



TUALATIN CITY COUNCIL MEETING

MONDAY, OCTOBER 24, 2022

TUALATIN CITY SERVICES
10699 SW HERMAN ROAD
TUALATIN, OR 97062

Mayor Frank Bubenik
Council President Nancy Grimes
Councilor Valerie Pratt Councilor Bridget Brooks
Councilor Maria Reyes Councilor Cyndy Hillier
Councilor Christen Sacco

To the extent possible, the public is encouraged to watch the meeting live on local cable channel 28, or on the City's website.

For those wishing to provide comment during the meeting, there is one opportunity on the agenda: Public Comment. Written statements may be sent in advance of the meeting to Deputy City Recorder Nicole Morris up until 4:30 pm on Monday, October 24. These statements will be included in the official meeting record, but not read during the meeting.

For those who would prefer to make verbal comment, there are two ways to do so: either by speaking in person or entering the meeting using the zoom link and writing your name in chat. As always, public comment is limited to three minutes per person.

Phone: +1 669 900 6833

Meeting ID: 861 2129 3664

Password: 18880

Link: <https://us02web.zoom.us/j/86121293664?pwd=SS9XZUZyT3FnMk5rbDVKN2pWbnZ6UT09>

Work Session

- 1. 5:45 p.m. (45 min) – Introduction to Tualatin's Strategic Equitable Housing Funding Plan.** Following adoption of the Housing Production Strategy in 2021, the City is studying potential ways to increase affordable housing production through different financial sources; nine of the strategic actions identified in the Housing Production Strategy are being studied for possible implementation. Staff and the consultant (EcoNW) will present information about the Strategic Equitable Housing Funding Plan.
 - 2. 6:30 p.m. (30 min) – Council Meeting Agenda Review.** Council will review the agenda for the October 24th City Council meeting and brief the Council on issues of mutual interest.
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7:00 P.M. CITY COUNCIL MEETING

Call to Order

Pledge of Allegiance

Announcements

1. Public Health Announcement

Public Comment

This section of the agenda allows anyone to address the Council regarding any issue not on the agenda, or to request to have an item removed from the consent agenda. The duration for each individual speaking is limited to 3 minutes. Matters requiring further investigation or detailed answers will be referred to City staff for follow-up and report at a future meeting.

Consent Agenda

The Consent Agenda will be enacted with one vote. The Mayor will ask Councilors if there is anyone who wishes to remove any item from the Consent Agenda for discussion and consideration. If you wish to request an item to be removed from the consent agenda you should do so during the Citizen Comment section of the agenda.

1. Consideration of **Resolution No. 5647-22** Awarding the Contract for Construction of the 65th /Nyberg Sanitary Sewer Trunk Main Rehabilitation Project
2. Consideration of **Resolution No. 5648-22** Awarding the Contract for Construction of the 2022 Neighborhood Traffic Safety Projects Phase 1 Project, Part of the Tualatin Moving Forward Program
3. Consideration of **Resolution No. 5649-22** Awarding the Contract for Construction of the B-Level Water Main Project
4. Consideration of **Resolution No. 5650-22** Authorizing the City Manager to Execute a Collective Bargaining Agreement with the Tualatin Police Officers Association
5. Consideration of **Resolution No. 5652-22** to Adopt the City of Tualatin Investment Policy
6. Consideration of **Resolution No. 5654-22** Awarding Fiscal Year 2022-23 Outside Agency Grant Funds to Provide Services to the Tualatin Community
7. Consideration of Approval of a New Liquor License Application for Sunny's Diner

General Business

If you wish to speak on a general business item please fill out a Speaker Request Form and you will be called forward during the appropriate item. The duration for each individual speaking is limited to 3 minutes. Matters requiring further investigation or detailed answers will be referred to City staff for follow-up and report at a future meeting.

1. Scheduling of a Public Hearing on a Petition for the Vacation of Right-of-Way Located at the East Terminus of Myslony Street

2. Consideration of **Resolution No. 5653-22** Authorizing the City Manager to Execute a Purchase and Sale Agreement for the Acquisition of Real Property Located at 23465 SW Boones Ferry Road

Items Removed from Consent Agenda

Items removed from the Consent Agenda will be discussed individually at this time. The Mayor may impose a time limit on speakers addressing these issues.

Council Communications

Adjournment

Meeting materials, including agendas, packets, public hearing and public comment guidelines, and Mayor and Councilor bios are available at www.tualatinoregon.gov/council.

Tualatin City Council meets are broadcast live, and recorded, by Tualatin Valley Community Television (TVCTV) Government Access Programming. For more information, contact TVCTV at 503.629.8534 or visit www.tvctv.org/tualatin.

In compliance with the Americans with Disabilities Act, this meeting location is accessible to persons with disabilities. To request accommodations, please contact the City Manager's Office at 503.691.3011 36 hours in advance of the meeting.



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council

THROUGH: Sherilyn Lombos, City Manager

FROM: Steve Koper, AICP, Assistant Community Development Director
Erin Engman, Senior Planner

DATE: October 24, 2022

SUBJECT:
Introduction to Tualatin’s Strategic Equitable Housing Funding Plan

EXECUTIVE SUMMARY:

Background

In 2021, the City Council adopted a Housing Production Strategy (HPS) which serves as the City’s commitment to develop strategies that encourage the production of needed housing, with an emphasis on improving outcomes for underserved communities, people with lower incomes, and people in state and federal protected classes. The state requires cities to evaluate the effectiveness of their HPS strategies and report on implementation progress over a six-year period, as many strategic actions require further analysis, engagement of consultants, amendments to existing standards or programs, and discussions with decision makers.

What is the Strategic Equitable Housing Funding Plan?

It is a document that studies potential ways to increase affordable housing production through different financial sources. In partnership with EcoNW and a six member advisory committee, the City is studying nine of the strategic actions identified in the Housing Production Strategy for possible implementation, including:

Goal: Increase housing development affordable to households earning 0-60% of Median Family Income (MFI)
<ul style="list-style-type: none"> • Evaluate a Low-Income Housing Property Tax Exemption Program for affordable rental housing
<ul style="list-style-type: none"> • Evaluate changes to Systems Development Charges (SDC)
<ul style="list-style-type: none"> • Evaluate implementation of a Construction Excise Tax (CET)
<ul style="list-style-type: none"> • Evaluate support for affordable and workforce rental housing as part of Urban Renewal
<ul style="list-style-type: none"> • Evaluate financial resources for local contributions to affordable housing development
Goal: Preserve naturally occurring housing that is affordable to households earning 0-80% MFI
<ul style="list-style-type: none"> • Evaluate development of incentives to preserve low-cost rentals (below market-rate) for privately owned rental housing
<ul style="list-style-type: none"> • Evaluate using the Multiple Unit Property Tax Exemption to slow rental cost increases

Goal: Support development of housing affordable to households earning 61-80% of MFI

- Evaluate ways to incentivize the inclusion of workforce housing units within new multifamily rental development

Goal: Support housing rehabilitation programs that are responsive to households earning 0-80% of MFI

- Evaluate establishing local housing rehabilitation program

The desired outcome of this project is to provide guidance to Council on approaches that could:

- Reduce financial and regulatory impediments
- Create financial and regulatory incentives
- Access resources available to increase the availability and affordability of needed housing.

The project consists of the following tasks:

- Project kickoff: The team has verified the major project tasks and actions required for plan completion. An advisory committee has been formed and consists of regional affordable housing professionals; residents; and members of the chamber of commerce, planning commission, and City finance department.
- Advisory Committee Meetings (current project stage): The committee is scheduled to meet four times over the course of the project to discuss the identified HPS strategies. EcoNW will provide estimates of potential revenues needed from funding sources as well as incentives. We have currently met for two of the four meetings. Additionally, the team will host a public workshop to solicit community input later this year.
- Draft Strategic Equitable Funding Plan: EcoNW will develop a plan based on the funding analysis and feedback received from the project advisory committee and public workshop. The draft plan will be presented to the Tualatin Planning Commission and City Council for feedback and comments in preparation for a final plan for adoption.
- Final Strategic Equitable Housing Funding Plan: City Council will be asked to consider a final plan for adoption in Spring of 2023.

ATTACHMENTS:

- Attachment A: Presentation
- Attachment B.1: Advisory Committee Meeting #1 Packet
- Attachment B.2: Advisory Committee Meeting #2 Packet

Tualatin's Strategic Equitable Housing Funding Plan

City Council Session
October 24, 2022

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- City Council adopted the Housing Production Strategy (HPS) in 2021
 - Included commitment to study specific needs in the context of equity
- The Housing Implementation Plan provides next steps towards affordable, fair and equitable housing outcomes
 - Will specifically give guidance for financial and regulatory actions

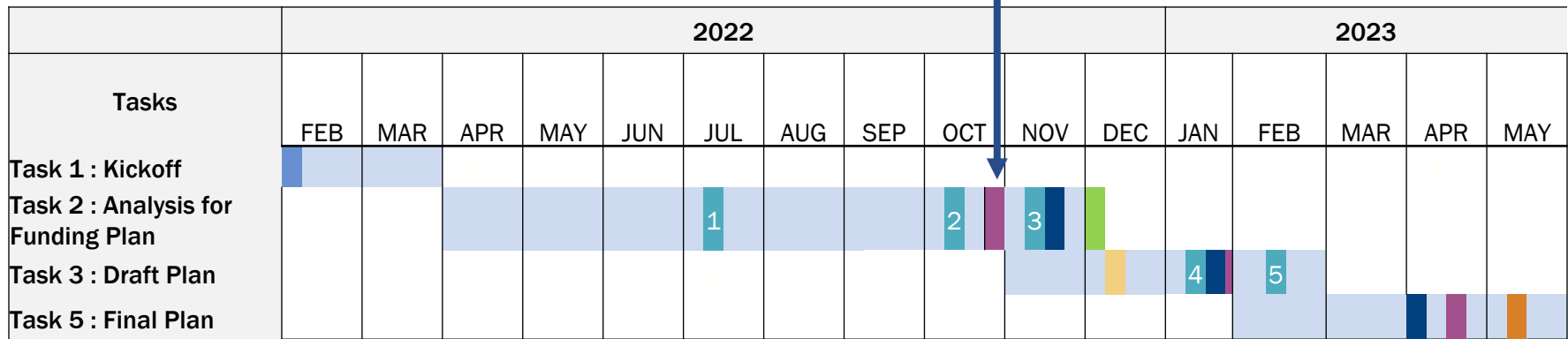
Outcomes of Tonight's Discussion

- Review analysis to date and past efforts
- Update and discuss the options in the “toolbox” that can be used to support development of housing affordable to moderate income household



Project Schedule and Outreach

We are here



- █ Kickoff Meeting with City Staff
- █ Ongoing Task
- █ Planning Commission meeting
- █ Advisory Committee Meeting
- █ Draft Product
- █ Public Workshop
- █ City Council Meeting
- █ Final Product

Recap: What Housing Planning has Tualatin Done

Housing Needs Analysis

- Buildable lands inventory
- Housing market
- Demographics & socioeconomic characteristics
- Housing affordability
- Forecast of new housing
- Assessment of land sufficiency



Housing Production Strategy

- Refined understanding of housing need
- Evaluation of gaps in existing policies
- Identification of potential strategies
- Evaluation of new strategies
- Assessment of whether the strategies help achieve fair and equitable outcomes

Strategic Equitable Housing Funding Plan

- This project is part of implementing the HPS
 - Action in the HPS
 - Examine and plan for implementation of selected strategic actions from the HPS
- Goals of this project
 - Reduce financial and regulatory impediments
 - Create financial and regulatory incentives
 - Identify and access resources available to increase availability and affordability of needed housing



