A G E N D A

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METRO

Agenda

MEETING:	METRO COUNCIL WORK SESSION MEETING
DATE:	June 28, 2005
DAY:	Tuesday
TIME:	2:00 PM
PLACE:	Metro Council Chamber

CALL TO ORDER AND ROLL CALL

2:00 PM	**1.**	**DISCUSSION OF AGENDA FOR COUNCIL REGULAR MEETING, JUNE 30, 2005/ ADMINISTRATIVE/CHIEF OPERATING OFFICER AND CITIZEN COMMUNICATIONS**	
2:15 PM	**2.**	**HOUSING CHOICE TASK FORCE WORK PLAN**	Uba
2:35 PM	**3.**	**MEASURE 37 TOOLS**	Neill
2:55 PM	**4.**	**CORRIDOR PLANNING**	Wieghart
3:15 PM	**5.**	**BREAK**	
3:20 PM	**6.**	**COLUMBIA ENVIRONMENTAL DISCUSSION**	Hoglund
4:00 PM	**7.**	**EXECUTIVE SESSION HELD PURSUANT TO ORS 192.660(1)(e). DELIBERATIONS WITH PERSONS DESIGNATED TO NEGOTIATE REAL PROPERTY TRANSACTIONS.**	Eadie
4:20 PM	**8.**	**COUNCIL BRIEFINGS/COMMUNICATION**	

ADJOURN

Agenda Item Number 2.0

HOUSING CHOICE TASK FORCE WORK PLAN

Metro Council Work Session
Tuesday, June 28, 2005
Metro Council Chamber

METRO COUNCIL

Work Session Worksheet

Presentation Date: June 21, 2005 Time: 2:00 pm Length: 20 minutes

Presentation Title: Progress and Work Plan of the Regional Housing Choice Task Force (HCTF)

Department: Planning

Presenters: Gerry Uba

ISSUE & BACKGROUND

The Metro Council established the Housing Choice Task Force (HCTF) in February of 2005 (via Resolution 05.3536) to assist in the development of a regional housing implementation strategy. The strategy is intended to move the region beyond local government reporting on the adoption of specific strategies in Functional Plan Title 7 to the development of "actions" that will facilitate a noticeable increase in the construction of housing for all income levels in the region, especially in mixed use areas and corridors designated in the 2040 Growth Concept.

The Resolution identified a work program and duties for the HCTF, including specific research materials for review, assessments to be conducted, and a broad definition of the outcome of the HCTF work. The tasks include broadly supported short and long term actions and measures that will result in additional housing units, including the identification of opportunities for the public and private sectors to provide leadership, technical assistance and funding.

PROGRESS

The HCTF held its first meeting on March 16, 2005, and held subsequent meetings in April and May. The HCTF began by reviewing and ranking the main barriers that impede the production of a range of housing by the impact these barriers have on affordability and by the amount of effort needed to overcome each barrier. The HCTF considered barriers to housing production that were grouped into the following categories:

- Physical barriers,
- Financial barriers,
- Market barriers,
- Regulatory barriers, and
- Political barriers.

At their May 18th meeting, the Housing Choice Task Force (HCTF) chose from a list of potential projects and created three "Solution Teams" to work with Metro staff to develop projects for increasing housing opportunities for current and future residents of the Metro region. The HCTF charged the three solution teams with developing a set of recommendations of programs and policies that address the specific focus of each group. The solution teams are to report progress to the full HCTF at their July 20th meeting. The three "Solution Teams" are:

a) Affordable Housing Production Goal Pilot Projects;
b) Land Use Policies for Increasing the Supply of Housing and Affordable Housing Across the Region; and
c) Regional Funding Program(s).

Solution Team Progress

a) The Pilot Project team held a meeting where members began to refine the definition of a pilot project, agree on the potential number of pilot project sites, and consider the potential location for these sites. Metro staff is currently working with team leaders to develop a process for interviewing potential jurisdictions and communicating with local governments about the opportunities that pilot projects present. A second meeting is currently scheduled.

b) The Land Use Team held a meeting and after discussion agreed to explore:

- Linking current funding and existing processes (regional transportation dollars)
- Design issues as they relate to cost (creating acceptable design templates to speed design review, etc.)
- Metro's UGB expansion policies as they relate to housing need

c) The Regional Funding Team met two times with the second meeting focusing on a presentation by Janet Byrd, a member of the Portland Blue Ribbon Housing Commission and a representative of Oregon Housing Now. The group discussed the innovative successes in the Minneapolis/St. Paul region as well as the feasibility of identifying a funding source for a regional revenue bond. Reed Wagner of the Metro Finance Office (who is staffing the team with Long Range Planning staff) is researching this idea.

The full Task Force also identified additional study projects and will complete these additional projects/designate solution teams as time and budget allows. These projects include:

- Regional land banking
- Employer assisted housing
- Regional technical assistance program
- Past successes
- Web based resource guide
- Regional housing conference and awards

Staff is continuing to support the HCTF by providing the following background information:

- Estimate of the current and projected housing demand/need;
- Assessment of the region's progress made during the implementation Title 7 to achieve the regional and local affordable housing production goals, as well ass tools and strategies implemented by local governments and other public and private entities in the region;
- Identification of general trends (price of housing, real income/wages of lower and middle income households, demographic shifts, decline of fossil fuels, etc.);
- Determination of the number of units produced since 2001;
- Estimate of the housing capacity of the 2040 Growth Concept mixed use areas and corridors.

The recommendations and report/s of the HCTF to the Metro Council are expected by March 2006.

An overview of the HCTF work products and schedule will be distributed at the work session.

OPTIONS AVAILABLE

Council could request that the HCTF alter/modify research areas or accept them as currently defined.

IMPLICATIONS AND SUGGESTIONS

The HCTF had identified more tasks than can be accomplished in the existing schedule and budget. The Solution Teams may recommend that the Metro Council consider policy changes and actions to be completed in the future.

QUESTION(S) PRESENTED FOR CONSIDERATION

- Are there suggestions about other issues staff and consultants should consider in developing the research materials described as "background information"?
- Are there comments on the projects that the HCTF will be using to develop solutions to housing and affordable housing supply?
- Any there key barriers that the HCTF must address through its projects?

LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION __Yes _X_No
DRAFT IS ATTACHED ___Yes _X_No

SCHEDULE FOR WORK SESSION

Department Director/Head Approval _____________
Chief Operating Officer Approval _______________

Agenda Item Number 3.0

MEASURE 37 TOOLS

Metro Council Work Session
Tuesday, June 28, 2005
Metro Council Chamber

METRO COUNCIL

Work Session Worksheet

Presentation Date: 6/28/05 Time: Length: 20 minutes

Presentation Title: Measure 37 Tools

Department: Planning

Presenters: Lydia Neill, Robert Liberty

ISSUE & BACKGROUND

The Measure 37 Task Force has been meeting for the last several months to assess the impacts of the measure on the 2040 Growth Concept Plan and to recommend a list of tools to address negative impacts of jurisdictions waiving claims. Tools being discussed range from transferring development rights to more suitable areas for urbanization, strategic UGB expansions, the use of conservation easements and the outright purchase of claims. The discussion will provide information on tools that may require legislative changes and how different programs could be combined to fulfill the intent of the measure as well as the 2040 Growth Concept (see attached memo).

OPTIONS AVAILABLE

- Develop information on additional tools.
- Ask the Task Force to consider other issues relating to Measure 37.

IMPLICATIONS AND SUGGESTIONS

Council has approved $100,000 for this topic. The additional staff allocation could be used to analyze which tools are most appropriate to address Measure 37 impacts. Staff will use the recommendations from the Task Force on which tools deserve more analysis in preparing the scope of work to complete this work.

QUESTION(S) PRESENTED FOR CONSIDERATION

Are there additional tools that should be considered by the Task Force?

LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION __Yes _x_No
DRAFT IS ATTACHED ___Yes _X__No

SCHEDULE FOR WORK SESSION

Department Director/Head Approval _____________
Chief Operating Officer Approval ________________

M E M O R A N D U M

600 Northeast Grand Avenue | Portland, Oregon 97232-2736
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METRO

Date: June 10, 2005

TO: Mayor Hammerstad, Measure 37 Task Force Chair

FROM: Lydia Neill, Principal Regional Planner

RE: Tools Available to Address Measure 37 Impacts

Introduction

Measure 37 has the potential to directly impact a number of adopted Metro plans and policies as well as Oregon's land use system. The tools that are described below could be used alone or in concert to mitigate impacts of development that will result from local governments waiving land use regulations to satisfy claims to allow a development pattern that is consistent with the 2040 Growth Concept. To date the majority of the claims that have been filed in this region are being resolved not by compensating property owners but by waiving land use regulations that restrict residential development.

Tools to Address Impacts on 2040 Policies

Tools such as transfer of development rights or credits (TDR/TDC), conservation easements, and incentive programs could be used singularly or in concert to achieve Metro's growth management goals and offer property owners a mechanism for recouping a partial reduction in their property values that have resulted from the application of land use regulations. Use of some of these tools may require legislative changes, or voter approval to be fully implemented.

♦ ***Transfer of Development Rights of Credits***

A Transfer Development Rights or Credit system (TDR/TDC) is a tool that encourages development to be transferred from sending areas (agricultural or rural residential areas) to areas of the region that may be more appropriate for urbanization (receiving areas). These TDR/TDC programs have been used throughout the country with varying degrees of success and in limited ways in Oregon. The use of this tool is complicated in Oregon due to the use of the UGB as a growth management tool. UGB's emphasize developing at higher densities inside of the boundary with little or no development on EFU or rural residential (RR) lands outside of the boundary making transfer of units outside of the UGB to the inside more difficult. Selection of appropriate receiving areas that are desirable from a market perspective is a key component to this type of program's success. A TDR/TDC program could be set up to function as a mandatory or a voluntary program with or without a bank that collects and transfers credits. Receiving areas could be designated in the areas that have been recently added to the UGB. These receiving areas could be required to purchase credits from claim holders to facilitate the transfer of units from rural lands to inside of the UGB.

Pro's:

- Flexible
- Allows market to determine which claims are transferred
- Requires windfall areas to absorb some of the costs of the program

- Program would be self regulating once the mechanism of transfer is established

Con's:
- Has the potential to be expensive due to administrative costs
- May be to complex if the program is voluntary
- Regulatory action may be required to maximize the program's value
- May require the formation of an entity to oversee the program (bank)
- Will require time to set up and establish a market for credits
- Requires legislative approval (State, local and Metro) to establish the program

♦ ***Farm Conservation Easements***

Through the purchase of conservation easements potential claim holders could be compensated for the loss of development potential on lands that are currently in farm use. Conservation easements require the maintenance of agricultural uses in exchange for a deed restriction that requires the property to remain in agricultural use in perpetuity. Many areas of the country have successfully purchased easements to protect farmland through a Federal matching grant program. The Federal program requires a match of 50 percent of the value of the easement in exchange for an easement restricting use of the property for farming. This tool may be valuable because almost all claims are occurring on farmland. This program could be evaluated as part of Washington County's upcoming Agricultural/Urban Lands Study. The study will be evaluating the needs of the agricultural industry and urban land use conflicts.

