

# King City Urban Reserve Area 6D: Funding Strategy



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## Introduction

In order for the King City Concept Plan area (“plan area”) to develop in a manner consistent with community goals and market potential, the study area’s 525+ acres will require a variety of new infrastructure. This memorandum summarizes the infrastructure that has been recommended by the Concept Plan team and recommends a funding strategy for that infrastructure. The plan area is formally known as Urban Reserve Area (URA) 6D; Urbsworks urban designers are leading this Concept Plan process.

Figure 1 below lists the infrastructure that has been recommended for the plan area, by type, name, and category. The design, location, purpose, and rationale for each element of infrastructure is described in the URA 6D Concept Plan document, the King City URA 6D Traffic Operations Analysis, the correspondence from the City of Tigard, and supporting engineering documents by Murraysmith engineers.

**Figure 1. Infrastructure Summary**

Infrastructure Type	Project Name and number	
<b>Transportation</b>	T2	Beef Bend Road, Roy Rogers to 150th Road
		Off-Site Intersections (SCJ)
	T1	Green Boulevard (Collector, internal to URA)
	T4	Culverts
	-	Local Streets
<b>Framework Utilities</b>	-	Stormwater in Framework ROW
<b>Major Sanitary Sewer</b>  (SS Concept 2)		River Terrace South Pump Station/Forcemain
	SS1	Subdistrict Pump Stations/Forcemains
	SS2	Trunk Sewer (Concept 1 only)
	SS3	
<b>Water</b>	W1	Storage, Zone 410
	W2	Transmission: Beef Bend Road
	W3	Transmission: Roy Rogers Road
<b>Parks</b>	P1	Community Park (1 park)
	P2	Neighborhood Parks (3 to 5 parks)
<b>Stormwater</b>	S2	Subdistrict Facilities (5)
	S1	On-site management
<b>School District</b>		Primary School
	SD1	

*Source: SCJ Alliance, City of King City, Urbsworks, Murraysmith engineers, City of Tigard, Leland Consulting Group.*

### Why is a funding strategy needed?

In some cases—for example, when a relatively small property is controlled by a single property owner/developer—there is no need for a concept plan or a funding strategy. However, a funding strategy will be useful in the plan area, for a number of reasons:

- **Fragmentation of Ownership/Control.** Property ownership is fragmented, and includes both experienced developers who control large properties, and others who control smaller properties that may be difficult to develop due to access, slope, or environmental challenges.
- **Timing/Phasing.** The western portion of the Plan Area has larger parcels and less ownership fragmentation. As a result, the western section is likely to see substantial coordinated development earlier than eastern or central portions.
- **Physical Features.** Topography in the area south of Beef Bend Road presents specific challenges to infrastructure development – most notably by raising likely costs of any new east-west collector roads because of increased need for culvert/bridge facilities.
- **Multiple Jurisdictions.** Numerous different public agencies and entities are likely to be involved in the provision of infrastructure within or near the plan area, including King City, Washington County, Clean Water Services, Tigard Tualatin School District, and nearby property owners/developers. Infrastructure projects related to the plan area will require some coordination with these groups.

### Infrastructure Categories

This funding strategy divides infrastructure into four general categories, which are listed below. These categories correspond to the “service area” of the infrastructure—i.e., the geographical area in which existing or new households or businesses will generate demand for the infrastructure. Leland Consulting Group (LCG) recommends that the costs of infrastructure generally be allocated to the beneficiaries of the infrastructure within the service area. Thus, the cost of infrastructure that benefits a large area (e.g., Washington County) would be spread over a large area, while the costs of infrastructure that benefits a small area (e.g., a local street), would be allocated just to the developers of the adjacent property. From largest to smallest infrastructure service area, the categories are:

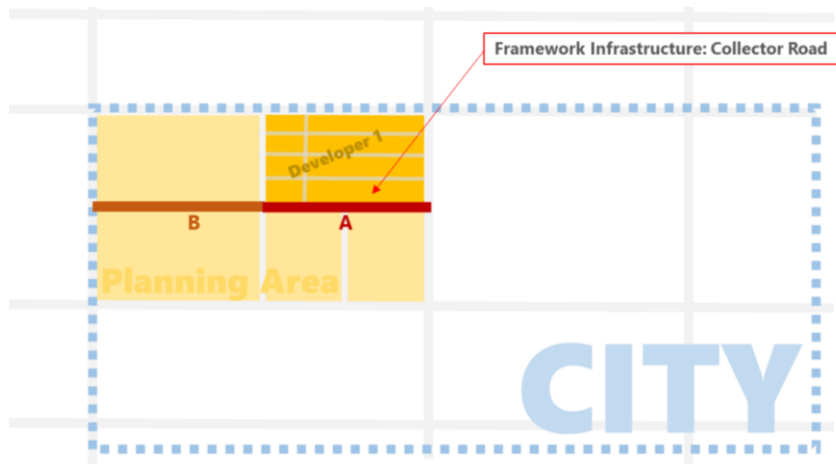
- Major off-site
- Framework or district
- Subdistrict
- Local or on-site

#### Major Off-Site Infrastructure

- Major off-site infrastructure is generally located outside of a planning area boundary and, while it may benefit on-site properties to some degree, mostly serves populations in the city, county, or region.
- For this reason, major off-site infrastructure is likely to be funded via a city, county, or regional capital improvement program.
- There are three major off-site infrastructure elements addressed in this plan: the off-site intersections identified by SCJ in the Traffic Operations Analysis, the River Terrace South Pump Station and Forcemain, and the Zone 410 water storage reservoir.

### Framework Infrastructure

- “Framework” or “district” infrastructure serves residents and businesses in the entire plan area, and is fundamental to the achievement of the plan vision. It is also usually larger and more costly than “subdistrict” and “local” infrastructure, described below.
- The proposed east-west collector roads, which would connect Roy Rogers Road to existing King City neighborhoods, are examples of framework infrastructure. These collector roads have additional transportation and design features that go beyond those in local roads. A sanitary sewer trunk line, water transmission lines, and community and neighborhood parks are other examples.
- Collector roads benefit all developers in the plan area (shown in shades of yellow), not just the area marked “developer 1” below, and therefore, we recommend that the costs for this category of infrastructure be allocated to all developers.
- **Framework infrastructure is the primary focus of this funding strategy**, because a) it is important to fairly and equitably allocate these larger costs, and b) unduly burdening some developers with a greater share of costs can significantly reduce the financial feasibility of developing their land, lead them to forgo development, and prevent the plan from being achieved.