Tualatin's Key Housing Needs

Tualatin's Cost Burdened Households

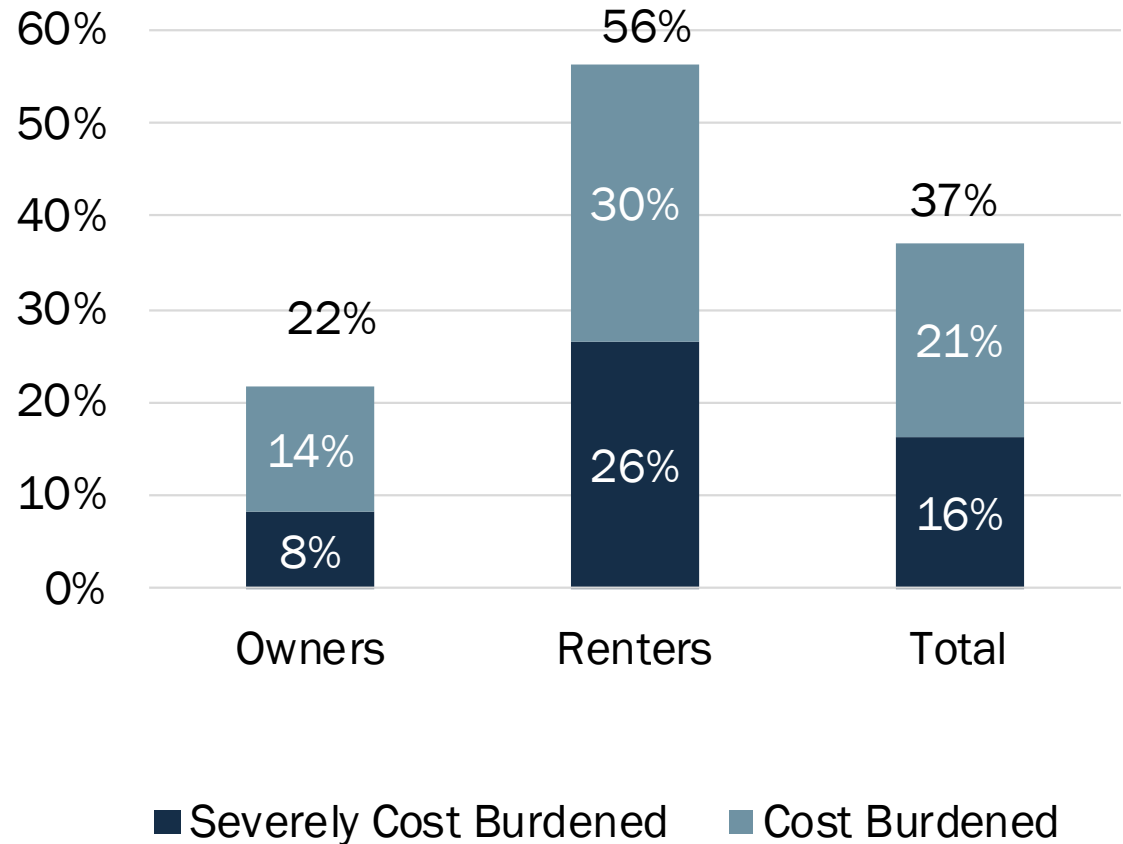
Cost Burden by Tenure, Tualatin, 2013-2017

Cost burdened:

spending more than 30% of income on housing costs

Severely cost burdened:

spending more than 50% of income on housing costs



Disproportionate Levels of Cost Burden

Groups with higher-than average levels of cost burden

- People of Color

- 25% of Tualatin's population
- Need for housing that is affordable, assistance to avoid displacement, access to housing in high opportunity areas, access to housing without discrimination

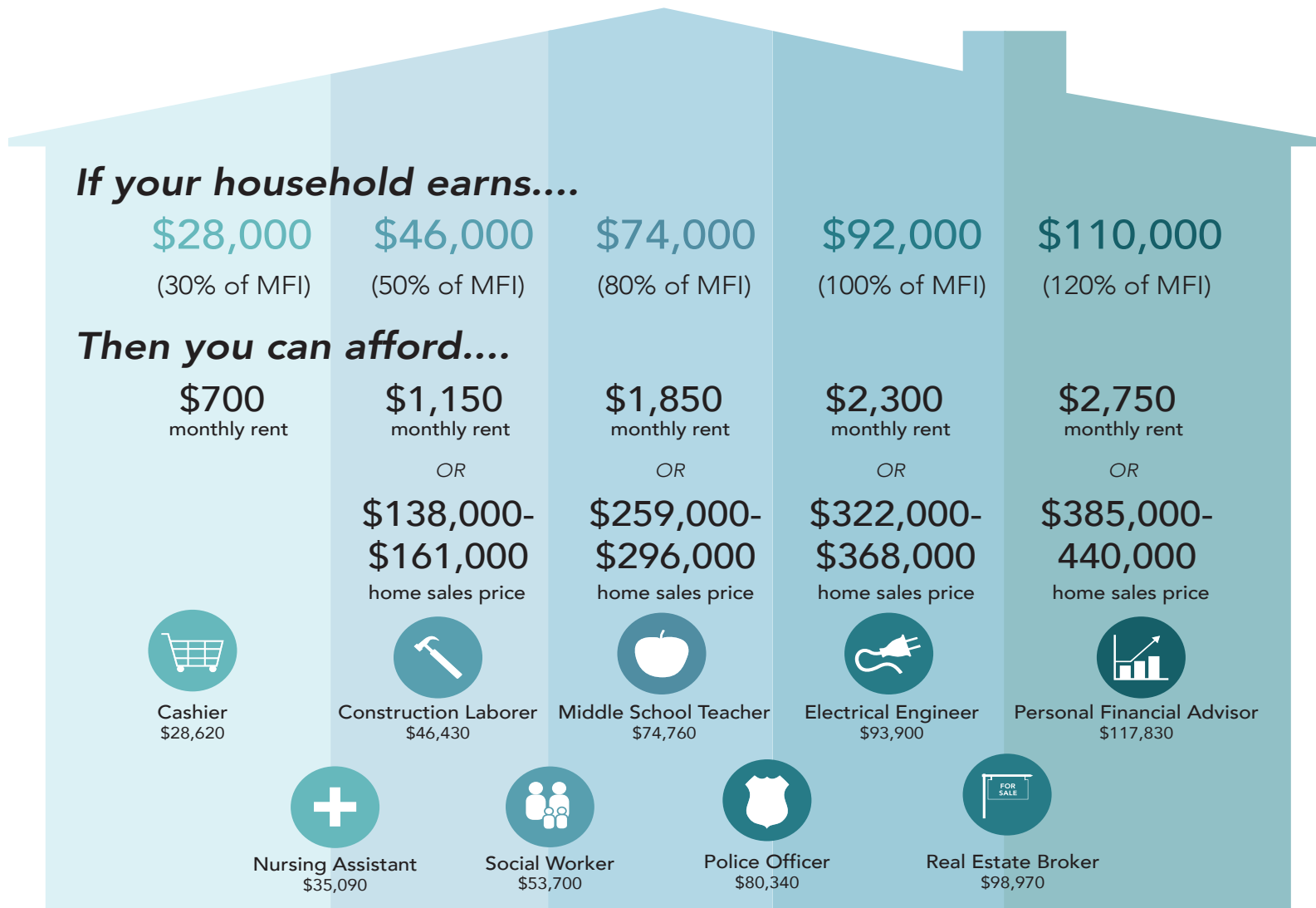
- Seniors and People with Disabilities

- Need for housing that is affordable, physically accessible, and with access to needed services

- People experiencing homelessness

- Need for housing that is affordable
- Need for immediate assistance, housing with services, and improved access to an affordable unit

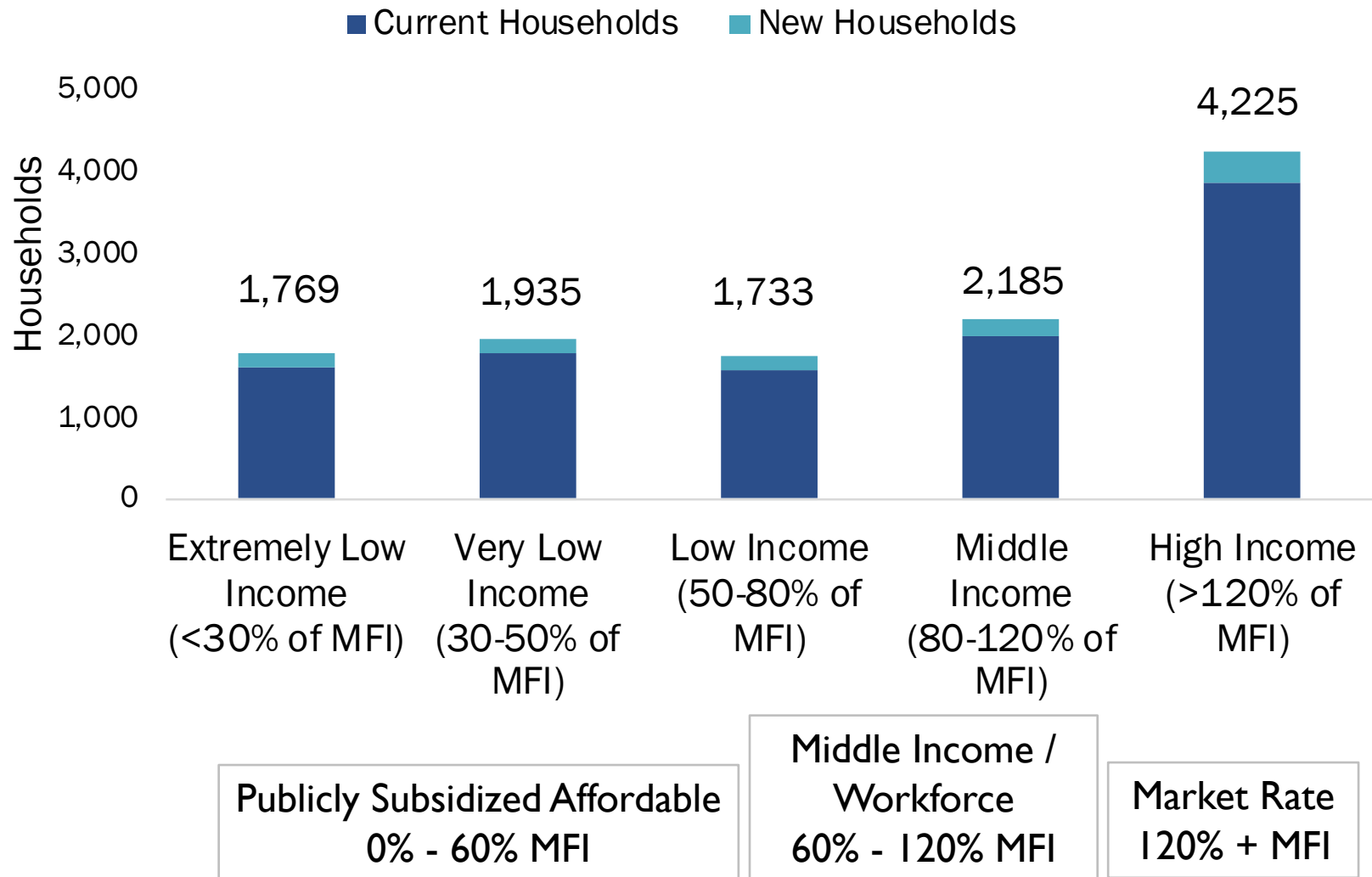
What's considered affordable?



Source: U.S. Department of HUD 2020. U.S. Census Bureau, 2014-2018 ACS Table I9001.

