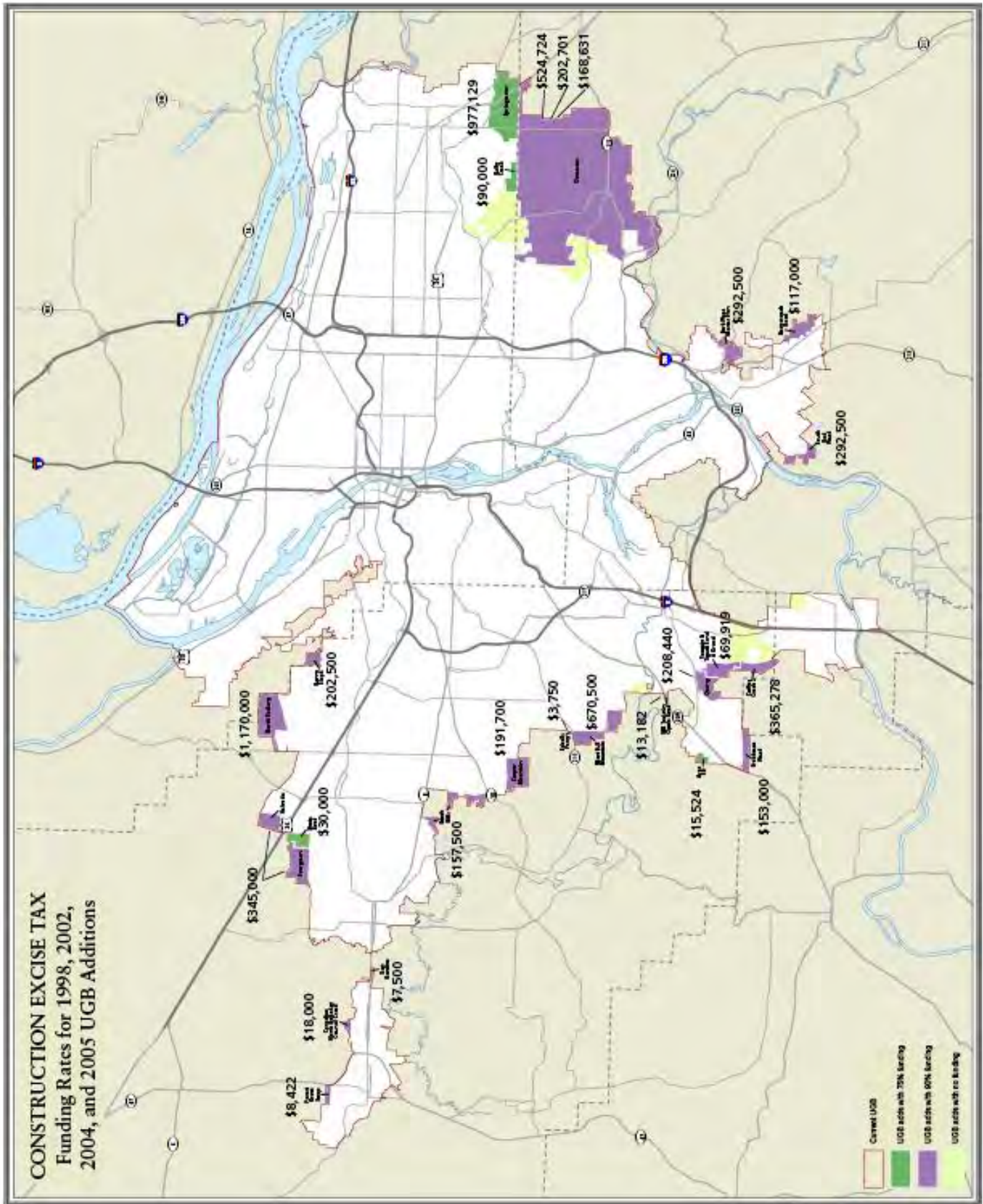
Though many jurisdictions had not yet begun any planning in new areas, some had already completed or commenced the work. To recognize the effort made by the latter jurisdictions, it was decided to partially reimburse them. To account for total grant requests that

exceeded the available funds, a formula for granting awards was developed that paid out grants at two different rates. Jurisdictions which had not completed or undertaken any planning received 90 percent funding of their grant requests. Jurisdictions that had already completed their new area planning were reimbursed at 75 percent of their total grant requests. Metro was responsible for providing the up-front financing of approved grant requests as CET was collecting revenue. Map 1, on the next page, displays the expansion areas that received CET grants along with the amount of each grant.

