Happy Valley Town Center
DRAFT
Needs, Opportunities, Constraints, and Tools Report
June 22, 2011

Introduction

The Happy Valley Town Center project's intent is to re-locate the City of Happy Valley's town center along Sunnyside Road and to provide regulatory and strategic tools to support a viable town center. The new proposed location for the town center along Sunnyside Road, between approximately 157nd and 172nd Avenues, is an area partially served by transit and designated for a variety of higher density housing, commercial and mixed uses. This project will identify plan/zone designations, along with other development regulations, that will provide the City with a centralized mix of uses to support the vitality of the new Happy Valley Town Center.

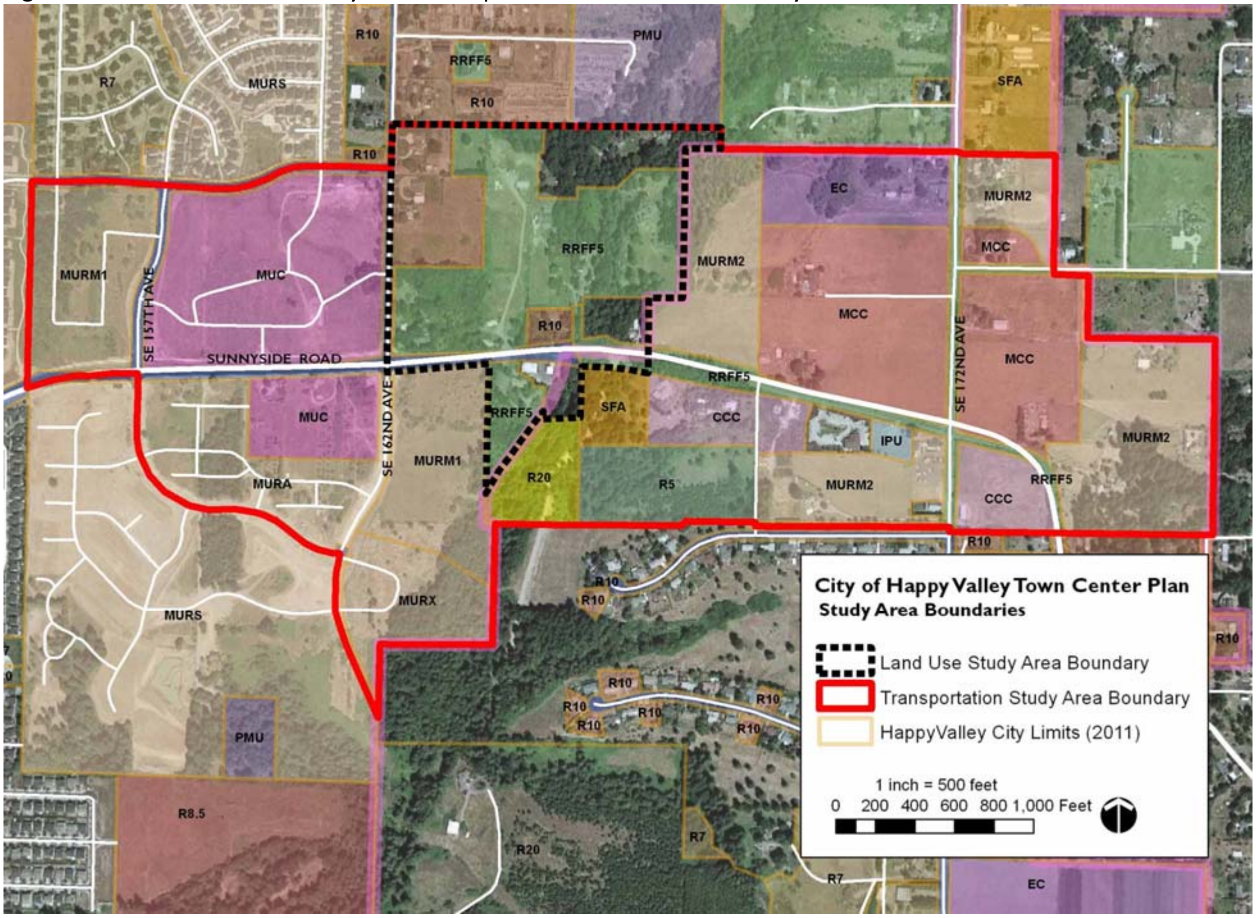
This report builds on the Task 2 Existing Conditions Report, Future Base Case Traffic Memo, and Real Estate Market Overview. It outlines the land use and transportation needs that are necessary for creating a vibrant town center. Opportunities and constraints for these identified needs are evaluated and a set of implementation tools are identified as possible strategies and actions that can implement the final land use and transportation recommendations that will be selected in the next phase of this project.

Study Area

This project has two study areas, one for land use, and one for transportation. The Transportation Study Area matches the proposed Town Center Boundary, as outlined in Figure 1 below. The proposed Town Center Boundary covers approximately 225 acres and includes two major arterials (Sunnyside Road and 172nd Ave.), three collector streets (162nd Ave., 157th Ave. and Misty Drive), a small portion of a future collector street – 169th Ave. south of Sunnyside Road and two local streets (Happy Valley Town Center Drive and Kingbird Drive). The Current Happy Valley TSP has plans to extend Misty Drive east to 172nd Ave. and to build 169th Ave. north to intersect with the Misty Drive extension.

The Land Use Study Area is a smaller area within the proposed town center boundary that focuses specifically on parcels that will be studied for a potential new zone designation that provide opportunities for commercial and mixed use development that may not be possible under the current zone designations. See Figure 1 below for the approximate boundary of the Land Use Study Area.