Note: MFI is Median Family Income for a Family of 4.

Tualatin's Current & Future Households by Income



Source: 2014-2018 ACS, U.S. Census; PRC at PSU (2020-2040); and U.S. Department of HUD 2020 MFI.

Note: Median Family Income is estimated for a family of 4.



Strategic Actions Under Consideration from the HPS

Factors that Influence Housing Development

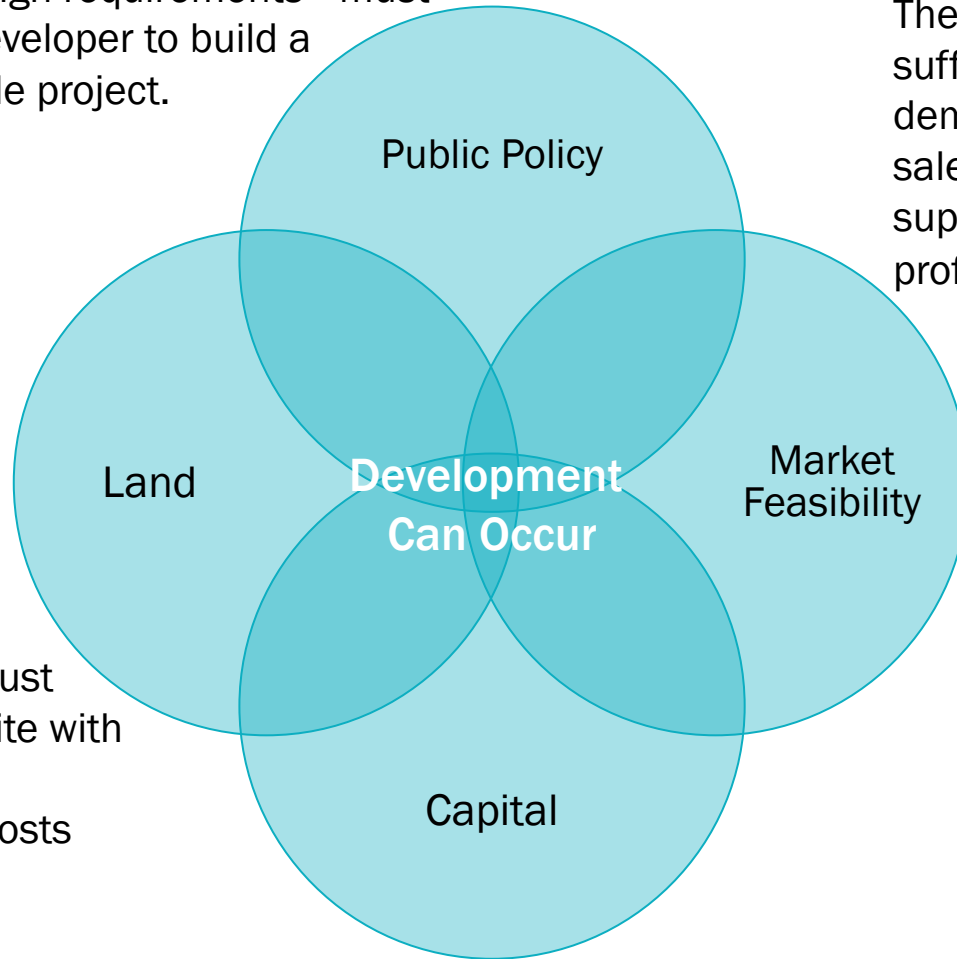
Policy—including zoning, density, and design requirements— must allow developer to build a profitable project.

There must be sufficient demand (rents, sales prices) to support a profitable project

Tualatin can directly influence public policy, land, and infrastructure.

Tualatin may have limited influence on market feasibility

Developer must control the site with reasonable acquisition costs



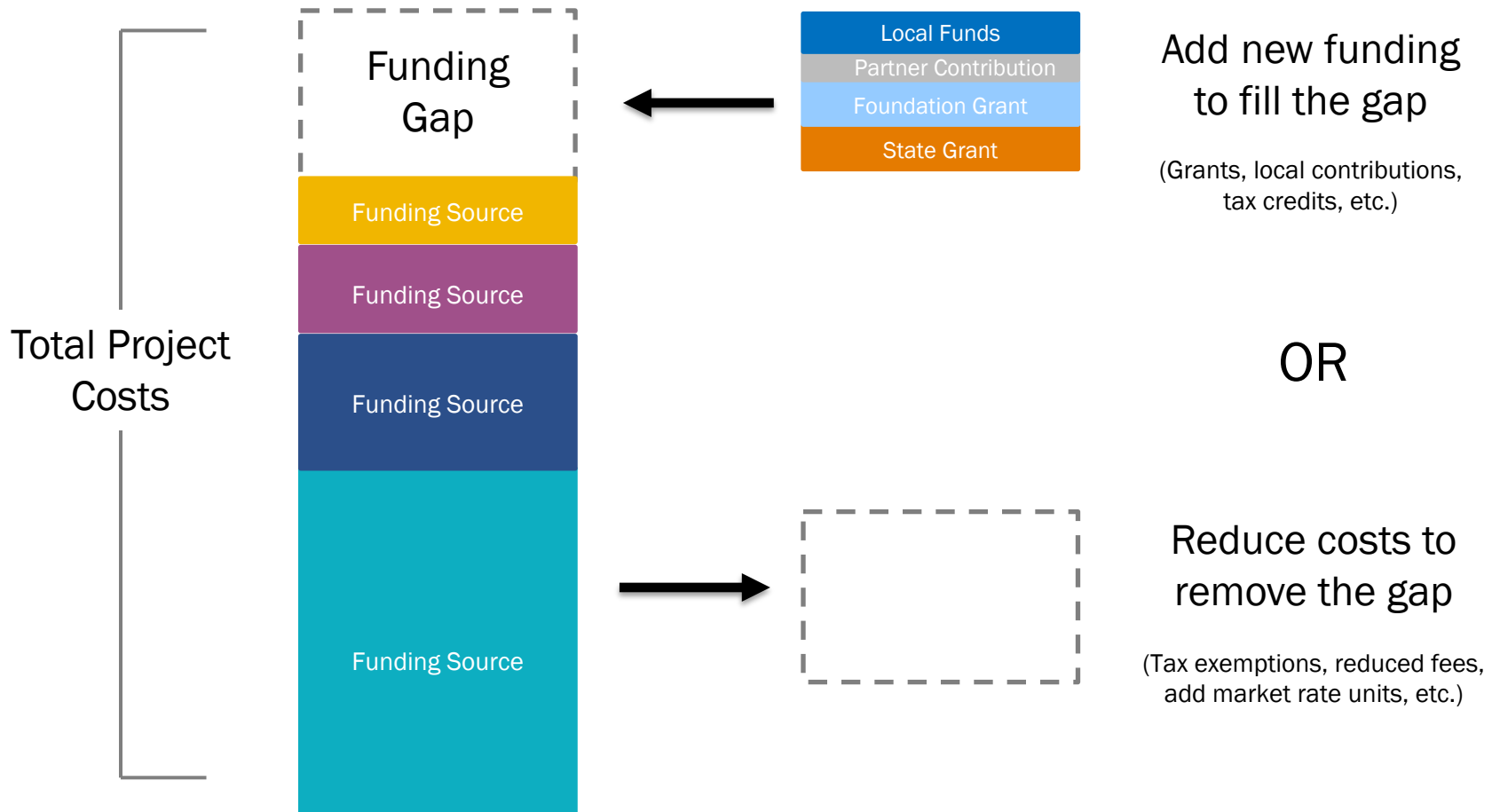
Developer must be able to access resources for investment (e.g., equity investment, bank loans)

Strategic Actions Considered in this Project

Tool	Adds, Forgoes, or Uses City Revenue?	Income Level Served
Local Construction Excise Tax (CET)	Adds	Mostly 0-60% AMI Possibly 61-80% AMI
Nonprofit Low Income Tax Exemption	Forgoes	<60% AMI
Multiple Unit Property Tax Exemption	Forgoes	80% AMI
System Development Charge Exemption	Forgoes	0-80% AMI
Urban Renewal Area Revenue	Adds	0-80% AMI
Homeownership Assistance	Uses	80% AMI
Other Tools / Affordable Housing Trust Fund	Uses	0-80% AMI

Funding Affordable Housing

Affordable housing often falls short of the funding necessary for new construction. In order to make projects feasible, developers can...





Analysis Progress

Overview of Housing Tools Analyzed

Construction Excise Tax (CET)

Adds revenue to the City through new local regulation

- **What does it do:** Levies a tax on new construction to fund housing programs and investments
- **How does it work:** Allows cities to collect a 1% tax on permit value of new residential development or higher for commercial/industrial.
- **Our findings:** 0.5% to 1% CET on commercial and industrial development may be worthwhile in Tualatin.

Nonprofit Low Income Tax Exemption

Forgoes revenue to the City for targeted housing type

- **What does it do:** Provides a full property tax exemption for nonprofit owned affordable housing
- **How does it work:** Can exempt only city taxes or all taxing districts if at least 51% of the total tax roll agrees to participate.
- **Our findings:** Tualatin could exempt its own taxes to incentivize housing affordable to residents at or below 60 percent of area median income

Overview of Housing Tools Analysis

Multiple Unit Property Tax Exemption

Forgoes revenue to the City for targeted housing type

- **What does it do:** Provides a partial property tax exemption for private developers of mixed-income housing
- **How does it work:** Can exempt only city taxes or all taxing districts if at least 51% of the total tax roll agrees to participate.
- **Our findings:** If providing an exemption from all districts, MUPTE could create an incentive for private developers to offer units at or below 80 percent of area median income

System Development Charge Exemption

Forgoes revenue to the City for targeted housing type

- **What does it do:** Reduces upfront development fees for developers who provide new affordable units
- **How does it work:** Can exempt City-controlled system development fees for Parks and Water, but not those collected by other service providers
- **Our findings:** Tualatin could provide an exemption for its two SDCs but would likely have to backfill the forgone revenue

Overview of Housing Tools Analysis

Urban Renewal Area Revenue

Adds revenue to the City through new local regulation

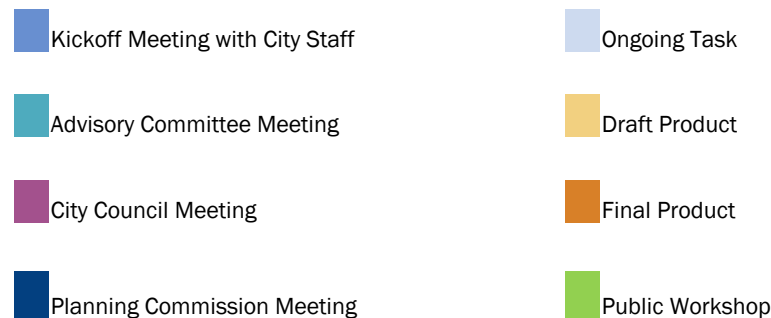
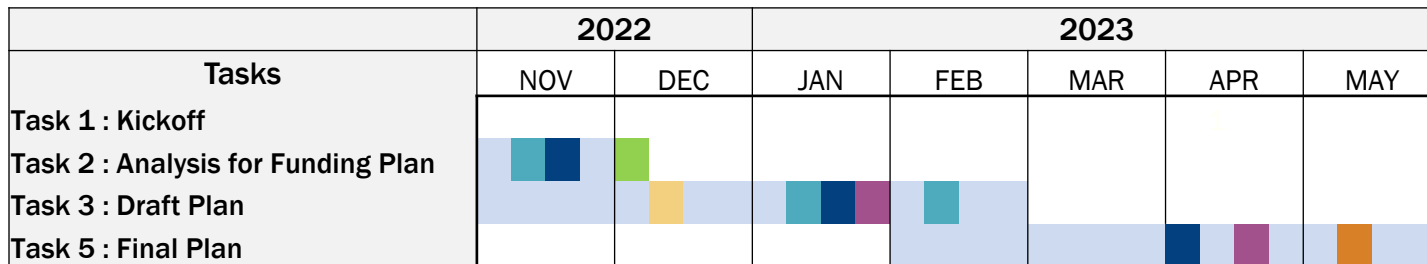
- **What does it do:** Provides local funding for capital projects to support URA plan goals (including housing)
- **How does it work:** Uses revenue from tax increment financing (TIF) to make public investments
- **Our findings:** Tualatin's proposed urban renewal area could integrate goals for housing and access TIF dollars.