Pro's:
- Protects farmland
- Compensates farmers in order to allow them to continue the use of the land for farming
- Requires a commitment of only 50 percent of the value of the property
- Easements run with the land

Con's:
- Federal program is limited and may not address the overall need on a year to year basis
- Requires a matching commitment from the State or from local governments
- Program has been used sparingly in Oregon
- Does not address claims for non-farming uses (other than a single family use) and multiple lot claims
- Requires a commitment to farming as a land use and may not be consistent with future urbanization

♦ ***Bond Measure or Outright Purchase Program***

A bond measure program could be developed to provide funding to buy claims. A bond measure program would provide voters with specific information on the proposed use of the funds and the total value of general obligation bonds to purchase claims. Voters would approve the ballot measure to allow Metro to use its taxing authority. The bonds would be retired from taxes levied on property owners. A similar program was proposed and approved by voters in 1995 to provide $135.6 million dollars for the purchase of parks and open space lands in the Metro area. This program was very successful with almost 8,000 acres of land were purchased and protected over the 10 year period from willing sellers of property.

Pro's:
- Mechanism is fairly simple once the bond measure has been approved
- Voter approved
- Provides an opportunity to fulfill the intent of the measure by compensating property owners for a loss in value on their property
- Allows bond holder to target specific areas to purchase claims

Con's:

- Requires substantial staffing and oversight by Metro or another entity to administer
- Purchase of claim waiver and not the property itself could result in a second windfall if property is brought into the UGB at a future date
- Amount of dollars raised may not be sufficient to address all claims
- Some property owners may not wish to participate
- Not likely to address claims for single family homes on EFU land

♦ ***Givings or Value Capture Tax***

A portion of the increase in the assessed value of properties recently brought into the UGB in the form of a tax would be set aside to purchase claims. The givings or value capture tax would be designed to set aside a part of the windfall of having a property included in the UGB which includes a right to develop a property to urban standards. The proceeds from this tax would fund the purchase of claims located in areas outside of the UGB.

Pro's:

- A revenue source is created from an upzone of rural land
- Directs growth to more appropriate areas
- Simple
- Fulfills the intent of the measure through the compensation for claims

Con's:

- Requires legislative changes at the State and local level
- Taxation may not be popular
- Requires inter-jurisdictional cooperation
- Requires an entity to administer the program

♦ ***Targeted Infrastructure***

Areas that are poorly served with infrastructure but are included inside of the UGB could be targeted to be made more serviceable to stimulate development that in turn could be required to purchase development credits from claim holders outside of the UGB. This exchange of serviceable areas for claims credits could provide the impetus to create the flow of credits and dollars to compensate property owners in areas where development is not appropriate or less desirable.

Pro's:

- Provides public facilities to areas that are projected to be urbanized
- Directs growth to more appropriate areas
- Provides more short-term land to meet market demands

Con's:

- Likely to be expensive and requires a funding mechanism to build infrastructure
- Time lag between infrastructure construction and when claims or credits would likely be purchased
- Claims and areas where infrastructure is needed may not match
- Requires inter-jurisdictional cooperation to provide funding and services

♦ ***UGB Expansion or Designation of Urban Reserves***

Selective UGB expansions or designation of urban reserves could be used to either create receiving zones or to allow urbanization of areas that receive a high demand for claims. There may be areas that have received or are expected to receive a disproportionate number of claims and therefore would make them ideal for development to urban standards. Designation of urban reserves would stimulate a discussion about which areas are most appropriate for future urbanization and facilitate a system of metering land into the boundary to either respond directly to claims filed or market pressure. Depending upon the schedule for review of the UGB and the timing and need for possible UGB expansions, a discussion of the designation of urban reserves may be appropriate. Designation of urban reserves are subject to the same procedures for expansion of the UGB and they include examination of the capacity of land under consideration, existing farm uses and impacts, provision of public facilities and natural resource impacts. All of these issues would be addressed in an Alternatives Analysis Study. In preparation for an upcoming UGB expansion decision Metro studied over 65,000 acres of land. To designate urban reserves, a similar level of effort would be required in order to meet state requirements.

Pro's:
- Mitigates public facility issues that may arise from waiving claims and allows residential development in appropriate areas
- Directs growth to appropriate areas

Con's:
- May not be able to be completed within the time frame necessary to address some claims (Metro reviews the UGB capacity every 5 years and must provide a 20 year supply of land). The next evaluation is scheduled to be completed by 2007.
- Will not be able to address all of the claims that have been filed
- Even though a property is brought into the UGB there is likely to be a considerable time lag between this action and development
- Areas that are desirable because they contain a large amount of claims may not match the requirements in State law for expansion of the UGB or designation of urban reserves.
- Many of the claims are not located contiguous to the UGB so expansion may be difficult

♦ ***Identifying Health and Safety Issues***

There are areas in which claims have been filed that may not be suitable for residential development due to inadequate percolation of soils for septic systems or insufficient groundwater supplies for domestic water. Identifying these areas prior to granting claims may prevent long-term problems that may arise from groundwater pollution or lack of potable water supplies.

Pro's:
- Mitigates public facility issues before they become heath issues
- May direct growth to more appropriate areas
- Better use of public infrastructure dollars
- Allows a more holistic look at watershed basins and aquifers
- May identify areas for UGB expansion because they are unsuitable for rural style development that does not receive water or sewer

Con's:
- May reduce the number of residential units that would otherwise be permitted which may frustrate property owners
- Evaluation of areas could be time consuming and expensive
- Due to the 180 day time frame, claims may be processed before the evaluation could take place

♦ ***Incentive Programs***

Incentive programs could be developed to provide infrastructure, concept planning or permit and fee waivers to attract development to appropriate areas with a TDR/TDC program. Lands newly added to the UGB generally do not meet the region's short term land needs due to lack of infrastructure or required concept planning and implementing zoning. Most communities charge fees for new development to offset planning and servicing requirements for parks, sewer, water and storm water. These systems development fees do not completely cover the costs of providing these services and do not address all of the larger infrastructure system needs required to urbanize rural areas. Depending upon whether local jurisdictions have concurrency requirements that require that infrastructure be developed prior to development, the sequencing of development may be dictated by a local government's ability to construct streets and sewer and water systems. Local jurisdictions may need to provide incentives in the form of concept planning and infrastructure in those areas where they wish to encourage appropriate development. Fees could also be reduced or waived to create further incentives to encourage development.

Pro's:
- Program is voluntary
- Simple
- Could be combined with other program elements to enhance overall effectiveness

Con's:
- Program by itself is too weak to have much of an impact

Agenda Item Number 4.0

CORRIDOR PLANNING

Metro Council Work Session
Tuesday, June 28, 2005
Metro Council Chamber

METRO COUNCIL

Work Session Worksheet

Presentation Date: 6/28/05 Time: 2:55 Length: 20 minutes

Presentation Title: Corridor Planning Priorities

Department: Planning

Presenters: Richard Brandman, Bridget Wieghart

ISSUE & BACKGROUND

The 2000 Regional Transportation Plan (RTP) identified eighteen corridors with significant transportation needs, which required further study before a specific project could be developed. The Transportation Planning Rule (TPR) requires that these corridor refinements be completed in the short term. In 2001, Metro led a regional process to develop a work program for completion of the corridor refinement planning. A summary of the results of that process is attached ("Corridor Initiatives Findings").

Significant progress has been made by Metro and others in completing refinement planning on initial priority corridors. Metro staff has been working with a subgroup of TPAC to update the work program for the 2006-2010 planning period. The proposed update to that work program is attached. Staff is seeking input from the Council on this work program.

OPTIONS AVAILABLE

The proposed revisions are listed on the attached Work Program. That work program highlights four potential "major new corridor refinements" for the next planning period. Metro has funding to complete two of the proposed "major new corridor refinements recommended in the second period". The City of Portland is seeking funding to complete the I-405 loop and ODOT has some funding and is seeking additional monies for the I-205 south corridor study. The TPAC subgroup is proposing that Metro commit to completing work on two new multi-modal corridor plans in the next five years:

- I-84/US 26 Connector. It is proposed that this plan be completed in conjunction with Phase II of the Powell/Foster Corridor and Damascus and Springwater area concept planning studies.

- I-5 South (from Highway 217 to Wilsonville). It is proposed that this refinement plan include a southwest area value pricing network study, as an adjunct to the Highway 217 Corridor Study. The planning effort would also be conducted in conjunction with anticipated area concept planning and transportation planning on I-5/99W and I-205 south.

Metro could choose to complete these studies in the near term or, working with its regional partners, it could choose other corridors or a different approach. The specific priorities are the focus of discussion at this time.

IMPLICATIONS AND SUGGESTIONS

These corridor refinement studies are required to be completed. If the corridor refinements are not completed, Metro would be out of compliance with TPR requirements and face possible repercussions from the Department of Land Conservation and Development. In addition, the region is seeking Metro's leadership in resolving critical transportation problems. Staff needs direction from the Metro Council and JPACT on the work program for the next five years.

QUESTION(S) PRESENTED FOR CONSIDERATION

Due to time constraints, this discussion is being conducted in two parts. On June 28, staff will present background information on the corridor planning program and seek Council feedback on the overall approach to the work program. Another work session is being scheduled (probably for July 5) to discuss specific corridors and priorities in more detail.

LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION _x_Yes __No
DRAFT IS ATTACHED ___Yes _x__No

SCHEDULE FOR WORK SESSION

Department Director/Head Approval ______________
Chief Operating Officer Approval __________________

Corridor Initiative Fundings

Technical Evaluation Summary

Corridors Proposed for Study

Purpose

In conjunction with jurisdictional and community interest, the technical evaluation will help prioritize coridor planning studies described in the Regional Transportation Plan for long-term transit, highway, pedestrian and bicycle improvements

Criterion Description

Support of Key Land Uses
Measures access to, and growth in, key land uses called out in the 2040 plan (regional centers, downtowns and industrial areas).

Congestion
Measures ability to get around in the region.

Support of 2040 Transit Goals
Assessment of future transit needs and deficiencies in each corridor.

Support of 2040 Freight Goals
Measures the importance of corridor to freight movement.

Safety and Reliability
Identified areas with more significant safety problems based on a 5-year accident history

Corridors Proposed for Study	Land Use	Congestion	Transit	Freight	Reliability	Jurisdictional Interest
First Tier Corridors						
I- 5 (North) Corridor	■	■	■	■	■	High
Banfield (I - 84) Corridor	■	▨	■	■	□	Low
Powell/Foster Corridor	■	■	■	□	■	High
Sunset Highway Corridor	■	▨	■	■	▨	High
McLoughlin and Hwy 224 Corridor	■	■	■	▨	■	High
Barbur Blvd./I - 5 Corridor	▨	■	■	■	■	Medium
Second Tier Corridor						
I - 205 (South) Corridor	▨	■	□	■	□	High
I - 5 (South) Corridor	□	■	▨	■	□	Low
I - 205 (North) Corridor	■	□	■	▨	□	Medium
Highway 217 Corridor	▨	▨	▨	▨	▨	High
Macadam/Highway 43 Corridor	▨	▨	▨	▨	■	Medium
TV Highway Corridor	▨	▨	▨	□	■	Medium
Sunrise Corridor	□	■	□	□	▨	Medium
Third Tier Corridor						
NE Portland Highway Corridor	▨	□	□	■	■	Medium
Highway 213 Corridor	□	■	□	□	▨	Medium
I - 5 to Hwy 99W Connection Corridor	□	□	□	■	□	Medium
North Willamette Crossing Corridor	▨	□	□	□	□	Low
I - 84 to US 26 Corridor	□	□	▨	□	□	Medium

Work Program for Corridor Refinement Planning Through 2020 (with draft revisions in bold)