Payments of grants and reimbursements are not made in one lump sum. With each planning milestone met in the IGA timeline, such as substantial progress towards completion of a concept plan and eventually adoption of a comprehensive plan amendment, jurisdictions receive a partial payment or reimbursement. If a jurisdiction anticipates that a due date for a milestone will not be met, it must inform Metro in writing no later than ten days prior to the due date. Metro and a jurisdiction must mutually revise the milestones in the IGA's.

Metro collected no administrative fee or reimbursement for the development or administration of the CET program. Revenues collected were fully allocated to grant distribution and local administrative costs.

Map 1



Performance

Collections

Original Tax Study Committee estimates, based on historical construction activity in the region, concluded that the target collections of \$6.3 million could be collected in approximately three years by imposing an excise tax of 0.12 percent on the value of construction permits (including specified exceptions and exemptions). According to this estimate, the target collections would be met by June/July 2009. Figure 1 shows cumulative yearly totals of revenues through the second quarter of FY 2009. After two-and-a-half years of collection, \$5.2 million has been received. However, receipts have slowed during the first two quarters of FY 2009, compared to 2006/2007.

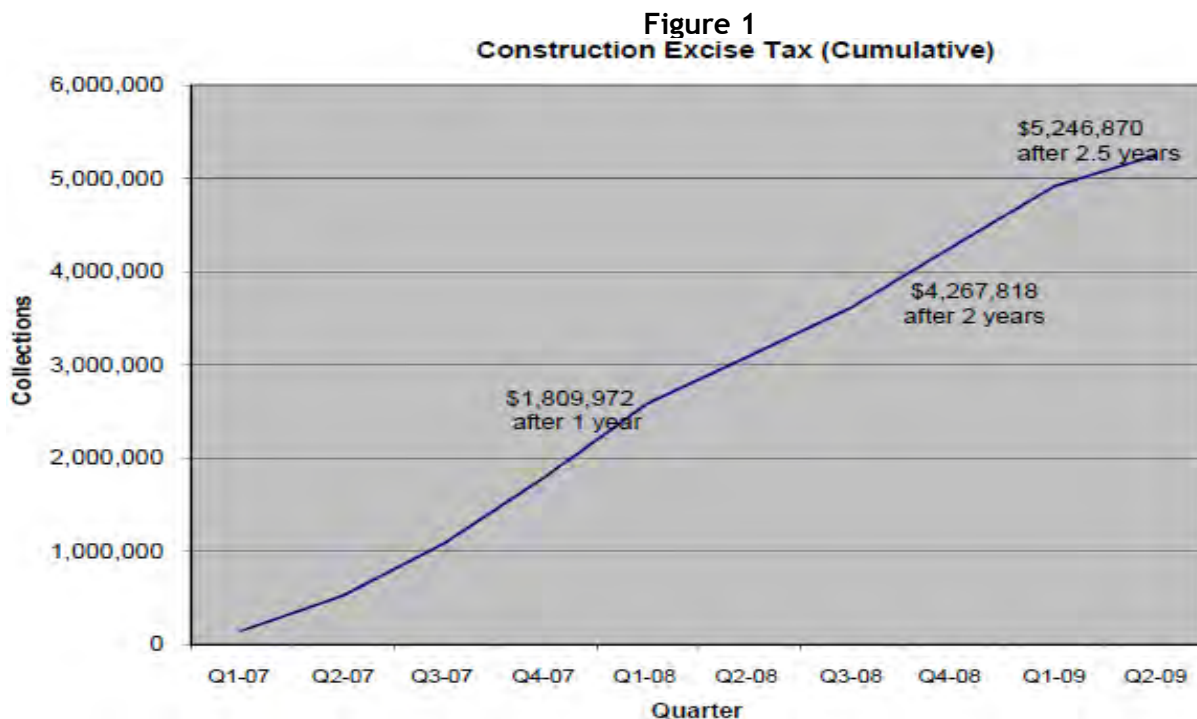


Figure 2 reflects total revenues collected by quarter. The first five quarters represent the highs of the real estate market. The dips in the second and third quarters of FY 2008 coincide with the cyclical dips of construction during cold wet months, while the fourth quarter of FY 2008 and the first quarter of FY 2009 reflect the surge of construction that occurs during the warmer months. Most notable however, is the steep decline in revenues in the second quarter of FY 2009. While this period does coincide with the beginning of the cold season, the decline also shows the impacts of the current recession on the construction and real estate markets. With the economy not predicted to begin stabilizing until mid-2010, it is likely that average CET revenues will be lower than average throughout the 2009 calendar year, affecting the timing of the CET sunset, which is connected to the collection of total target revenues (\$6.3 million).

Figure 2
Construction Excise Tax by Quarter



The figure in Appendix A displays the *total value* of CET permits by type, commercial or residential, from July 2006 through September 2008.ⁱ The commercial category includes everything except residential development (industrial, commercial, etc.). As shown, for jurisdictions other than Portland and Fairview, the total value of permits for residential development has been greater than for commercial. These numbers attest to not only the real estate market peak, but also the increase in population and demand for housing on the region. Though residential permits greatly outnumbered those for commercial use, a few particularly expensive commercial projects in the cities of Portland and Fairview brought the total value of commercial permits to exceed that of residential.