What's Next?

- **Homeownership Assistance:**
 - Down payment
 - Home repair programs
- **Other Funding Tools:**
 - New taxes
 - Targeted fee increases
 - Affordable Housing Trust Funds

- **Reduction of financial and regulatory impediments**
 - Identify the funding amounts needed in a 5- year Equitable Housing Funding Plan
- **Creation of financial and regulatory incentives**
 - Increase decisionmaker understanding toward equitable housing funding
- **Access resources available to increase the availability and affordability of needed housing**
 - Focus on understanding, evaluating, targeting and accessing housing funding resources

- Public Workshop
- Planning Commission Meetings (3)
- Ongoing Advisory Committee Meetings (2-3)
- Second City Council Meeting



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Los Angeles



Portland



Seattle



Boise

AGENDA

Tualatin Housing Implementation Plan: Strategic Equitable Housing Funding Plan Advisory Committee Meeting

7/20/2022

5:30 – 5:45 PM	Introductions and Roles
5:45 – 6:15 PM	Goals and Expectations of the Housing Implementation Plan <ul style="list-style-type: none">▪ What has already been done▪ What the purpose of the study is and how it helps move the process forward▪ What lived experiences and priorities do committee members have related to the project?▪ Review and update on the Housing Production Strategy<ul style="list-style-type: none">○ Basis for research○ Findings○ Recommended next steps
6:15 – 6:50 PM	Discussion of Construction Excise Tax (CET) <ul style="list-style-type: none">▪ Presentation▪ Discussion
6:50 – 7:25 PM	Discussion of the Nonprofit Low-Income Rental Housing Exemption <ul style="list-style-type: none">▪ Presentation▪ Discussion
7:25-7:30 PM	Next Steps

DATE: July 14, 2022
TO: Tualatin HIP Advisory Committee
FROM: ECONorthwest
SUBJECT: Housing Implementation Plan: Background and Strategies Overview (Meeting #1)

This memo is intended to summarize the housing production strategy (HPS) for the City of Tualatin completed by ECONorthwest in 2021 and outline areas of focus for the current housing implementation plan (HIP).

Summary of Tualatin Housing Production Strategy

The housing production strategy includes goals and strategic actions to work together to achieve equitable outcomes for all residents of Tualatin, with an emphasis on improving outcomes for underserved communities, people with lower incomes, and people in state and federal protected classes.

The HPS addresses the housing needs identified in the Tualatin Housing Needs Analysis (HNA) in 2019, which concluded that Tualatin has very limited land to accommodate future housing growth and that housing needs are changing as a result of demographic changes and need for affordable housing. Specifically, the HNA concluded:

- **Tualatin is forecasted to increase its housing by about 1,014 new dwelling units between 2020 and 2040.**
- **Changes in demographic characteristics will drive need for new housing.** The HNA forecast that Tualatin would need more attached and multifamily housing in the future than the current housing stock provides. The factors driving the shift in types of housing needed in Tualatin include changes in demographics, such as growing senior populations, and the household formation of young adults.

Tualatin has an existing deficit of housing that is affordable to low and moderate-income households and is likely to have similar future deficits. Tualatin's existing deficit of housing to meet the needs of extremely low to low-income households indicates a need for subsidized affordable housing for renters and affordable homeownership. Moderate income households may benefit from a wider range of housing types, but housing types alone do not necessarily bring the cost down for renters or homeowners. Without the types of solutions proposed in this report, lack of affordability will continue to be a problem and will possibly grow, in the future, if incomes continue to grow at a slower rate than housing costs.

- **Tualatin has a limited amount of vacant, unconstrained buildable residential land, particularly for higher-density multifamily housing.** Tualatin has about 244 acres of vacant, unconstrained buildable land. About 64% of vacant land is in Low Density Residential, 29% is in Medium Low Density Residential, and 8% of land in areas that allow higher-density multifamily housing such as Medium High Density, High Density, High Density High-Rise, and commercial area.

- **Tualatin cannot accommodate all of its housing needs on existing vacant land.** Tualatin has a land deficit of Medium High Density and High Density High Rise Plan Designations, of 7 acres and 4 acres respectively.

The HPS establishes a framework for the evaluation and potential development of policies and strategic actions that address the housing needs described above over a six-year period. Key findings of the HPS are that Tualatin needs:

- **Increased housing diversity.** Nearly two-thirds of Tualatin’s housing stock is single-family detached housing. The City’s demographic and socioeconomic characteristics suggest a need for a wide variety of housing types to meet the needs of a growing and diverse pool of existing and future residents.
- **Greater housing affordability and availability for homeowners.** Tualatin’s homeownership stayed static from 2000 to 2017 at about 55%, however, it was lower than Washington County’s (61%) and the Portland Region’s (60%) homeownership rate. These statistics highlight a potential need for greater homeownership opportunities as homeownership continues to be one of the most effective (and primary ways) for households and individuals to build wealth.
- **Greater housing affordability and availability for renters.** Competition for lower-priced affordable units in Tualatin is strong. Many cannot afford market rate rents or housing sales prices without cost burdening themselves. In the 2013-2017 period, about 56% of Tualatin’s renters were cost burdened, with 26% severely cost burdened.¹ Renters, especially those with lower incomes, are at risk of being displaced through increases in rental costs.
- **Increased income-restricted regulated, emergency, and supportive housing.** Tualatin lacks affordable housing units based on need. There are approximately 1,753 households experiencing severe housing cost burden in the city and 604 rent-restricted affordable housing units (accounting for about 5% of Tualatin’s housing stock). Washington County has about 530 people experiencing homelessness, about 300 of whom are unsheltered. About 44 people experiencing homelessness are estimated to live in the Tualatin and Tigard area.
- **Need for housing for people to live and work in Tualatin.** Tualatin’s Economic Opportunities Analysis report (December 2019) reported that 93% of people working in Tualatin lived in another community (such as Portland, Tigard, Beaverton, or Hillsboro) and commuted into Tualatin each day. Some people who work in Tualatin can afford rent or homeownership in Tualatin, but some would be cost burdened in Tualatin.

¹ A household is said to be cost burdened if they spend 30% or more of their gross income on housing costs. A household is said to be severely cost burdened if they spend 50% or more of their gross income on housing costs.

The HPS finds disproportionate housing needs for seniors, people of color, people with one or more disabilities, and people experiencing homelessness. Washington County’s Consolidated Plan identifies all of these groups as a priority with special housing needs. The following groups have greater-than-average housing needs:

- **Seniors.** People 65 years of age and older are disproportionately cost burdened compared to the average household—many living on fixed incomes in a region with increasing housing costs. Over the next twenty years, people over 65 years are expected to be the fastest-growing age group. As this group grows, Tualatin will need more housing that is affordable, physically accessible, and in proximity to needed services (such as nearby health care or in-home assistance). Seniors will also need improved access to housing without discrimination, especially seniors of color.
- **People of color.** About 25% of Tualatin’s population identified as a person of color, who are more likely to be cost burdened when compared to the average household. Broadly, the housing needs for many people of color in Tualatin include improved access to affordable housing units, assistance to avoid displacement, access to housing in locations with “high opportunity” (such as areas near jobs, transit, or services), and access to housing without discrimination.
- **People with disabilities.** Across the Portland Region, people with one or more disabilities experience disproportionate cost burden. Housing needs of people with one or more disabilities vary by type of disability. But in general, housing needs include improved access to an affordable unit, improved physical access to housing units, access to housing with needed services, and access to housing without discrimination.
- **People experiencing homelessness.** People experiencing homelessness are disproportionately affected by the lack of affordable housing. Housing needs for people experiencing homelessness vary by reason for homelessness. In Washington County, the primary reason cited for experiencing homelessness was inability to afford housing. The broad housing needs for this group include the need for immediate assistance (e.g., rent support), permanent supportive housing (with services), and improved access to an affordable unit.

Summary of Goals and Strategic Actions from HPS

The HPS presents goals and strategic actions to address the housing needs described above. Implementation of the HPS is expected to occur over a six-year period. Each strategic action requires further consideration, such as additional analysis, engagement of consultants, changes to existing standards or programs, discussions with decision makers, or public hearings. The City may be unable to or not chose to implement some strategic actions because of new information that arises from a detailed evaluation of the specifics of each strategic action. In that case, the City may identify a different action (or actions) to meet the specific housing need addressed by the strategic action.

Exhibit 1 presents a summary of the goals and strategic actions from the HPS that will be more closely considered as part of this project, the Strategic Equitable Housing Funding Plan. The following information is from the HPS report and includes the following information:

- **Goal or strategic action.** This is either the text of the goal or a short summary of the strategic action.
- **Incomes of populations served by each strategic action.** Income is based on Median Family Income (MFI) as defined by the US Department of Housing and Urban Services (HUD) for Washington County. The example below is for a family of four people. The HUD terms used to describe housing by income group are:
 - Extremely Low Income: Less than 30% MFI, \$28,000 or less for a family of four
 - Very Low Income: 31% to 50% of MFI, \$28,000 to \$46,000 for a family of four
 - Low Income: 51% to 80% of MFI, \$46,000 to \$74,000 for a family of four
 - Moderate Income: 81% to 120% of MFI, \$74,000 to \$110,000 for a family of four
 - High Income: 121% of MFI or more, \$110,000 or more for a family of four
- **Potential magnitude of the action for producing new housing.** This is an estimate of the amount of new housing that may be produced over the six-year period as a result of each strategic action. The magnitudes of impact are:
 - A **low** magnitude is anticipated production of 1% or less of the needed new units (1,014 units) or about 10 dwelling units over the six-year period. A low magnitude does not mean a strategic action is unimportant. Some strategic actions are necessary but not sufficient to produce new housing.
 - A **moderate** magnitude is anticipated production of 1% to 5% of the needed new units (1,014 units) or about 10 to 50 dwelling units over the six-year period.
 - A **high** magnitude is anticipated production of 5% or more of the needed new units (1,014 units) or 50 or more dwelling units over the six-year period.
- **Expected year of adoption.** The HPS will be implemented over a six-year period. Each strategic action will be evaluated, and if the City chooses to implement it, then it would be adopted or would have some other official acknowledgement that the City is going to execute the strategic action.

Areas of Focus for Housing Implementation Plan (HIP)

This analysis is only considering a limited number of strategic actions from the HPS, including strategic actions related to actions that will require funding (such as development incentives) or actions that will provide funding (such as a Construction Excise Tax). The actions under consideration are shown in the table below.