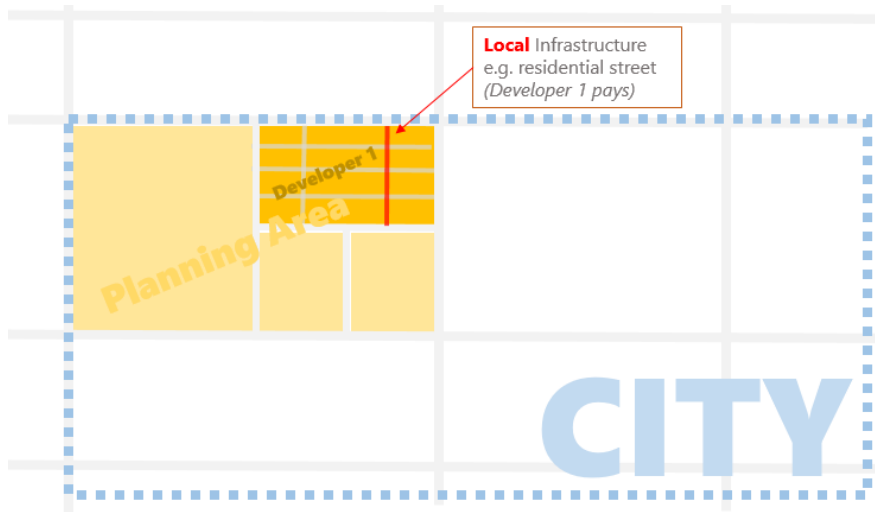
- A key concept relative to framework infrastructure is the “oversize” cost. This is the difference between the typical local infrastructure costs (e.g., a local road), and the cost of the framework infrastructure. Since all developers will be required to build and pay for local infrastructure to serve their properties, it is only the oversize cost that is allocated to developers throughout the district.

### Subdistrict Infrastructure

- Some infrastructure benefits an area smaller than the entire plan area, but larger than just one developer’s property. This is referred to as “subdistrict” scale infrastructure. Examples shown in Figure 1 above include a series of sanitary sewer pump stations, and subdistrict stormwater facilities, both of which may serve an area of 50 to 100 acres, but not the entire 525-acre plan area.
- Like framework infrastructure, properly allocating the cost of this infrastructure can be challenging, since it may be unfair and diseconomic for one developer to pay for all of it.
- However, since the focus of this Concept Plan is the entire plan area, there are many unknowns about how individual subdistricts will develop, and in order to allow developers the flexibility to plan and pay for infrastructure within each of these areas, this funding strategy provides only very general guidance about subdistrict infrastructure.

### Local or On-Site Infrastructure

- Local or on-site infrastructure is located on or adjacent to a development property and largely serves a single developer/property owner, and may include transportation, sanitary sewer, water, or stormwater infrastructure. Local infrastructure is typically of the minimum size required by the city for project approval (e.g., a local street cross section, or 8-inch sewer or water pipe).
- King City’s policy is consistent with most other jurisdictions in that this infrastructure is largely built and paid for by developers.



### Study Area Infrastructure and Category

Figure 2 below shows the infrastructure required for the plan area, and which category (off-site, framework, sub-district, local) the infrastructure projects fall into. Project names are color-coded to correspond with the infrastructure categories.

The proposed Community Park is included on the King City Capital Improvement Plan. This improvement is described in detail throughout this report. This generally means that funds will be collected by the public agencies—via SDCs and other sources—to pay for the improvements. It also means that any parts of this CIP infrastructure that are paid for/built by developers are “SDC creditable.” Developers can credit the amount they spend on this CIP infrastructure against the SDCs owed at time of housing construction.

Figure 2. Infrastructure and Infrastructure Category

Infrastructure Type	Project Name and number		Infrastructure Category	CIP Project (SDC Creditable)
<b>Transportation</b>	T2	Beef Bend Road, Roy Rogers to 150th Road	Framework	No
		Off-Site Intersections (SCJ)	Major Off-Site	
	T1	Green Boulevard (Collector, internal to URA)	Framework	No
	T4	Culverts	Framework	No
	-	Local Streets	Local	No
<b>Framework Utilities</b>	-	Stormwater in Framework ROW	Framework	No
<b>Major Sanitary Sewer</b> (SS Concept 2)	SS1	River Terrace South Pump Station/Forcemain	Major Off-Site	No
	SS2	Subdistrict Pump Stations/Forcemains	Subdistrict	No
	SS3	Trunk Sewer (Concept 1 only)	Framework	No
<b>Water</b>	W1	Storage, Zone 410	Major Off-Site	No
	W2	Transmission: Beef Bend Road	Framework	No
	W3	Transmission: Roy Rogers Road	Framework	No
<b>Parks</b>	P1	Community Park (1 park)	Framework	Yes
	P2	Neighborhood Parks (3 to 5 parks)	Framework	No
<b>Stormwater</b>	S2	Subdistrict Facilities (5)	Subdistrict	No
	S1	On-site management	Local	No
<b>School District</b>	SD1	Primary School	NA	No

## Infrastructure Cost Estimates

The design, location, purpose, and rationale for each element of infrastructure is described in the URA 6D Concept Plan document, and supporting engineering documents by Murraysmith engineers.

**Transportation, framework utilities, sanitary sewer, and water infrastructure.** Murraysmith engineers completed civil engineering analysis for this project and were the primary source for infrastructure cost estimates. Murraysmith provided conceptual designs and cost estimates for framework utilities, and sanitary sewer infrastructure. SCJ Alliance provided cost estimates for transportation improvements. Water cost estimates were provided by the City of Tigard.