Jun-05

Corridor and Key Facilities	First Planning Period (2001 - 2005)	Second Planning Period (2006 - 2010)	Third Planning Period (2011 - 2020)
Corridor Planning On-Going			
I-5 (North) Corridor - I-5 from I-84 to Vancouver	I - 5 Trade Corridor Study *Completed*	Financial Plan/EIS/Preliminary Engineering *Study Initiated*	
Powell/Foster Corridor - Powell Blvd. from the west end of Ross Island Bridge to Gresham. Foster Road from Powell to Hwy. 212 Damascus.	Corridor Planning - Phase I *Study Completed*	**Phase II Corridor Planning, Streetscape plan Powell from RIB to City limits, Environmental Impact Study and Preliminary Engineering of I-205**	
Highway 217 Corridor - Hwy. 217 from Sunset Hwy. To I-5	Corridor Planning *Study Initiated*	Environmental Impact Study and Preliminary Engineering	
Sunrise Corridor - Hwy. 212/224 from I-205 to US 26.	Complete Refinement Planning and EIS for Unit 1 *Study Initiated*	Begin Unit Two Environmental Study	
Macadam/Highway 43 Corridor - Hwy. 43 from Ross Island Bridge to West Linn.	Transit/Pedestrian/Bike Transportation Demand Management Study/South of the Sellwood Bridge *Study Initiated*	Environmental Assessment/DEIS and Preliminary Engineering	
I-5 to Highway 99W Connector - Tualatin- Sherwood Road from I-5 to Hwy. 99W. Hwy. 99W from Tualatin-Sherwood Road to Bell Road.	Southern Alignment Study; Complete Exceptions; Right-of-Way Preservation Analysis; Corridor Planning *Initiated*	**Complete Corridor Plan and Environmental Impact Study**	
New Major Corridor Refinements Recommended in the Second Period			
I-84 to US 26 Connector Corridor - 238th/242nd from I - 84 to Burnside, and US 26/Burnside from Hogan Road to 282nd.	Freight Data Collection Study *Study Initiated*	**Corridor Planning; National Highway and System Truck Designation**	**Preserve Right of Way; Environmental study & design of arterial improvements**
I-205 (South) Corridor from I-5 to Johnson Crk. Blvd.	Corridor Planning; Interchange Ramp Access Study *Study Initiated*	**Complete Corridor Planning; Possible Environmental Impact Study**	
I-5 (South) Corridor - I-5 from Hwy. 99W in Tigard to Wilsonville.	Boeckman Road Interchange Study *Study Completed*	**Corridor Planning**	**Environmental Impact Study**
I-405 Loop	**Corridor Reconnaissance Study Completed**	**Corridor Planning; Initiate Environmental study of priority improvements**	
Other Corridors			
North Willamette Crossing Corridor - Study new crossing near St. Johns Bridge (Hwy. 30 from NW Newberry Road to BN Railroad Bridge).			Corridor Planning
Highway 213 Corridor - Hwy. 213 from I-205 to Leland Road.	Construct Southbound Turning lane on Highway 213 *Study Completed*	Implement Funded Recommendations of Highway 213 Design Study	Refine Corridor Planning and Design
Barbur Blvd./I-5 Corridor - Hwy. 99W and I-5 from I - 405 to Tigard.	Implement Transit Service Improvements and Elements of the Barbur Streetscape Plan (not all streetscape) *Study Initiated*		Initiate Corridor Planning. Begin Environmental Assessment/Environmental Impact Statement Process
TV Highway Corridor - Tualatin Valley Hwy. from Hwy. 217 to downtown Hillsboro.		**Refine scope of work in RTP update.**	Corridor Planning (if required)
Sunset Highway Corridor - US 26 from I-405 to Lovell Street.	Refinement and Environmental Assessment of Hwy. 26 Widening to Cornell. Barnes Road design/construction. *Design Complete/Construction started*	Engineering of US 26 Widening west of Murray Boulevard	
NE Portland Highway Corridor - Columbia Blvd. from Burgard to Killingsworth, Lombard from I - 5 to Killingsworth, and Killingsworth from Lombard to I - 205.	East End Connector Environmental Assessment; Begin Refinement Planning through I-5 Trade Corridor; Adopt St. Johns Truck Access Study *Study Completed*	Implement St Johns Truck Access Study Recommendations; Environmental Assessment and Engineering on I-5 Trade Corridor Recommendations *Construction Commenced*	
I-205 (North) Corridor - I - 205 from Hwy. 224 to Vancouver.	South Transit Corridor Study and I-5 Trade Corridor Study (transit only) *Completed*	Reconnessance Planning for Interchange Improvements	Corridor Planning for Roadway Widening
Banfield (I-84) Corridor - I - 84 from I - 5 to Troutdale.	Light Rail Capacity Analysis *Completed*	Transit, Transportation System Management Corridor Plan	Transit Improvements and/or Transportation System management Projects
McLoughlin and Hwy. 224 Corridor - Hwy. 99E from Hawthorne Blvd to Oregon City. Hwy. 224 from McLoughlin Blvd. To I - 205.	South Transit Corridor EIS and Preliminary Engineering *Initiated*		Corridor Planning for Highway Improvements

Agenda Item Number 6.0

COLUMBIA ENVIRONMENTAL DISCUSSION

Metro Council Work Session
Tuesday, June 28, 2005
Metro Council Chamber

METRO COUNCIL

Work Session Worksheet

Presentation Date: June 28, 2005 Time: 3:20 pm Length: 40 minutes

Presentation Title: Councilor Information Request on Columbia Environmental

Department: Solid Waste & Recycling

Presenters: Mike Hoglund, Tom Chaimov
(Other personnel attending: Roy Brower, Bill Metzler)

ISSUE & BACKGROUND

On June 2, 2005 the Metro Council held a public hearing on Ordinance No. 04-1063A for the purpose of denying a solid waste facility franchise application of Columbia Environmental, LLC (CE) to operate a local transfer station.

During the public hearing, the Council made several information requests to staff, and asked that the information be presented at a Council Work Session prior to a second public hearing on Ordinance No. 04-1063A.

The information requested by Council at the June 2, 2005 public hearing is presented in Attachments A through C. Attachment A lists the questions asked by Council, Attachment B contains staff's summary responses to those questions, and Attachment C is a more detailed staff response. Attachment D is a summary of the public testimony from the June 2, 2005 Metro Council public hearing.

OPTIONS AVAILABLE

Council can decide to either approve or deny Ordinance No. 04-1063A.

- Approving the Ordinance would result in a denial of the franchise application submitted by Columbia Environmental (CE may reapply in six months).
- Denying the Ordinance would result in approving a franchise for Columbia Environmental, however, staff would need some time to develop the franchise language (the staff report includes mitigating options for Council to consider. Staff can discuss these options at the Work Session if requested).

IMPLICATIONS AND SUGGESTIONS

If Council approves Ordinance No. 04-1063A the franchise application would be denied. The applicant could reapply in 6 months (at about the same time the transfer station moratorium expires). If Council does not approve the Ordinance, then a franchise would need to be developed by staff for Council review and approval. This would require additional time beyond the current 30-day extension, which ends July 22, 2005. In order to develop and review the franchise, the applicant and the COO should mutually agree to a 60-day extension (September 20, 2005).

QUESTION(S) PRESENTED FOR CONSIDERATION N/A

LEGISLATION WOULD BE REQUIRED FOR COUNCIL ACTION X Yes __No
DRAFT IS ATTACHED ___Yes X No

SCHEDULE FOR WORK SESSION

Department Director/Head Approval ______________
Chief Operating Officer Approval ________________

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ATTACHMENT A

Councilor Information Request on Columbia Environmental

Following is a summary of the questions compiled from the June 2, 2005 Council work session on Columbia Environmental. Council is scheduled to discuss these responses at the June 28th work session, and hold a public hearing on the Columbia Environmental franchise application at the July 7th Council meeting.

Councilor Information Requests

1. **A.** Explain in general the local government ratemaking process.

   B. How would local government ratemaking respond to Metro's and Columbia Environmental's new rates?

   C. Explain specifically how the responses of the cities of Portland, Gresham, and the rest of the region would impact ratepayers.

2. If Columbia Environmental increased regional recovery, how would the cost per ton of that new recovery compare to the cost of other waste reduction efforts in the region?
3. What is the projected fiscal impact of the applicant's proposal to pay Metro $2 per ton?
4. Metro recently adopted a cost-of-service based rate. How has this change from the old "public good" cost allocation approach affected the evaluation of Columbia Environmental's projected fiscal impact?

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ATTACHMENT B

Staff Summary Responses
Councilor Information Request on Columbia Environmental

A. Explain in general the local government ratemaking process.

B. How would local government ratemaking respond to Metro's and Columbia Environmental's new rates?

C. Explain specifically how the responses of the cities of Portland, Gresham, and the rest of the region would impact ratepayers.

In general, local governments set franchised collection rates to allow haulers to recover their costs, plus up to about a 10% profit margin. Those rates include factors such as wages, benefits, fuel, equipment maintenance, general administration, and tipping fees, the latter which constitutes about 20% of a typical household garbage bill. The city of Gresham rates incorporate a *weighted average* of actual tipping fees; franchised city of Portland rates include an allowance for the *Metro tip fee*, regardless of where waste is disposed. Columbia Environmental's entry into the Gresham market, is likely to reduce the tip fee portion of garbage rates there. In Portland and the rest of the region, the tip fee portion of rates is likely to increase.

2. If Columbia Environmental increased regional recovery, how would the cost per ton of that new recovery compare to the cost of other waste reduction efforts in the region?

There will be no program costs—aside from recovery credits, whose total is capped by Metro Code at the budgeted amount—that directly support Columbia Environmental's recovery. Any new recovery performed at Columbia Environmental would have virtually the same fiscal impact as new recovery performed anywhere. Historically, program costs have ranged from about $12 and less per recovered ton (e.g., bottle bill, source-separated programs) to over $20 per ton (e.g., recovery credits). While not a program cost, the estimated ratepayer impact of CE's entrance into the market expressed on the basis of tons of new recovery is between $30 and $103 per newly recovered ton.

3. What is the projected fiscal impact of the applicant's proposal to pay Metro $2 per ton?

A payment from Columbia Environmental to Metro of $2 per ton of wet waste would amount to $76,000 if Columbia Environmental accepted tonnage equal to its proposed limit of 38,000 tons. This annual payment, if used to offset Metro's tip fee, would reduce the tip fee increase by about 15¢. Hence, Metro's projected tip fee increase would be 63¢ instead of the 78¢ in the staff report. If local governments and private companies passed through the Metro increase to ratepayers, and if Columbia Environmental's haulers realized reduced costs, then ratepayers would pay annually $105,000 to $456,000 more than they do today, rather than the $238,000 to $618,000 of the staff report, a reduction in projected fiscal impact of about $150,000.

4. Metro recently adopted a cost-of-service based rate. How has this change from the old "public good" cost allocation approach affected the evaluation of Columbia Environmental's projected fiscal impact?

Metro's recent reallocation of fixed costs (e.g., administrative overhead, debt service) from the regional tonnage base (Regional System Fee) to the transfer station customer base is responsible for about 28¢ per ton of the projected tip fee increase at Metro's transfer stations. In other words, if Metro were to return to the cost & revenue allocation policies that prevailed when the existing private transfer stations were authorized in 1998, then the ratepayer impact of Columbia Environmental would be about $250,000 to $300,000 less than currently projected.

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ATTACHMENT C

Detailed Staff Responses
Council Information Request on Columbia Environmental

The purpose of this memo is to respond to a number of information requests made to staff by Councilors at the June 2, 2005 Council Meeting during the hearing on Columbia Environmental's application for a local transfer station franchise.

> **Question 1. A.** Explain in general the local government ratemaking process. **B.** How would local government ratemaking respond to Metro's and Columbia Environmental's new rates? **C.** Explain specifically how the responses of the cities of Portland, Gresham, and the rest of the region would impact ratepayers.