Appendix B displays all new residential units throughout the region subject to the Construction Excise Tax separated out by the number of units per permit from 2006 to 2008. The map illustrates that the majority of residential permits subject to the CET were for single-family residential developments. Permits for residential developments of 35 units or more were rare throughout the region. The majority of these multi-family developments are concentrated in Portland but a few are also found in the Beaverton, Hillsboro, and Wilsonville areas.

Appendix C displays all new commercial units throughout the region subject to the Construction Excise Tax separated by the value of the permit from 2006 to 2008. The map shows that the majority of the permits subject to CET were in the range of one to 30 million, with a few permits having a value of 30 million and greater. The spatial display of these permits reveals clusters of commercial

permits in Portland's city center as well as smaller clusters in Hillsboro and the Clackamas County 2040 regional center.

Table 1 - New Area Planning Progress and Funding

Lead Jurisdiction	Subarea for Planning	CET Funding Rate	Total CET Grant Allocation	New Planning Completed	New Planning Underway	Reimbursement Issued	Planning & Reimbursements not Yet Started
Beaverton	Scholls Ferry (portions of Bull Mtn/Area 64)	75%	\$3,750			X	
Clackamas Co.	Damascus/ Boring	75%	\$202,701			X	
Cornelius	E. Baselin (Area 77)	75%	\$7,500			X	
Cornelius	Cornelius/ N. Holladay/ Council Creek	90%	\$18,000				X
Damascus	Damascus Concept	90%	\$524,724		X		
Forest Grove	Forest Grove Swap	90%	\$8,422				X
Gresham	Springwater (Areas 6 & 12)	75%	\$977,129			X	
Gresham	Kelly Creek (Area 13)	75%	\$90,000		X		
Happy Valley	Happy Valley Comp.	90%	\$168,631	X			
Hillsboro	South Hills (Areas 69 & 71)	90%	\$157,500		X		
Hillsboro	Shute Rd	75%	\$30,000			X	
Hillsboro	Helvetia and Evergreen	90%	\$345,000	X			
Multnomah Co.	Bonny Slope (Area 93)	90%	\$202,500		X		
Oregon City	Park Place Master Plan	90%	\$292,500	X			
Oregon City	Beavercreek Rd. & Area 26	90%	\$117,000	X			
Oregon City	South End Rd (Area 32)	90%	\$292,500				X
Sherwood	Brookman Rd	90%	\$153,000		X		
Sherwood	Area 59	75%	\$15,524			X	
Sherwood	Quarry (portions of Areas 48 & 49)	90%	\$208,440		X		
Tualatin	SW Implementation Plan	90%	\$30,907				X
Tualatin	NW and SW Tualatin Plans	75%	\$52,194			X	
Washington & Clackamas Counties or Tualatin or Wilsonville	Coffee Creek 2/ portions of Areas 47 & 49	90%	\$365,278				X
Washington Co.	Bull Mountain (Areas 63 & 64)	90%	\$670,500		X		
Washington Co.	Cooper Mountain (Area 67)	90%	\$191,700				X
Washington Co.	N. Bethany	90%	\$1,170,000		X		
\$6,295,400							