Figure 1: Town Center Boundary, and Transportation and Land Use Study Area Boundaries



Needs Assessment

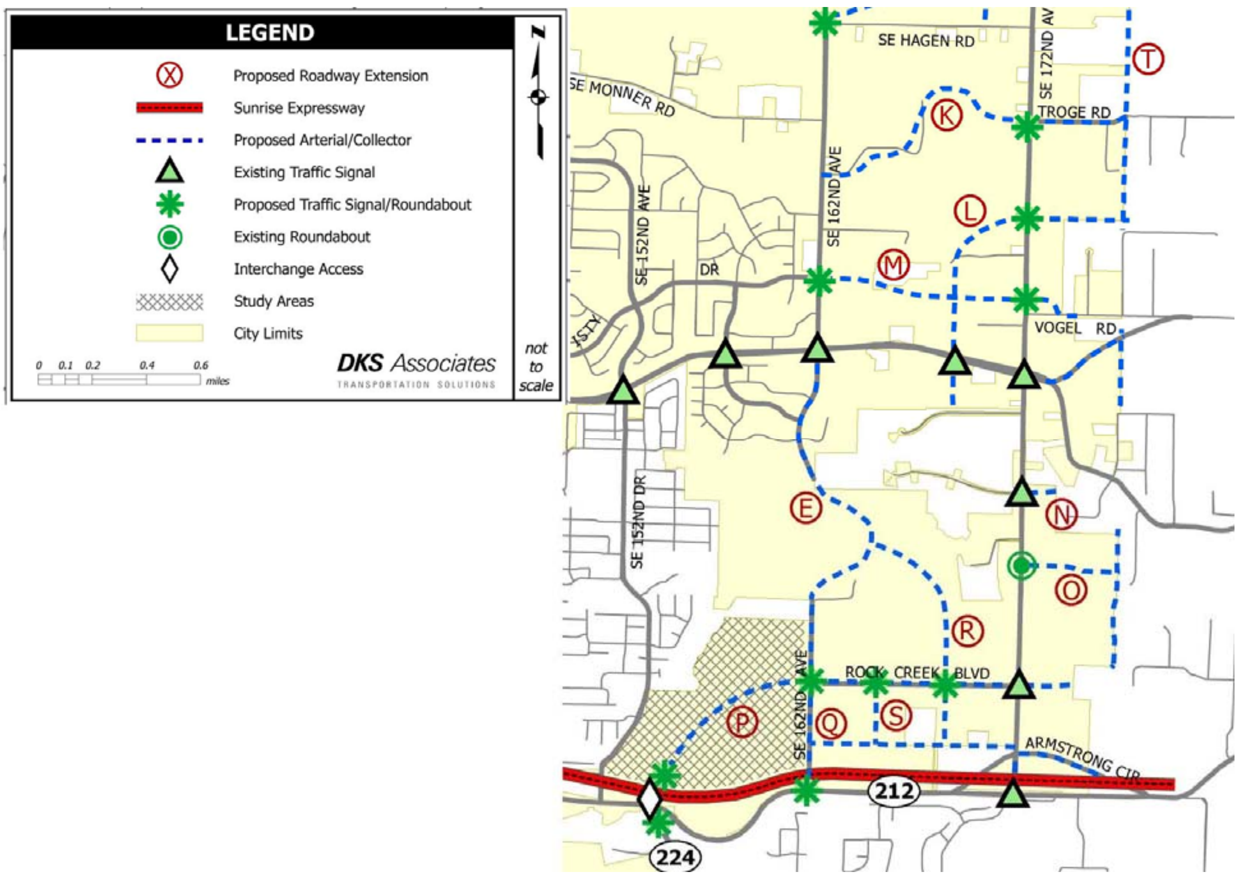
Transportation Needs

The Existing Conditions Report and Future Base Case Traffic Memo identified a variety of transportation projects located within the Happy Valley Town Center that are listed in the Happy Valley TSP Action Plans and Master Plans (January 2011). The TSP takes into account the current zoning in the study area. The planned projects include the following:

- 172nd Ave. Widening North: Widen to 5-lane major arterial between Sunnyside Road and Clatsop Street including provision of sidewalks and bicycle lanes.
- 162nd Ave. Sidewalks: Construct sidewalks on both sides of 162nd from Sunnyside Road to King Road. Bicycle lanes are also planned for this street from Sunnyside to Hagen Road according to the Happy Valley Bicycle Master Plan.
- 169th Ave Extension (segment "L" in Figure 2): Construct a new 3-lane collector from Sunnyside Road north to 177th Ave., including bike and pedestrian facilities. It is likely that the 169th Ave. intersection at Sunnyside Road as well as the intersection at 172nd Ave. will both need to be signalized.

