

Greenspaces Policy Advisory Committee

AGENDA

Thursday, July 27, 2006
Metro Regional Center
Room 501
5:30 pm

Update - GPAC status report given to Metro Council at June 27 work session
(Ragsdale)

Presentation - Columbia Land Trust on the role they are playing in the
Portland metropolitan region

Update - Parks directors' meeting held on June 23 (Gilmer)

Update - System mapping for natural resources (Houck)

Presentation - GPAC Finance Report - Part II-Potential New Funding Sources
(Tucker/Owen)

GPAC Finance Report Part 2 – Potential New Funding Sources

I. Purpose of the Report

The purpose of this report is to identify potential new funding sources for the Regional Parks System. The first portion of this report (Section III) will discuss viable potential new sources. Staff has determined these sources to have the greatest level of viability given the potential revenue amounts, ease of collection, existing state law, and the history of other jurisdictions implementing or attempting to implement the source of revenue. The remaining potential sources (Section IV) have been described to provide information on other less viable sources.

II. Methodology

Research for this section of the report will include information from state tax and policy organizations, the state annual legislative financial reviews and information gathered from various additional sources. Research has been gathered from reports generated from the following: the Trust for Public Lands, the Oregon State Legislature Legislative Revenue Office, the National Conference of State Legislatures, the Fair Growth and Farmlands Project Committee Report of April 2006, various local newspapers and media outlets, and interviews.

III. Viable Potential New Sources

A. Sales and Use Tax on Prepared Food and Beverage

The city of Ashland utilizes a sales and use tax on prepared food and beverage, in part, to pay in part for open space land acquisition. The combined tax rate is 5% of the sale of prepared food and beverage, with 1% dedicated for open space land purchases and 4% used to offset the costs of a new wastewater treatment plant. The tax was approved in 1990 and will sunset in 2010 unless voters approve an extension.

The city of Ashland receives \$1.8 million annually from the 5 percent tax on the sale of prepared food and beverages, with \$300,000 dedicated to open space land purchases. Ashland is located just north of the California border and attracts a heavy tourist population for its arts and culture festivals. Supporters of Ashland's food and beverage tax have indicated that the tourists, and not residents, are paying the bulk of the tax to the city. There is opposition to this tax because it is a selective sales tax and that no other government in Oregon has a similar tax. Opposition groups, such as the Oregon Restaurant Association, claim that this type of selective sales tax singles out one type of business and is regressive. The

city of Medford considered a similar tax to fund public safety positions but the motion was defeated at a City Council meeting before referral to the general election. Voters in Grants Pass defeated a food and beverage sales tax in May 2006.

For a consumption tax of any nature to be viable, the taxing agency will likely have to provide the public with the following: 1) defined need for the revenue, 2) defined projects and programs that the revenue will directly benefit with a minimum amount of administrative costs, 3) low burden or rate with exemptions for non-profits and prepared foods deemed necessary such as bread (Ashland exempts bread and some baked goods), 4) sunset clause with the option for voter approved renewal. The tax in Ashland was successful, at least in part, because it meets these criteria.

A rate of 0.5% is recommended for additional study and analysis of this revenue source. This rate is low enough that the burden would not be significant (equating to 20¢ for a \$40 meal).

To estimate the potential revenue generation, we can look north at a similar tax. King County in Washington State collects a 0.5 percent sales tax on prepared food to assist with the bond payments on Safeco Field. The restaurant and beverage tax generated \$17.7 million in 2005. Assuming that the Portland Metropolitan Area equates to half the economic activity of King County, it is estimated that 0.5% tax could yield \$8.85 million. This revenue source would be available to fund both ongoing and one-time-only components of the regional parks system.

B. Metro Regional Excise Tax

Metro collects a regional excise tax on users of its facilities, equipment, systems, functions, services or improvements owned, operated franchised or provided. This revenue source provides discretionary funds for the General Fund at Metro. In FY 2006-07, Metro has budgeted \$14.4 million in excise tax revenue for the general fund, the majority of which comes from the Solid Waste Disposal System. As a policy decision, the Metro Council allocates excise tax to fund portions of the Regional Parks and Greenspaces Department, the Regional Planning Department and some general government services.