CET Grant Distribution

Table 1 displays the jurisdictions and plans that have been allocated CET funds to conduct expansion area planning. The four columns on the right-hand show the progress of planning efforts as of March 2009. Eleven plans have been completed, eight are in progress, and six are yet to be commenced. Projects that have not been started were either awaiting other decision-making processes (for example, on the I-5/99W Connector) or were part of a series of plans being completed in phases by a jurisdiction (e.g. Washington County and Oregon City). The *New Planning Completed* and *New Planning Underway* columns refer to areas that received funds at a rate of 90 percent of the amount requested. The *Reimbursement Issued* column refers to sites that were funded at a rate of 75 percent, and have completed their required planning. The last column, *Planning & Reimbursements not yet Started*, refers to areas that have not yet commenced planning, or have not collected their reimbursements for planning completed or underway. Appendix D displays total CET collections and recipients by jurisdiction.

Next Steps

Measuring Success

The purpose of the construction excise tax was to secure funding for the planning required under Title 11 for areas added to the UGB from 2000-2005. The program has and continues to be successful in accomplishing this goal. More than half of new area plans identified by the stakeholder group are now complete, another third are progressing towards completion, and the remaining plans will be commenced soon.

Stakeholders who convened to establish the CET program recognized that planning is necessary, but not sufficient to accomplish the region's growth and development goals. There was a shared understanding that to actualize the type of development these new area plans call for, the greater issues of infrastructure and basic service delivery must be addressed. Identifying a strategy to fund local and regional infrastructure is critical to accomplishing the various planning goals throughout the metropolitan area.