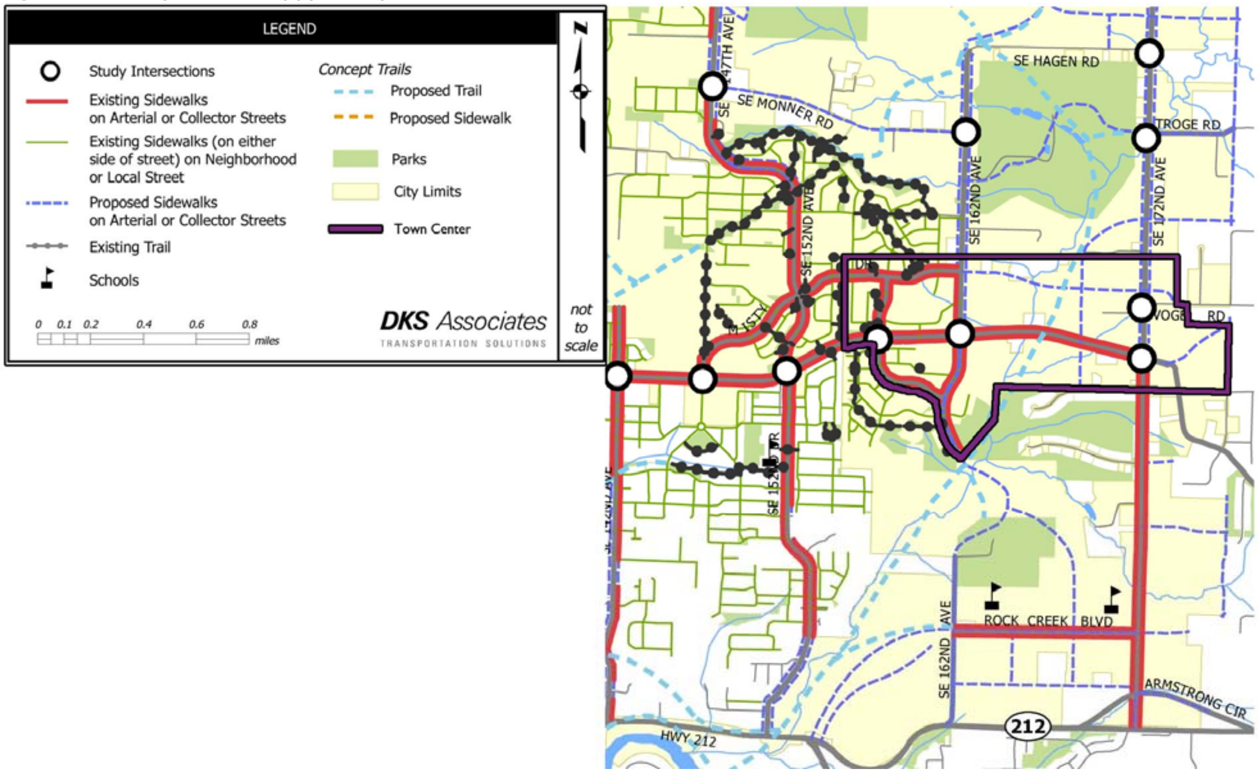
- Misty Drive Extension (segment "M" in Figure 2): Construct a new 3-lane east west collector from 162nd Ave. to 177th Ave., including bike and pedestrian facilities. It is likely that the new Misty Drive extension's intersections with 162nd Ave. and 172nd Ave. would both need to be signalized.

Figure 2: Excerpt from Happy Valley Motor Vehicle Master Plan from TSP



- Scouter Mountain Trail: Regional trail that will eventually connect the Spring Water Corridor south down to the Clackamas River Trail near Highway 212/Highway 224 split. A portion of this trail alignment is proposed to run along Rock Creek through the Town Center boundary. See Figure 3 below.

Figure 3: Excerpt from Happy Valley Pedestrian Master Plan from TSP



Given the planned transportation improvements described above, there will likely be few additional transportation needs resulting from the recommended land use changes within the Land Use Study Area boundary. An evaluation of future base case traffic volumes was conducted in Task II and the results summarized in the Future Base Case Traffic Memo. Six existing intersections within or near the study area were evaluated for their performance under the future base case traffic volumes. Based on City and County intersection performance standards, all of the study intersections would perform with acceptable operations during the PM peak hour, except for Sunnyside Road/162nd Ave., which only barely exceeds the City's required Volume/Capacity standard of 0.90 (the V/C for this intersection performed at 0.98). Therefore there may be some additional improvements needed for this intersection as development is phased into the study area.

Another possible transportation need could be the future planning and construction of an additional east-west connector south of Sunnyside Road. There is currently a lack of east-west network planned south of Sunnyside Road partially because Rock Creek and the private greenspace surrounding Stonybrook Court create a difficult barrier for a grid street network south of Sunnyside Road. These barriers not only impact motor vehicle connectivity, but pedestrian and bicycle connections as well.

Pedestrian and bicycle facilities and networks are well served by the Happy Valley Bicycle and Pedestrian Master Plans. The Pedestrian Master Plan will tie into a larger regional trail system through the Scouter Mountain Trail. This planned trail will connect the Town Center to the Spring Water Corridor to the north and to the Clackamas River Trail to the south. Beyond the pedestrian and cycling facilities described by the Happy Valley Master Plans, there may be a need for additional finer grain bicycle and pedestrian connections within the study area to ensure maximum walkability and non-vehicular transportation is supported.

Regarding transit, the Town Center area is currently served by TriMet's bus route 155. It currently has bus stops on Sunnyside Road at the intersection of 152nd and 162nd Avenues, as well as on Misty Drive near the intersections of 157th and 162nd Avenues. Bus service is provided Monday through Friday every 40 minutes from approximately 6:00 AM to 11:00 PM and on weekends approximately every 45 minutes from approximately 7:00 AM to 11:00 PM. It is about a 15 minute bus ride from the 152nd Ave. and Sunnyside bus stop to Clackamas Town Center Transit Center which provides access to the Max Green Line. There are currently no plans to extend bus service further down Sunnyside Road towards the intersection with 172nd Ave. With the implementation of the Town Center, there would be a need to extend the TriMet boundary and route 155 to the east end of the Town Center with additional bus stops. The possibility of more frequent bus service may also need to be explored. The looping of bus route 155 provides a good opportunity for transit-oriented land use along 162nd Ave. in the Town Center.

Land Use Needs

The Real Estate Market Overview memo provided a preliminary development program for the Town Center. Happy Valley continues to be an attractive location for residents due to its relatively low property tax rates, excellent public schools and convenient access to highway and mass transit systems. Future residential development potential in the Town Center will likely consist of a mix of single-family small lot "cottage" units, townhomes and multifamily apartments and mid-rise flats. The proximity of the study area to transit (TriMet bus route 155) as well as the City's desire to support transit oriented development promotes higher density transit-supportive development patterns. Table 1 below summarizes the preliminary market forecast for housing within the Town Center area. The analysis assumes that current market conditions improve measurably by year 2012.

