

BEFORE THE METRO COUNCIL

AN ORDINANCE EXTENDING THE METRO)
CONSTRUCTION EXCISE TAX FOR)
COMMUNITY PLANNING AND)
DEVELOPMENT GRANTS)
ORDINANCE NO. 14-1328
Introduced by Chief Operating Officer Martha
Bennett, with the concurrence of Council
President Tom Hughes

WHEREAS, in March of 2006 the Metro Council adopted Ordinance No. 06-1115, titled “An Ordinance Creating a New Metro Code Chapter 7.04 Establishing a Construction Excise Tax,” (“2006 CET Ordinance”); and

WHEREAS, the construction excise tax rate established in the 2006 CET Ordinance was 0.12% of the value of new construction as defined in the CET Ordinance; and

WHEREAS, the 2006 CET Ordinance and Code chapter contained a sunset provision based on a maximum amount collected of \$6.3 million, which amount was reached in 2009; and

WHEREAS, in 2007 the Oregon state legislature adopted Senate Bill 1036, which authorizes school districts to levy construction excise taxes to pay for school facility construction, and prohibits the establishment of new construction excise taxes by other local governments, but the law provides that the prohibition does not apply to a 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; and

WHEREAS, on recommendation of an Advisory Group and the Metro Chief Operating Officer (COO) regarding the continuing need for funding regional and local planning, on June 11, 2009 the Metro Council adopted Ordinance No. 09-1220, extending the Metro CET for an additional five-year period (“2009 CET Ordinance”); and

WHEREAS, the 2009 CET Ordinance established an expiration date for the CET of September 30, 2014; and

WHEREAS, the CET program has succeeded in raising revenues in accordance with the expected timeframes to pay for planning work that could not have been funded otherwise; and

WHEREAS, in January of 2014 the Metro COO convened an Advisory Group consisting of a broad-based stakeholder group to advise the Metro COO regarding the community planning and development grants program and regarding the potential extension of Metro’s CET for another cycle of collections and distribution of planning and development grants; and

WHEREAS, after a series of meetings the Advisory Group recommended to the Metro COO that the CET should be extended from October 2014 to December 2020; and

WHEREAS, the Advisory Group’s studies and recommendations were presented to the Metro Policy Advisory Group (“MPAC”) on May 14, 2014 and MPAC voted to extend construction excise tax to December 2020; and

WHEREAS, the Metro Council finds that it is in the best interests of the region to continue the funding source provided by the CET, and Metro is willing to assist local governments to fund their

planning that is required to make land ready for development by continuing to implement a region-wide CET; and

WHEREAS, as required by Senate Bill 1036, the rate of Metro's CET will not increase from the rate in effect as of May 1, 2007, which is 0.12%; and

WHEREAS, Metro will continue to exempt from the CET all new construction valued at less than \$100,000 and also the construction of low-income housing; and

WHEREAS, the Metro CET will maintain the CET's stated policy and purpose "to provide funding for regional and local planning that is required to make land ready for development after its inclusion in the Urban Growth Boundary;" and

WHEREAS, the awards shall be determined by the Metro Council after receiving recommendations from the Metro Chief Operating Officer, who shall have convened and received recommendations from a grant screening committee that shall review grant requests submitted by local jurisdictions; and

WHEREAS, Metro has incurred not insignificant costs in implementing the CET program and is willing to continue to incur implementation costs but finds that a 5% administration fee is appropriate to partially reimburse Metro for its administrative costs; and

WHEREAS, the Metro Council hereby directs the Metro COO to extend the Intergovernmental Agreements with local jurisdictions for collection of the CET and remittance of such funds to Metro consistent with this Ordinance, and also hereby directs the Metro COO to prepare yearly reports to the Metro Council, advising the Metro Council of the amounts collected from the CET and the status of the grant requests by the local jurisdictions; now therefore

THE METRO COUNCIL ORDAINS AS FOLLOWS:

1. Extension of Metro Construction Excise Tax. Effective ninety (90) days after the passage of this Ordinance, the Metro Construction Excise Tax established pursuant to Metro Code Chapter 7.04 shall be extended to provide that the Construction Excise Tax shall not be imposed on and no person shall be liable to pay any tax for any construction activity that is commenced pursuant to a building permit issued after December 31, 2020.
2. Metro Code Amendment. Metro Code Chapter 7.04 shall be amended consistent with this Ordinance, in the form attached hereto as Exhibit A.
3. Administrative Rules. The Metro Council hereby directs the Metro Chief Operating Officer to propose revised administrative rules consistent with Chapter 7.04 and this Ordinance, and to seek direction from the Metro Council prior to developing revised administrative rules, and to return to the Metro Council for its approval of those administrative rules by resolution prior to promulgating them.