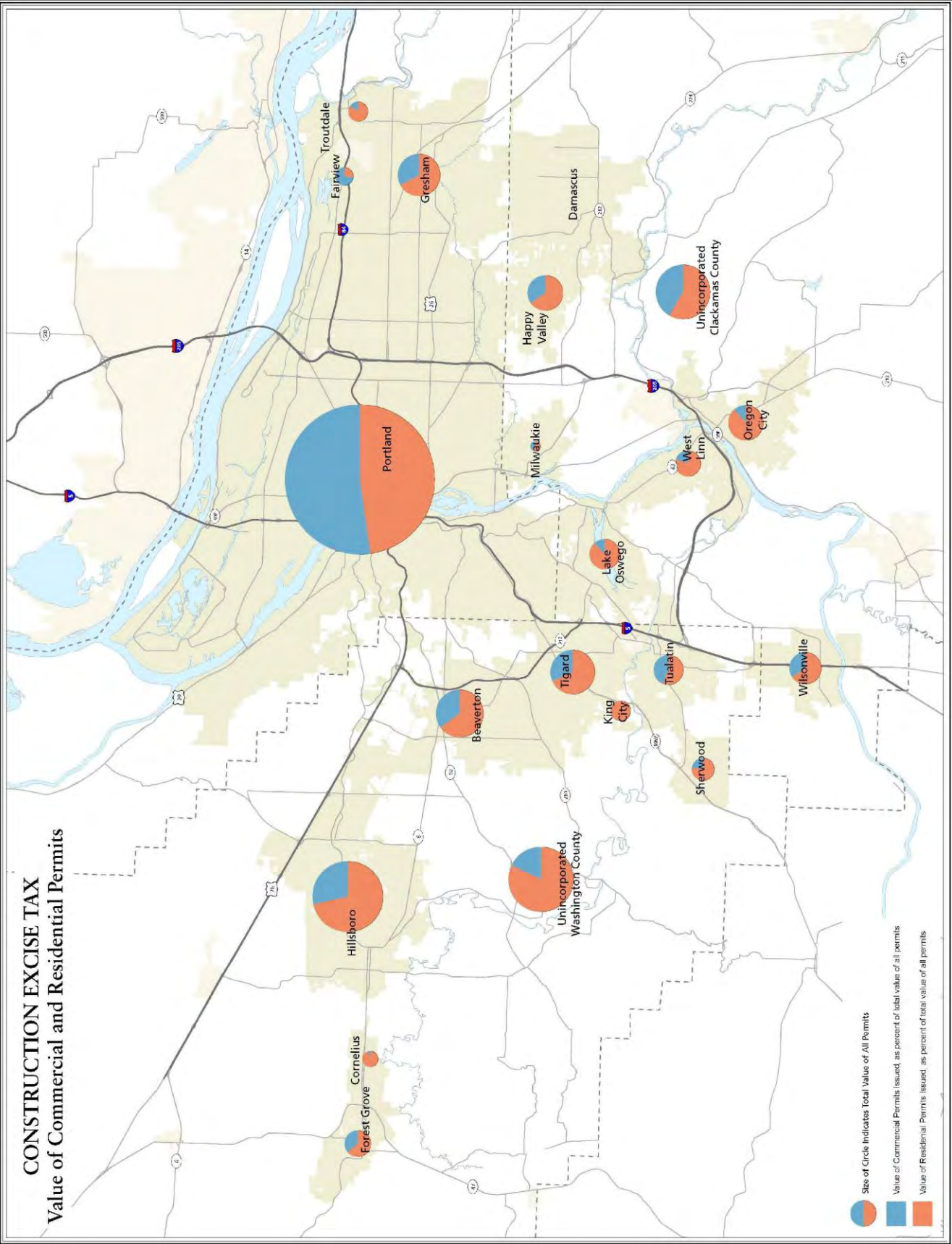
State CET Preemption

Since the Metro CET was established in 2006, state law regarding local taxing authority has changed, limiting local government's authority to levy excise taxes on construction. In 2007, the Oregon Legislature enacted Senate Bill 1036, which authorized school districts to levy a construction excise tax on new residential, commercial, and industrial construction to pay for school facility construction. However, the bill also prohibited the establishment of new construction excise taxes by other local governments. The state preemption expires in 2018. Existing CETs are "grandfathered" in – the local preemption does not apply to any tax "that is in effect as of May 1, 2007, or to the extension or continuation of such a tax, provided that the rate of tax does not increase from the rate in effect as of May 1, 2007". Thus, state law allows Metro to continue levying a CET so long as the rate does not change. However, if the tax is allowed to sunset, SB 1036 would prohibit the re-institution of an excise tax until 2018.