Table 1. Preliminary Residential Development Program, Happy Valley Town Center, 2011 to 2035

	2011 to 2020	2021 to 2035	Total
Single family (dwellings)	60 to 120	120 to 240	180 to 360
Townhomes (dwellings)	120 to 210	240 to 450	360 to 660
Multifamily (dwellings)	210 to 450	450 to 870	660 to 1,320
Total New Dwellings	**390 to 780**	**810 to 1,560**	**1,200 to 2,340**

Source: compiled by FCS GROUP.

The preliminary office and retail/commercial development program in Table 2 shows a low and high range of potential development. The Happy Valley Town Center could potentially be positioned to capture approximately 10 percent of the expected net new office development and up to 40 percent of the net new retail/commercial service development potential within the Happy Valley urban service boundary by year 2035.

Table 2. Preliminary Office and Retail/Commercial Services Development Program, Happy Valley Town Center, 2010 to 2035 (gross floor area in square feet)

	Low	Medium	High
Office	237,400	316,500	395,500
Retail/Commercial Services	524,400	699,200	875,200
Total	**761,800**	**1,015,700**	**1,270,700**

Notes:
**Derived from the Draft Happy Valley Economic Opportunities Analysis, May 2011*
Source: compiled by FCS GROUP.

The office and retail/commercial analysis is derived from the Draft Happy Valley Economic Opportunities Analysis (EOA) - May 2011. The low to high range of potential office and retail/commercial development depicts the range assumed by the Draft EOA. The actual amount of office and retail/commercial development will vary from year to year and will depend upon related strength in employment growth, household growth and buying power in the area.

Taking these economic forecasts into account, land use designations that allow a mix of residential and commercial with some limited office should be provided in the Town Center. The existing land use designations within the Town Center boundary (aka Transportation Study Area) but outside of the 40-acre Land Use Study Area boundary will likely not change significantly since they are in compliance with the Rock Creek Comprehensive Plan and the East Happy Valley Comprehensive Plan, respectively. The focus of the new land use recommendations will be for the Land Use Study Area (see Figure 1 for boundary) – which is currently zoned a combination of City R-10 (1 unit/10,000 sq. ft) and Clackamas County RRFF-5 (1 unit five acres). The following land uses will be considered and evaluated for possible rezoning of land within the Land Use Study Area boundary:

- Residential 5,000 Square Feet (R-5). Average lot size of 5,000 sq.ft.
  - Housing typology includes single family detached (cottage homes), single family attached, duplexes, and triplexes.
  - Commercial land uses are generally not permitted. Parks and open spaces are permitted. Institution uses (churches and schools) can be conditionally permitted.
  - Note: R-5 is a low density designation and not generally appropriate for Town Centers, except as a transitional use.

- Mixed use residential – Single Family (MUR-S). Minimum density of 6 du/net acre and minimum lot size of 4,000 sq.ft.
  - Housing typology includes single family detached (cottage homes), single family attached, duplexes, and triplexes.

- Limited commercial retail uses are permitted subject to specific provisions. Parks and open spaces are permitted. Institutional uses (churches and schools) can be conditionally permitted.
- Note: MUR-S is a low density designation and not generally appropriate for Town Centers, except as a transitional use.

- Single Family Attached Residential (SFA). 10 to 15 du/net acre.
  - Housing typology includes single family attached (townhouses/rowhouses).
  - Limited commercial retail uses are permitted subject to specific provisions. Commercial office is conditionally permitted and is subject to specific provisions. Institutional uses such as churches and schools are conditionally permitted. Parks, recreation buildings, and playgrounds are permitted.
  - Note: SFA is at the lower end of transit-oriented residential density.
- Mixed Use Residential – Attached (MUR-A). 10 to 12 du/net acre.
  - Housing typology includes townhouses/rowhouses, duplexes, and triplexes.
  - Limited commercial retail uses are permitted subject to specific provisions. Commercial office is conditionally permitted and is subject to specific provisions. Institutional uses such as churches and schools are conditionally permitted. Parks, recreation buildings, and playgrounds are permitted.
  - MUR-A is at the lower end of transit-oriented residential density.
- Mixed Use Residential – Multi-Family Low Density (MURM1). 15 to 24 du/net acre.
  Mixed Use Residential – Multi-Family Medium Density (MURM2). 25 to 34 du/net acre.
  - Housing typology includes attached dwellings (townhouses, duplexes, rowhouses), senior housing, and high/medium/low density multi-family dwellings (apartments).
  - Neighborhood retail use is allowed but is meant to provide services to local residents and not attract outside traffic. Example allowed uses include coffee shops, cafes, florists, grocery, video rental, and other similar retail uses. Drive through services are not allowed and total commercial floor area is limited to 3,000, 5,000 or 7,000 square feet depending on the location of the building – whether it is near the intersection of an arterial and a collector, a collector and a collector, or a collector and a local street. Professional and medical office uses are conditionally allowed in these districts as well but are subject to similar restrictions as the commercial retail. Institutional uses such as churches, parks and schools are conditionally allowed.
- Mixed Use Residential – Mixed Building (MUR-X). Same densities range as MURM1 and MURM2 allowed.
  - Mixed use buildings designation is intended for buildings with a combination of residential and retail with the primary use of the building being residential. A larger range of retail uses are allowed in the MUR-X as compared to the MUR-M. Some examples of these broader ranges include non drive up banks and ATMs, drug stores, hotels, post offices, and restaurants. Professional and medical office uses are allowed in this district. Institutional uses such as churches, parks and schools are conditionally allowed.