Part A. Local Government Ratemaking In General

Metro has the authority to set wholesale disposal rates at solid waste *facilities* in the Metro region. Local governments set the franchised retail rates that haulers charge customers for collection, recycling, and disposal services in their respective jurisdictions. Unfranchised collection services are not rate regulated.

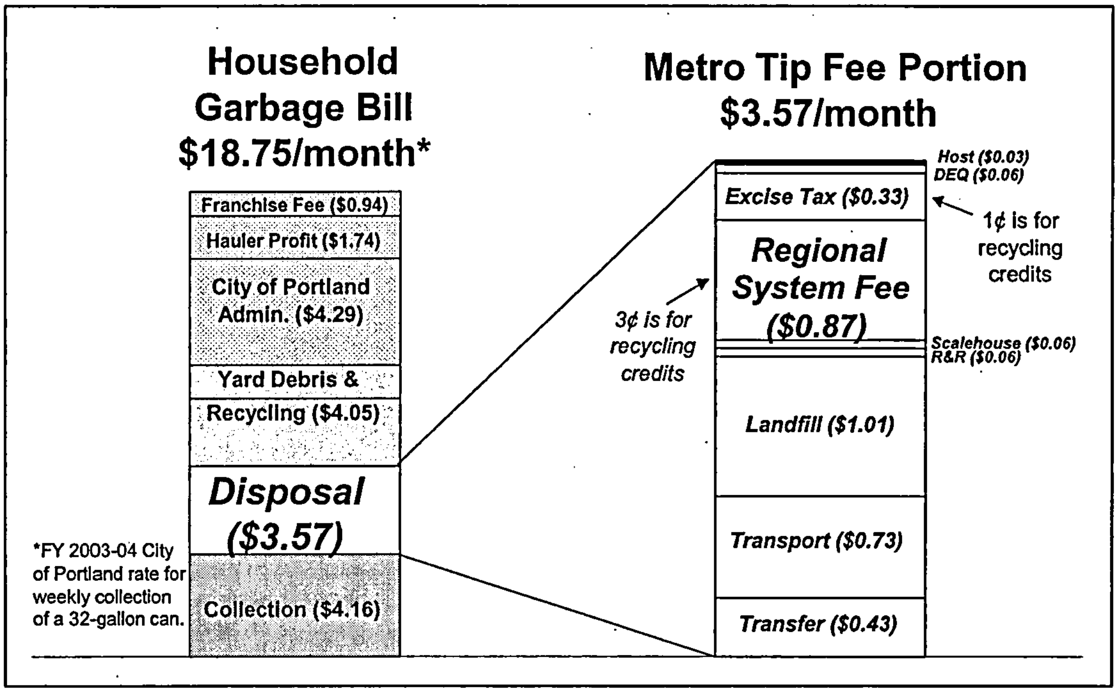
In general, local governments (LGs) use a "cost plus" approach to rate setting. That is, an LG reviews its local haulers' prior-year actual costs of providing collection, recycling, and disposal services, determines a reasonable ("allowable") cost per can[1] adjusted for inflation, and allows each hauler to recover from its customers that cost plus a reasonable profit margin, up to about 10%. As long as all haulers provide the same level of service, those who operate at a cost higher than average will realize a lower profit; more efficient haulers may realize a profit margin exceeding the target.

In the Metro region, there are nineteen individual local government rate setters (see listing in Appendix A). Some set rates annually, some more commonly by hauler request. The details among different localities' rate setting processes vary; however, the basic approach is the same.

For example, for a franchised hauler—free to use any designated facility—the franchising authority regulates how much he can charge his customers for service. In a competitive market, all else equal, a hauler would choose to deliver his waste to the facility that offered the best balance of proximity and price. If a franchised hauler chose to deliver waste to a higher-priced facility, the local government might or might not allow the hauler to pass on that added expense. In the city of Portland, the tip fee represents about 20% of a typical household garbage bill. Collection costs, and costs for recycling, city administration, hauler franchise fees, and profit account for the balance (see Figure 1).

[1] One common method for determining allowable costs is to average the costs of a representative sample of haulers, weighted by the number of households served by each hauler. In fact, with the exception of the disposal cost, this is the basic approach employed by the City of Portland. For disposal cost, the city of Portland has historically relied on Metro's tip fee as its benchmark; hence, all franchised Portland haulers may charge customers no more than a weighted average cost of collection plus Metro's tip fee for disposal, whether or not waste is delivered to a Metro transfer station.

Figure 1. Household solid waste rate components based on a city of Portland 32-gallon can, weekly curbside service, FY 03-04.



Part B. City of Portland & City of Gresham Response to Changes in Hauler Costs

Columbia Environmental's haulers operate primarily in the cities of Portland and Gresham. Rate impacts in each of these jurisdictions will be examined in more detail below, but in general are handled as follows:

Any change in the average cost of service provision among franchised haulers tends to be passed through to ratepayers eventually through the ratemaking process. The cities of Portland and Gresham and some other jurisdictions set rates at least annually, so within one year any increased or decreased costs considered by those jurisdictions would likely be incorporated into new rates. In contrast, in cities and unincorporated areas where rate adjustments are considered less frequently (e.g., every 2 years) and/or at the request of haulers, ratepayers could be slower to realize lower costs[2] in their rates (some ratesetting jurisdictions have just one to three haulers).

The city of Portland franchises and regulates rates for residential garbage and recycling services. Commercial collection service levels are also regulated by the city of Portland; hence, changes in cost in those markets will typically flow through to ratepayers within one year. However, the prices charged for commercial services in Portland are determined by the marketplace, and changes in commercial hauling costs accrue to the hauler. Unlike Portland, the city of Gresham and other local governments franchise and regulate rates for *both* residential and commercial collection. In Gresham, prices for construction and demolition collection are determined by the marketplace.

[2] It would be contrary to a hauler's financial best interests to request that a regulator lower the amount a hauler may recover from customers; however, haulers can be expected to request rate adjustments if their costs increase.

Part C. Columbia Environmental's Impact in Particular

During their ratesetting processes, any of the nineteen rate setting authorities in the region may choose to adjust rates, or not, in response to *actual changes* in hauler costs. Some local governments may choose to adjust rates based on some other measure. For example, historically the city of Portland has adopted the prevailing tip fee (statistically speaking, the mode, rather than a weighted average) in the region as the allowable disposal cost for franchised Portland haulers. By virtue of its high market share, the Metro tip fee has been the prevailing tip fee in the region.[3] Hence, the city of Portland has included Metro's tip fee among the allowable hauler costs during ratemaking.

The Columbia Environmental franchise application does not provide information on the proportion of its anticipated tonnage that will be collected under the authority of a local government franchise nor in which jurisdiction the various member haulers will collect the waste; hence, Metro staff are unable to determine with any precision how much of any savings realized by CE haulers would likely be passed on to ratepayers via local government ratemaking.

The existing staff report contains a wide range of the potential fiscal impact based on a number of simplifying assumptions about hauler behavior and franchised vs. unfranchised tonnage, and assumes that both Gresham and Portland would continue with their historical ratemaking practices. The numerous assumptions are detailed in the staff report. All else equal, the tip fee portion of local rates would increase in Portland, but in Gresham would decrease according to the number of Gresham tons delivered to Columbia Environmental.

Historical Practice

City of Portland. Historically the city of Portland has allowed franchised haulers to recover enough revenue from households to cover the cost of collection *plus Metro's tip fee* (plus a margin of profit), regardless of where a hauler delivers his waste. In other words, if waste is delivered to a non-Metro facility, the Metro tip fee is still the basis for that hauler's cost recovery. Hence, in the past when Metro's tip fee has changed, that change has been reflected directly in the price of franchised service throughout Portland. The staff report assumes that this practice will continue, resulting in higher projected disposal costs for all residences in Portland if Metro's tip fee increases, offset by reduced hauling costs for CE's haulers and some lower commercial disposal costs.

City of Gresham. Historically the city of Gresham has allowed haulers to recover enough revenue from households and businesses to cover collection expenses *plus the weighted average disposal costs reported by haulers*. In other words, Gresham attempts to account for the actual costs of tipping whether or not a Metro facility is used. Thus, in the past, over all franchised Gresham haulers, rates incorporated actual disposal costs along with allowable costs for labor, fuel, overhead, franchise fees, profit, etc. The staff report assumes that this practice will continue, resulting in lower disposal costs for businesses and residences in Gresham.

Other Facilities & Jurisdictions. Over time, the average private disposal facility tip fee has matched changes in Metro's tip fee, both up and down. For example, when Metro lowered its tip fee in the late 1990s from $75 to $62.50 per ton, private facilities followed suit (and were made

[3] The proportion of regional tonnage delivered to Metro's transfer stations has declined steadily over the past 15 years, from about 80% in 1991 to about 45% now. If Metro's market share continues to decline, there is no guarantee that Metro's rate will continue to be viewed as the prevailing tip fee. Hence, there is no guarantee that the City of Portland—and other cities who follow the practice—will continue to adopt Metro's rate as the standard.

whole through the introduction of Regional System Fee credits to make up for the lower revenue). Since then Metro's tip fee has risen to about $71 per ton, and all private transfer facilities in the region and at least one dry waste Material Recovery Facility now post that rate or higher. In this regard, Metro sets the regional benchmark and is the "price setter," while private facilities act like "price followers." Thus, facilities and jurisdictions throughout the region have historically passed on the equivalent of Metro's tip fee to their residents and businesses. The staff report assumes that this practice will continue. Recall that Metro accepts about half of the region's disposed waste. Thus, a Metro tip fee increase (or decrease) is "leveraged" by price following and local government rate setting to roughly double its direct ratepayer impact.

Summary. The projected throughput at the proposed Columbia Environmental facility would represent about 4% of the region's disposed waste, with a small reduction in vehicle miles traveled and lower tip fees on about 1% of the region's ratepayers, yet the resulting increase in Metro's tip fee would be "felt" by virtually all ratepayers. Considering the almost universal impact of the projected Metro tip fee increase and the limited reach of CE's projected savings, on balance, increased disposal prices throughout the region outweigh the reduced costs for CE's haulers.

Appendix A. Local Governments that Regulate Retail Solid Waste Rates

	Households	# of Haulers	Return on Revenue
MULTNOMAH COUNTY	**160,200**		
Portland*	134,000	32	9.5%
Gresham*/Wood Village	21,000	4	10%
Troutdale*	3,600	1	8%
Fairview	1,600	1	10%
WASHINGTON COUNTY	**117,500**		
Washington Co.* (unincorporated)	47,000	14	10%
Beaverton*	16,800	6	9%
Hillsboro*	17,800	5	10%
Tigard	11,000	2	10%
Sherwood, Durham, King City	13,300	1	10%
Tualatin	4,600	1	10%
Forest Grove	4,400	1	10%
Cornelius	2,600	1	10%
CLACKAMAS COUNTY	**81,300**		
Clackamas Co.* (unincorporated)	42,700	15	10%
Lake Oswego	11,000	1	6-8%
Oregon City	8,000	1	10%
West Linn	7,000	1	~10%
Milwaukie	6,300	3	10%
Gladstone	3,300	1	10%
Wilsonville	3,000	1	10%

* Local governments marked with an asterisk enter into franchise agreements with local haulers.

Question 2. If Columbia Environmental increased regional recovery, how would the cost per ton of that new recovery compare to the cost of other waste reduction efforts in the region?

Background

Metro has a long-standing policy to not tax recycled material. Metro implements this policy by imposing its Regional System Fee and Excise Tax on disposed waste only. Thus, any ton of waste generated in the region that is not landfilled avoids paying Metro fees and taxes.