Murraysmith's cost estimates include "hard" (or construction) costs, soft costs, and a 50 percent cost contingency. Soft costs are estimated at 29 percent of hard costs and include engineering/design, construction administration, permitting, wetland mitigation, and City administration. A table showing soft costs as a percentage of hard cost is included in the Appendix. In LCG's experience, the soft cost estimate is reasonable, and the cost contingency is at the high end, and reflects the fact that the plan is in the conceptual phases rather than detailed design.

LCG made only one change to Murraysmith's cost estimate figures: we removed the right of way acquisition costs from Green Boulevard and Beef Bend (150th to Roy Rogers). This is because developers are typically required to deed land for framework transportation infrastructure that will serve their properties.

**Community Park.** Project engineering consultants did not complete a cost estimate for the park space. These costs were derived from similarly planned parks in Wilsonville's Frog Pond urban reserve planning area. The assumptions used are a land cost of \$6 per square foot, park "improvement" costs of \$15 per square foot, a 6.5-acre park, and 29 percent soft costs as a percent of all improvement costs. This results in a \$7.1 million total cost. These assumptions are shown in Figure 11 in the Appendix A of this document, Funding Strategy Supplemental Information.

**Other considerations.** All figures shown in this funding strategy are in 2017 dollars in order to keep the funding strategy as straight forward as possible. While costs can be expected to increase in coming years, associated fees can also be set to increase over time to reflect these higher costs, and cost contingencies have been included in estimates. Therefore, while construction cost escalation is always an issue, it can be managed and should not be a primary concern for the City and other stakeholders at this time.

The focus of this funding strategy is on framework infrastructure. Therefore, many cost estimates for off-site, subdistrict, and local infrastructure are neither known nor relevant. However, this memo and the attached appendices attempt to clarify and incorporate all known off-site improvements including water and transportation facilities.

## Allocation of Infrastructure Costs

As described above, this funding strategy recommends that some infrastructure costs be allocated to the entire plan area (URA 6D), to various subdistricts within the plan area, and/or to parties outside the plan area (e.g., the City, county, other agencies, or developers of other land such as URA 6C to the north). Figure 3 shows the estimated cost of each infrastructure project (if available), and the cost allocations recommended by LCG.

**LCG recommends a "supplemental fee" as the primary cost allocation tool for framework infrastructure** (or, possibly an "area-specific system development charge (SDC)"). The term supplemental fee is used in this memo, and the tool is described in greater detail below. The main purpose of the supplemental fee is to allocate the costs of framework infrastructure—those infrastructure projects that are significant in scale and cost, and benefit the entire plan area. The project costs to be allocated via the supplemental fee are shown in the "Framework" column in Figure 3. Developers will owe a supplemental fee for each housing unit or square foot of commercial space they build, *in addition to* the SDCs they owe. Like most SDCs, if developers pay for and build framework infrastructure projects, they earn credits against supplemental fees owed. In other words, they can reduce, or sometimes eliminate, the supplemental fees they actually pay by building framework infrastructure. A preliminary supplemental fee amount is calculated later in this memo. Supplemental fees and/or area-specific SDCs (which are similar) have been used in a number of urban reserve areas, including River Terrace in Tigard, South Hillsboro, and Villebois and Frog Pond, in Wilsonville.

**Figure 3. Infrastructure Costs and Allocation**

Project Name	Cost Estimate Total	Cost Allocation				
		Min.Req.	Other Parties	See text for more information.	Framework Oversize allocable to plan area	Subdistrict Allocable to subdistricts
Beef Bend Road, Roy Rogers to 150th Road	\$17,435,000	-	\$8,717,500	Dev'ment north of BB.	\$8,717,500	
Off-Site Intersections (SCJ)	\$6,070,000				\$6,070,000	
Green Boulevard	\$26,140,282	\$17,437,500			\$8,702,782	
Culverts	\$7,650,000	-			\$7,650,000	
Local Streets	Not estimated	-			-	
<b>Subtotal</b>					<b>\$31,140,282</b>	
Utilities in Framework ROW	Incl. in above.					
River Terrace South Pump Station/Forcemain	\$4,800,000		\$3,502,703	RT & other developers.	\$1,297,297	
Subdistrict Pump Stations/Forcemains	\$2,500,000					\$2,500,000
Trunk Sewer (Concept 1 only)	NA				NA	
<b>Subtotal</b>					<b>\$1,297,297</b>	
Storage, Zone 410	\$2,500,000				\$2,500,000	
Transmission: Beef Bend Road	\$3,000,000		\$1,500,000	50% allocated elsewhere.	\$1,500,000	
Transmission: Roy Rogers Road	\$2,800,000		\$1,400,000	50% allocated elsewhere.	\$1,400,000	
<b>Subtotal</b>					<b>\$5,400,000</b>	
Community Park (1 park)	\$5,891,340				\$5,891,340	
Neighborhood Parks (3 to 5 parks)	\$9,314,880				\$9,314,880	
<b>Subtotal</b>					<b>\$15,206,220</b>	
Subdistrict Facilities (5)	Not estimated					Likely Yes, TBD.
On-site management	Not estimated					
Primary School	Not estimated		TBD	School District		
<b>Total</b>	<b>\$88,101,502</b>	<b>\$17,437,500</b>	<b>\$15,120,203</b>		<b>\$53,043,800</b>	<b>\$2,500,000</b>

Source: City of King City, Urbsworks, Murraysmith engineers, Leland Consulting Group.

As discussed above, some cost-sharing will also likely be required for subdistrict infrastructure, shown in the Subdistrict column above. However, because the focus of this Concept Plan is the entire plan area, there are many unknowns about how individual subdistricts will develop, and to allow developers the flexibility to plan and pay for infrastructure within each of these areas, this funding strategy provides only very general guidance about subdistrict infrastructure. It does not provide a supplemental fee calculation for subdistrict infrastructure.

**Notes on Individual Infrastructure Projects**

This section includes notes on various infrastructure projects that reflect the cost and allocation information summarized in Figure 3.

- Green Boulevard.** As described above, only the oversize cost (\$8.7 million, the difference between the cost of the minimum required roadway and the cost of the framework roadway) is to be allocated to developers throughout the entire plan area. The remaining \$17.4 million would be paid by property owners adjacent to the boulevard. As noted above, the transportation cost estimates used in this funding plan differ from those provided by Murraysmith, as LCG has not included the cost of right of way, which is assumed to be dedicated by developers/property owners.