- Mixed Use Commercial (MUC).
  - Mixed use commercial districts will provide for the convenient commercial needs of residential neighborhoods and office workers in locations adjacent to and within residential and office areas. The location of services and offices near residential units and major transportation networks should promote use of alternative modes of transportation such as bus ridership, bicycle and pedestrian activity. Retail uses should be primarily located on the ground floor to encourage an interesting and active streetscape. Buildings should be oriented towards the street or accessway with clearly marked entrances. Blank frontage walls at street level are discouraged. A wide range of commercial retail and office uses are permitted. Libraries, post offices, community centers and day cares are permitted while churches, parks, and schools are conditionally permitted.
  - A wide range of residential densities are allowed ranging from minimum low density of 15 du/net acre to maximum high density of 50 du/net acre.

Besides residential and commercial uses, another possible need for the Town Center is a site for a civic use. The civic use could range from a community center building to a plaza, central green space, or park. Rock Creek and its protective riparian corridor are currently almost inaccessible by the public within the study area. Plans for a regional trail alignment along Rock Creek could be augmented by additional pedestrian connections between the new civic site, the existing Happy Valley City Hall and the regional trail system. The addition of a civic use and a fine grain pedestrian network would support Happy Valley's Comprehensive Plan Goals 8 (Recreational Needs) and 12 (Transportation).

Opportunities and Constraints Analysis

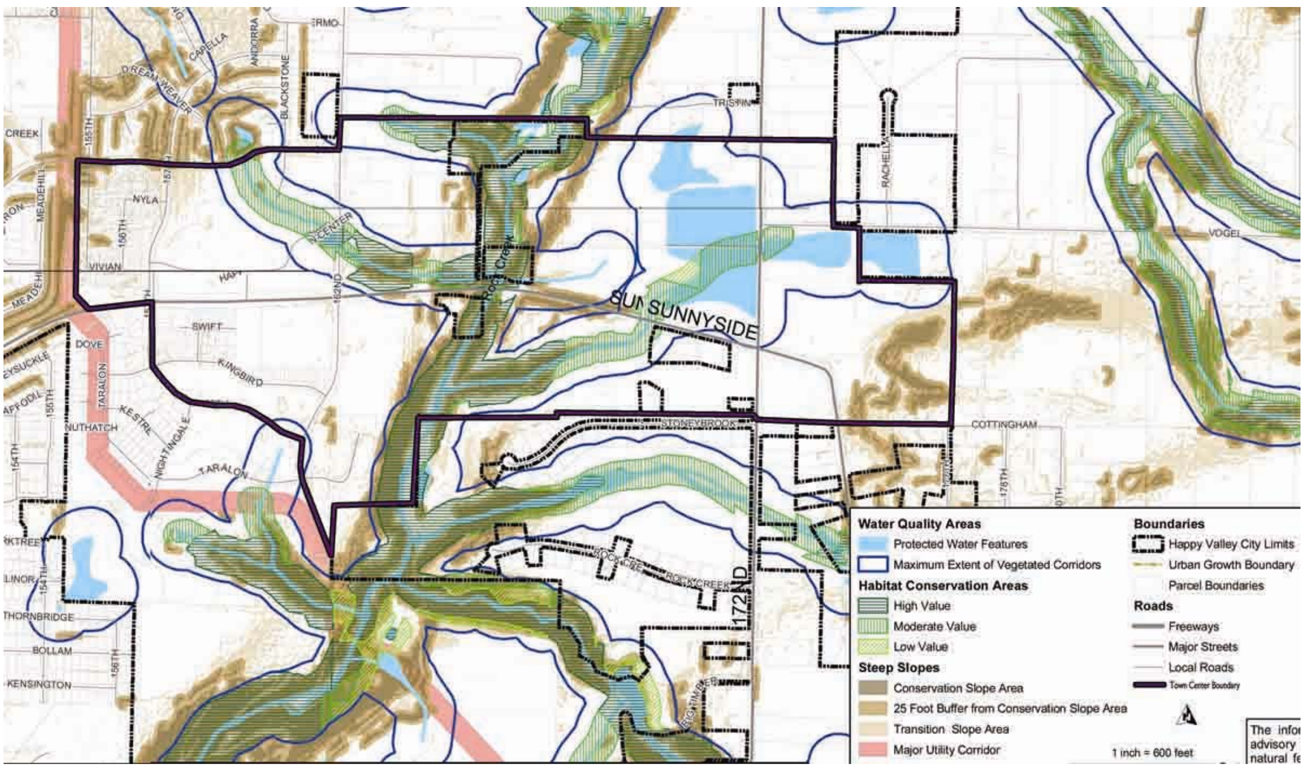
Transportation – Opportunities

- Improve connectivity of street network through implementation of planned TSP infrastructure investments as well as additional fine grain local street networks. Key improvements include the Misty extension and multi-modal improvement of 162nd Ave.
- Provide public access to Rock Creek and increase overall walkability of area through public realm improvements that focus on a pedestrian oriented streetscape and a robust trail network that ties into the regional trail system.
- Increase bicycle network through the planned streetscape improvements (including bike lanes) and trail system.
- Transportation options building on the existing transit connections through existing TriMet bus route 155's connection to regional light rail system.
- Existing land uses from the East Happy Valley Comprehensive Plan east of the planned extension of Misty that will provide opportunity for employment and commercial development.

Transportation – Constraints

- Steep slopes and protected water quality areas (Rock Creek and a variety of wetlands) as well as habitat conservation areas will constrain new roadway extensions and increase costs due to the need for bridges to cross these sloped and natural resource lands.
- Existing land parcelization in the study area, especially in the Land Use Study Area, will present challenges to identifying and implementing new roadway alignments.
- Lack of east-west road network planned south of Sunnyside Road partially due to steep slopes and Rock Creek and partially due to the private greenspace surrounding Stonybrook Court. This creates a difficult barrier for implementing a grid street network south of Sunnyside Road for both motor vehicles as well as pedestrian and bicycle connections.