ADOPTED by the Metro Council this 19 day of June, 2014

Tom Hughes, Council President




Exhibit A
Ordinance No. 14-1328

METRO CODE – TITLE VII FINANCE
Chapter 7.04 CONSTRUCTION EXCISE TAX

7.04.225 Metro Administrative Fee

Metro shall retain five percent (5%) of the taxes remitted to Metro for payment towards Metro's administrative expenses.

7.04.230 Sunset Provision

The Construction Excise Tax shall not be imposed on and no person shall be liable to pay any tax for any construction activity that is commenced pursuant to a building permit issued after December 31, 2020.

BEFORE THE METRO COUNCIL

AN ORDINANCE EXTENDING THE METRO)	ORDINANCE NO. 14-1328
CONSTRUCTION EXCISE TAX FOR)	
COMMUNITY PLANNING AND)	Introduced by Chief Operating Officer Martha
DEVELOPMENT GRANTS)	Bennett, with the concurrence of Council
)	President Tom Hughes

WHEREAS, in March of 2006 the Metro Council adopted Ordinance No. 06-1115, titled ‘‘An Ordinance Creating a New Metro Code Chapter 7.04 Establishing a Construction Excise Tax,’’ (‘‘2006 CET Ordinance’’); and

WHEREAS, the construction excise tax rate established in the 2006 CET Ordinance was 0.12% of the value of new construction as defined in the CET Ordinance; and

WHEREAS, the 2006 CET Ordinance and Code chapter contained a sunset provision based on a maximum amount collected of \$6.3 million, which amount was reached in 2009; and

WHEREAS, in 2007 the Oregon state legislature adopted Senate Bill 1036, which authorizes school districts to levy construction excise taxes to pay for school facility construction, and prohibits the establishment of new construction excise taxes by other local governments, but the law provides that the prohibition does not apply to a 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; and

WHEREAS, on recommendation of an Advisory Group and the Metro Chief Operating Officer (COO) regarding the continuing need for funding regional and local planning, on June 11, 2009 the Metro Council adopted Ordinance No. 09-1220, extending the Metro CET for an additional five-year period (‘‘2009 CET Ordinance’’); and

WHEREAS, ~~under the 2009 CET Ordinance Metro awarded a total of approximately \$3.7 million in grants to local governments for community planning and development inside the UGB and in new urban areas and urban reserves; and~~

~~WHEREAS,~~ the 2009 CET Ordinance established an expiration date for the ~~Metro~~ CET of September 30, 2014; and

WHEREAS, the CET program has succeeded in raising revenues in accordance with the expected timeframes to pay for planning work that could not have been funded otherwise; and

WHEREAS, in January of 2014 the Metro COO convened an Advisory Group consisting of a broad-based stakeholder group to advise the Metro COO regarding the community planning and development grants program and regarding the potential extension of Metro’s CET for another cycle of collections and distribution of planning and development grants; and

WHEREAS, after a series of meetings the Advisory Group recommended to the Metro COO that the CET should be extended from October 2014 to December 2020; and

WHEREAS, the Advisory Group’s studies and recommendations were presented to the Metro Policy Advisory Group (‘‘MPAC’’) on May 14, 2014 and MPAC voted to _____

Draft

_____; and

WHEREAS, the Metro Council finds that it is in the best interests of the region to continue the funding source provided by the CET, and Metro is willing to assist local governments to fund their planning that is required to make land ready for development by continuing to implement a region-wide CET; and

WHEREAS, as required by Senate Bill 1036, the rate of Metro's CET will not increase from the rate in effect as of May 1, 2007, which is 0.12%; and