- **Beef Bend: 150th to Roy Rogers.** The total cost estimate reflects both the north and south sides of Beef Bend Road. In keeping with typical policy, only the cost of the south side would be allocated to the plan area. The north side should be paid for by the developers of URA 6C (a separate urban reserve area), the County, or another party.
- **Off-site Intersections.** The cost estimate includes required improvements for several nearby intersections including the installation or modification of traffic signals and intersection channelization. The plan area would be responsible for 100 percent of the share of cost for these improvements.
- **Culverts.** A series of 10 culverts that will span creeks and sloped areas within the eastern part of the plan area is a key component of the Concept Plan. These are necessary in order to establish a cohesive district, and connect the plan area to the rest of King City to the east. The entire cost (\$7.65 million) is oversized and allocated to the district.
- **Local Roads.** Local roads, some of which are designated as “Neighborhood Collectors,” are the minimum rights of way required by King City and will be paid for by the developers of adjacent property.
- **Stormwater, Water, Sanitary Sewer in Framework rights of way.** The costs of this infrastructure is included in the transportation projects, above.
- **River Terrace South Pump Station/Forcemain.** This pump station/forcemain will be required in the plan area. However, according to Murraysmith, about 73% of the demand for this facility will originate outside of the plan area, including the River Terrace area. The remaining 27% of demand will originate from within the plan area. Therefore, the costs of this project have been allocated on a pro rata share, with 27% allocated to the plan area.
- **Major Sanitary Sewer: Subdistrict Pump Stations/Forcemains.** Murraysmith engineers prepared cost estimates for two “sewer service concepts,” as follows:
  - Concept 2 (used in this funding strategy) assumes a series of pump stations and forcemains will be needed for “subdistricts” of the plan area. These facilities are considered “subdistrict” infrastructure, and should be designed, built, and paid for by single large developers, or smaller groups of developers. The reimbursement district tool is often used for infrastructure of this scale (described in greater depth on page 10 and in the appendices on page 20). This is a better approach than attempting to allocate the cost throughout the entire district, as framework infrastructure, since it allows developers more flexibility in the timing and design of development and infrastructure.
  - Concept 1 assumes the construction of a large (\$7.4m) trunk sewer line that would run east-west across the plan area; this trunk sewer line would eliminate the need for the subdistrict-level pump stations and forcemains designed in Concept 2.

Based on conversations with the Concept Plan team, LCG has assumed that concept 2 will be built, not concept 1, since concept 1 would require significant, costly infrastructure work to be completed



through private properties on the east side of the plan area, where development is not expected in the near term. This would create logistical, negotiation, and design challenges. The financing (interest) costs would also be high, since the investment would need to be made up front, with payback taking place over many years. It is not clear what entity would take on such a major trunk sewer line investment; the most likely options would be Clean Water Services (CWS), or a very-well capitalized developer, with repayment via a supplemental fee or reimbursement fee.

- **Trunk Sewer.** No major trunk sewer is assumed to be part of this funding strategy; see Major Sanitary Sewer discussion above.
- **Water Storage.** An additional one million gallons of capacity will be 100 percent attributable to the plan area. The actual capacity may be greater and the size and costs are based on estimated URA 6D requirements.
- **Water Transmission lines.** Two water transmission lines will be required in Beef Bend Road and Roy Rogers Road. It is assumed that 50 percent is oversize allocable to plan area.
- **Community Park.** 1 community park (approximately 6.5 acres) is proposed for the plan area. According to King City staff, this park is part of the City's capital improvement plan (CIP) / Parks SDC methodology, and therefore, will be paid for from those sources. Developer contributions to this park (i.e., land contributions or park improvements) can be credited against Parks SDCs owed. LCG has used the following estimates for this park: \$6 land value per square foot, \$18 improvement costs per square foot, and 6.5 acres.
- **Neighborhood Parks (3 to 5 parks).** LCG recommends that these neighborhood parks be "framework" improvements. The entire cost (\$9.3 million) is allocated to the district.
- **Subdistrict Stormwater Facilities.** LCG recommends that stormwater facilities (approximately 5) be "subdistrict" improvements that are designed, built, and paid for by groups of developers that collectively control 50 to 100 acres of land. These may be funded via a reimbursement district.
- **On-site management.** Property developers will also be responsible for certain on-site stormwater management; this is a local infrastructure project.
- **Primary School.** The Concept Plan calls for a +/- 10-acre primary school site within the plan area, however, LCG is not aware of a specific location or cost estimate for this school. The school site could be combined with one of the parks. The plan area is within the Tigard-Tualatin School District (TTSD). Unlike the public infrastructure described above, Oregon school districts are prohibited by state law from imposing SDCs to fund capital improvements. Therefore, the most common funding approach to funding school construction is a voter-approved general obligation bond, often covering the entire school district geography. In 2016, TTSD voters approved such a bond. LCG assumes that land acquisition and construction of this primary school would be covered by either the 2016 bond, or a future bond. Another option available to school districts is a construction excise tax (CET). Whatever the funding source, it is often advantageous for school districts to acquire

properties early in urban reserve areas, before intense private-market competition drives up the cost of land.

## Supplemental Fee for Framework Infrastructure

As stated above, LCG recommends that a **supplemental fee** be imposed to generate funds to pay for key elements of framework infrastructure. Another alternative is the imposition of two separate area-specific SDCs, for transportation and sanitary sewer. This supplemental fee would be modeled after reimbursement fees/districts; the Cities of Tigard (Municipal Code Chapter 13.09, Reimbursement Districts) and West Linn (Advance Financing of Public Improvements) provide potential implementation models.

Advantages of the supplemental fee are that it is a single fee that can be used for transportation, sanitary sewer, and potentially other infrastructure projects in the plan area; and that it generally follows the per-unit or per-square-foot allocation model of SDCs. Other tools/approaches are possible, and could be explored further in a more-detailed Master Plan process. Each has trade-offs, particularly in terms of the complexity of implementing and managing the programs. These other tools are described in more detail in the Appendix A of this document, the Funding Strategy Supplemental Information, including:

- Local improvement district (LID)
- Voter-approved property tax levies / general obligation bonds
- Utility fees
- Reducing infrastructure costs
- Potentially other tools.