Goal and Strategic Actions	Income Levels Served (MFI)	Magnitude of Impact	Expected Year of Adoption
1. Affordable Housing: Strongly prioritize, encourage, and support affordable rental housing development to increase affordable housing for households earning 0-60% Median Family Income.			
1.a Evaluate a Low-Income Housing Property Tax Exemption Program for Affordable Rental Housing	0-60%	Moderate	2023
1.b Evaluate Changes to Systems Development Charges	0-80%	Low	2026
1.c Evaluate Implementation of a Construction Excise Tax (CET)	Mostly 0-60% Possibly 61-80%	Moderate	2025
1.d Evaluate Support for Affordable and Workforce Rental Housing as part of Urban Renewal	0-80%	Moderate to large	2022
1.e Evaluate Financial Resources for Local Contributions to Affordable Housing Development	0-60%	Moderate	2026
4. Preservation of Naturally Occurring Affordable Housing (NOAH): Preserve naturally occurring affordable housing, where possible, to prevent loss of affordable units and to mitigate resident displacement.			
4.a Evaluate Development of Incentives to Preserve Low-Cost Rentals for Below-Market-Rate Privately Owned Rental Housing	0-80%	Moderate	2026
4.b Evaluate Using the Multiple Unit Property Tax Exemption to Slow Rental Cost Increases	0-80%	Moderate	2026
6. Workforce Housing: Encourage, plan for, and support the development of workforce housing for households earning 61-80% Median Family Income for both owner and renter, in order to increase the jobs-housing balance, reduce commute time, and provide attainable housing for workers in Tualatin.			
6.a Evaluate Ways to Incentivize Inclusion of Workforce Housing Units within New Multifamily Rental Development	61-80%	Moderate	2026
8. Housing Rehabilitation: Plan for and support housing programs and initiatives that are responsive to the safety and health needs of households earning 0-80% of Median Family Income.			
8.a Evaluate Establishing Local Housing Rehabilitation Program	0-80%	Low to moderate	2026

1.a Evaluate a Low-Income Housing Property Tax Exemption Program for Affordable Rental Housing

Description	Type of Action
<p>Evaluate a property tax exemption program for affordable rental housing.</p> <p>Two tax exemptions programs could be used to support affordable housing:</p> <ul style="list-style-type: none"> ▪ Low-Income Rental Housing Exemption: Would provide a 20-year, renewable property tax exemption for rental housing for low-income households (60% of area median income and below). Housing need not be owned or operated by a nonprofit entity; if it is not, only housing built after the program is adopted is eligible. The exemption could also apply to land held for future affordable housing development. Only the City's taxes would be exempted unless there is sufficient support from overlapping taxing districts. Requires that savings be passed on to tenants through rent reductions. ▪ Nonprofit Low-Income Rental Housing Exemption: Would provide a full property tax exemption for new and existing affordable housing owned and operated by a nonprofit organization for as long as the property meets eligibility criteria. Tenants must initially qualify at 60% of area median income or below, but once qualified, existing tenant incomes may rise to as much as 80% of area median income over time. The exemption could also apply to land held by a nonprofit for future affordable housing development. Only the City's taxes would be exempted unless there is sufficient support from overlapping taxing districts. <p>The evaluation would include a conclusion as to which of the two available options under state statute is better suited to the needs of housing providers in Tualatin.</p>	<p>Adopt a Tax Exemption to Reduce Ongoing Charges on Development</p>
<p>Rationale</p>	<p>With very thin margins for rents in affordable housing developments to be able to cover operating costs (even with subsidies), eliminating the cost of property taxes is an important way to improve the viability of affordable housing. Affordable housing providers sometimes use alternative means to secure tax exemptions (e.g., partnership with the local Housing Authority), but the alternatives add complexity to an already complex process. A locally enabled tax</p>

	<p>exemption also demonstrates local support for affordable housing development, which can help with securing state and federal funds.</p>
<p>Anticipated Impact</p>	<ul style="list-style-type: none"> ▪ Populations served: Extremely low income, very low-income, and low-income renter households ▪ Income: 0-60% of Median Family Income ▪ Housing tenure: Rental ▪ Potential Benefit: <ul style="list-style-type: none"> - Housing Production (new units). If this incentive were used for one to two apartment buildings at 50 to 150 units each, this strategy could contribute to development of 50 to 300 affordable units. - Equitable Outcomes: This is an opportunity to provide equitable housing for low-income households by serving, for example, underserved communities, people with disabilities, and people with special needs, increasing diversity in neighborhoods. ▪ Potential Financial Impact: The City will forgo some property tax income for these properties for the duration of the exemption. This reduces some revenue for city services and some revenue for participating taxing districts. ▪ Magnitude: Moderate
<p>Implementation Steps</p>	<ul style="list-style-type: none"> ▪ Evaluate viability of adoption, including an analysis of the pros and cons of the two tax exemptions. ▪ Seek input from overlapping taxing districts on their willingness to support the exemption. ▪ Discuss topic with City Council at work sessions and in public hearings. City Council may choose to adopt exemption by resolution or ordinance following a public hearing. ▪ Follow up with overlapping taxing districts to request that they pass resolutions to support the exemption. ▪ If supported, select one of the tax exemptions for adoption.
<p>Lead Agency and Potential Partners</p>	<ul style="list-style-type: none"> ▪ Lead Agency: City of Tualatin Planning Division and City of Tualatin Finance Department ▪ Partners: Overlapping Taxing Districts
<p>Funding or Revenue Implications</p>	<p>Tax exemptions reduce general fund revenues for all overlapping taxing districts, including the City.</p>

1.b Evaluate Changes to Systems Development Charges

Description	Type of Action
<p>Evaluate options for potential changes to System Development Charges (SDCs) and Transportation Development Tax (TDT) to support development of affordable housing.</p> <ul style="list-style-type: none"> ▪ SDCs are fees collected when new development and some redevelopment occurs within the City. Revenues are used to fund growth-related capital improvements. ▪ TDT is a voter-approved charge imposed on new development and redevelopment within Washington County (including its cities) to help pay for the impact development has on the transportation system. <p>The City of Tualatin has limited control over SDCs because most are collected on behalf of other service districts and providers, who determine the rates and rate structures. The parks and water SDCs are set by the City. The primary opportunity for changes to SDC is with the parks SDC, which recently went through a review and update process. The water SDC is based on meter size, which makes meaningful changes in SDCs challenging, especially for multiunit projects. Tualatin does not have control over the rate or rate structure for Washington County’s TDT, though the City does receive a share of the revenue.</p> <p>The City of Tualatin could evaluate changes to its parks and water SDCs by reducing, deferring, and/or financing SDCs at a low interest rate for regulated affordable housing or other needed housing types.</p>	<p>Evaluate Change to Fee Schedules to Reduce Charges on Development</p>
<p>Rationale</p>	<p>Changes to the City’s parks or water SDC rates or methodology could reduce up-front costs for developers of regulated affordable housing and/or encourage specific types of housing development (e.g., smaller units).</p>
<p>Anticipated Impact</p>	<ul style="list-style-type: none"> ▪ Populations served: Extremely low income, very low-income, and low-income renter households ▪ Extremely low, very low, and low-income owner households ▪ Income: 0-80% of Median Family Income ▪ Housing tenure: Owner and Renter

	<ul style="list-style-type: none"> ▪ Potential Benefit: <ul style="list-style-type: none"> - Housing Production (new units): Tualatin can have an impact on its parks and water SDCs and can backfill the costs to County TDTs. - While reducing parks or water SDCs could provide some support for affordable housing development, on its own this action is unlikely to directly result in development of new affordable housing, but it may serve to attract affordable housing developers to Tualatin with this cost reduction. - Equitable Outcomes: Providing incentives like SDC reductions supports the development of equitable housing. ▪ Potential Financial Impact: The City will likely need to make up revenue forgone through the changes to SDCs, such as by backfilling with TDTs. ▪ Magnitude: Low
Implementation Steps	<ul style="list-style-type: none"> ▪ Evaluate options for deferral or financing of parks or water SDCs for affordable housing under the existing methodology, working with current planning and finance divisions. ▪ At the next update to the parks or water SDC methodology, evaluate options to offer full or partial exemptions for affordable housing and/or to adjust the residential rate structure to offer lower rates for smaller units.
Lead Agency and Potential Partners	<ul style="list-style-type: none"> ▪ Lead Agency City of Tualatin Parks and Recreation Department, City of Tualatin Finance Department, and City of Tualatin Planning Division.
Funding or Revenue Implications	Changes may reduce or delay SDC revenue to the City.

1.c Evaluate Implementation of a Construction Excise Tax

Description	Type of Action
Evaluate a Construction Excise Tax (CET), a tax assessed on new development and expansions as a percent of the permit value.	Establish a CET to Allocate Funding

State statute defines the allowed uses of CET funds and the allowed maximum tax rate. The City of Tualatin could levy a CET on commercial, industrial, and/or residential development. Tualatin has limited land for new residential development within City limits at present; however, revenues from a CET levied on commercial or industrial development could be used for housing programs. At least half of the revenue from a CET on commercial and industrial development would need to be used for local housing programs (capital or programmatic services), but the other half is unrestricted (capital or programmatic services); revenue from a CET on housing would need to go toward housing, with certain percentages toward various specific categories of expenditures.

At least eight jurisdictions in Oregon have adopted a CET to fund affordable housing. Most are using or plan to use the revenues to offer grants and/or loans as flexible gap financing for affordable housing development. While it can be used to pay for services, capacity building, etc., the variable nature of the revenues makes it challenging to fund ongoing commitments.

<p>Rationale</p>	<p>CET is one of few options to generate locally controlled funding for affordable housing and could be implemented without a public vote. Industrial development has been strong in Tualatin in recent years. If this continues, a CET on commercial and industrial development could potentially generate enough revenue to allow the City to fund some of its other equitable housing and related strategies.</p>
<p>Anticipated Impact</p>	<ul style="list-style-type: none"> ▪ Populations served: Depends on how revenue is used, but would be for extremely low, very low, and low-income and underserved communities. ▪ Income: Depends on how revenue is used, but most likely directed toward 0-60% of Median Family Income, however, could be used to meet other income groups, such as contribution to homeownership for households at 61-80% of Median Family Income. ▪ Housing tenure: Renter or owner ▪ Potential Benefit: <ul style="list-style-type: none"> - Housing Production (new units): Based on analysis by ECONorthwest, a 0.5-1% CET on commercial and industrial development could generate roughly \$200,000-400,000 per year. While this would cover the full cost of only a few units of

	<p>affordable housing per year, it could pay for SDCs and TDT on roughly 100 units per year. If used as gap financing, it could potentially contribute to funding one or two affordable housing developments per year.</p> <ul style="list-style-type: none"> - Equitable Outcomes: Developing funding sources like CET can support equitable housing programs and development, such as affordable housing and workforce housing. ▪ Potential Financial Impact: Homebuyers and businesses that pay the CET will have slightly higher costs for their homes and for commercial or industrial development. The increase in home prices will not exceed 1% as a result of the CET and may be smaller if the City establishes a CET below 1%. ▪ Magnitude: Moderate
<p>Implementation Steps</p>	<ul style="list-style-type: none"> ▪ Evaluate potential approach. Include projections on potential revenue and what programmatic goals could be accomplished with revenue. Include SWOT analysis for both residential and commercial/industrial. ▪ Engage with developers, major employers, and the business community in Tualatin to evaluate tolerance for a CET on commercial and industrial development and where there are shared interests in supporting local housing production. ▪ Seek direction on whether to proceed with adoption from City Council at work sessions. ▪ Tualatin City Council could impose the CET by adoption of an ordinance or resolution that conforms to the requirements of ORS 320.192–ORS 320.195. ▪ If directed, create a plan for the use of CET funds.
<p>Lead Agency and Potential Partners</p>	<ul style="list-style-type: none"> ▪ Lead Agency: City of Tualatin Planning Division and City of Tualatin Finance Department ▪ Partners: Local developers, Chamber of Commerce, major employers, and the Tualatin business community
<p>Funding or Revenue Implications</p>	<p>Adopting a CET would provide funding for other strategies. ECONorthwest conducted a preliminary estimate of CET revenue via a backward-looking analysis using the City of Tualatin’s permit database for new residential and commercial/industrial construction from the last five years. The results of this analysis are summarized in Appendix B.</p>

Because a percentage (4%) of the revenue can be applied to the City's costs for administering the program, there should be minimal additional cost for the City.