Figure 4: Excerpt from Happy Valley Steep Slopes and Natural Resource Overlay Zone Map



Land Use – Opportunities

- Existing development along Happy Valley Town Center Drive as well as the Happy Valley City Hall already provides active places for the community. There is an opportunity to leverage the energy and identity that has begun to establish in this area through integration of new land uses, pedestrian-oriented streetscapes, and investments in the public realm.
- New transit-oriented residential, office and retail development in the 40-acre land use study area east of 162nd Ave.

- Location of an anchor civic use and central public gathering area within the 40-acre land use study area east of 162nd Ave.
- Rock Creek and its associated riparian corridor provide a unique opportunity for a natural park as well as the planned Scouter Mountain Trail alignment – a key pedestrian feature for the Town Center.
- Existing land use designations from the Happy Valley Comprehensive Plan support the economic program forecasted for the study area.
- A variety of land use designations available in the Happy Valley Zoning Code will provide the opportunity to designate land uses in the Town Center's Land Use Study Area that will further support the economic program forecasted for the Town Center as well as supporting transit oriented mixed uses, civic uses, parks, and open spaces.
- Over the long term, there are opportunities for infill and redevelopment of land west of 162nd including redevelopment of surface parking.

Land Use – Constraints

- Steep slopes and protected water quality areas (Rock Creek and a variety of wetlands) as well as habitat conservation areas will constrain new development and decrease the total buildable lands area. This may limit the study area's ability to meet the economic demand forecasts.
- Existing land parcelization and committed development in the study area, especially in the Land Use Study Area, will present challenges to developing complete communities with a well connected street and pedestrian network as projects may be implemented piece meal. In addition, existing property owners with high value homes may not be interested in redeveloping their properties with higher densities and mixed uses as envisioned by the plan for quite some time, slowing the implementation of the Town Center.

Implementation Tools

A range of implementation "tools" have been identified to provide strategies and actions to meet project objectives for land use and transportation in the study areas while maximizing opportunities and avoiding or minimizing constraints. These market and redevelopment tools include potential revenue sources as well as implementation tools such as policies and regulations.

Funding Tool Options

The implementation of a town center plan will require improvements to virtually all public infrastructure facilities, in a series of near-term and long-term capital improvement projects. The planned infrastructure improvements necessary to serve the Happy Valley Town Center area are a significant financial expenditure for the community. Some of the infrastructure enhancements (such as the SE 162nd Ave. connection, local pedestrian/bicycle system improvements) will provide a direct benefit to on- and off-site businesses, worker, and residents; therefore a mix of local city and county funding techniques would be appropriate to help spread the cost of the improvements to those who benefit.

The primary purpose of this section is to consider ways the City of Happy Valley can work with existing and future property owners and private investors/developers/tenants to generate adequate revenues required to construct or fund necessary on-site infrastructure. Potential funding options that have been evaluated include:

- System Development Charges (SDC)
- Supplemental Street SDCs
- Urban Renewal Program, Tax Increment Financing
- Local Improvement Districts (LID)
- Zone of Benefit or Reimbursement District (ZBD)
- Economic Improvement District (EID)
- General Obligation and/or Revenue Bonds
- Loans and Grants
- Dedications

A brief summary of *local funding* techniques used in Oregon includes:

System Development Charges

ORS 223.297 – 223.314 provides "a uniform framework for the imposition of system development charges by governmental units" and establishes "that the charges may be used only for capital improvements." An SDC can be formulated to include one or both of the following components: (1) a reimbursement fee, intended to recover an equitable share of the cost of facilities already constructed or under construction and (2) an improvement fee, intended to recover a fair share of future, planned, capital improvements needed to increase the capacity of the system. ORS 222.299 defines "capital improvements" as facilities or assets used for:

- Water supply, treatment and distribution;
- Waste water collection, transmission, treatment and disposal;
- Drainage and flood control;
- Transportation; or
- Parks and recreation.

SDCs may include an "improvement fee" for new facilities and a "reimbursement fee" associated with capital improvements already constructed. SDCs cannot be used for operation or routine maintenance.

Since the Town Center is located within Clackamas County, the joint city/county transportation SDC ordinance and methodology will need to be updated to include eligible roadway elements, such as improvements to 162nd Ave. Note, the city and county intend to update the transportation SDC methodology upon completion of the County Transportation System Plan (scheduled for 2012).

In order to enhance SDC revenues and allocate SDC funds, the city should consider revisiting and updating its SDC methodology reports for transportation, parks and storm water facilities. This would entail an update to the capital facilities program list, cost estimates, and calculation of improvement fee and reimbursement fee calculations. Key objectives of the SDC updates could focus on:

- **Full Cost Recovery** (the use of the current Town Center area capital facilities plan, with consideration of a reimbursement fee, improvement fee, and planning/permitting component, annual escalations).
- **Bike, pedestrian and transit facilities elements** (relates to Full Cost Recovery for street and pedestrian, bicycle and transit facility improvements).
- **Incentive-Based SDCs** (SDC adjustment/reduction for future mixed-use developments in the Town Center that provide on-site travel demand management techniques which lower peak trip generation).
- **Variable SDCs for higher density and "green" design** (special SDC reductions can be provided for developments that meet certain policy objectives, such as density targets or "green design" standards).

Supplemental Transportation System Development Charges

Happy Valley may consider working with Clackamas County to create an SDC overlay district for the Town Center area. Since transportation elements usually account for over ¾ of the total infrastructure costs, the primary emphasis in an SDC overlay district would likely include streets, pedestrian, bicycle and transit facilities. While supplemental SDCs in targeted locations can result in additional funding for capital projects, the potential downsides of supplemental SDCs include: risk of higher impact fees in the town center area relative to other locations which may dissuade private investment; and higher administrative costs in managing multiple SDC funding accounts. These risks can be mitigated by adopting clear and objective SDC administrative standards, and application of incentive-based SDC policies (such as rate reductions for mixed-use developments).