Because Metro recovers some of its fixed costs from its transfer station customers alone, its per-ton charge for transfer and disposal services, is sensitive to a declining tonnage base. However, in the case of the tonnage charge, it is primarily the diversion of tonnage away from Metro's transfer station—and not whether that waste is landfilled or not—that determines the resulting impact on Metro's tip fee.

In the case of Columbia Environmental, the projected tip fee increase is due mainly to the tonnage diversion, and not to the new recovery.

Capital Investment

The only major new system cost associated with Columbia Environmental stems from the capital investment CE intends to make to improve its facility site: building modifications and material sorting equipment. Presumably the cost of these improvements will be amortized over a number of years and recovered through CE's own tip fees or from other revenue sources. CE has not shared their specific capital investment plans with staff; however, we believe the transfer and recovery operation described in the franchise application would require an investment of some $1 million to $3.5 million. These capital investments in transfer and recovery capacity were not examined explicitly in the staff report.

Program Costs

There will be no significant temporary or ongoing programmatic (i.e., government-administered) costs for CE's material recovery in the way that there are programmatic costs associated with other waste reduction initiatives, such as for the development of system infrastructure for food waste composting. Regional System Fee and excise tax credits are the only programmatic costs currently targeted exclusively at post-collection recovery in the region, and the total amount expended on recovery credits in any year is constrained by a budget cap in Metro Code. Thus, without Council action, CE's entry into the market would not affect Metro's program costs except to the extent that the workload would be increased on regulatory and inspection staff.

That said, introducing CE into the solid waste system would effect a measurable increase in rates in the region. Combined with some hauler savings, this would, in effect, cause an annual transfer of money *from* ratepayers across the region *to* CE's investors. The staff report discusses the net amount of this annual transfer (the net ratepayer impact). For discussion purposes, it may be instructive to denominate the amount of this transfer on the basis of the additional tons recovered by CE and compare that result to the cost effectiveness of program dollars spent on other waste reduction efforts.[4]

The annual net ratepayer impact described in the staff report is $238,000 to $618,000. Denominated across the 6,000 to 8,000 additional tons of projected new recovery, that amounts to about $30 to $103 per recovered ton. In the section below, this figure is compared to program costs of other recovery efforts in the region.

Source Separation vs. Post-Collection Recovery

The Metro region avoids landfilling over half the waste it generates. There are a number of different methods by which this disposal avoidance takes place. Two broad characterizations of waste reduction are source separation and post-collection recovery.

The primary focus of Metro's (and for the state and local governments) post-consumer recycling efforts is on source separation, i.e., separation of recyclables by the generator for the purpose of recycling. Source separation (including bottle bill, composting, and curbside) accounts for the lion's share of the region's recovery. The chief advantages of source separation are that it involves an act of the generator and the generator does not have to pay for disposal - positively reinforcing the behavior. As such, it is essentially self-sustaining, for low programmatic cost.

Post-collection recovery, i.e., picking recyclables out of mixed waste at local transfer stations and material recovery facilities, accounts for less than two percentage points of the 56% regional recovery rate. Post-collection recovery is less efficient than source-separation, and the generator must pay for disposal. Post-collection recovery is the primary method of recovery for construction and demolition debris as well as a "safety net" for other recyclable materials that show up in small amounts in the mixed waste stream.

Per-ton Costs of Various Approaches

There is little direct programmatic cost expended in the region on source separation beyond staffing of local and regional waste reduction departments. And even if the cost of all local and regional waste reduction efforts (excluding post-collection recovery credits) is denominated across source separated recyclable tonnage, the unit cost is about $12 per recovered ton.

One specific program targeted at source separation is the organic food waste composting initiative. Once fully utilized, the program is expected to manage some 10,000 tons of recovered waste annually. Assuming the current rate structure, the ongoing programmatic cost (rate subsidy) would be less than $10 per recovered ton (transaction fee + renewal & replacement). As a comparison, Regional System Fee credits, which support post-collection recovery, cost about $80 for every ton recovered above the Metro Code required 25% recovery rate.

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[4] One could also denominate this amount on the basis of other benefits introduced by CE, such as access for affiliated haulers, vehicle miles traveled, etc.

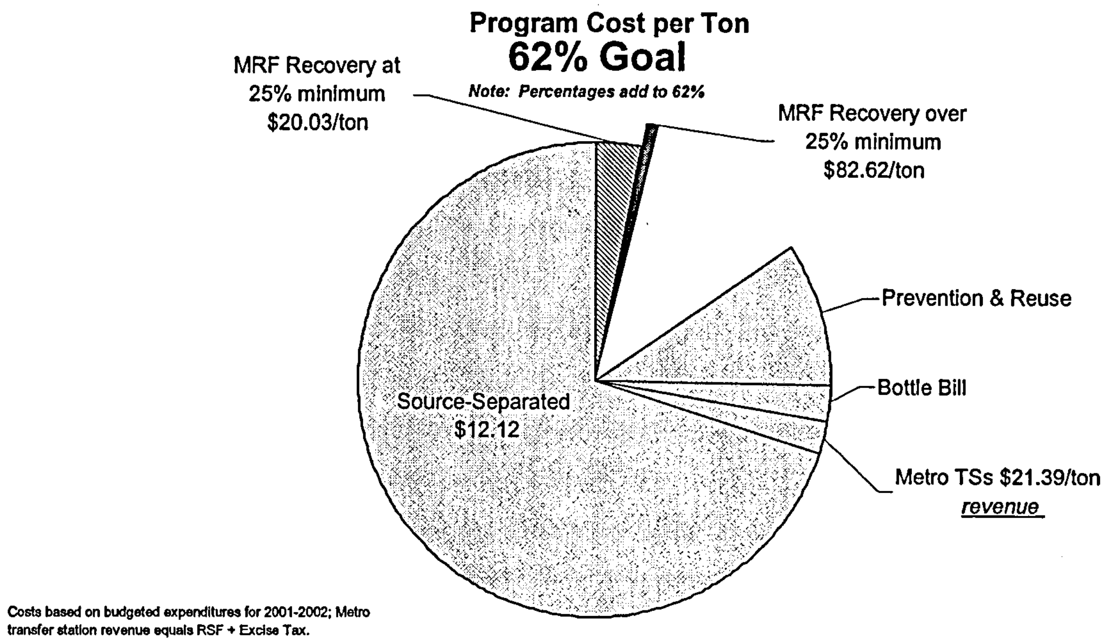

Figure 2. The contribution and program cost per ton of each of the recovery methods that contributes to the regional recovery goal of 62% (based on 2000-2001 costs and tonnage). Program costs are defined as government-administered monies, such as for planning and administration or recovery credits. The estimated ratepayer impact of CE's entrance into the market expressed on the basis of tons of new recovery is between $30 and $103 per ton.

Question 3. What is the projected fiscal impact of the applicant's proposal to pay Metro $2 per ton?

If CE gives Metro $2/ton on each wet ton accepted at the proposed facility, that will amount to $76,000 for Phase 1 operations ($2 x 38,000 tons = $76,000).

Metro has a number of things it could do with that money, such as directly subsidize its rate, contribute it to reserves, fund or partially fund a new program, give it back to neighborhoods as enhancement funds, etc. For the purposes of this analysis, we assume that Metro would use it for direct rate relief.

Metro would have at least two choices for rate relief: subsidize transfer station operations, or subsidize regional programs. If private facilities follow Metro's tip fee changes (as the CE staff report assumes), then the first choice--subsidizing transfer station operations--would have the biggest benefit to the ratepayers in the region.

If Metro applied the $76K toward reducing its tonnage charge and left the system fee alone, it would reduce by 15¢ the projected Metro tip fee increase (so the increase would be only 63¢ instead of the 78¢ indicated in the staff report). Then if private facilities and jurisdictions followed Metro's lead, that $76K payment from CE would be "leveraged" to about a $150K benefit to the region. That is to say, that the increased cost to the region would be $105K to $456K rather than the $238K to $618K indicated in the staff report[5]. It is still a cost, but smaller.

This impact would be roughly equivalent to a CE tonnage request of 27,000 wet tons instead of the 38,000 of Phase 1.

Question 4. Metro recently adopted a cost-of-service based rate. How has this change from the old "public good" cost allocation approach affected the evaluation of Columbia Environmental's projected fiscal impact?

Metro's cost-of-service rate allocation model, adopted and partially implemented for FY 04-05 and FY 05-06, amplifies the unit cost impact of tonnage shifts away from Metro's transfer stations. Had Columbia Environmental's application been evaluated under the previous rate allocation model, the projected ratepayer cost increases would have been smaller.

Metro's cost-of-service rate allocation model makes Metro's cost-based rate more sensitive to tonnage shifts away from Metro's transfer stations than a "Public Good" allocation. This is because under the new cost-of-service allocation, more of Metro's fixed costs are recovered from Metro's customers alone (a smaller tonnage base) than from the region as a whole (a larger tonnage base). Had Columbia Environmental's application been evaluated under the previous "Public Good" allocation model, the projected ratepayer cost increases would have been lower, and under some assumptions would have yielded a projected net savings.

About 28¢ of the projected Metro tip fee increase that would be engendered by CE's entry into the market can be attributed to the new cost-of-service allocation approach. The following tables compare the rate-related, and ratepayer, impacts under the current and former allocation models.

[5] Recall that the wide ranges ($300-400K uncertainty) in the estimates reflect uncertainty about how much savings CE haulers would realize and pass through to ratepayers, and how much of Metro's increased tip fee the private facilities would match. Staff believe that the likely ratepayer impact would be toward the high end of that range.

TABLE 1. Impact of CE on Metro's Rate ($/ton)

	Current Allocations (50% Cost-of-Service)		Old Allocations ("Public Good")		Effect of Reallocation (Difference)	
	Phase 1	Phase 3	Phase 1	Phase 3	Phase 1	Phase 3
Disposal Charge	$0.66	$1.37	$0.37	$0.76	$0.29	$0.61
System Fee	$0.13	$0.26	$0.13	$0.27	($0.00)	($0.01)
Total Tip Fee	$0.78 (rounded)	$1.63	$0.50	$1.03	$0.28 (rounded)	$0.60

Net Ratepayer Impact ($1,000s)

Positive number means higher costs; negative number means lower costs

TABLE 2A. The $3 Troutdale Transfer Station tip fee premium is allowed

	Current Allocations (50% Cost-of-Service)		Old Allocations ("Public Good")		Effect of Reallocation (Difference)	
	Phase 1	Phase 3	Phase 1	Phase 3	Phase 1	Phase 3
Case 1	$618	$1,354	$310	$720	$308	$634
Case 2	$238	$535	($15)	$17	$253	$518

TABLE 2B. Half the $3 Troutdale Transfer Station tip fee premium is disallowed

	Current Allocations (50% Cost-of-Service)		Old Allocations ("Public Good")		Effect of Reallocation (Difference)	
	Phase 1	Phase 3	Phase 1	Phase 3	Phase 1	Phase 3
Case 1	$576	$1,312	$268	$678	$308	$634
Case 2	$196	$493	($57)	($25)	$253	$518

Note: Case 1 assumes that CE's affiliated haulers elect to pass on minimum savings to customers of CE's affiliated haulers, and private facilities match Metro's tip fee increase on both their wet and dry wastes. Case 2 assumes maximum savings for customers of CE's affiliated haulers, and private facility price matching on only wet waste.

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ATTACHMENT D

Summary of Public Testimony
June 2, 2005 Metro Council Public Hearing

<u>In favor of Columbia Environmental's proposal / Opposed to Ordinance No. 04-1063A</u>

Not counting the applicant, there were 7 people that testified in favor of the applicant. Generally comments were centered around the following main topics:

- Survival of local haulers would be compromised without the proposed facility – would preserve the small hauler.
- The proposed facility is needed to help level the playing field between non-vertically integrated haulers and vertically integrated haulers.
- The facility would set new standards for recovery, and should be part of the system.
- The applicant is a local business, operating in the area and paying local taxes.
- Columbia Environmental can compete at a lower price and pass on savings to public.