WHEREAS, Metro will continue to exempt from the CET all new construction valued at less than \$100,000 and also the construction of low-income housing; and

WHEREAS, the Metro CET will maintain the ~~same~~CET's stated "policy and purpose," which is "to provide funding for regional and local planning that is required to make land ready for development after its inclusion in the Urban Growth Boundary;" and

~~WHEREAS, the Metro CET will maintain the same stated dedication of revenue, such that "funds derived from the imposition of this tax after deduction of necessary costs of collection shall be dedicated to fund for regional and local planning that is required to make land ready for development after its inclusion in the Urban Growth Boundary;" and~~

~~WHEREAS, the allocation of CET funds~~ WHEREAS, the awards shall be determined by the Metro Council after receiving recommendations from the Metro Chief Operating Officer, who shall have convened and received recommendations from a grant screening committee that shall review ~~requested grants~~grant requests submitted by local jurisdictions ~~setting forth the expected completion of certain milestones associated with Metro Code Chapter 3.07, the Urban Growth Management Functional Plan;~~ and

~~WHEREAS, the Construction Excise Tax shall sunset on December 31, 2020; and~~

WHEREAS, Metro has incurred not insignificant costs in implementing the CET program and is willing to continue to incur implementation costs but finds that a 2.5% administration fee is appropriate to partially reimburse Metro for its administrative costs; and

WHEREAS, the Metro Council hereby directs the Metro COO to extend the ~~Intergovernmental~~ Agreements with local jurisdictions for collection of the CET and remittance of such funds to Metro consistent with this Ordinance, and also hereby directs the Metro COO to prepare yearly reports to the Metro Council, advising the Metro Council of the amounts collected from the CET and the status of the grant requests by the local jurisdictions; now therefore

~~NOW, THEREFORE,~~ THE METRO COUNCIL ORDAINS AS FOLLOWS:

~~Section~~ 1. Extension of Metro Construction Excise Tax. Effective ninety (90) days after the passage of this Ordinance, the Metro Construction Excise Tax established pursuant to Metro Code Chapter 7.04 shall be extended to provide that the Construction Excise Tax shall not be imposed on and no person shall be liable to pay any tax for any construction activity that is commenced pursuant to a building permit issued ~~on or after the last day of the month~~ _____ years after the Effective Date of this Ordinance, ~~i.e., _____, 2019~~after December 31, 2020.

Section 22. Metro Code Amendment. Metro Code Chapter 7.04 shall be amended consistent with this Ordinance, in the form attached hereto as Exhibit A.

3. Administrative Rules. The Metro Council hereby directs the Metro Chief Operating Officer to ~~promulgate additional~~ propose revised administrative rules consistent with Chapter 7.04 and regulations necessary for the administration and enforcement of the CET Code Chapter consistent with this Ordinance, and to return to the Metropolitan Policy Advisory Committee and to this Ordinance, and to seek direction from the Metro Council for consultation prior to adopting the Administrative Rules developing revised administrative rules, and to return to the Metro Council for its approval of those administrative rules by resolution prior to promulgating them.

ADOPTED by the Metro Council this _____ day of June, 2014.

Tom Hughes, Council President

Attest:

Approved as to Form:

Recording Secretary

Alison R. Kean, Metro Attorney

Effective Date: _____, 2014.

Exhibit A
Ordinance No. 14-1328

METRO CODE – TITLE VII FINANCE
Chapter 7.04 CONSTRUCTION EXCISE TAX

7.04.225 Metro Administrative Fee

Metro shall retain five percent (5%) of the taxes remitted to Metro for payment towards Metro's administrative expenses.

7.04.230 Sunset Provision

The Construction Excise Tax shall not be imposed on and no person shall be liable to pay any tax for any construction activity that is commenced pursuant to a building permit issued after December 31, 2020.