Without such a fee, or another carefully-designed infrastructure funding strategy, neither individual developers, the City of King City, or other parties, are likely to have the financial capacity or incentive to fund and build the framework infrastructure, since they would be at risk of expending significant funds for infrastructure, without a means to be reimbursed. The fee would generate funds for four framework infrastructure projects:

- Green Boulevard
- Beef Bend: 150th to Roy Rogers
- Culverts
- River Terrace South Pump Station/Forcemain

## Land Use Program

In order to allocate the costs of infrastructure to individual residential and commercial developments within the plan area, a land use program (the number and type of homes, offices, retail establishments, etc.) must be known or assumed. While the concept planning completed to date defines many aspects of future development in the plan area, there are also many unknowns and options as to how the area will develop, as developers may choose to build a wide range of project scales, types, and densities within the infrastructure “framework” provided by the concept plan. The amount of housing and commercial development is therefore a significant variable for this funding plan.

Figure 4 shows the estimates of residential units and commercial square feet used in this funding plan. These estimates could change as further planning (e.g., a Master Plan) is completed for the area. LCG

estimates that about 3,800 housing units are likely to be built in the plan area, based on the gross area (525 acres), buildable area (318 acres, per Urbsworks), and an average density of 12 units per buildable acre (assuming a range of housing types, from single family to apartments). We apply a 20% housing “underbuild” for this funding analysis, which is a precaution in case the amount of development (and therefore fees generated) are less than anticipated. Therefore, 3,050 housing units are assumed for this funding strategy.

LCG’s market analysis included estimates for two types of commercial space in the plan area. The first is 40,000 to 60,000 square feet of general commercial space, which could include grocery, pharmacy, healthcare, fitness, other daily commercial needs, and office space. For this funding strategy, we assume that 75,000 square feet of commercial space will be built, as shown in Figure 4 below. The second type is a “gateway to wine country” concept (including a 70-room lodge with event space, and estimated at 40,000 to 60,000 square feet). While this concept is possible, it is a special concept and would be more difficult to achieve than the general commercial space. In order to make the funding plan conservative, we do not include the gateway to wine country square footage in the funding plan.

**Figure 4. Plan Area: Residential Program Estimates**

<b>Plan Area</b>	
Gross	525
Buildable	318
%	61%
<b>Density per Buildable Acre</b>	
Average	12.0
<b>Housing Units</b>	
Estimated total	3,816
20% Underbuild, for funding analysis	3,050
<b>Commercial (SF)</b>	75,000

Source: Urbsworks and Leland Consulting Group.

### Preliminary Supplemental Fee Calculation

Figure 5 shows LCG’s calculation of a *preliminary* supplemental fee for the plan area. We consider this preliminary because future planning efforts, including a Master Plan, will be completed for the plan area, and these could change many inputs, including the amount of housing and commercial space, the net developable area, infrastructure cost estimates, and other variables. An administrative fee of 5% was added to the total infrastructure cost shown in Figure 3, in order to compensate the City, or other agency, for the staff time and equipment, associated with administering the supplement fee program. The costs were then divided between the residential and commercial development based on LCG’s estimate of the share of demand (for transportation and sanitary sewer infrastructure) that each category will comprise. This estimate was based on a review of existing King City SDCs and the assumption that these SDCs are a reasonable reflection of infrastructure demand by use.

In order to establish a fee estimate by dwelling unit type (consistent with King City’s existing practice for SDCs), we assumed 70 percent single family dwellings and 30 percent multifamily (including senior) housing. This is the ratio of single family to multifamily housing that has been built in the surrounding

four-city market area over the past decade, and therefore, we consider this reasonable. However, the City and other stakeholders may decide to change this assumption as planning, including the Master Plan, proceeds. The estimates for number of housing units by type, and allocated cost per development type, results in a supplemental fee per unit. Consistent with SDC methodologies, this supplemental fee is greater for development types that have been shown to generate greater amounts of infrastructure (largely transportation) demand.

Figure 5. URA 6D Supplemental Fee for Residential and Commercial Development

**Framework Infrastructure**

Base Cost, all framework infrastructure		
Transportation		\$31,140,282
Major Sanitary Sewer		\$1,297,297
Water		\$5,400,000
Parks		\$15,206,220
Subtotal		<b>\$53,043,800</b>
Administrative Fee	5%	\$2,652,190
<b>Total Cost</b>		<b>\$55,695,990</b>

**Allocations by Land Use**

Residential Allocation	93%	\$52,063,234
Commercial Allocation	7%	\$3,632,755
<b>Total Cost</b>		<b>\$55,695,990</b>

Residential	Estimated Housing Units		Allocated Cost	Supplemental Fee/Unit
	%	#		
Single Family Dwelling	70%	2,135	\$41,964,324	\$19,655
Apartment	18%	549	\$6,908,527	\$12,584
Residential Condominium	6%	183	\$2,090,207	\$11,422
Manufactured Housing	0%	-	-	-
Assisted Living/Hospital/Nursing Home	6%	183	\$1,100,176	\$6,012
<b>Total</b>	<b>100%</b>	<b>3,050</b>	<b>\$52,063,234</b>	

Commercial	SF	Allocated Cost	Supplemental Fee/1,000 SF
	<b>75,000</b>	<b>\$3,632,755</b>	\$48,437

Source: Leland Consulting Group.

The commercial fee per 1,000 square feet is an average and could be structured to vary significantly by commercial use type. For example, in Wilsonville, the transportation SDC for suburban (“specialty”) retail building is more than four times that of a comparable office building. LCG cannot predict the exact mix of commercial space in the plan area at this time, and therefore a commercial average is used here.

**Fee Comparison**

In addition to addressing the challenges of funding needed infrastructure, a supplemental fee such as the one recommended in this funding plan should be comparable to other infrastructure fees and taxes

assessed by other cities in other developing areas. If the costs of development in the plan area are much higher than the costs in other locations, developers will avoid building in the plan area, since it would be less profitable. If fees are too high, they can stall development.