<u>Opposed to Columbia Environmental's proposal / In favor of Ordinance No. 04-1063A</u>

There were 3 people that testified in opposition to the proposed facility. Generally comments were centered around two main topics:

- Agreed with staff recommendation, and the proposed facility would be costly to Metro's two transfer stations.
- Proposed recovery rate may not be as high as stated by applicant, need to verify numbers.
- Existing private transfer facilities are also locally-connected companies, hire locally, and pay taxes.
- Timing of the proposed facility is not right – Council needs to complete the Disposal System Planning and RSWMP update.

In addition to the above testimony, the city of Gresham testified but took no position on the proposed facility.

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June 21, 2005

To: Metro Council Members

From: Dean Kampfer
Mike Dewey

RE: Columbia Environmental Application

Waste Management testified on June 2, 2004, in support of COO's recommendation to deny Columbia Environmental's application to build and operate a new transfer station.

In our testimony, we commented that Metro staff had provided a detailed analysis on why the application should be rejected. Metro Council developed "The Five Metro Code Evaluation Factors" from which to evaluate transfer station applications. Columbia Environmental did not meet the criteria in the most critical components of Metro's criteria, this being the net benefit to the region, capacity, access, cost to taxpayers and effect on cost to the system. We submit that the criteria "not met", when weighted against "criteria met" are considerable basis for the denial. In other words, the factors against approval of the application are overwhelming.

Furthermore, Metro Council is now in the process of revising the Regional Solid Waste Management Plan (RSWMP) and the key component of the plan, The Disposal System, by evaluating the sale of transfer stations owned by Metro. Adding a new transfer station to the system now, without knowing the impact on the solid waste system due to RSWMP review and the possible sale of one or two transfer stations is not prudent at this time.

Also, our comments are in response to the testimony of the proponents owning an interest in Columbia Environmental. Columbia Environmental asserts that vertically integrated companies have an incentive to landfill solid waste, instead of recovery; and they appear not to act in the best interest of Metro because they are domiciled outside Oregon. Waste Management can attest that total tonnage at the Columbia Ridge Landfill has decreased over the past two calendar years. This means more waste is being recovered. Also, we note that Columbia Environmental is 50% owned by an out-of-state company, not locally owned. Waste Management of Oregon is involved in Oregon communities and hires over 400 individuals.

Lastly, a statement made by Columbia Environmental at the public hearing on June 2 needs to be corrected. Columbia Environmental stated that 90% of the solid waste collected by Waste Management is diverted to Waste Management transfer stations. This is not true; in fact, Waste Management is the largest customer of the Metro Central and South transfer stations, bringing over 25% of the waste that flows through the Metro stations.

Now is not the time to approve this application. The COO recommendation should be upheld.

Please contact us if you have questions.

0628 05c-02

June 28, 2005

Metro Council
Metro
600 NE Grand Ave.
Portland, OR 97232

Dear Councilors:

The final, narrow margin of difference between staff and the applicant has come down to a consideration of costs and benefits. Other Council factors for consideration (competition, recovery, accessibility, ability to perform) have largely been decided in the applicant's favor. The decision factors listed in the code are not individual criteria, and may be weighed in any way the Councilors see fit. The relevant Council decision factor on costs is: "The effect on the cost of solid waste disposal and recycling services for the citizens of the region." (Metro Code 5.01.070[f][2])

Columbia Environmental believes the overall benefits of the new transfer station are much greater than the potential costs. The applicant's economic analysis showed a potential benefit to ratepayers of between $0.6 and $1.1 million annually. This benefit occurs because hauler transportation savings are passed through to customers—in large part—through the local rate setting process.

At the same time, the applicant has acknowledged that virtually all of the 38,000 tons of waste delivered to the new facility would otherwise be delivered to public Metro facilities. Metro responds to shrinking market share by increasing prices, as a way to cover its fixed costs. As a result of this policy, users of Metro transfer stations incur higher tip fees any time waste tons shift from public to private facilities. In addition, ratepayer costs are likely to increase even for customers whose waste is not delivered to Metro, because other private transfer stations closely follow Metro's price signals. Staff calculated the potential costs to ratepayers at between $238,000 and $618,000 annually.

Public Benefits

Balancing these potential increased costs are numerous public benefits. The public benefits to the system have not changed since the filing of the original application. They include both economic and non-economic benefits.

Levels Playing Field

- Increases Competition in the Waste System

Winterbrook Planning
310 SW Fourth Ave. Suite 1100 Portland, Oregon 97204 503.827.4422 voice 503. 827.4350 fax www.winterbrookplanning.com
COMMUNITY ▪ RESOURCE ▪ PLANNING

- Establishes Market-Based Incentive for Increasing Recovery
- Maintains Presence of Local Haulers

Increases Recovery

- Brings Metro Closer to Stated Regional Recovery Goals
- Reduces Volume of Material Sent to Landfill

Reduces Travel

- Lessens Road Congestion
- Reduces Air, Noise Pollution, and Fossil Fuel Consumption

In short, the above listed benefits will outweigh the very minor costs to the citizens of the region, and therefore, there is an overall net benefit from the proposal. This has been recounted in numerous previous submittals.

Staff-Proposed Solutions

Even if the Council disagrees with the applicant, and does not view the public benefits as sufficient enough to outweigh the costs, staff has presented numerous strategies for balancing the scale. On page 33 of the staff report, staff listed four ways Metro could be "held harmless" from the 38,000 tons diverted to Columbia Environmental once the new facility is in place. These solutions, reprinted below, neutralize potential costs.

1. Reallocate tonnage from three existing private transfer stations

Pride, Troutdale, and WRI are currently capped at 65,000 tons. Franchises for all three facilities will expire in 2008.

2. Reallocate tonnage from the Forest Grove Transfer Station

Forest Grove is not subject to any cap, and accepts 145,000 tons of wet waste annually. Its franchise expires in 2007.

3. Reallocate tonnage from Metro Non-System Licenses

Metro grants permission for various waste companies to haul 83,000 tons of waste to facilities outside of the region. Metro could restrict or alter this practice and reallocate some of these tons to Columbia Environmental.

4. Re-emphasize Regional System Fee

Any increase in market share for private transfer stations—whether from natural growth in population, hauler consolidation and buyouts, or new facilities—drives up the Metro tip fee and increases the burden on users of the public transfer stations. The Metro Council could restructure rates to insulate the Metro tip fee from this consequence, by, for example, raising the Regional System Fee to pay its fixed costs. The Regional System Fee is paid on *all* waste tons, public or private, whereas the Metro tip fee is paid only on public tons.

Applicant-Proposed Solutions

Columbia Environmental agrees with staff that all of the above solutions would effectively mitigate any potential impact. In addition, the applicant has proposed several other ideas for neutralizing any perceived impact on costs.

1. Assign Metro's "over-budget" tons to new facility

According to documents provided by staff, Metro South and Metro Central are currently on track to exceed forecasts for incoming tonnage by 18,000 tons for fiscal year 2004-2005. Metro's tip fee is based on forecasted (budgeted) tons. Therefore, assigning greater-than-expected tons to Columbia Environmental is a painless way of reallocating tonnage within the system, without significantly affecting rates. This action would be equal to reducing the applicant's requested tonnage by 18,000 tons.

2. Consider "Public Good" cost allocation approach

Until recently, rates were based on a "public good" cost allocation approach, rather than the current "cost of service" approach. In the new model, Metro relies heavily on a subset of the region's waste generators (those who use public transfer stations) to pay its fixed costs, rather than using revenue generated by all regional waste receipts. The difference between these cost allocation methods is substantial. Staff has concluded that the $0.28 of the projected $0.78 tip fee increase is caused by the new allocation model.

3. Charge CE a fee of $2 per ton for diverted wet waste

The applicant has proposed that it give Metro $2 per ton of wet waste that would otherwise go to Metro transfer stations, as a "host fee" for its entry into the system. This fee could be modified or eliminated when tonnage limits are reallocated in the future.

According to staff calculations, applying this fee and using it to subsidize public transfer station operations would reduce the otherwise expected increase in Metro tip fee by $0.15 per ton. This may also be viewed as having the same effect as reducing Columbia Environmental's tonnage request by 11,000 tons.

4. Monetize Increased Recovery

Staff has calculated that the Columbia Environmental's facility will extract an additional 6,000 to 8,000 tons of recyclable materials out of the waste stream. This represents the marginal difference in recovery, *i.e.*, tons that would otherwise be sent to the landfill. This increases the overall recovery rate in the region, and lowers the amount of money Metro would have to spend in the future on new programs or new regulation to gain an equivalent level of regional recovery. According to recent City of Portland data, the cost of hauling, processing, and administering one ton of curbside recyclable materials is approximately $150 per ton. Other programs, such as yard debris are considerably higher.

5. Monetize Other Benefits

Columbia Environmental has not tried to assign a specific dollar value to many of the public benefits of the proposal. Some outcomes of the proposal are certain, but difficult to state in clear dollar terms. These are typically related to social or environmental benefits, and include:

- Increased competition within the system
- Presence of Local Haulers, Local Investment
- Preservation of Local Jobs
- Less Landfilling
- Bringing Metro Closer to Stated Regional Recovery Goals
- Reduces Road Congestion (107,000 fewer VMTs)
- Reduced Air, Noise Pollution, and Fuel Consumption

By considering that these benefits have an economic value, the Council can determine that achieving them offsets an uncertain and small cost to ratepayers.

Conclusion

Columbia Environmental believes that the public benefits of its application for the citizens of the region outweigh any potential costs. However, if economic costs to the system are incurred by the proposal, the numbered list above represents a menu for mitigating potential cost impacts. The Metro Council may choose one, some, or none of them, according to how it chooses to weigh the decision factors. The larger point is that there are many options for approving the application and balancing any potential cost impacts from the proposal.

Thank you for this opportunity to comment on the application.

Sincerely,
WINTERBROOK PLANNING

Benjamin Schonberger

Ben Schonberger

062805C-03

Cost Impact Analysis - Summary of Findings

If Columbia Environmental's haulers realize savings, it is unlikely that 100% of those savings will be passed on to ratepayers; therefore, a range of probable ratepayer impacts (Case 1 and Case 2) is included for both Phase 1 and Phase 3 ratepayer impact summaries below. The percentages indicate the probability that the hauler's savings will be realized by the ratepayer.

Phase 1

	Sources of Ratepayer Impact				
	CE Hauler Costs (based on information provided by CE)		Metro Tip Fees	Non-Metro Revenue Matching	Net Ratepayer Impact
	Transportation	Tip Fees			
Amount	($268,465)	($248,976)	$400,834	$478,489	
Ratepayer Portion	from 77% to 100%*	from 22% to 100%**	100%	from 74% to 100%	
Case 1: 77% of transportation, 22% of tip fees, 100% of Metro & non-Metro					
	($206,244)	($55,387)	$400,834	$478,489	$617,693
Case 2: 100% of transportation, 100% of tip fees, 100% of Metro & 74% of non-Metro					
	($268,465)	($248,976)	$400,834	$354,808	$238,201
	Reduced Costs		*Increased Prices*		

Notes:

* The lower estimate for transportation is most likely for year 1; the remainder is likely to be passed through to ratepayers over time as each CE hauler is sampled in the COP's rate setting process.