DRAFT

STAFF REPORT

IN CONSIDERATION OF ORDINANCE NO. 14-1328, FOR THE PURPOSE OF EXTENDING THE CONSTRUCTION EXCISE TAX FOR COMMUNITY PLANNING AND DEVELOPMENT GRANTS

Date: May 30, 2014

Prepared by: Gerry Uba

503-797-1737

gerry.uba@oregonmetro.gov

BACKGROUND

In November 2013, staff informed Metro Council that the construction excise tax which funds Community Planning and Development Grants will expire in September 2014. Staff also informed the Council that if it desired to maintain the construction excise tax for planning purposes, the tax must be extended not later than June 2014, because tax actions require a 90-day period prior to sunset date to be reauthorized. Council deliberations resulted in directing the Chief Operating Officer to convene stakeholders to review the Community Planning and Development Grants program and provide advice on extension of the tax.

2005 EXPANDED AREA PLANNING FUND COMMITTEE AND CYCLE 1 GRANT AWARD

As early as 2004, the region realized that many local governments do not have sufficient funding to complete the planning requirements in Title 11 of the Urban Growth Management Functional Plan for over 6,000 acres brought into the Urban Growth Boundary (UGB) in [list year or period of years]. In early 2006, a stakeholder advisory group convened by then- Chief Operating Officer Michael Jordan recommended creation of a construction excise tax to collect a total of \$6.3 million to fund planning in areas brought into the UGB from 2002 through 2005. In March 2006, Metro Council established the tax (Ordinance No. 06-1115), which took effect the following July 1. The tax is assessed at 0.12 percent of the total value of construction for which a permit is sought. Permits valued below \$100,000 and those issued to non-profit organizations for affordable housing are exempt from the tax. Permits valued more than \$10 million are assessed a flat fee of \$12,000.

Cycle 1 (2006) non-competitive grants to local governments committed the \$6.3 million for 26 concept planning projects in those areas brought into the UGB between 2002 and 2005. The concept plans established the planning framework for long-term sustainable urbanization and annexation for these new urban areas.

2009 CET ADVISORY GROUP AND CYCLES 2 AND 3 GRANT AWARDS

Due to the need for predevelopment and redevelopment planning for areas inside the UGB, an advisory group convened in 2009 and recommended extension of the CET. The Group recommended extending the sunset for additional five years, to September 2014. The Committee also recommended maintaining the existing tax structure, including the tax rate, exemptions and retention for administration of the tax.

The Metro Council extended the tax in 2009 (Ordinance 09-1220) for a five-year period. The scope of eligible projects was expanded to include existing urban area planning, new urban area planning, and urban reserve area planning. Grant allocations in two new Cycles (Cycle 2 and Cycle 3) were implemented in 2010 and in 2013.

Cycle 2 (2010) competitive grants to local governments committed \$3.7 million for 17 planning projects in areas inside the UGB (Resolution No. 10-4151). Cycle 3 (2013) competitive grants to local governments committed \$4.2 million for 19 planning projects (Resolution No. 13-4450) both inside and outside the UGB. Approximately 32 percent of the fund was allocated to planning projects in new urban areas and urban reserves, while 68 percent of available revenues were allocated to planning projects located inside the UGB. The outcomes of Cycle 2 and Cycle 3 projects fall into the following categories:

- Concept plans for establishing long-term sustainable urbanization and annexation for land added to the UGB
- Concept plans or comprehensive plans for establishing long-term sustainable urbanization and annexation for urban reserves, including how to secure financial and governance commitment
- Master plans for shovel-ready eco-industrial development
- Master plans for old industrial and employment areas
- Implementation strategies with a focus on redevelopment and potential transit stations
- Development strategies with a focus on infrastructure financing
- Zoning regulation updates to implement comprehensive plans and spur redevelopment
- Alternative transportation system performance measures for multi-modal mixed-use areas.

2014 PERFORMANCE ASSESSMENT OF THE COMMUNITY PLANNING AND DEVELOPMENT GRANTS PROGRAM

Metro contracted with a consulting firm, ECONorthwest, to conduct a performance assessment of the Community Planning and Development Grants program. Key findings and recommendations of the performance assessment are:

- 1) There is a lack of quantitative evidence of on-the-ground development can be attributed to:
 - a) Impact of the recession
 - b) Delayed start of grant projects
 - c) Too soon to measure progress of grant projects
- 2) The benefits of the grant program (based on qualitative research/interviews) are:
 - a) Planning could not have occurred without the grant
 - b) Planning happened sooner in some places because of the availability of funds
 - c) Partnerships were established and external resources leveraged
 - d) Innovative approaches and increased planning sophistication occurred
- 3) The recommendations focus on improvements that will enhance future program evaluation:
 - a) Some of those interviewed expressed uncertainty about what the program can accomplish, due to shifts in evaluation criteria. This can be resolved by providing clearer definition of the criteria to be consistent with program objectives
 - b) Prior to a new grant cycle (if the tax is extended), Metro should develop an intentional evaluation framework linking program goals with project activities and ultimate outcomes, using tools like a logic model.