Local Improvement District

Cities in Oregon have the statutory authority to establish local improvement districts (LID) and levy special assessments on the benefited property to pay for improvements. LIDs result in upfront or annual payments from affected property owners within a district. LIDs are payable in annual installments for up to 30 years. LIDs are generally used for capital improvement projects that benefit numerous large tenants and/or private property owners. The future revenue stream generated by LIDs can be used by local governments to obtain financing through the use of loans (e.g., Oregon Public Works Trust Fund) or bonds (e.g., issuance of revenue bonds).

The formation of LID districts could be a potential primary source of funding for town center streetscape improvements because there will be direct benefits to multiple property owners. New LIDs require approval by at least 51% of the affected properties within the district. In recent years, Happy Valley utilized LIDs in conjunction with transportation system development charge funding to pay for new roadways within the town center area, such as 152nd Ave. and Misty Drive.

The primary advantage of LIDs from the city's perspective is the ability to obtain a consistent level of revenue generation early in the development process. Financial intermediaries, such as banks, now view LIDs as a more reliable funding source than some funding sources (such as SDCs) and therefore are more apt to provide loans based on future LID revenue streams. However, the financing terms for "raw land" LIDs have become far more stringent since the 2007 "financial crisis," and are now far less favorable than the financing terms given to municipal bond issues or state infrastructure loans.

Zone of Benefit or Reimbursement District

Similar to LIDs, cities can negotiate public/private advance financing arrangements with developers, where a developer agrees to front capital improvements/investment (such as a new traffic signal) within a designated zone of benefit district (ZBD). The local jurisdiction that adopts a zone of benefit applies a special development impact fee that is charged based on a proportional benefit to properties for the capital infrastructure. The developer is then partially reimbursed as new land use development approvals are granted within the ZBD over a period that usually extends 10-15 years. While ZBDs have been successfully utilized in urban Clackamas County in the past; however there is no guarantee that future revenues will be as steady and reliable as with the LID or property tax assessments.

Economic Improvement District

Cities may establish an Economic Improvement District (EID) or business improvement district (BID) to create additional revenue for targeted infrastructure improvements or enhanced operating/advertising services (e.g., public safety or marketing within downtown). Revenue from EIDs can be generated using annual assessments based on building area, parking stalls, or assessed valuation. The formation of a special benefit districts requires the identification of improvements and services to be funded, along with an assessment mechanism and methodology report that is subject to approval by the majority of property owners within the district. In Oregon, most EIDs are limited to relatively small annual assessments and used to enhance maintenance and marketing activities, or to operate and manage special parking districts.

Urban Renewal District

There may be opportunities to utilize funding from the creation of a new Urban Renewal District (URD) for eligible economic development improvements. In many cases, URD funds are combined with other local funding sources (e.g., LIDs) to leverage non-local grants or loans. Based on discussions with city staff, the existing URD funding potential is limited by current URDs (which are approaching the maximum allowed land area levels). Hence, a new URD is not a likely near-term funding option. The establishment of a URD could be revisited in a few years. The city may consider either creating a new URD or expanding an existing URD.

Maximum Indebtedness Requirements

After the passage of House Bill 3056 (passed by the Oregon Legislature in 2009) urban renewal agencies have new limits on the amounts of maximum indebtedness (MI) in an urban renewal plan adopted after January 1, 2010.

- If the total "frozen tax base" is $50 million or less, the total MI may not exceed $50 million.
- If the frozen base is more than $50 million, but less than or equal to $150 million, then MI may not exceed $50 million, plus ½ of the difference between $50 million and $150 million.
- If the total frozen base is greater than $150 million, the total MI may not exceed $100 million, plus 35% of the amount over $150 million.
- Increases in MI may not exceed an aggregate of 20% of the original MI of the UR Plan, but with an "indexing" of the original MI from July 1, 1999 or one year after the plan was initially approved, whichever is later. Indexing may only happen once.

Revenue Sharing Possibilities

There are also new possibilities for revenue sharing with overlapping districts for plans adopted or substantially amended to increase MI after January 1, 2010.

- Revenue sharing among overlapping tax districts begins in the later of the 11th year after the initial plan was adopted, or when tax increment finance (TIF) collections equal or exceed 10% of the initial MI.
- For any year when TIF collections equal or exceed 10% of the initial MI, but are less than 12.5% of the initial MI, the UR agency receives the 10%, plus 25% of the tax increment between 10% and 12.5%. Overlapping tax districts receive 75% of the tax increment between 10% and 12.5%.
- For any year when TIF collections equal or exceed 12.5% of the initial MI, the UR agency receives the 12.5% tax increment, and any tax increment collections greater than 12.5% are distributed to overlapping taxing districts.

Concurrence Waivers

Variations in the maximum indebtedness requirements and the revenues sharing provisions can occur if the municipality obtains the written concurrence of the overlapping tax districts that impose at least 75% of the taxes imposed under the permanent rate limits in the URD.

In light of these and other URD provisions, the city of Happy Valley may consider an expansion of an existing URD or the creation of a new district.

Issuing Bonds

At present, the City is not in a financial position to pay for needed capital improvements with existing fund reserves or taxes. Absent existing available funding and low-cost loan programs (which may be available from the Oregon Special Public Works Fund or other source managed by the Business Oregon, Infrastructure Finance Authority), the City may rely on conventional municipal bond debt to finance the construction of its proposed capital program. There are some benefits to this form of financing. First, as with all debt, it spreads capital costs over the term of the bonds. Furthermore, bonds implement a level of equity by dissipating the burden among current and future customers. Finally, bonds allow flexibility that the aforementioned assisted programs do not through repayment options.