This does not appear to be the case given this fee along with the existing fee structure in King City. Development fees in the plan area are compared to those in the Tigard River Terrace, located just north of the plan area. As shown in Figure 6 below, the total infrastructure-related fees in the King City plan area are approximately \$2,684 more than those in Tigard for a single-family home. This difference is due to a supplemental fee that may be imposed to generate funds to pay for key elements of framework infrastructure. Alternatively, two separate area-specific SDCs could be imposed for transportation and sanitary sewer. This supplemental fee would be modeled after reimbursement fees/districts; the cities of Tigard (Municipal Code Chapter 13.09, Reimbursement Districts) and West Linn (Advance Financing of Public Improvements) provide potential implementation models. Based on an estimated and conservative residential and commercial land use program (of approximately 3,050 housing units and 75,000 square feet of commercial space), the supplemental fee was estimated at \$19,655 for a single-family home, and \$48,437 for each 1,000 square feet of commercial space. This is comparable to the supplemental fees/area-specific SDCs being assessed in other urban reserve areas. While River Terrace does not require these supplemental fees, Tigard has imposed a Transportation SDC (TSDC) in River Terrace that is higher than other parts of Tigard. (Note that other fees apply to development, such as plan/design review and construction excise taxes, but typically do not help fund infrastructure and are not shown here.) Another point of reference is the Bonny Slope TSDC (\$8,053). Bonny Slope is another urban reserve area that has been concept planned; it is located about 10 miles north of the plan area, on the “developing fringe” of northern Washington County.

**Figure 6. Single Family Infrastructure Fee Comparison:  
King City Plan Area and Tigard River Terrace**

Fee	King City URA 6D	Tigard River Ter.
WA County TDT	\$8,458	\$8,458
City Transportation SDC	-	\$8,501
Parks SDC	-	\$8,470
Sewer	\$5,500	\$5,500
Water Quality Fee (CWS)	\$292	\$292
Supplemental Fee (URA 6D)		
Transportation	\$11,539	
Major Sanitary Sewer	\$481	
Water	\$2,001	
Parks	\$5,635	
Subtotal	\$19,655	\$0
<b>Total</b>	<b>\$33,905</b>	<b>\$31,221</b>

Source: Leland Consulting Group.

Note: The King City Parks SDC is not citywide; it only applies to the West King City Planning Area between SW 131st and the western city limit.

## Community Park

The proposed Community Park deserves special consideration by the City, because it is one of the framework infrastructure projects that is in the City’s capital improvement plan. Therefore, it is important for the City to ensure it will have the funds necessary to pay for the construction of the Community Park. *Figure 7: Park Costs* below shows the estimated costs for the community park and neighborhood parks. Figure 8: reflects the estimated parks SDC revenues based on current formulas associated with King City Community Park and the URA 6D plan area. Based on the estimated residential development program, we forecast that the City will receive \$15.4 million in parks SDCs during build out of URA 6D. (LCG’s understanding is that parks SDCs are not assessed on commercial development.) The community park is estimated to cost \$7.18 million (including land, improvements, and soft costs), leaving a surplus or fund balance of \$8.2 million to be directed towards other City parks projects.

*Figure 7: Park Costs*

Park Cost Category	Unit Cost		Acres	Subtotal
	Per SF	Per Acre		
Community Park				
Land	\$6	\$261,360	6.5	\$1,698,840
Improvements	\$11	\$500,000	6.5	\$3,250,000
Soft Costs (as % of Improvements)			29%	\$942,500
				\$5,891,340
Neighborhood Parks				
Land	\$6	\$261,360	8.0	\$2,090,880
Improvements	\$16	\$700,000	8.0	\$5,600,000
Soft Costs (as % of Improvements)			29%	\$1,624,000
				\$9,314,880
<b>Total</b>			<b>14.50</b>	<b>\$15,206,220</b>

*Figure 8. Parks SDC Revenue associated with URA 6D Plan Area <sup>1</sup>*

Development Types	Parks SDC Per Unit	Units	Parks SDC Total
Single Family Dwelling	\$5,635	2,135	\$12,030,725
Apartment	\$3,494	549	\$1,918,206
Residential Condominium	\$3,494	183	\$639,402
Manufactured Housing	\$5,072	-	\$0
Assisted Living/Hospital/Nursing Home	\$4,226	183	\$773,358
<b>Total</b>		<b>3,050</b>	<b>\$15,361,691</b>
Estimated Cost of Community Park			\$5,891,340
Estimated Costs of Neighborhood Parks			\$9,314,880
Net Surplus			\$155,471

<sup>1</sup> Current Parks SDCs only apply to West King City area, between 131st and Bonneville Power Lines. This SDC projection uses the estimated supplemental fee for parks and projects in accordance with the current SDC model. (Source: Mike Weston, phone, 2/22/2018.)

The community park may be built and paid for in several different ways. For example:

- Developers could deed the land (6.5 acres) to the City in exchange for SDC credits. The City could then design and build the improvements.
- Developers could set aside the land and build the park in exchange for SDC credits. This may be less likely, since such a developer would need to control a significant amount of land and housing sites in order to take advantage of so many SDC credits.
- The City could seek to proactively purchase land from developers, and build the park, using SDC revenues and/or other funds for both land and improvements.

LCG recommends that the City work through these different options during the Master Plan, in discussions with major property owners/developers.