- c) Metro should reevaluate the 50/50 split of Cycle 3 grant funds between projects inside UGB and in urban reserves and new urban areas
- d) Metro should consider requiring grantees to evaluate their own success and failures during the grant period
- e) Report interim and final evaluation findings, showing how projects compare on program goals, activities and ultimate outcomes.

2014 ADVISORY GROUP FOR POTENTIAL CONSTRUCTION EXCISE TAX EXTENSION AND COMMUNITY PLANNING AND DEVELOPMENT GRANTS PROGRAM REVIEW

In January 2014, the Chief Operating Officer convened an advisory group after consultation with the Metro Council. The charter of the advisory group was to review the grants program and recommend potential improvements to the program and provide advice on whether the tax should be extended or not. The advisory group recommendations were informed by the findings in the performance assessment report.

The advisory group met three times between January and March 2014 and its final recommendations were sent to the Chief Operating Officer in April 2014. The following is the summary list of the recommendations of the advisory group. Attachment A to this staff report provides a summary of the Advisory Group recommendations.

- Extend the construction excise tax from October 2014 to December 2020 and maintain the existing tax structure, including the tax rate and exemptions
- Maintain the same purpose of grant funds set forth in Ordinance No. 09-1220
- Distribute the October 2014 to December 2020 tax receipts in at least two grant cycles
- Set some percentage of projected revenue for mandated planning required in Metro's Urban Growth Management Functional Plan Title 11, and the rest of the funds for various types of planning in other areas
- Identify local and regional needs for Community Planning and Development Grants and adjust the distribution of revenue accordingly
- Refine existing evaluation criteria to encourage strong projects that demonstrate an understanding of market interventions to achieve development
- Outcome of the Community Planning and Development Grants program should include clear outcome goals for each planning focus area and specific performance measures to evaluate the program.

MPAC RECOMMENDATIONS

The Metro Policy Advisory Committee (MPAC) reviewed and considered the recommendations of the Metro Chief Operating Officer and Stakeholder Advisory Group, and findings and recommendations in the grant program performance assessment report on May 14, 2014. On June 11, 2014, MPAC passed unanimous motion recommending to Metro Council to extend the construction excise tax to December 2020.

ANALYSIS/INFORMATION

1. **Known Opposition**

There is no known opposition to the proposed legislation. As stated earlier, the Chief Operating Officer convened an advisory group which reviewed the grant program and reached consensus on their recommendations to her.

2. **Legal Antecedents**

After establishment of the construction excise tax in 2006, the Oregon Legislature changed the local taxing authority law in 2007, enacting Senate Bill 1036 which authorized school districts to levy construction excise taxes on new residential, commercial and industrial construction to pay for school facility construction. The bill also prohibited local governments from establishment of new construction excise tax. However the law “grandfathered” in existing construction excise taxes, such as Metro’s, established before May 1, 2007. The state preemption expires on January 2, 2018.

Oregon law allows an existing construction excise tax to be extended, provided the structure of the tax does not change. Because this ordinance would extend the existing construction excise tax, Metro is not required to establish a Tax Study Committee. The 2014 advisory group was aware of the provisions in state law before reaching agreement to recommend extension of the tax to December 2020. As stated earlier, the tax must be extended 90 days before an expiration date (September 30, 2014), because tax actions require a 90-day period prior to sunset date to be reauthorized. Metro Council must adopt this ordinance by June 30, 2014, for the tax to be effective by the expiration of the current tax.