General Obligation Bonds

General Obligation (G.O.) Bonds offer attractive conditions relative to revenue bonds. G.O. bonds are issued against the City's general fund and taxing authority. G.O. bonds offer slightly lower interest rates than revenue bonds, being backed by the City's tax base. From the investor's perspective, tax backed debt is more secure. These bonds also carry no additional coverage requirement, allowing the City to collect revenues necessary to meet annual debt service with no additional financial consequences. G.O. bonds can be politically unpalatable if the municipality's constituency doesn't support the project purpose.

General obligation bonds, while issued against the taxing authority of the City, may be repaid by other dedicated revenues. This arrangement takes advantage of the more favorable terms, while still requiring system users to repay the debt. The General Fund would ultimately remain responsible for debt repayment should rate revenues prove insufficient.

Revenue Bonds

Revenue Bonds are, by definition, backed by the revenue of a utility or enterprise fund, or some other dedicated revenue source. Because the payment stream is less secured than tax backed bonds, revenue bonds carry higher interest rates than G.O. bonds. This differential, however, may be minimal.

Revenue bonds are perhaps the most common source of funding for construction of major public facility or utility projects. To issue revenue bonds, the City will be required to commit to certain security conditions related to repayment, specifically reserve and coverage requirements for annual rate revenues. These conditions are included in the bond resolution to be adopted by the City and essentially impose certain conservative financial practices on the City as a way of making the bonds more secure.

The reserve requirement commits the City to maintain a bond reserve, which could be used to meet payments if the utility is incapable of doing so. This reserve is often set at the least of (a) 10 percent of the issue price of all new and outstanding parity bonds, (b) maximum annual debt service on all new and outstanding parity bonds, and (c) 1.25 times average annual debt service on all new and outstanding parity bonds. The reserve requirement is dictated by the terms of the bond resolution. Since the reserve can be invested and earn interest, the net cost of providing the reserve is relatively small. The City has the option of borrowing the reserve requirement as part of the total loan amount, or can fund it over a five-year period through rates and interest earnings.

Revenue bond coverage is a legal requirement binding a utility to demonstrate that annual revenues exceed expenses by a multiple of the debt service payment. This factor is usually at least 1.25, and is higher for agencies with unrated bonds or low bond ratings. Revenue bond coverage factors can require higher utility rates than otherwise necessary in order to meet the coverage target. Any accumulated assessment reserves or other available fund reserves may be used to pay off all or some of the outstanding principal.

Double Barreled Bonds or Hybrid Bonds

Double barreled bonds or hybrid bonds include municipal bonds that are backed by two or more revenue sources. These bond instruments may be viewed as less risky than revenue bonds, since there are multiple revenue streams that are dedicated to bond payments.

Loans and Grants

Federal, state and regional (Metro) grant programs, once readily available for financial assistance, were mostly eliminated or replaced by low-cost loan programs. Remaining grant programs are generally limited in application, lightly funded and heavily subscribed. Nonetheless, the economic benefit of grants and low-interest loans can make the effort of applying worthwhile.

Common special programs identified as potential funding sources are summarized below:

- **Bank and State Loans:** The city may utilize private bank loans or state loans to make strategic capital facility upgrades. Given the city of Happy Valley's limited operating revenues, bank loans would only be viable for smaller budget improvements that promise rapid return on the investment. State loan funds available from Business Oregon currently include the Special Public Works Fund, and the Oregon Bond Bank. Special Public Works funds are available on a competitive basis to public jurisdictions and can fund projects up to $3.0 million in size, but require well-secured loan guarantees from the applicants. Oregon Bond Bank or Oregon Infrastructure Finance Authority loan funds may be available if the project is well secured and other funding alternatives are not available.
- **Grants and Low-Interest Financing:** Grants offer some potential for the capital improvement projects and initiatives that the city is considering. The city may be able to leverage non-local dollars using dedicated local funding. There are several regional, state and federal grant and loan programs that may be available for transportation, water, sewer, and storm water improvements. Please refer to Metro and Business Oregon contacts for current grant and loan funding opportunities.

Dedications

Jurisdictions can require developers to dedicate right-of-way or pubic improvements (such as trail easements or street improvements) as a condition of future development approval if those public facilities are identified in an adopted subarea development plan, transportation system plan or public facility plan, and the value of the real estate and improvements is commensurate with the level of impact generated by the proposed development. In cases where dedicated public facilities are eligible for System Development Charge credits, the developer may be entitled to an amount of SDC credit based on the amount of the SDC improvement charge and the value of the land and/or capital facility provided.

Implementation Tool Options

Public Policies

Comprehensive Plan Amendments – New policies should be considered to:

- Recognize the Town Center Area as fulfilling Metro requirements for Town Centers.
- Establish the overall vision for the Town Center as the focus of mixed use serving all of Happy Valley.
- Require that all development in the Town Center be designed to create a walkable, pedestrian-oriented character.
- Recognize the importance of integrating transportation and land use in the Town Center to support transit, walking and biking.
- Prioritize the Town Center as the location for civic uses.
- Promote shared-parking and other parking management strategies to reduce the dominance of parking areas.
- Support green infrastructure and other sustainable development practices that are integrated with urban development.
- Minimize the impact of urban development on the water quality and resource value of Rock Creek.
- Promote stewardship of Rock Creek and other resource areas by providing public access and environmental education.
- Ensure that a walkable network of streets and trails are established with strong connections to the regional trail system and Rock Creek.

  Note: the above-listed policies are an initial set of ideas and will be developed further in Task 4: Solution Identification.

Regulations

- Plan/Zone Designation Changes – establish new designations east of 162nd Ave. that implement the above-listed policies.
- Implement Happy Valley Style to ensure quality design.
- Require master planning to ensure cohesive development.

- Consider implementing new roadway sections and spacing standards for the Town Center area.
- For discussion and evaluation – consider preparing a specific area plan for the area east of 162nd Ave. to provide a visionary plan that streamlines development approvals, guides public investment, and ensures cohesive development.

Other Mechanisms

- Land assembly to overcome the potential for piece-meal development.