1.d Evaluate Support for Affordable and Workforce Rental Housing as Part of Urban Renewal

Description	Type of Action
<p>Evaluate the potential to specifically identify affordable housing (for instance, housing affordable at 0-60% of MFI and workforce affordable housing at 61-80% of MFI) as a goal of existing or future Urban Renewal Plans. As applicable, identify specific affordable housing programs, projects, and/or supportive infrastructure to be included with urban renewal plan(s).</p> <p>TIF funding for affordable housing or other equitable housing would need to gain approval through the City's Urban Renewal process and be consistent with the State Oregon Revised Statute (ORS) 457.</p> <p>TIF (for urban renewal districts) is used as a way to make strategic public investments that spur development in areas where it might not otherwise occur. When successful, the new development leads to an increase in property value and property tax revenue. The increment of new tax revenue from within the district (from the time the district is established) is captured and used to pay off bonds (or directly pay) for the public investments in the area. When the bonds are paid off, the entire valuation of the district is returned to the general property tax rolls. While regulated affordable housing is often tax exempt and does not generate additional tax revenue, some jurisdictions allocate a portion of TIF revenues to fund affordable housing to support equitable development within the TIF district. TIF can be invested in the form of low interest loans and/or grants for housing projects or a variety of capital investments.</p> <p>Additional Context: The City of Tualatin is in the process of evaluating two potential new TIF districts: (District 1) the Basalt Creek and Southwest Industrial Area and (District 2) the North Study Area, Bridgeport Village, Town Commons, I-5 Corridor and Tualatin-</p>	<p>Evaluate Affordable Housing Support as Part of Urban Renewal</p>

Sherwood Road. The City also recently modified plans for an existing district (Leveton). While much of the land included in these areas is planned for industrial and commercial use, portions of the potential new districts are planned for residential or mixed-use development. These could be appropriate locations for new affordable housing rehabilitation or mixed-income housing.

District 1 potential total TIF revenue over 30 years is estimated to be between \$28.4 million and \$55.5 million, depending on future growth in assessed value in the area.

District 2 potential total TIF revenue over 30 years is estimated to be between \$248.2 million and \$362.7 million, depending on future growth in assessed value in the area.

District 1 is slated to be established in fall of 2021 and District 2 in approximately two years. In determining the resources for affordable housing from TIF, the City would want to consider the specific housing needs of each district. TIF funding for District 1 may be focused more on infrastructure funding to pay for infrastructure needed to support new development. For District 2, the amount of TIF used for housing could be a larger share of TIF funding, as this district may be focused on housing redevelopment.

<p>Rationale</p>	<p>TIF is one of few available locally controlled sources of funding to build or improve housing. In addition, investing a share of TIF revenues into affordable or mixed-income housing within an area that is a focus for local investment helps support inclusive and equitable housing development in that area.</p>
<p>Anticipated Impact</p>	<ul style="list-style-type: none"> ▪ Populations served: Extremely low income, very low-income, low-income, and moderate-income households ▪ Income: 0-80% of Median Family Income ▪ Housing tenure: Renter or Owner ▪ Potential Benefits: <ul style="list-style-type: none"> - Housing Production (new units): Urban renewal TIF is the largest source of funding over time that could be made available for affordable housing development. The amount of housing production depends on the funds raised and allotted through urban renewal. TIF can only be spent on capital projects, not operations. - Equitable Outcomes: Establishing TIF funding for equitable

	<p>housing may have the greatest impact over time of any single funding sources on equitable housing development in the city to be used to develop affordable housing, workforce housing, mixed-use housing, and mixed-income housing and related infrastructure.</p> <ul style="list-style-type: none"> ▪ Potential Financial Impact: The financial impacts of a URA are borne by overlapping taxing districts, not by individual taxpayers. The financial capacity of two potential new districts on the horizon in Tualatin would not be available immediately but would build slowly over time. In pursuing this strategic action in Tualatin, it will be important to get an early start on setting goals and priorities for TIF funding for affordable housing and other equitable housing before the URA districts are established. ▪ Magnitude: Moderate to Large
<p>Implementation Steps</p>	<ul style="list-style-type: none"> ▪ As part of urban renewal planning for the two potential new districts, evaluate inclusion of affordable housing as a policy. Additionally, identify affordable housing programs, projects, and/or supportive infrastructure. ▪ Proceed with the planning and adoption processes already underway for the two potential new districts, including establishing priorities for the areas, identifying project lists, confirming financial feasibility, preparing required plan documents, and holding adoption hearings.
<p>Lead Agency and Potential Partners</p>	<ul style="list-style-type: none"> ▪ Lead Agency: City of Tualatin Planning Division and City of Tualatin Finance Department ▪ Partners: Tualatin Development Commission; Overlapping taxing districts
<p>Funding or Revenue Implications</p>	<p>TIF results in foregone tax revenue for the City and other overlapping taxing districts for several decades for a variety of types of development investment, though it can (and should) grow the tax base in the long term by supporting development that would not otherwise have occurred.</p>

1.e Evaluate Financial Resources for Local Contributions to Affordable Housing Development

Description	Type of Action
<p>Evaluate, develop, and promote financial resources for local contribution to affordable housing development. Funds from this effort could be contributed to a Housing Trust Fund Initiative.</p> <p>The City of Tualatin could consider funding sources including foundation grants, private gifts, or other sources to assist with funding contributions to support affordable housing development. The City may consider other sources of funding, such as money from the City’s General Fund, Local Option Levy, Cannabis Tax revenues, and other funding sources.</p> <p>Local contributions to affordable housing development are often critical in helping to fill the funding gap for these projects and to compete successfully for other government funding and foundation grants.</p>	<p>Collect Revenue to Allocate Funding to Housing Programs</p>
Rationale	<p>These funds can be used to support incentives and support for affordable housing development, such as tax exemptions.</p>
Anticipated Impact	<ul style="list-style-type: none"> ▪ Populations served: Extremely low income, very low-income, and low-income households ▪ Income: 0-60% of Median Family Income ▪ Housing tenure: Renter ▪ Potential Benefit: <ul style="list-style-type: none"> - Housing Production (new units): The amount of housing production depends on the funds raised and contributed through these resources. - Equitable Outcomes: Local contributions to affordable housing development could help underserved communities and demonstrate the City’s commitment to equity. ▪ Potential Financial Impact: Funds spent on affordable housing will be unavailable for other city services, however, these funds may not have been able to be successfully raised otherwise. ▪ Magnitude: Moderate

Implementation Steps	<ul style="list-style-type: none"> ▪ Identify financial sources that the City could use to support affordable housing development. ▪ Develop a Housing Trust Fund as a place to collect funds. ▪ Continue to raise funds over time.
Lead Agency and Potential Partners	<ul style="list-style-type: none"> ▪ Lead Agency: City of Tualatin Planning Division and Finance Department ▪ Partners: State/Federal Agencies, State and National Foundations
Funding or Revenue Implications	<p>Evaluating, developing, and promoting financial resources for local contribution is a comparatively low-cost strategy, primarily relying on the use of staff time.</p> <p>If the City uses General Fund revenue or revenue from other taxes, such as Cannabis Tax revenues, the money from these sources would not be available of use for other purposes in Tualatin.</p>

4.a Evaluate Development of Incentives to Preserve Low-Cost Rentals for Below-Market-Rate Privately Owned Rental Housing

Description	Type of Action
<p>Evaluate options to assist with needed improvements to existing low-cost rental housing where the housing is in poor condition. The options may include a tax abatement (such as the Multi-Unit Property Tax Exemption), low interest loan program, or other financial incentives for low-cost market-rate apartments that agree to make needed improvements (e.g., to address code violations or health/safety issues) without displacing existing residents or agree to stabilize or reduce rents.</p> <p>Needed improvements may include addressing code violations or health/safety issues. The City would need to ensure they only grant financial incentives to property owners who agree to stabilize/reduce rents or not displace existing residents.</p> <p>Much of the rental housing in Tualatin that is affordable to low and moderate-income households is older, privately owned rental housing that is not subject to affordability restrictions. This housing may have deferred maintenance issues as a result of a lack of resources to make improvements and pay for repairs (or, in some cases, owner neglect). The City could work with property owners of low-cost unregulated rental housing to support needed repairs without displacing tenants. This could include:</p> <ul style="list-style-type: none"> ▪ Offer low interest loans and/or grants to property owners for repairs and major rehabilitation, providing they do not displace residents. ▪ Evaluate reducing regulatory requirements and permitting challenges for owners seeking to improve older rental housing. ▪ Provide information/technical assistance to smaller property owners regarding state and local resources to support weatherization and healthy housing. ▪ Use the Multi-Unit Property Tax Exemption (Action 4.b) to support rehabilitation of multifamily housing, as described in Action 4.b. <p>The City may want to begin implementing this strategic action with a limited scope pilot program to test and fine tune this program.</p>	<p>Establish Financial Incentives</p>
<p>Rationale</p>	<p>This action focuses on improvement of the condition of existing</p>

	<p>housing. Keeping low-cost unregulated housing both habitable and affordable reduces the need for subsidized new construction.</p>
<p>Anticipated Impact</p>	<ul style="list-style-type: none"> ▪ Populations served: Extremely low income, very low-income, and low-income ▪ Income: 0-80% of Median Family Income ▪ Housing tenure: Renter ▪ Potential Benefit: <ul style="list-style-type: none"> - Housing Production (new units): This strategy is not anticipated to produce new units, but it could improve the quality of the city’s existing supply of low-cost, regulated rental units. - Equitable Outcomes: Preservation mechanisms would protect these vulnerable populations from housing displacement. ▪ Potential Risk: If there are not effective mechanisms in place to ensure that housing will be affordable for the populations served, the rents may increase, making the housing less affordable and potentially displacing tenants. ▪ Magnitude: Moderate
<p>Implementation Steps</p>	<ul style="list-style-type: none"> ▪ Define eligibility for this program based on income. Eligibility requirements should tell whether all units in the multifamily building serve households with incomes 80% of MFI or less or whether a minimum percentage of units should be rented to households with incomes below 80% of MFI. In addition, the City should determine whether assistance goes to the property owner or another entity ▪ Develop a list of lower-cost, unregulated rental housing, including property locations, number of units per development, and property owner contact information. ▪ Evaluate programs, technical assistance opportunities, regulatory changes, and other options to support property improvements. This step can include multiple approaches, as noted in the description of this action. ▪ Reach out to property owners (identified in Step 1). Gauge their interest in improving the safety, health, and stability of their property. Determine what kinds of improvements their properties might need and what resources would be most useful to them. ▪ Refine and implement programs, technical assistance opportunities, regulatory changes, and other options (identified in Step 2) based on feedback from property owners.

	<ul style="list-style-type: none"> ▪ Connect interested property owners to established programs and opportunities. ▪ Seek additional federal funding through the US Department of Housing and Urban Development’s (HUD’s) Lead Hazard Control and Healthy Homes program
Lead Agency and Potential Partners	<ul style="list-style-type: none"> ▪ Lead Agency: City of Tualatin Planning Division ▪ Partners: Property owners of low-cost, unregulated rental housing
Funding or Revenue Implications	Amending permitting and regulatory requirements or providing technical assistance and information are comparatively low-cost strategies, primarily relying on the use of staff time. Providing low interest loans, grants, or implementing the MUPTE tax exemption would require a funding source to backfill program dollars awarded/loaned. Implementing a new program such as the HUD Lead Hazard Control and Healthy Homes program would take extensive administrative and partner resources to meet federal regulatory requirements, including performance measures.