3. **Anticipated Effects**

If the construction excise tax is extended, funding will be available for creating catalytic action plans that would remove barriers to development and result in on-the-ground development. The new fund would facilitate creation of strategic plans to enable planning and development projects, such as urban renewal planning, projected growth areas planning, pre-corridor planning, and infrastructure finance planning. The extension would also enable implementation of mandated concept planning in additional urban reserve areas.

If the construction excise tax is extended, the Advisory Group will be reconvened in fall 2014 to assist Metro complete refinement of existing and proposed evaluation criteria. Prior to solicitation of grant applications, local and regional planning needs will be identified so as to balance needs with grant resources. Upon refining the criteria, the Chief Operating Officer will present draft of the revised Administrative Rules for governing the Community Planning and Development Grants program to the Metro Council and MPAC for comments prior to adoption.

The grants program will be evaluated periodically, if the tax is extended, and outcome goals for each area of planning focus will be developed. Specific performance measures for each outcome will also be identified and used in the program evaluation.

4. **Budget Impacts**

Currently, Metro’s administrative reimbursement is 2.5 percent of the revenues collected (about \$50,000 per year). Local governments collecting the tax receive 5 percent administrative

reimbursement prior to submission of receipts to Metro. Grant awards require Metro to negotiate intergovernmental agreements with grantees and work closely with grantees to monitor progress of their projects. Over the years, the increase in the number of awards and planning projects has required additional staff time and resources of the Planning and Development Department and Office of Metro Attorney to administer the program. Staff hours in the last nine months, since the award of Cycle 3 grants were awarded in August 2013, was 1,780 hours (\$167,000). An increase of Metro's administrative reimbursement from 2.5 percent (about \$50,000 per year) to 5 percent (about \$100,000 per year) will help cover those expenses but still short of direct costs for the grant program (over \$150,000 per year).

5. Attachments

- Attachment A: Advisory Group Membership
- Attachment B: COO recommendations to Council President and Metro Council (the recommendations of the Advisory Group was attached to the COO recommendations)

RECOMMENDED ACTION

The Chief Operating Officer recommends extension of existing construction excise tax and implementation of modifications to the Community Planning and Development Grants program by adoption of this ordinance (see Attachment C).

ATTACHMENT A

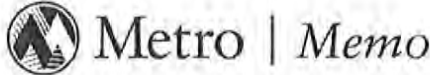
Advisory Group Membership 1/23/14

Name	Organization
Staff	
Andrew Singelakis	Washington County
Dan Chandler	Clackamas County
Ron Papsdorf	City of Gresham
Brant Williams	City of Lake Oswego
Susan Anderson	City of Portland
Colin Cooper	City of Hillsboro
Alice cannon	City of Tualatin
Tony Konkol	City of Oregon City
Jillian Detweiler	TriMet staff
Advocacy Organizations	
Dave Nielsen	Homebuilders Association of Metro Portland
Tim Breedlove	Homebuilders Association of Metro Portland, Board Member
Betty Dominguez	Non-profit Housing Developers
Jane Leo	Portland Metro Association of Realtors
Willy Myers	Columbia Pacific Building Trades Council
Bernie Bottomly	Portland Business Alliance
Kelly Ross	NAIOP
Jason Miner	1000 Friends of Oregon
Dwight Unti	Urban development
Victor Merced	Social equity
Consultants	
Tim Smith	SERA
Jerry Johnson	Johnson Economics
John Spencer	Spencer Consultants

ATTACHMENT B

Chief Operating Officer Recommendations

[see next page]



Date: April 18, 2014
To: Council President Hughes and Metro Council
From: Martha Bennett, Chief Operating Officer
Subject: Recommendation on Construction Excise Tax (CET) extension and Community Planning and Development Grant Program

I am pleased to present my recommendations for extending Metro's construction excise tax and modifying the community planning and development. The construction excise tax funds a valuable grant program for the region and its communities, and I recommend you adopt Ordinance 14-1328, which extends the tax for six more years. Additionally, I recommend the Council direct me to implement the attached recommendations to improve the quality of grant applications and increase the likelihood of achieving the purpose of the grant program.

In January 2014, I appointed a 22-member Stakeholder Advisory Group representing varied interests in the private and public sectors to review the grant program and advise me on whether the tax should be extended and on refinements to the program. This group had productive discussions, and I appreciate their time and effort.