Metro has the authority to raise the rate of collection for excise tax; however, the expenditure cap within the Metro Charter effectively limits the ability of Metro to increase this tax rate without referral to the voters. An excise tax increase of \$1 per ton on the Solid Waste tipping fee equates to \$1.3 million in revenue to Metro's general fund. This revenue source would be available to fund both ongoing and one-time-only components of the regional parks system.

C. Local Income Tax

Local jurisdictions in Oregon have the option to levy income tax on residents within the defined boundaries. An income tax would have to be approved by the voters within the jurisdictions; it cannot be imposed through Council action alone. In Multnomah County, a personal income tax was created when voters approved Ballot Measure 26-48 in May 2003. This action made Multnomah County the first county in Oregon to adopt a local income tax. The measure was intended to be a temporary, local answer to recent state budget cuts to education, public safety, and human services by providing supplementary funds for a defined period of three years.

The tax was structured as a temporary levy of 1.25% per \$1,000 of Oregon taxable income for Multnomah County residents. This amount is the maximum allowed for local governments to assess on personal income taxes. The tax allowed for a reduction by an exemption amount of \$5,000 for joint filers and \$2,500 for single filers. Oregon taxable income includes most income with exceptions for Social Security benefits and federal and state retirement income.

It was estimated that this tax of 1.25% would provide \$128 annually million in revenue to Multnomah County. The bulk of the revenue, approximately \$90 million per year was designated to fund public schools. The remaining amount was dedicated for public safety and human service programs that served the elderly, disabled and mentally ill. The County chose to collect the tax itself, resulting in a lower than expected rate of collection. The tax terminated in December of 2005 and has not been placed on the November 2006 ballot for renewal.

If imposed throughout the Portland Metro region, an income tax of 0.10% would equate to approximately \$20 million annually (roughly \$50 per year for a taxable income of \$50,000). It is recommended that, should an income tax be implemented for the Portland Metro region, the Oregon Department of Revenue (DOR) act as the collecting agent and pass through the proceeds for distribution. By utilizing the DOR's existing system, the administrative burden on local governments and on the taxpayers would be minimized and the collection rate should be equivalent to the state's rate.

D. Payroll Tax

Presently, the State of Oregon collects payroll taxes for public transportation for the Lane County public transit and for TriMet in the Portland Metropolitan Area. The payroll transit tax is imposed directly on the employer for the amount of gross payroll paid for services performed within the LTD or TriMet district. The current TriMet rate is \$6.418 per \$1,000, with an annual inflationary growth rate of 1/100 of a percent on the rate for the next ten years. The tax is paid quarterly by businesses to the Oregon Department of Revenue, which acts as an agent to

collect and disperse the funds. For FY 2006, TriMet estimates the payroll tax revenue to generate \$167 million.

Metro would need to change its Charter (through a vote) to provide the authority to impose this tax. A rate of \$0.3209 per \$1,000, or 5% of TriMet's tax, would yield approximately \$8.2 million into the region per year. The rate is equal to approximately \$16 per year for a \$50,000 salary.

This tax is considered feasible because 1) it could be presented as an increase to an existing tax, rather than a new tax, 2) the rate is low and spread over a large base, and 3) a collection system already exists through the Oregon Department of Revenue. This source of revenue could be available to fund acquisition, capital and ongoing operations and maintenance for the parks system.

E. Vehicle Registration Fee

The Oregon Department of Transportation charges a passenger vehicle registration fee of \$55 per vehicle every two years. As of December 31, 2005, the State of Oregon reports there were 1.14 million registered passenger vehicles in the Portland Metropolitan area. Assuming a fee of \$5 per vehicle every two years, this revenue source would generate approximately \$5.7 million annually.

Upon voter approval, Oregon law allows Metro to impose a motor vehicle fee for transportation purposes. This revenue source also requires that Metro enter into intergovernmental agreements with the counties and any city or special district with a population of 300,000 or more, detailing how the revenue will be allocated.

It is recommended that collection of the fee be administered through the State Department of Motor Vehicles, in conjunction with their fee collection activities.

This revenue source may have support from local transportation alternatives organization, as the revenue would best benefit regional trails planning, design, engineering, construction and maintenance.