** In the City of Portland where most of CE's haulers operate, whether or not to pass through commercial dry waste tip fee savings will be at the discretion of the hauler. In general, the more savings haulers share with the ratepayer, the lower CE's and the haulers' profitability.

Assumptions:

CE's haulers realize $517,441 annually in lower transportation and disposal costs.

CE's "residential" vs. "commercial" is equivalent to the City of Portland's franchised/unfranchised designation.

The City of Portland's rate setting process examines costs for 75% of garbage customers.

Commercial waste is primarily dry; residential waste is primarily wet.

No more than 10% of dry waste in Gresham is unfranchised (C&D).

Phase 3

	Sources of Ratepayer Impact				
	CE Hauler Costs (based on information provided by CE)		Metro Tip Fees	Non-Metro Revenue Matching	Net Ratepayer Impact
	Transportation	Tip Fees			
Amount	($383,523)	($606,480)	$754,866	$1,028,502	
Ratepayer Portion	from 77% to 100%*	from 22% to 100%**	100%	from 75% to 100%	
Case 1: 77% of transportation, 22% of tip fees, 100% of Metro & non-Metro					
	($294,635)	($134,916)	$754,866	$1,028,502	$1,353,817
Case 2: 100% of transportation, 100% of tip fees, 100% of Metro & 75% of non-Metro					
	($383,523)	($606,480)	$754,866	$769,837	$534,700
	Reduced Costs		*Increased Prices*		

Notes:

* The lower estimate for transportation is most likely for year 1; the remainder is likely to be passed through to ratepayers over time as each CE hauler is sampled in the COP's rate setting process.

** In the City of Portland where most of CE's haulers operate, whether or not to pass through commercial dry waste tip fee savings will be at the discretion of the hauler. In general, the more savings haulers share with the ratepayer, the lower CE's and the haulers' profitability.

Assumptions:

CE's haulers realize $990,003 annually in lower transportation and disposal costs.

CE's "residential" vs. "commercial" is equivalent to the City of Portland's franchised/unfranchised designation.

The City of Portland's rate setting process examines costs for 75% of garbage customers.

Commercial waste is primarily dry; residential waste is primarily wet.

No more than 10% of dry waste in Gresham is unfranchised (C&D).

Zero transportation savings beyond 55,000 wet tons; assumes final 10,000 wet tons are equidistant to MC or MS

0428Sc-04

Draft – June 1, 2005

Housing Choice Task Force: Description of Projects for Overcoming Barriers

1. ✓ **Affordable Housing Production Pilot Projects**
   Enlist volunteer housing experts, community leaders and local government staff and officials in a pilot project to develop a portfolio of feasible projects that would contribute to achieving their Title 7 goals in conjunction with other community development objectives, such as focusing development in 2040 centers, main streets and transit stops.

2. ✓ **Land Use Policies for Increasing the Supply of Housing and Affordable Housing Across the Region**
   Determine how state, regional and local governments land use policies can better support the co-location of jobs and housing, leverage UGB expansion policies to increase the supply of affordable housing, and address equity and fairness in the production and location of affordable housing across the region.

3. ✓ **Regional Funding Solution Team**
   Identify regional funding options for housing and affordable housing that may be less politically difficult to implement. The task includes review of funding sources identified by previous efforts, and development of mechanisms for implementing the options, such as:
   - Identifying clear and specific purpose (and use) of a regional fund (e.g., loans, grants, and matching federal, state, or private funds);
   - Identifying organization and leadership of the effort to establish a regional fund (e.g., which agency or group should be involved/lead);
   - Developing options for sharing cost of organizing and setting up the fund;
   - Developing options for administration of the fund;
   - Developing the message for winning public support;

   The tasks also includes consideration of other actions by entities in the region that could expand the use of current tools for increasing resources for housing projects (e.g., property taxes exemption)

4. **Regional Land Banking**
   Create a proposal to establish a regional land trust that would assemble land for the development of the right type of housing at various locations. The proposal will demonstrate how a land banking program will: a) work with DEQ to acquire and decontaminate brownfields; b) work with ODOT and Portland School District to acquire unused land and buildings; and c) acquire land in new areas such as the Stafford Triangle to hold for future production of work force housing.

5. **Regional Technical Assistance Program**
   Identify local technical assistance needs of 2040 Centers and corridors and how/who to meet them. Outcome will help local governments put together housing development deals, develop their "2040 Development Strategy" and build long-lasting investment in the communities.

6. **Employer Assisted Housing**
   Identify employers and type of support they will provide to expand workforce housing, include homeownership programs that build equity for the region's work force. Potential partners may be enlisted.

Other Projects for Consideration

1. **Past Successes**
   Identify site-specific development examples where barriers have been overcome, or are currently being successfully overcome.

2. **Web-based Resource Guide**
   Initiate the development of a resource guide for informing local governments, developers, and citizens about various actions that would lead to housing production. Outcome of the Past Successes project will be included in the guide. Other products of the guide includes: a) methodology for local governments to assess the benefits and costs of waiving/reducing SDCs, permit fees, property tax, etc; b) types of land uses, financial and other incentives available in various communities in the region; c) designs for changing negative public perception of affordable multifamily and single family housing; d) advantages of "Accessory Dwelling Units" (ADU), how compatibility concerns can be addressed, and changes in zoning code an other requirements enacted to facilitate construction; e) pro-forma analysis of projects in various locations; and f) opportunities in the undeveloped and underdeveloped areas.

3. **Regional Housing Conference and Awards**
   Develop the scope of a regional housing conference and awards program to share housing and affordable housing productions information, and recognize outstanding commitment and leadership of individuals and communities, including creative and effective partnerships and successful designs. Address how the conference and awards will expose development features, qualities and economic efficiency of housing projects that would increase housing choice in the region.

HOUSING CHOICE PROJECT: SUMMARY SCOPE OF WORK AND TIMELINE (Metro Council Work Session – 6/28/05)

	PRIMARY TASKS	Mar. 2004	Apr.	May	June	July	Aug	Sept	Oct	Nov	Dec	Jan 2005	Feb	Mar
A	**BACKGROUND INFORATION/DATA FOR HCTF** 1) Estimating baseline housing units, and projected demand/need; 2) Assessing the region's past progress (2001-2003); 3) Identifying general <u>trends</u> affecting housing supply & demand; and 4) Estimating <u>housing capacity</u> of 2040 mixed use areas and corridors	→	→	→	→	→	→	→	→	→				
B	**HCTF UNDERSTADNING BARRIERS AND CREATING SOLUTION TEAMS:** a) Identifying, ranking and prioritizing barriers to housing and affordable housing supply; b) Identifying projects (see list below) to be used to develop solutions for overcoming barriers, and creating solution teams to develop implementation strategies and actions. The projects are; ■ 1) Pilot projects; 2) Regional funding; 3) Land use policies; 4) Regional land banking; 5) Employer assisted housing; and 6) Regional Technical assistance program. ■ *Other project for consideration: 1) Past successes; 2) Resource guide; and 3) Regional housing conference and awards;*	→	→	→										
C	**UPDATE METRO COUNCIL** Reviewing and providing and comments				*									
D	**SOLUTION TEAMS WORK ON INITIAL PROJECTS** Reviewing research information/data, and developing implementation measures and actions				→	→	→	→						
E	**UPDATE METRO COUNCIL** Reviewing and providing comments							*						
F	**SOLUTION TEAMS WORK ON REMAINING PROJECTS** Reviewing research information and data, and developing implementation measures and actions as schedule and budget allows							→	→	→				
G	**UPDATE METRO COUNCIL** Review, discussion and comments									*				
H	**HCTF DEVELOPS DRAFT RECOMMENDATIONS** Develop draft recommendations (policies, programs and best practices) for Metro, local governments, and other public entities and private sector housing providers for stakeholders' comments									→	→	* →	→	
I	**HCTF FINALIZES RECOMMENDATIONS & REPORT** Present final draft to Metro Council for comments Present final report to Metro Council												→	→
J	**METRO COUNCIL ACTION** Metro Council begins action on the HCTF report													* →

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M E M O R A N D U M

600 Northeast Grand Avenue | Portland, Oregon 97232-2736
(tel) 503-797-1700 | (fax) 503-797-1797

METRO

Date: June 10, 2005

TO: Robert Liberty, Metro Councilor
Carl Hosticka, Metro Councilor

FROM: Lydia Neill, Principal Regional Planner

RE: Tools Available to Address Measure 37 Impacts

Introduction

Measure 37 has the potential to directly impact a number of adopted Metro plans and policies as well as Oregon's land use system. The tools that are described below could be used alone or in concert to mitigate impacts of development that will result from local governments waiving land use regulations to satisfy claims to allow a development pattern that is consistent with the 2040 Growth Concept. To date the majority of the claims that have been filed in this region are being resolved not by compensating property owners but by waiving land use regulations that restrict residential development.

Tools to Address Impacts on 2040 Policies

Tools such as transfer of development rights or credits (TDR/TDC), conservation easements, and incentive programs could be used singularly or in concert to achieve Metro's growth management goals and offer property owners a mechanism for recouping a partial reduction in their property values that have resulted from the application of land use regulations. Use of some of these tools may require legislative changes, or voter approval to be fully implemented.

♦ ***Transfer of Development Rights of Credits***

A Transfer Development Rights or Credit system (TDR/TDC) is a tool that encourages development to be transferred from sending areas (agricultural or rural residential areas) to areas of the region that may be more appropriate for urbanization (receiving areas). These TDR/TDC programs have been used throughout the country with varying degrees of success and in limited ways in Oregon. The use of this tool is complicated in Oregon due to the use of the UGB as a growth management tool. UGB's emphasize developing at higher densities inside of the boundary with little or no development on EFU or rural residential (RR) lands outside of the boundary making transfer of units outside of the UGB to the inside more difficult. Selection of appropriate receiving areas that are desirable from a market perspective is a key component to this type of program's success. A TDR/TDC program could be set up to function as a mandatory or a voluntary program with or without a bank that collects and transfers credits. Receiving areas could be designated in the areas that have been recently added to the UGB. These receiving areas could be required to purchase credits from claim holders to facilitate the transfer of units from rural lands to inside of the UGB.

Pro's:

- Flexible
- Allows market to determine which claims are transferred

- Requires windfall areas to absorb some of the costs of the program
- Program would be self regulating once the mechanism of transfer is established

Con's:

- Has the potential to be expensive due to administrative costs
- May be to complex if the program is voluntary
- Regulatory action may be required to maximize the program's value
- May require the formation of an entity to oversee the program (bank)
- Will require time to set up and establish a market for credits
- Requires legislative approval (State, local and Metro) to establish the program

♦ ***Farm Conservation Easements***

Through the purchase of conservation easements potential claim holders could be compensated for the loss of development potential on lands that are currently in farm use. Conservation easements require the maintenance of agricultural uses in exchange for a deed restriction that requires the property to remain in agricultural use in perpetuity. Many areas of the country have successfully purchased easements to protect farmland through a Federal matching grant program. The Federal program requires a match of 50 percent of the value of the easement in exchange for an easement restricting use of the property for farming. This tool may be valuable because almost all claims are occurring on farmland. This program could be evaluated as part of Washington County's upcoming Agricultural/Urban Lands Study. The study will be evaluating the needs of the agricultural industry and urban land use conflicts.