My recommendations are based on their work. I endorse the Advisory Group's recommendations which they will share with you at the April 29, 2014 Council work session

Highlights of the recommendations from the Stakeholder Advisory Group include:

- Extension of Metro's construction excise tax from September 30, 2014 to December 31, 2020;
- Modification of the Community Planning and Development Grant program to ensure Metro supports grants that assist communities in three areas: Meeting the requirements of Title 11 for concept planning, strategic planning projects designed to help areas develop or redevelop; and catalytic planning efforts that remove barriers currently preventing development or redevelopment in the short term;
- Refinement of criteria currently in the Administrative Rules next fall; and

The proposed refinement of the community planning and development program will encourage stronger grant applications for getting more areas in the region ready for development and redevelopment. My recommendations as well as those of the Advisory Group were informed by a performance assessment of the community planning and development grants program by an independent contractor (ECONorthwest), which you will also hear about on April 29.

In addition to the Advisory Group's recommendation (attached), I also recommend that Council increase Metro's administrative reimbursement from two-and-a-half- percent (2.5%) to five percent (5%). Since creation of the construction excise tax in 2006, local governments collecting the tax have retained five percent (5%) of the paid receipts as administrative fee. Metro has retained 2.5%), which goes into the general fund for administration of the. In reviewing the program since 2006, I have learned that the direct costs for administering this grant program have

greatly exceeded this amount. Increasing the reimbursement will not cover all of Metro's direct costs, but it will reduce the impact of this program on other general fund services.. .

Please let me or the project manager, Gerry Uba, know if you have any questions.

Attachment to COO Recommendations

**RECOMMENDATIONS OF THE METRO STAKEHOLDER ADVISORY GROUP
FOR POTENTIAL CONSTRUCTION EXCISE TAX EXTENSION
AND COMMUNITY PLANNING AND DEVELOPMENT GRANTS PROGRAM REVIEW
SUBMITTED TO METRO CHIEF OPERATING OFFICER
FINAL -- April 18, 2014**

1. Decision on Construction Excise Tax (CET) expiration:

The Stakeholder Advisory Group recommends the Metro Council extend the CET at the current tax rate from September 30, 2014 to December 31, 2020 for the purpose of funding the Community Planning and Development Grant Program.

2. Modifications to the Community Planning and Development Grant (CPDG) Program

A. Purpose of the grant funds

The Advisory Group recommends keeping the purpose of the program as stated in Ordinance No. 09-1220:

".....the purpose of funding grants for planning areas inside the UGB, future expansion areas, and urban reserves, with an emphasis on planning projects that advance the 2040 Regional Framework Plan and result in on-the-ground development....."

"...and Metro is willing to assist local governments to fund their planning"

B. Distribution of tax revenue

The Advisory Group recommends Metro undertake at least two grant cycles to distribute fund collected from the CET extension to 2020. The Advisory Group also recommends setting some percentage of projected revenue for mandated concept planning and comprehensive planning for urban reserves and new urban areas required in Metro's Urban Growth Management Functional Plan Title 11¹. The approximate percentage is shown in the chart below. If the amount of qualified grant requests for urban reserves and new urban areas fall below the approximate percentage for this distribution area, the remainder of funds will be allocated to grant requests for planning in other areas. Similarly, if the qualified grant requests exceed the approximate percentage, Metro will consider increasing the allocation to this category for the upcoming grant cycle. The Advisory Group also recommends Metro conduct an assessment prior to each grant cycle to determine which jurisdictions want to undertake

¹ Title 11 of Metro's Urban Growth Management Functional Plan requires concept planning for areas in urban reserves before consideration of urban growth boundary expansion into these areas, or comprehensive planning of areas added to the UGB.

concept planning and/or comprehensive planning for urban reserve areas and new urban areas.

The remaining revenue should be used for various types of planning within the existing Urban Growth Boundary. The approximate percentage is shown in the chart below.

The following chart identifies types of planning that should be eligible for funding, and a sample of goals and desired outcomes to be achieved within the stated timeline.