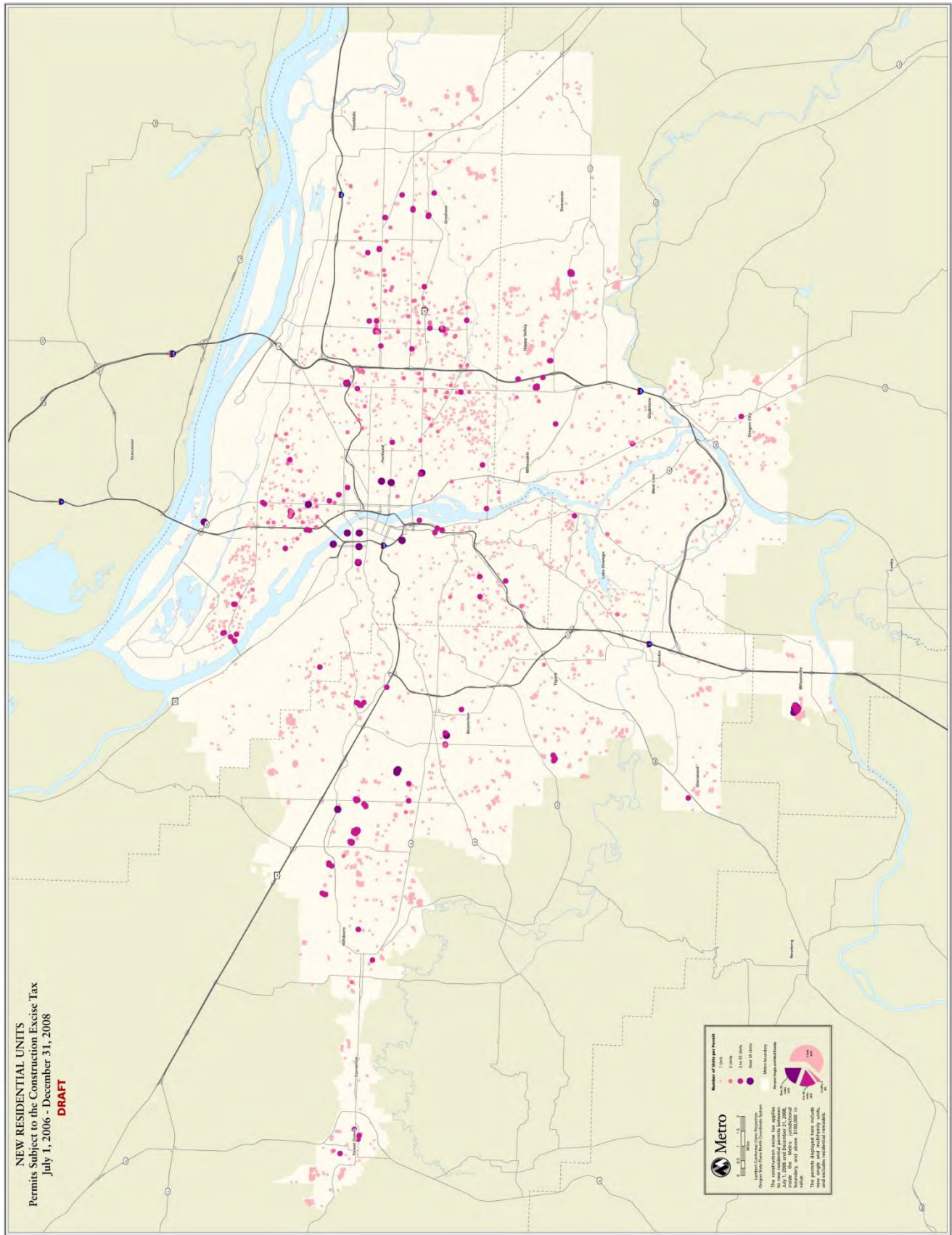
As the CET sunset approaches, Metro and its regional partners are considering the value of extending the tax to support a broader spectrum of planning needs throughout the region. If the tax sunsets, the tool will not be available again until 2018. Starting in April 2009, Metro will convene an advisory group whether to retain this taxing authority and discuss the range of options available for the CET, and make recommendations to Metro's Chief Operating Officer on what types of planning to support and how to distribute funds.