IV. Other Potential New Revenue Sources

A. Real Estate Excise Tax (REET)

The 2006 Oregon Public Finance Basic Facts Report identifies the projected amounts of new or increased revenue from a variety of different sources. The report utilizes the State of Washington's REET formula and applies it to the Oregon market to determine the projected revenue from REET in Oregon. Under the 1 percent rate, the State of Oregon would collect \$226.5 million in the 2006-07 biennium, growing to \$246.6 million projected in 2008-09. Assuming that the Portland Metropolitan Area represents 1/3 of property values in the state, a 1% REET would generate approximately \$38 million annually.

The Oregon Legislature specifically prohibited the imposition of Real Estate Excise Taxes by local governments, and a change in state law, either by legislative action or petition, is not considered viable at this time because of the known opposition to this tax.

B. Local Improvement Districts / Tax Increment Financing

Local Improvement Districts (LID) are funded with urban renewal systems where the property tax within the boundary is frozen at one rate and the projected new tax is collected to pay off the debt for the renewal. Urban renewal is used as a tool by local governments to increase private investments in an area that otherwise might not see improvements. To create an urban renewal district, the issue must go before the voters and as a requirement of Measure 50, the vote must either be during a general election in an even numbered year or receive at least 50% voter turnout.

This revenue source is available to local jurisdictions willing to forego general fund revenues to achieve the goals established for the Local Improvement District. However, it is unlikely that this could be used effectively at a regional level.

C. Regional Parks District Formation/ Permanent Property Tax Levy

A multi-jurisdictional parks district, such as Tualatin Hills Park and Recreation District (THPRD), has the authority to levy a permanent tax rate, issue debt, elect its commissioners and exists to provide parks services within the dedicated boundary of the district. Park District formation requires a vote of the electorate within the proposed boundary of the district in order to set the permanent property tax levy. The district operates similarly to a local government with an elected board of commissioners who make the policy decisions for the district. In Oregon, a parks district is subject to the same revenue limits as local governments, including Measures 5 and 50. The main difference is that all general fund revenues collected through property tax support parks programs and operations. Municipalities and counties must balance parks spending with other general fund department requirements from the single pot of money available.

Forming a new regional parks district in the Portland Metro area would require an election to establish a permanent tax rate for a new parks district. This permanent rate would be combined with other local government permanent rates, subject to the Measure 5 limitations (\$10 per \$1,000 of taxable assessed value for local government purposes) causing compression of local option levies in many areas and even compression of permanent levies in a few areas. This establishes a political dynamic where regional parks would be pitted against libraries, law enforcement and some local parks departments for revenue. Because of this

dynamic, it is believed that the establishment of a regional parks district, *for the purpose of increasing revenue*, is not viable.

D. Urban Area Inclusion Fee / Value-Added Capture

A Value-Added Capture tax is a windfall tax imposed on the increases in land value that occur when land is brought into the regional Urban Growth Boundary of an agency. When land is included in the Metro UGB, the value of the property increases and this tax is designed to capture the increased value that would not occur, but for the change in land status made possible by the designating government. Land outside the UGB is primarily zoned as exclusive farm use, forest conservation or rural home sites and once it is included in the UGB, the designation allows for urban uses such as subdivision, shopping centers and office parks. The land increases in value as a result of this change in allowable land use regardless of whether the development actually occurs.

Metro's Fair Growth and Farmlands Committee has explored value-added capture tax as a funding strategy for paying for new infrastructure associated with inclusion in the urban boundary. This spending dedication includes capital projects such as new roads, water and sewer lines. Parks and recreation infrastructure in the newly included UGB area could potentially receive funds from this tax. The committee has predicted revenues of \$120 million to \$1.56 billion over 20 years. This tax requires voter approval in order to establish and collect, and there are a number of legal issues surrounding how this tax could be structured. It is unlikely that this revenue source would be used exclusively for parks and is most appropriately discussed in the context of the larger infrastructure needs of new urban areas.

E. Local Share Transfers from the State (Lottery)

Voters approved Measure 66 in May 1995, establishing the Oregon Lottery as a revenue source in the State. Measure 66 dedicated 15 percent of the net proceeds to go towards funding parks and recreation in the state. Of this 15 percent, half is allocated to Oregon State Parks for operations and maintenance, and the other half is dedicated to fish and wildlife preservation and is used primarily for salmon habitat restoration. These provisions of Measure 66 will sunset in 2014 and will require voter approval to renew the lottery proceeds dedications. It is possible to develop a regional strategy for the rededication of proceeds in 2014, but is not currently viable and available as a funding source.