Focus of Planning	Planning Goals	Timeline (for building permits issued)	Outcome	Approximate Target of Projected Grant Funds
Mandated concept plan <u>and</u> comprehensive plan	<ul style="list-style-type: none"> • Meet Title 11 requirement • Vision for planning area • Strong local match / support 	10 years or more	<ul style="list-style-type: none"> • Concept Plan • Comprehensive plan • Likely addition to UGB with 10 yrs • Annexation • Identify additional planning needed 	25% - 30%
Strategic plan for development and redevelopment investments	<ul style="list-style-type: none"> • Urban renewal planning • Pre-corridor planning projects • Infrastructure and financial feasibility planning • Projected growth areas planning 	5 to 10 years	<ul style="list-style-type: none"> • Adopted redevelopment plan and implementation schedule • Adopted Funding strategy and implementation schedule 	70% to 75%
Catalytic action plan	<ul style="list-style-type: none"> • Barriers to development removed • Market evaluation/reality 	Less than 5 years	<ul style="list-style-type: none"> • Incentives created • Code creation, updating and maintenance • Recruit developer • Development agreements • Use of tools for improvement of development process 	

C. Understanding local and regional needs

The Advisory Group recommends Metro improve its understanding of the demand for grant support through a survey of local governments, or through solicitation of grants letters of intent, and adjust its distribution of resources accordingly.

3. **Guidelines for refining criteria to be included in the Administrative Rules for evaluating grant applications**

The Advisory Group recommends Metro work with stakeholders to refine existing evaluation criteria for the Administrative Rules, if the construction excise tax is extended. The refinement will encourage grant applicants to propose strong projects which demonstrate understanding of the market context and clearly stated outcomes. The Advisory Group recognizes proposed projects in urban reserve areas must address mandated Title 11 requirements, and recommends the stakeholders refine other criteria for evaluating projects in these areas.

The Advisory Group also recommends stakeholders assist to prioritize or weight the criteria to be used in future grant cycles, if the construction excise tax is extended. Following are recommended new criteria and a proposed approach for refinement of existing criteria.

- A. *The likelihood of implementation*: This criterion will evaluate the “will” to implement projects funded by the grant program. The Advisory Group discussed several dimensions that should be considered: support from governing body, public support and institutional support. The Advisory Group recommends that Metro require:
- i. Grant applications demonstrate that the appropriate governing body has approved the proposed project and grant application
 - ii. A certain percentage of match funds from the applicant
 - iii. A description of how the project will build or expand public support so that completed plans are likely to be implemented
 - iv. Where applicable, how voter-approved annexation and transit improvements will be addressed so that the outcome of proposed planning projects can be realized.
- B. *Equity criteria*: In Cycles 2 and 3 grant allocations, there were two equity-related criteria: – a prerequisite “social equity” criterion stated in the six Desired Outcomes adopted by the region to guide future planning (“...the benefits and burdens of growth and change are distributed equitably”), and a stand alone “revenue redistribution” criterion titled “equity” (“discuss whether and how the proposed planning grant will further the equitable distribution of funds, based on collections of revenues, past funding, and planning resource needs.”)

The Advisory Group recommends the stakeholders discuss and recommend to Metro how the prerequisite “social equity” criterion can be used to address concerns of historically disadvantaged-communities. The Advisory Group also recommends the stakeholders use the findings and recommendations of the Metro Equity Strategy Advisory Committee to refine this prerequisite criterion.

The Advisory Group recommends replacement of the stand alone “revenue redistribution” criterion with “growth absorption” criteria. The stakeholders should consider how this criterion should be used to ensure jurisdictions can absorb employment and population growth forecast by Metro for each jurisdiction, and recognize the needs of high growth areas.

- C. *Capacity of applicant criteria:* Applicants should describe the qualifications of staff and proposed consulting teams to carry out the planning projects.
- D. *Best practices criteria:* Grantees should be required to share lessons learned from the planning effort.

4. Program outcomes

- A. Outcome and performance measures

The Advisory Group recommends Metro develop clear outcome goals for each grant area and a specific performance measure for each outcome.

- B. Future evaluations

The Advisory Group recommends Metro periodically evaluate the Community Planning and Development Grants program using adopted performance measures.