Appendix A

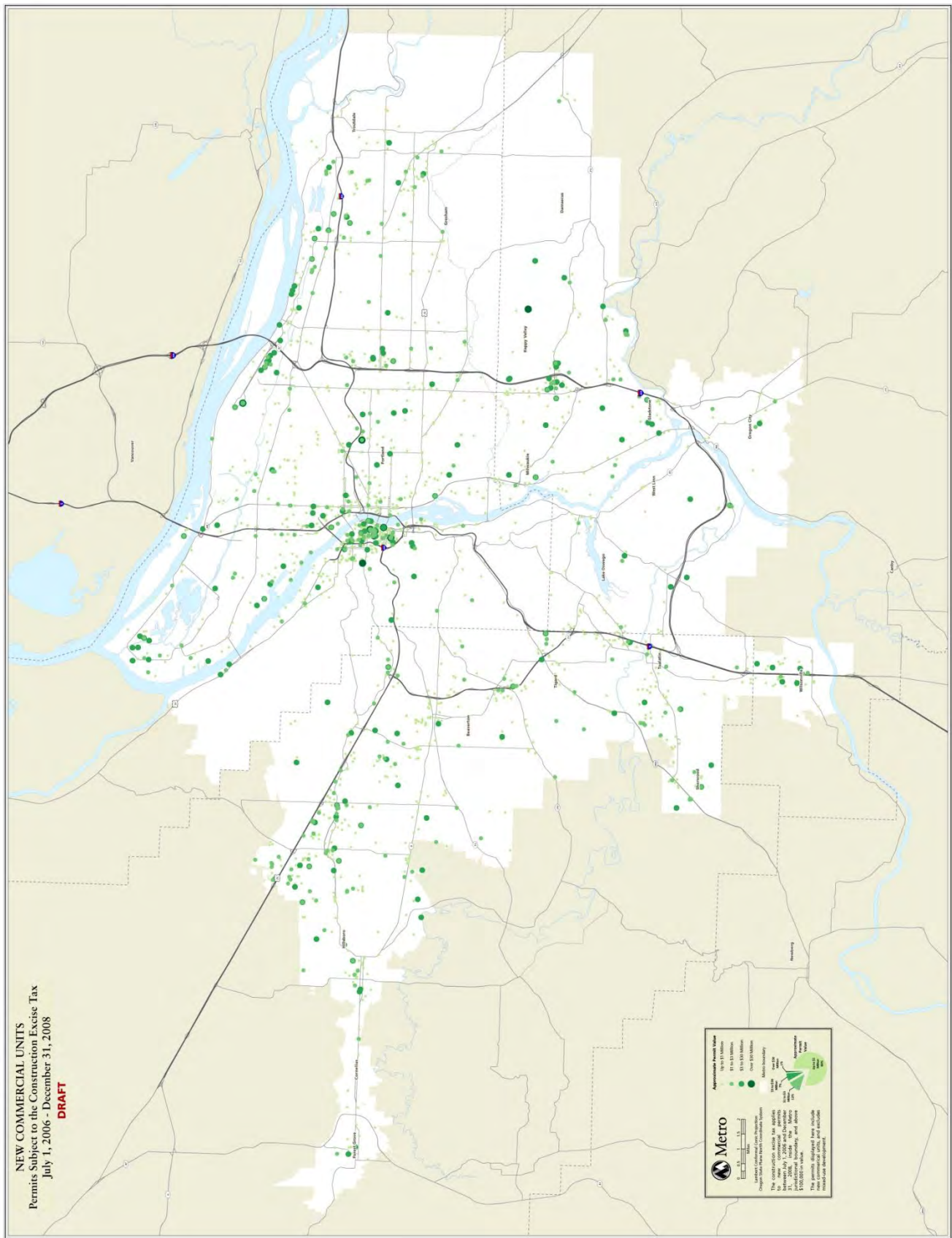
CONSTRUCTION EXCISE TAX Value of Commercial and Residential Permits



Appendix B



Appendix C



Appendix D



ⁱ Disclaimer for Appendices A,-D: The information used to create these appendices was gathered from Construction Monitor and processed by Metro staff. Because this is third party data, not produced by Metro, it should only be used for general approximations. Metro staff cannot guarantee full accuracy of Construction Monitor data. The data reflect the total values of permits issued within the Metro service district for July 2006 through 2008 which were subject to CET. In addition, it should be noted that those permits which received exemptions for affordable housing and 501c(3) status have NOT been excluded from this analysis.