## Conclusions and Next Steps

**Conclusions.** Based on the above analysis, LCG's conclusions for this funding strategy are:

- A variety of infrastructure—including transportation, sewer, parks, and storm water—will be required in order for the concept plan area to develop as envisioned. A funding strategy is important since it enables government agencies and private developers to have a shared plan that defines how infrastructure will be paid for, given the challenges of fragmented property ownership, staggered timing of infrastructure and real estate development, challenging physical features, and multiple overlapping jurisdictions.
- For the purposes of this plan, infrastructure is divided into four categories: major off-site, framework (or district), subdistrict, and local (or on-site). The focus of this funding strategy is on how to pay for framework infrastructure costs, which are critical to the development of plan area, but often too large and costly for any one developer to build and pay for. Off-site and subdistrict infrastructure elements are also addressed.
- LCG recommends that the City of King City implement a supplemental fee, to be paid by residential and commercial developers, as the primary tool to fund seven framework infrastructure projects: Green Boulevard; Beef Bend Road between SW 150th Avenue and Roy Rogers Road; a series of planned culverts; two water transmission lines, a community park, and neighborhood parks. This fee would also cover the portion of major off-site costs allocable to the plan area. The supplemental fee would be assessed in addition to existing systems development charges (SDC). The cost of these projects to be "allocated" via supplemental fee to residential and commercial development is \$52.8 million.
- Based on an estimated and conservative residential and commercial land use program (of approximately 3,050 housing units and 75,000 square feet of commercial space), the supplemental fee would be \$19,655 for a single-family home, and \$48,437 for each 1,000 square feet of commercial space. While this is a significant amount, it is comparable to the supplemental fees/area-specific SDCs being assessed in other urban reserve areas. For example, we calculate that homebuilders in King City URA 6D would pay \$33,905 per single family home, compared to \$31,221 in the Tigard River Terrace area.
- We also propose that at least two types of projects—subdistrict pump stations/forcemains and subdistrict stormwater facilities—be built and paid for by developers within "subdistricts." Because the development attributes of these subdistricts is unpredictable—including timing of development; the

amount, type, and location of housing products; the developers involved; etc.—LCG believes that it makes sense to require that subdistrict infrastructure be built, but not dictate a specific funding strategy.

- One of the City's key responsibilities in the plan area will be guiding the design and construction of the community park—the one framework infrastructure project to be paid for through City SDCs/CIP program. LCG's analysis indicates that the plan area should generate adequate funds to cover the cost of this park. This funding strategy describes several ways that the City can work with property owners/developers to ensure the park is developed, and the City should explore these during the Master Plan.

**Next Steps.** In order to prepare the URA for annexation and development, the City and project stakeholders should consider completing the following funding-related actions:

- Initiate and complete a Master Plan for the URA, including more specific planning for physical, infrastructure, market, and financial issues.
- Work with stakeholders to refine this funding strategy. This includes the general public, and also groups and organizations that will have important roles in funding and building infrastructure, including developers and property owners, City departments including public works and parks, CWS, Washington County, City of Tigard and the School District.
- The Master Plan and/or related planning should provide additional specificity concerning a number of issues, including:
  - Infrastructure designs and cost estimates. The plan should settle on either sewer service concept 1 or 2. Cost estimates should be more accurate and have a smaller contingency (e.g., 20 percent rather than the current 50 percent), reflecting that the designers and engineers have greater confidence in their accuracy.
  - The amount and types of residential and commercial development. These estimates should be discussed with developers active in the area, and ground-truthed with additional analysis of comparable plan areas (such as Tigard's River Terrace), so that the City and others have confidence about the timing and amount of development—which have a significant impact on infrastructure revenues. Create a year-by-year spreadsheet of forecasted homebuilding/development, associated fee generation, and infrastructure costs.
  - Make sure that maps of the area clearly show developable areas, and the four different infrastructure categories—particularly framework and subdistrict infrastructure.
- Work with developers to determine where the Community Park may be sited, and whether particular developers are willing to deed and/or sell community park land to the City. In addition, explore opportunities to co-locate the park and proposed primary school, which could reduce development costs.
- Review and confirm—with the government agencies cited above and developers—that a supplemental fee will be the primary tool to generate funds for framework infrastructure. LCG's experience has been that the supplemental fee is the most straight forward tool. However, one or more area-specific SDCs, local improvement districts, or other tools could be used. (These other tools are summarized for reference in the Appendix.)
  - Consult with other communities (such as Wilsonville in the Frog Pond community) that are implementing a supplemental fee for urban reserve areas for lessons learned.
- Prepare and adopt enabling ordinances for the supplemental fee.



- In some cases, in which the City and developers have interconnected roles and responsibilities, development agreements between the City and developers may be necessary. An example is the community park. The City should explore the need and nature of any necessary development agreements.

## Appendix A Funding Strategy Supplemental Information

Figure 9. Framework Infrastructure Street Types and Costs

Street Type	Length Feet	Cost Per Linear Foot		Cost Total
		MSA	Less ROW Acquisition	
<b>Green Boulevard (Collector)</b>				
Green Boulevard (Collector)	11,250	\$3,330	\$2,324	\$26,140,282
Minimum Required: Neighborhood (Collector)	11,250	\$1,550		\$17,437,500
<b>Oversize Amount: Allocable to Framework Fee</b>				<b>\$8,702,782</b>
<b>Green Boulevard (Arterial) Beef Bend</b>	<b>8,600</b>	<b>\$3,570</b>	<b>\$2,563</b>	<b>\$22,040,863</b>

Source: Murraysmith engineers, Leland Consulting Group.

Figure 10. Soft Costs as a Percentage of Construction or Hard Cost

Soft Costs	Percent of Const. Cost
Engineering	15%
Construction Administration	10%
Permitting	1%
Wetland Mitigation/Bank	1%
City Staff - Legal and Administrative	2%
<b>Total</b>	<b>29%</b>

Source: Murraysmith engineers.

Note: These soft costs are included in the costs per linear foot shown in Figure 9, and other cost estimates developed by Murraysmith.

Figure 11. Community Park Cost Estimate

Park Cost Category	Unit Cost		Acres	Subtotal
	Per SF	Per Acre		
Land	\$6	\$261,360	6.5	\$1,698,840
Improvements	\$15	\$653,400	6.5	\$4,247,100
Soft Costs (as % of Improvements)			29%	\$1,231,659
<b>Total (Rounded)</b>				<b>\$7,180,000</b>

Source: Leland Consulting Group.

## Additional Information Regarding Supplemental Fees and Other Funding Tools

This section provides additional information regarding the supplemental fee/reimbursement district tool (recommended in this plan), and other alternative infrastructure funding tools, for the City's reference.

### Supplemental Fee

The supplemental fee approach and application is discussed above, throughout this funding strategy. The supplemental fee provides the means to allocate the costs of major infrastructure projects to residential and commercial development via a fee that is applied, similar to an SDC. One benefit of a supplemental fee is that it can cover multiple types of infrastructure, such as transportation, sewer, water, parks, etc. via a single fee.