Pro's:

- Protects farmland
- Compensates farmers in order to allow them to continue the use of the land for farming
- Requires a commitment of only 50 percent of the value of the property
- Easements run with the land

Con's:

- Federal program is limited and may not address the overall need on a year to year basis
- Requires a matching commitment from the State or from local governments
- Program has been used sparingly in Oregon
- Does not address claims for non-farming uses (other than a single family use) and multiple lot claims
- Requires a commitment to farming as a land use and may not be consistent with future urbanization

♦ ***Bond Measure or Outright Purchase Program***

A bond measure program could be developed to provide funding to buy claims. A bond measure program would provide voters with specific information on the proposed use of the funds and the total value of general obligation bonds to purchase claims. Voters would approve the ballot measure to allow Metro to use its taxing authority. The bonds would be retired from taxes levied on property owners. A similar program was proposed and approved by voters in 1995 to provide $135.6 million dollars for the purchase of parks and open space lands in the Metro area. This program was very successful with almost 8,000 acres of land were purchased and protected over the 10 year period from willing sellers of property.

Pro's:

- Mechanism is fairly simple once the bond measure has been approved
- Voter approved
- Provides an opportunity to fulfill the intent of the measure by compensating property owners for a loss in value on their property
- Allows bond holder to target specific areas to purchase claims

Con's:

- Requires substantial staffing and oversight by Metro or another entity to administer
- Purchase of claim waiver and not the property itself could result in a second windfall if property is brought into the UGB at a future date
- Amount of dollars raised may not be sufficient to address all claims
- Some property owners may not wish to participate
- Not likely to address claims for single family homes on EFU land

♦ ***Givings or Value Capture Tax***

A portion of the increase in the assessed value of properties recently brought into the UGB in the form of a tax would be set aside to purchase claims. The givings or value capture tax would be designed to set aside a part of the windfall of having a property included in the UGB which includes a right to develop a property to urban standards. The proceeds from this tax would fund the purchase of claims located in areas outside of the UGB.

Pro's:

- A revenue source is created from an upzone of rural land
- Directs growth to more appropriate areas
- Simple
- Fulfills the intent of the measure through the compensation for claims

Con's:

- Requires legislative changes at the State and local level
- Taxation may not be popular
- Requires inter-jurisdictional cooperation
- Requires an entity to administer the program

♦ ***Targeted Infrastructure***

Areas that are poorly served with infrastructure but are included inside of the UGB could be targeted to be made more serviceable to stimulate development that in turn could be required to purchase development credits from claim holders outside of the UGB. This exchange of serviceable areas for claims credits could provide the impetus to create the flow of credits and dollars to compensate property owners in areas where development is not appropriate or less desirable.

Pro's:

- Provides public facilities to areas that are projected to be urbanized
- Directs growth to more appropriate areas
- Provides more short-term land to meet market demands

Con's:

- Likely to be expensive and requires a funding mechanism to build infrastructure
- Time lag between infrastructure construction and when claims or credits would likely be purchased
- Claims and areas where infrastructure is needed may not match
- Requires inter-jurisdictional cooperation to provide funding and services

♦ ***UGB Expansion or Designation of Urban Reserves***

Selective UGB expansions or designation of urban reserves could be used to either create receiving zones or to allow urbanization of areas that receive a high demand for claims. There may be areas that have received or are expected to receive a disproportionate number of claims and therefore would make them ideal for development to urban standards. Designation of urban reserves would stimulate a discussion about which areas are most appropriate for future urbanization and facilitate a system of metering land into the boundary to either respond directly to claims filed or market pressure. Depending upon the schedule for review of the UGB and the timing and need for possible UGB expansions, a discussion of the designation of urban reserves may be appropriate. Designation of urban reserves are subject to the same procedures for expansion of the UGB and they include examination of the capacity of land under consideration, existing farm uses and impacts, provision of public facilities and natural resource impacts. All of these issues would be addressed in an Alternatives Analysis Study. In preparation for an upcoming UGB expansion decision Metro studied over 65,000 acres of land. To designate urban reserves, a similar level of effort would be required in order to meet state requirements.

Pro's:
- Mitigates public facility issues that may arise from waiving claims and allows residential development in appropriate areas
- Directs growth to appropriate areas

Con's:
- May not be able to be completed within the time frame necessary to address some claims (Metro reviews the UGB capacity every 5 years and must provide a 20 year supply of land). The next evaluation is scheduled to be completed by 2007.
- Will not be able to address all of the claims that have been filed
- Even though a property is brought into the UGB there is likely to be a considerable time lag between this action and development
- Areas that are desirable because they contain a large amount of claims may not match the requirements in State law for expansion of the UGB or designation of urban reserves.
- Many of the claims are not located contiguous to the UGB so expansion may be difficult

♦ ***UGB Expansion with a Portion of Land Set Aside to Fund Purchase of Claims***
Selective UGB expansions could be used to create receiving zones with a portion of the area (20 percent) set aside as a dedication to Metro for sale to generate funding to purchase claims. These areas would be sold at market prices to generate cash for the purchase of selected claims in key areas that would have the most negative impacts. Depending upon the schedule for review of the UGB and the timing and need for possible UGB expansions this option may be available. Metro could possibly ask for an exception to consider an expansion of the UGB outside of the normal assessment schedule.

Pro's:
- Mitigates public facility issues that may arise from waiving claims and allows residential development in appropriate areas
- Directs growth to appropriate areas

Con's:
- May not be able to be completed within the time frame necessary to address some claims (Metro reviews the UGB capacity every 5 years and must provide a 20 year supply of land). The next evaluation is scheduled to be completed by 2007.
- Will not be able to address all of the claims that have been filed

♦ ***Fee for UGB Amendments***
Metro and or the bank could establish a fee for UGB expansion areas that would be dedicated for purchasing claims and planning for areas brought into the UGB. Metro would establish the viability of areas prior to boundary expansion.

Pro's:
- Simple
- Provides resources to urbanize expansion areas and buy claims in areas that have negative impacts

Con's:
- Fee would have to be substantial to pay for both programs

- Does not address infrastructure provision in newly added areas

♦ ***Identifying Health and Safety Issues***

There are areas in which claims have been filed that may not be suitable for residential development due to inadequate percolation of soils for septic systems or insufficient groundwater supplies for domestic water. Identifying these areas prior to granting claims may prevent long-term problems that may arise from groundwater pollution or lack of potable water supplies.

Pro's:
- Mitigates public facility issues before they become heath issues
- May direct growth to more appropriate areas
- Better use of public infrastructure dollars
- Allows a more holistic look at watershed basins and aquifers
- May identify areas for UGB expansion because they are unsuitable for rural style development that does not receive water or sewer

Con's:
- May reduce the number of residential units that would otherwise be permitted which may frustrate property owners
- Evaluation of areas could be time consuming and expensive
- Due to the 180 day time frame, claims may be processed before the evaluation could take place

♦ ***Incentive Programs***

Incentive programs could be developed to provide infrastructure, concept planning or permit and fee waivers to attract development to appropriate areas with a TDR/TDC program. Lands newly added to the UGB generally do not meet the region's short term land needs due to lack of infrastructure or required concept planning and implementing zoning. Most communities charge fees for new development to offset planning and servicing requirements for parks, sewer, water and storm water. These systems development fees do not completely cover the costs of providing these services and do not address all of the larger infrastructure system needs required to urbanize rural areas. Depending upon whether local jurisdictions have concurrency requirements that require that infrastructure be developed prior to development, the sequencing of development may be dictated by a local government's ability to construct streets and sewer and water systems. Local jurisdictions may need to provide incentives in the form of concept planning and infrastructure in those areas where they wish to encourage appropriate development. Fees could also be reduced or waived to create further incentives to encourage development.

Pro's:
- Program is voluntary
- Simple
- Could be combined with other program elements to enhance overall effectiveness

Con's:
- Program by itself is too weak to have much of an impact

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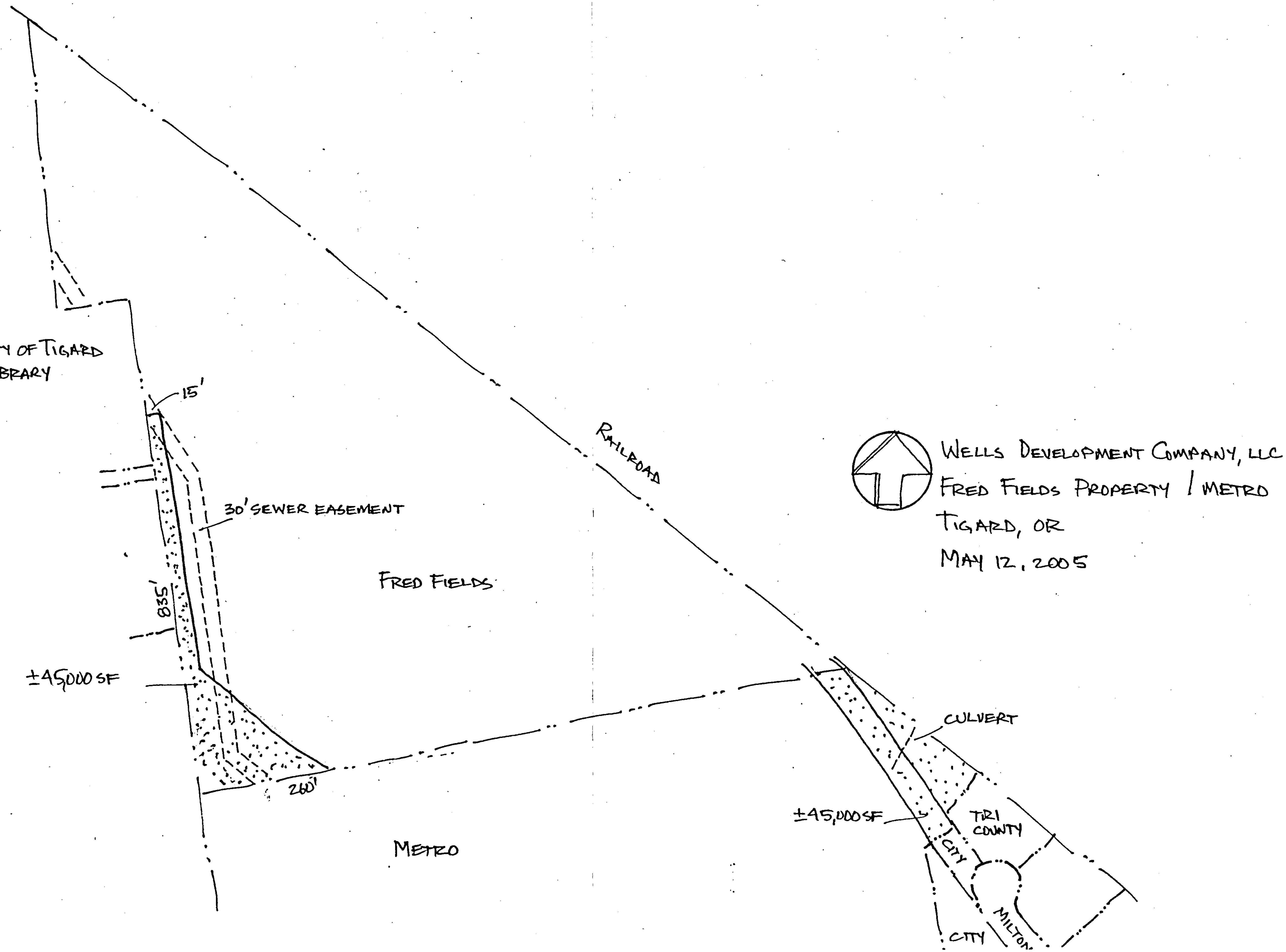

WELLS DEVELOPMENT COMPANY, LLC
FRED FIELDS PROPERTY / METRO
TIGARD, OR
MAY 12, 2005
CITY OF TIGARD LIBRARY
15'
30' SEWER EASEMENT
FRED FIELDS
RAILROAD
835'
±45,000 SF
260'
METRO
CULVERT
±45,000 SF
TRI COUNTY
CITY
CITY
MILTON