F. State and Federal Grants

As discussed in Part I of this report, State and Federal governments disperse grants that benefit regional parks systems. Grants typically fund capital or habitat restoration projects and often have a local match requirement. Several smaller communities may not have the grants management staff available to administer a

grant if it is awarded. As a long term funding strategy, it is not fiscally prudent to rely on one-time money sources. Additional work should be done to develop a list of grant funding sources available to local and regional parks departments.

G. Regional System Development Charge

A regional System Development Charge (SDC) could be assessed throughout the region's boundaries to provide capital funds for the acquisition of land and development of parks and natural areas made necessary by new development. Metro has the legal authority to impose and collect a regional SDC for parks development. This fee would not require voter approval and collection would be similar to the construction excise tax where local jurisdiction collect the fee and Metro acts as the agent to appropriate or allocate the fee. This fee would be assessed on development in addition to fees presently assessed by local jurisdictions. A 10 percent increase to the amounts presently collected as SDC by local governments within Metro's boundary would amount to approximately \$1.6 million per year. Given the known political opposition to this revenue source and the varying fee rates around the region, the viability of this as a revenue source is questionable.

H. Escrow Account Interest Capture

In Oregon, all Real Estate brokers are required to deposit client funds (earnest money) into escrow accounts, and Title/Escrow companies are required to maintain escrow accounts for the collection and distribution of funds from the transfer of property. These accounts are non-interest bearing. In exchange for these funds being deposited in non-interest earning accounts, financial institutions typically waive account maintenance fees and some miscellaneous fees.

With a change in state law, escrow accounts could be required to be interest-bearing accounts. The interest earned would be remitted to Metro, with revenues dedicated to the acquisition, maintenance, operations, and/or administration of the regional parks system.

There are several states that require interest on interest-earning escrow accounts be remitted to the state. In Washington, this revenue is dedicated toward loans or grants related to affordable housing, and toward education related to Real Estate licenses. (RCW18.85.310)

I. Mitigation and Mitigation Banking

The Clean Water Act (CWA) of 1977 establishes the process for mitigation and mitigation banking. When an applicant places or removes fill in a wetland, they must adequately mitigate for the impacts. The mitigation can occur on-site or if that is not available, then off-site mitigation is available. Mitigation banking is a form of off-site mitigation, and is described as the creation, restoration,

enhancement or preservation of wetlands in advance of a project requiring mitigation. The credits earned from these efforts are made available to meet the mitigation requirements for future projects of the same or different landowner. These credits may be sold on the open market, thus creating a potential revenue source.

Mitigation banking may be an appropriate vehicle for restoration of wetlands and some acquisition activity, but it is unlikely to generate the revenue amounts necessary to fund activities within the regional park system.

J. Federal Line-Item Appropriation

A federal Line-Item Appropriation could provide a source of federal funds for a specific project or concept within the region. This source should be treated as a one-time source of revenue, due to the political nature of the federal budget. Leaders in the Portland Metropolitan could lobby members of Congress to include funds for specific projects in the line-item budget. Once the project is approved in the federal budget, the funds would be collected and spent on the identified project. This option is not likely to produce a significant, ongoing source of revenue.

K. Sales and Use Tax

The State of Oregon does not collect a general sales and use tax. It would require voter approval for sales tax to be collected by the State. Most local jurisdictions face the same voter approval obstacle for imposing sales and use tax within their boundaries. The State of Oregon estimates that a Statewide 1% sales and use tax that excludes food, prescription drugs, and real estate transactions would generate \$140.3 million dollars annually. Assuming that half of the state's retail economic activity takes place within the Portland Metropolitan region, this equates to approximately \$70 million annually.

Oregon voters have defeated sales tax initiatives nine times over the past century, often by a sizable margin. The only area in Oregon that allows a form of sales tax is the city of Ashland, with its tax on prepared foods and beverages at restaurants.

As a potential steady source of parks funding, the sales and use tax option is not viable in the near future due to a variety of reasons; most notably, the tax is unpopular with the electorate. Additionally, the imposition of this tax would require the establishment of revenue collection methods and would significantly impact the retail businesses in the region.