### Example Communities

The best example of a supplemental fee being applied to a greenfield urban reserve area is the Frog Pond Supplemental Fee, in Wilsonville, Oregon. The fee was adopted by the City Council on August 7, 2017. <http://www.ci.wilsonville.or.us/AgendaCenter/ViewFile/Agenda/08072017-659>

### Area-Specific or Overlay SDC

Functionally, an area specific SDC would be very similar to the supplemental fee discussed above, when applied to the King City URA. As the name implies, an area-specific SDC only applies to a particular area, whereas the City's general SDCs apply citywide. Area-specific SDCs are generally applied *in addition to* base SDCs. King City already uses this tool for an area-specific parks SDC serving the West King City Planning Area, specifically to fund recreational facilities serving that area. The following are differences between the area-specific SDCs and Supplemental Fee:

- There would likely need to be at least two SDCs applied within the URA, one for transportation, and one for sewer, since both of those infrastructure types are components of the framework infrastructure.
- Additional SDC rate methodology studies may be required for each of the above SDCs to document the link between development demand and costs.

### Example Communities and Projects

- South Hillsboro Area, Hillsboro <http://www.hillsboro-oregon.gov/home/showdocument?id=1690>
- I-5/Wilsonville Road Interchange project, Wilsonville (SDCs in conjunction with Urban Renewal funding) <http://www.oregonurbanrenewal.org/wilsonville-rd-i5-interchange/>
- Innovation Quadrant, Portland <https://www.portlandoregon.gov/transportation/article/386068>

### Authorizing State Statute

Oregon: ORS 223.297-223.314

### Local Improvement Districts

An LID (Local Improvement District) is similar to a reimbursement district in that the cost of infrastructure that benefits multiple property owners is divided among those property owners in an equitable manner, and paid by an assessment. Like reimbursement districts, LIDs may be initiated by property owners or the City. One or more LIDs could be used in the plan area in conjunction with or in place of the supplemental fee.

LIDs differ from supplemental fees in the following important ways:

- Typically, a majority (50% plus one) of property owners (weighted by the amount of area they own) must sign a petition in support of initiating the district. (The establishment of a supplemental fee is a discretionary decision made by the city council.) Naturally, this LID vote requires the support of property owners, and outreach and discussion among property owners may require considerable time.
- Assessments may be paid in a lump sum or financed over time at the property owner's discretion. Assessments are due upon allocation of costs and creation of the district. Supplemental fees are typically due later, when property owners seek public works or building permits. Some property owners, particularly those not seeking to develop in the near term, may view immediate assessments as a drawback.
- The LID creates a lien against each individual's property until all assessments are paid in full. This can be seen as negative by lenders considering financing real estate development projects, whose strong preference is that there be no other claims on the property on which they are making a loan. This can also be seen as a positive since the lien creates a secure income stream against which the city can issue bond debt. Whether an LID is initiated by property owners or the City, LID debt is always issued by a government agency, and thus takes advantage of low interest rates.

Thus, LIDs are a financing mechanism that can create immediate capital for construction. By contrast, supplemental fees take time to accrue. While the City or developers can make investments before receiving all corresponding supplemental fees, they will take on more risk since it is possible that some development will not take place, or take place more slowly than expected.

### Example Communities

- Portland, <https://www.portlandoregon.gov/transportation/35715>
- Albany, <http://www.cityofalbany.net/departments/public-works/engineering/local-improvement-districts>

### Authorizing State Statute

Oregon: Local Improvements and Works: ORS 223.378-223.401, ORS 223.225-223.295

### Reimbursement District

A reimbursement district is an area within which one party (typically a developer though sometimes a city) builds infrastructure that benefits multiple property owners. The other benefiting property owners pay a reimbursement fee—a pro rata share of the infrastructure costs (determined on a per-unit, square foot, or

per-acre basis)—to the original developer or city, typically at the time when property owners seek public works permits for development.

While this is very similar to the supplemental fee discussed throughout this memorandum, reimbursement districts have most often been used for smaller-scale projects, for example, for small subdivisions. Reimbursement districts would probably be a good tool to fund the *subdistrict* infrastructure (such as neighborhood parks and subdistrict sewer pump stations) discussed above.

### Other Approaches to Framework Infrastructure

- *CIP investments.* As described elsewhere, the City, County, or other agencies such as CWS could potentially fund additional projects or portions of projects through their CIPs. This can be a challenging process, however, as most CIPs are oversubscribed, with many worthy projects competing for funding.
- *Expansion of the types of facilities that are on near-term CIP lists and/or are considered SDC creditable, by the City, County, or other entity.* For example, segments of Beef Bend Road between 150<sup>th</sup> and Roy Rogers. This provides an incentive for developers to make those improvements, but it can also reduce SDC receipts.

### Example Communities

- Reimbursement Districts, Municipal Code Chapter 13.09, City of Tigard, [http://www.tigard-or.gov/Titles1-17/13\\_09.pdf](http://www.tigard-or.gov/Titles1-17/13_09.pdf)
- Advance Financing of Public Improvements, West Linn [http://westlinnoregon.gov/sites/default/files/fileattachments/city\\_council/page/5656/chapter\\_3-advance\\_financing\\_of\\_public\\_improvements.pdf](http://westlinnoregon.gov/sites/default/files/fileattachments/city_council/page/5656/chapter_3-advance_financing_of_public_improvements.pdf)
- Reimbursement District for Streets and other utilities, Wilsonville <http://www.ci.wilsonville.or.us/DocumentCenter/View/34>
- Normal Neighborhood Plan (proposed), Ashland <https://www.ashland.or.us/SIB/files/HousingLandUseFramework.pdf>
- North Redwood Storm Drainage District, Canby [http://www.canbyoregon.gov/N\\_Redwood/docs/ProjectMemo2\\_2-2015.pdf](http://www.canbyoregon.gov/N_Redwood/docs/ProjectMemo2_2-2015.pdf)

### Authorizing State Statute

Oregon: ORS 223.387-223.401