4.b Evaluate Using the Multiple Unit Property Tax Exemption to Slow Rental Cost Increases

Description	Type of Action
<p>Evaluate the Multi-Unit Property Tax Exemption (MUPTE) as a tool to incentivize rehabilitation of existing low-cost unregulated affordable multifamily without displacing or increasing rents for existing tenants. The savings from the tax exemption could help the property owner pay for the costs of rehabilitation over time.</p> <p>To qualify, owners of multifamily rental properties who are applying for MUPTE would need to enter into a contract with a public agency (such as the City of Tualatin) that would set affordability restrictions; the terms of the affordability restrictions can be set by the City, and there are no specific income/affordability requirements in the state statute that enable the program. The City must also show that the</p>	<p>Adopt a Tax Exemption to Reduce Ongoing Charges on Development</p>

exemption is necessary to preserve or establish low-income units.² The exemption applies to the improvement value of the property (not the land value). The exemption is initially for 10 years (per statute), but it could be extended for as long as the housing is subject to the affordability contract.

The exemption would apply only to the City’s portion of property taxes unless taxing districts representing 51% or more of the combined levying authority (including the City’s tax rate) agree to support the exemption.

<p>Rationale</p>	<p>The MUPTE program is flexible and eligibility criteria can be set locally, allowing the City to target solutions to meet its needs. It can offer an incentive for mixed-income housing, providing a way to leverage private, market-rate development to expand affordable housing.</p>
<p>Anticipated Impact</p>	<ul style="list-style-type: none"> ▪ Populations served: Extremely low income, very low–income, and low-income households ▪ Income: 0-80% of Median Family Income ▪ Housing tenure: Rental ▪ Potential Benefit: <ul style="list-style-type: none"> - Housing Production (new units): If this incentive was used for one to two existing apartment buildings at about 150 units each, if 10-20% of units were affordable, this strategy could result in 30 to 60 units below market rate. - Equitable Outcomes: This strategic action would preserve naturally occurring affordable housing for tenants, such as those vulnerable to displacement or housing instability if rents increased or rent discounts were not offered. ▪ Potential Risk: The City and participating taxing districts would forgo property tax income for the properties that qualify for MUPTE. This would reduce some revenue for city services and for participating taxing districts. ▪ Magnitude: Moderate
<p>Implementation Steps</p>	<ul style="list-style-type: none"> ▪ Determine desired eligibility criteria (e.g., affordability requirements and any other public benefit requirements). ▪ Seek input from overlapping taxing districts on their willingness

² The statute does not specify how to show that the exemption is necessary.

	<p>to support the exemption.</p> <ul style="list-style-type: none"> ▪ Discuss topic with City Council at work sessions and in public hearings. City Council may choose to adopt MUPTE by resolution or ordinance following a public hearing. ▪ Follow up with overlapping taxing districts to request that they pass resolutions to support the exemption.
Lead Agency and Potential Partners	<ul style="list-style-type: none"> ▪ Lead Agency: City of Tualatin Planning Division and City of Tualatin Finance Department ▪ Partners: Overlapping Taxing Districts
Funding or Revenue Implications	MUPTE reduces general fund revenues for all overlapping taxing districts. The City of Tualatin must weigh the loss of tax revenue against value of the rent discounts offered by qualifying development.

6.a Evaluate Ways to Incentivize Inclusion of Workforce Housing Units within New Multifamily Rental Development

Description	Type of Action
<p>Evaluate the feasibility of establishing a tax abatement for new multifamily development that includes a portion of units affordable between 61 and 80% of Median Family Income under the Multi-Unit Property Tax Exemption program (MUPTE).</p> <p>The state-authorized, locally implemented MUPTE program would allow Tualatin to offer a partial property tax exemption (limited to the value of the housing, not the land) for multifamily development that meets specific, established criteria by the City, such as having an affordability agreement with the City of Tualatin or another public agency.³ The terms of the affordability agreement could be set by the City—there are no specific income/affordability requirements in the state statute that enables the program. The exemption would apply</p>	<p>Adopt a Tax Exemption</p>

³ If the abatement were being applied to a project that does not have state or federal affordability requirements, the City could enter into the contract directly with the property owner or seek to partner with Washington County, which would administer the affordability agreement.

only to the City's portion of property taxes, unless taxing districts representing 51% or more of the combined levying authority (including the City's tax rate) agree to support the exemption. It would last for 10 years or longer if the affordability agreement remains in place. The City would need to seek support from overlapping taxing districts to offer the exemption for all property taxes (not just the City's portion).

The City could explore using MUPTE in two possible ways:

- To incentivize mixed-income development through inclusion of below-market units in otherwise market-rate developments.
- To incentivize owners of existing low-cost unregulated affordable housing to rehabilitate properties without displacing existing tenants or escalating rents (Strategic Action 4.b).

Rationale	The MUPTE program is flexible and eligibility criteria can be set locally, allowing the City to target the housing to meet its needs. It can offer an incentive for mixed-income housing, providing a way to leverage private, market-rate development to expand affordable housing.
Anticipated Impact	<ul style="list-style-type: none"> ▪ Populations served: Low-income residents and households ▪ Income: 61-80% of Median Family Income ▪ Housing tenure: Renters ▪ Potential Benefit: <ul style="list-style-type: none"> - Housing Production (new units): If this incentive was used for one to two apartment buildings at about 150 units each and 10-20% of units were affordable to low-income households,⁴ this strategy could result in 30 to 60 workforce-affordable units. - Equitable Outcomes: Provides the opportunity for mixed income in multifamily housing, with a portion of units affordable to low-income residents. ▪ Potential Risk: The City and participating taxing districts would forgo some property tax income for the duration of the exemption, reducing some revenue for city services and revenue for participating taxing districts. ▪ Magnitude: Moderate

⁴ Where jurisdictions are trying to incentivize or require mixed-income housing, it is typically structured so that a certain percentage of units in the building (e.g., 10% to 25%) meet a certain affordability level (e.g., 61% to 80% of MFI).

<p>Implementation Steps</p>	<ul style="list-style-type: none"> ▪ Determine desired eligibility criteria (e.g., affordability requirements and any other public benefit requirements). ▪ Seek input from overlapping taxing districts on their willingness to support the exemption. ▪ Discuss topic with City Council at work sessions and in public hearings. City Council may choose to adopt MUPTE by resolution or ordinance following a public hearing. ▪ Follow up with overlapping taxing districts to request that they pass resolutions to support the exemption.
<p>Lead Agency and Potential Partners</p>	<ul style="list-style-type: none"> ▪ Lead Agency: City of Tualatin Planning Division ▪ Partners: Tualatin Finance Department and Overlapping Taxing Districts
<p>Funding or Revenue Implications</p>	<p>MUPTE reduces general fund revenues for all overlapping taxing districts. The City of Tualatin must weigh the loss of tax revenue against value of the rent discounts offered by qualifying development.</p>

8.a Evaluate Establishing Local Housing Rehabilitation Program

Description	Type of Action
<p>Evaluate the feasibility of establishing a local housing rehabilitation program to improve housing safety and health conditions for households earning 80% or less of the Median Family Income.</p> <p>Much of the rental housing in Tualatin that is affordable to low and moderate-income households is older, privately owned housing that is not subject to affordability restrictions. This housing may have deferred maintenance issues as a result of a lack of resources to make improvements and pay for repairs (or, in some cases, owner neglect). The City can work with property owners of low-cost unregulated rental housing to support needed repairs without displacing tenants. This could include:</p> <ul style="list-style-type: none"> ▪ Offer low interest loans and/or grants to property owners for repairs and major rehabilitation, providing they do not displace residents. 	<p>Develop a Program</p>

- Explore reducing regulatory and permitting requirements in the Development Code to identify and reduce challenges for owners seeking to improve older rental housing.
- Provide information/technical assistance to smaller property owners regarding state and local resources to support weatherization and healthy housing.
- Use the Multi-Unit Property Tax Exemption (Action 4.b) to support rehabilitation, as described in Action 4.b.

Rationale	Keeping low-cost unregulated housing both habitable and affordable reduces the need for subsidized new construction.
Anticipated Impact	<ul style="list-style-type: none"> ▪ Populations served: Extremely low income, very low-income, and low-income households ▪ Income: 0-80% of Median Family Income ▪ Housing tenure: Renter ▪ Potential Benefit: <ul style="list-style-type: none"> - Housing Production (new units): This strategy is not anticipated to produce new units, but it is intended to preserve and may improve the quality of the City’s existing supply of low-cost, regulated rental units. It may also result in improved health and safety for the residents in the existing units. - Equitable Outcomes: Improves housing safety and health conditions for households earning 80% or less of the Median Family Income. ▪ Potential Risk Most negative impacts would be borne by the property owner to address identified deficiencies. However, property may also have positive impacts, such as an increase in property value and longer-term renters. If the property owner makes substantial changes to the housing, that may increase rents (making it less affordable) or encourage conversion to owner-occupied housing. ▪ Magnitude: Low to moderate
Implementation Steps	<ul style="list-style-type: none"> ▪ Maintain and enhance the existing list of lower-cost, unregulated rental housing, including property locations, number of units per development, and property owner contact information. ▪ Evaluate programs, technical assistance opportunities, regulatory changes, and other options to support property improvements. This step can include multiple approaches, as noted in the description of this action.

	<ul style="list-style-type: none"> ▪ Reach out to property owners (identified in Step 1). Gauge their interest in improving the safety, health, and stability of their property. Determine what kinds of improvements their properties might need and what resources would be most useful to them. ▪ Refine and implement programs, technical assistance opportunities, regulatory changes, and other options (identified in Step 2) based on feedback from property owners. ▪ Connect interested property owners to established programs and opportunities. ▪ Seek additional federal funding through the US Department of Housing and Urban Development’s (HUD’s) Lead Hazard Control and Healthy Homes program.
<p>Lead Agency and Potential Partners</p>	<ul style="list-style-type: none"> ▪ Lead Agency: City of Tualatin Community Development Department, City of Tualatin Finance Department, and City of Tualatin Building Division and Engineering Division. ▪ Partners: Overlapping taxing districts (if using MUPTE), Washington County Public Housing Authority, and Community Alliance of Tenants (CAT)
<p>Funding or Revenue Implications</p>	<p>Providing low interest loans, grants, or implementing the MUPTE tax exemption will require a funding source to backfill program dollars awarded/loaned. Implementing a new program such as the HUD Lead Hazard Control and Healthy Homes program would take extensive administrative and partner resources to meet federal regulatory requirements, including performance measures.</p>

DATE: July 14, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Summary of Construction Excise Tax Analysis

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy into a Housing Implementation Plan. To understand the potential trade-offs of these strategies in Tualatin, this memorandum describes strategic actions around a Construction Excise Tax (CET) and how it works. In addition, it summarizes an analysis of the potential impacts of implementing this action. The final section outlines potential next steps for the City of Tualatin to consider.

Construction Excise Tax

Overview

In 2016, the Oregon Legislature passed Senate Bill 1533, which permits cities to adopt a construction excise tax (CET) on the value of new construction projects to raise funds for affordable housing projects. The tax is limited to 1% of the permit value on residential construction with no cap on the rate applied to commercial and industrial construction. A number of cities of various sizes in Oregon have adopted a CET.

Construction Excise Tax:
Levies a tax on new construction projects to fund housing programs and/or investments. It can be applied to residential and/or commercial and industrial development.