L. Cell Phone Tax

A tax on cellular phones was recently discussed by the Portland City Council, and at the Oregon State Legislature during the 2005 session. Oregon has one of the

lowest tax rates for state and local cellular phone usage in the nation. The Federal government taxes cell phones at a rate of 6.05% of the bill. The city of Portland pursued a 5% local cell phone tax for phones in the city limits. City staff estimates that the tax would collect approximately \$8 million dollars in the first year.

As a funding source, a tax on cellular services would be fairly stable, as wireless phones have made gains in popularity and service is widely available in the region. A rough calculation for potential revenue would be the number of cell phones in region x \$65 average bill x 5% x 12 months. If 800,000 cell users pay monthly bills of \$65, then a 5% cell phone tax would yield \$31.2 million annually. A rate of 1% would collect \$6,240,000 under this methodology.

A tax on cellular phones in the region would require voter approval. An opinion poll conducted by MyWireless.org, a telecom funded Political Action Committee states that 59% of Portland residents were opposed to the 5% phone tax. At the federal level, Senator John McCain has introduced legislation to reduce the cap on franchise fees to 3% and ban all cell phone specific taxes.

M. Car Rental Tax

The City of Medford adopted a 5% car rental tax specifying all proceeds to go towards capital improvement projects outlined in the Leisure Services Plan for the development of park facilities. The collected funds are allocated to a Parks Dedication Fund and combined with additional grants and capital funding sources. The Medford Council began collection of this funding source in late 2005.

Multnomah County already collects a 12.5% car rental tax. This presents a challenge for implementing an additional car rental tax. This funding source seems to be "taken" by the efforts around tourism promotion, including support of the Oregon Convention Center (a Metro facility).

July 17, 2006

Mike and Mike- (I'm writing to Mike R in role of Chair and Mike H as the lead on many of these items.)

In preparing the June 22 GPAC meeting notes, there were a number of agenda items mentioned that require some type of action or follow-up prior to the July meeting. Heather Kent and Jeff Tucker are stepping in while Jim Desmond is just returning from vacation and Chris Carlson is on leave, but I thought I would send you the list of those items and what I believe their current status to be and ask for your input.

1) Review attendance records of GPAC members over the last 6 months.

Zari expressed concern about the absence of a number of members. **I will check the records over that period and forward them to you, Mike R. You said you would assess the situation.**

2) Develop a set of criteria for a site classification of "regional" which is a subset within the "region-wide" system.

Chris was to put together and send out a set of criteria to the Committee against which sites could be compared to determine if they are "regional". **On hold?**

3) Collect from GPAC members the names and contact info of those they feel would be valuable participants in a follow-up landscape charette. No suggestions were received but Mike H has moved ahead with this process arranging a follow-up workshop on July 19 at Metro for participants of the first workshop to review and "ground truth" the map and inviting others who want to make a contribution to the map discussion to contact him for further details. **This item taken care of. (Thanks Mike.)**

4) Produce a subsequent composite map from input of participants at July 19 follow-up workshop in collaboration with Matthew Hampton. This will obviously have to wait after July 19.

5) Provide David Hulse with the results of the July 19 charette. He will compare those results with his data on recreational opportunities/facilities in the Willamette Basin and with data he has from The Nature Conservancy. He will report on any gaps or inconsistencies he finds. This will need to follow the completion of items 4) and 5).

6) Set agenda for July 27 meeting. (Mike R?)

7) Report to GPAC at July 27 meeting on the System and the Landscape Workshop progress to date (Mike H and Chris Carlson).

8) Possibilities for additional agenda items?

***Status report from Zari, Kim and Dan Z on Park Directors meeting on June 23 and progress made.**

*** Update from Mike R of June 27 Council work session at which progress report was given of GPAC work to date.**

Note: I will be on vacation Wed thru Fri, July 19-21 and am hoping to be able to get the agenda out by Tues. if possible. Does that sound doable Mike R? Otherwise Mon, July 24? Jeff Tucker has reviewed and ok'd the meeting notes which can go out at the same time. Jeff is working to complete Part II of the GPAC Finance Report, but it will not be completed this week. Thanks for your assistance. Let me know what you think needs doing at this point.

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