How the Construction Excise Tax Works

The allowed uses for CET funding are defined by state statute:

- The City may retain up to 4% of funds to cover administrative costs. The funds remaining must be allocated as follows, depending on whether the CET is on residential or commercial and industrial development:
- For a residential CET:
 - 50% must be used for developer incentives (e.g., permit fee and SDC waivers,¹ tax abatements, or finance-based incentives). The City would have to offer incentives but could cover the costs or foregone revenues with CET funds.
 - 35% may be used flexibly for affordable housing programs, as defined by the jurisdiction.
 - 15% is not available to the city and flows instead to Oregon Housing and Community Services for homeownership programs that provide down payment assistance.

¹ Note that while these are called “waivers,” they are really subsidies, since the fees would still be paid by CET revenues rather than by the developer.

- For a commercial/industrial CET:
 - 50% of the funds must be used for housing-related programs, as defined by the jurisdiction (note that these funds are not necessarily limited to affordable housing).
 - The remaining 50% is unrestricted.

Fiscal Impacts/Who Pays

The source for CET funds is new development. The statute exempts public buildings, regulated affordable housing, places of worship, public and private hospitals, agricultural buildings, nonprofit facilities, long-term care facilities, residential care facilities, and continuing care retirement communities.² The City can exempt other types of development if desired.

Pros and Cons

Pros:

- Offers the ability to link industrial or other employment investments, which generate new jobs and demand for new housing, with funding for housing development.
- CET is a flexible funding source, especially for funds derived from commercial/industrial development.
- Program funds can fund administration of the CET as well as staff time needed to administer programs funded by CET.

Cons:

- CET increases development costs in an environment where many developers are already seeking relief from system development charges. Depending on the rates imposed, CET could have an impact on feasibility. More research would be necessary to understand the potential magnitude of the impact.
- Where demand is high relative to supply, additional fees on residential development may be passed on to tenants or home buyers through higher housing costs.
- Because CET revenue is development derived, it will fluctuate with market cycles and will not be a steady source of revenue for affordable housing when limited development is occurring.

² Oregon Revised Statute 320.173

Summary of CET Analysis

Estimating Revenue Potential

Methodology Overview

There is no statutory cap on the CET rate applied on commercial and industrial construction. Therefore, this analysis assumed a range of potential rates that the City could apply on this development type: 0.3%, 0.5%, 1%, and 2%. The CET rate applied on residential construction is capped at 1%. Therefore, this analysis assumed a range of potential rates that the City could apply on this development type under the 1% threshold: 0.3%, 0.5%, .75%, and 1%.

After establishing a range of rates, the analysis assessed what revenue would look like based on historical building permit values for each respective development type (i.e., commercial and industrial development over the last five years and residential development over the last five years).

Based on the statutory regulations about how the CET funds can be expended, we allocated the projected revenue forecasts as follows:

- **Commercial/Industrial Construction:** (1) 4% to administrative costs, (2) 50% of the balance after subtracting administrative costs to housing-related programs (i.e., 48% of the total), and (3) 50% of the balance after subtracting administrative costs to an unrestricted use (i.e., 48% of the total).
- **Residential Construction:** (1) 4% administrative costs, (2) 15% of the balance after subtracting administrative costs to OHCS (i.e., 14% of the total), (3) 35% of the balance after subtracting administrative costs to affordable housing programs (i.e., 34% of the total), and (4) 50% of the balance after subtracting administrative costs to developer incentives (i.e., 48% of the total).

Results: Historical Permit Values

One way to estimate CET revenue is a backward-looking analysis. If the City of Tualatin had charged CET fees on recent development that had occurred, how much revenue might have the City collected (assuming the permitting activity had been unchanged as a result of that CET)?

Building permits for residential development and commercial/industrial development in Tualatin fluctuated from year to year over the last five years. Exhibit 56 summarizes annual total permit values for new residential and commercial/industrial construction as well as additions that increase square feet (excluding exempt development) in 2020 dollars.³ The annual

³ ECONorthwest used the Construction Cost Index published by Engineering News Record to inflate permit values to 2020 dollars.

average over the five-year period (2016-2020) for residential development is about **\$10m in qualifying permit value** in 2020 dollars. The annual average over the five-year period for commercial and industrial development is about **\$41.8m in qualifying permit value** in 2020 dollars.

Exhibit 1. Residential Building Permit and Commercial/Industrial Building Permit Values by Year (2016 to 2020), (in 2020 dollars)

Source: ECONorthwest analysis of City of Tualatin permit data.
 Note: The large bump in residential permit valuation in 2018 is primarily due to the City of Tualatin permitting an above-average number of residential developments (101 total permits in 2018, compared to 11, 12, 35, and 37 total permits in other years). The large bump in commercial/industrial valuation in 2020 is predominately due to a new industrial structure permitted on Blake Street with a permit value of \$90m (2020\$).

Year	Commercial and Industrial Building Permit Valuation (2020\$)	Residential Building Permit Valuation (2020\$)
2016	\$17,166,894	\$9,304,128
2017	\$11,042,600	\$6,270,048
2018	\$53,020,643	\$32,351,852
2019	\$14,918,542	\$1,257,071
2020	\$112,883,996	\$926,520
Annual Average	\$41,806,535	\$10,021,924
Total (2016-2020)	\$209,032,675	\$50,109,618

Next, the analysis calculated the revenue that the City would have generated if it had a CET in place during the 2016 to 2020 period (assuming the permitting activity had been unchanged as a result of that CET) using the different CET rates listed previously.

Exhibit 57 and Exhibit 58 show potential CET revenue for commercial/industrial development. This analysis shows that under the highest rate tested (2%), the average annual CET revenue over this period would have been about \$836,100.

Exhibit 59 and Exhibit 60 show potential CET revenue for residential development. This analysis shows that under the highest rate tested (1%), the average annual CET revenue over this period would have been about \$100,200.

Under either development type, the minimum CET revenue collected in a slow year would have varied little with the different rates, while the maximum collected in a “busy” year would have varied substantially.

Exhibit 2. Potential Annual Commercial/Industrial CET Revenue by Year and Rate (2016 to 2020)

Source: ECONorthwest analysis of City of Tualatin permit data.

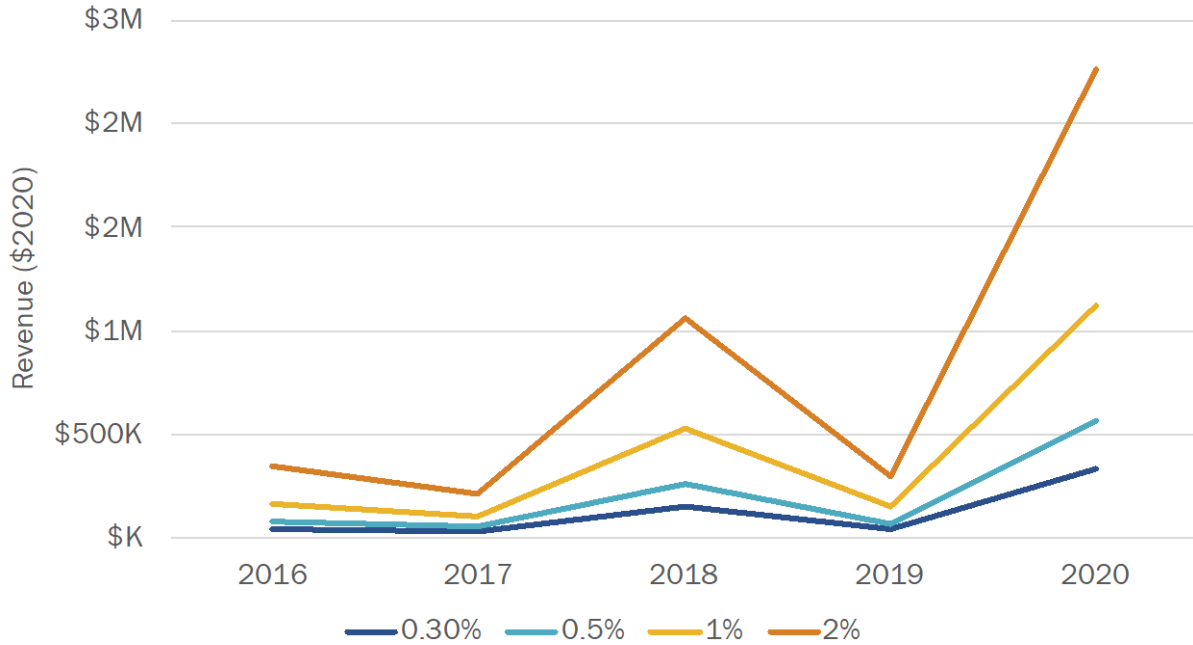


Exhibit 3. Historical Minimum, Maximum, and Average Annual Potential Commercial/Industrial CET Revenue by Rate (2016 to 2020)

Source: ECONorthwest analysis of City of Tualatin permit data.

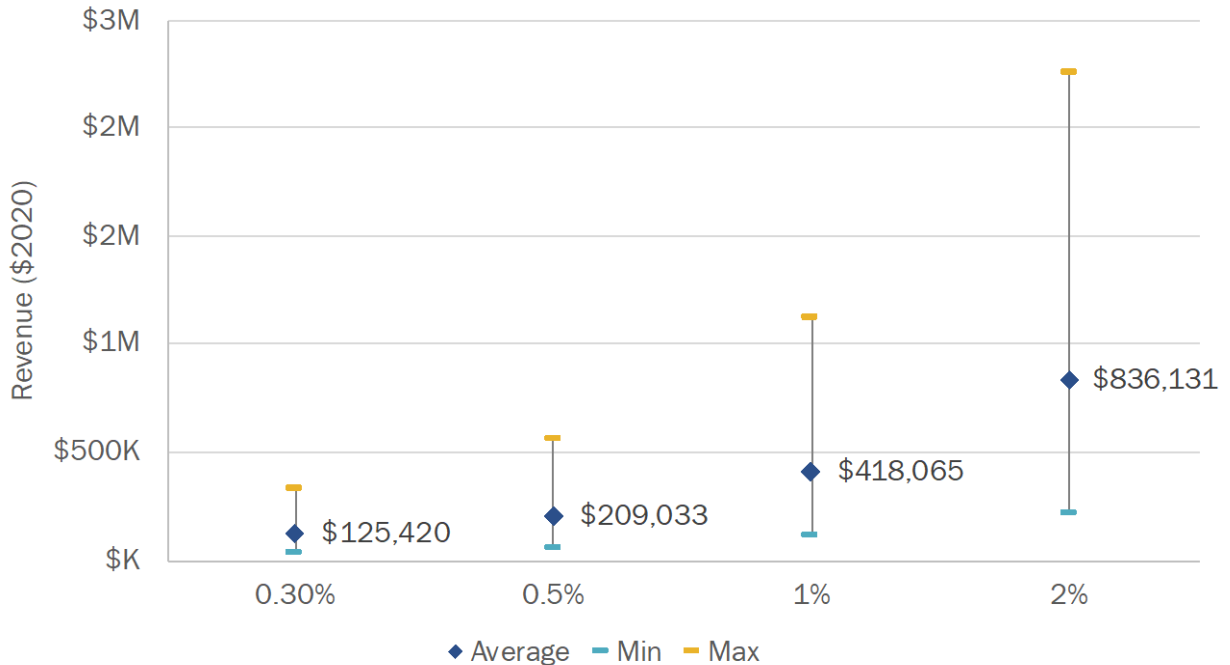


Exhibit 4. Potential Annual Residential CET Revenue by Year and Rate (2016 to 2020)

Source: ECONorthwest analysis of City of Tualatin permit data.

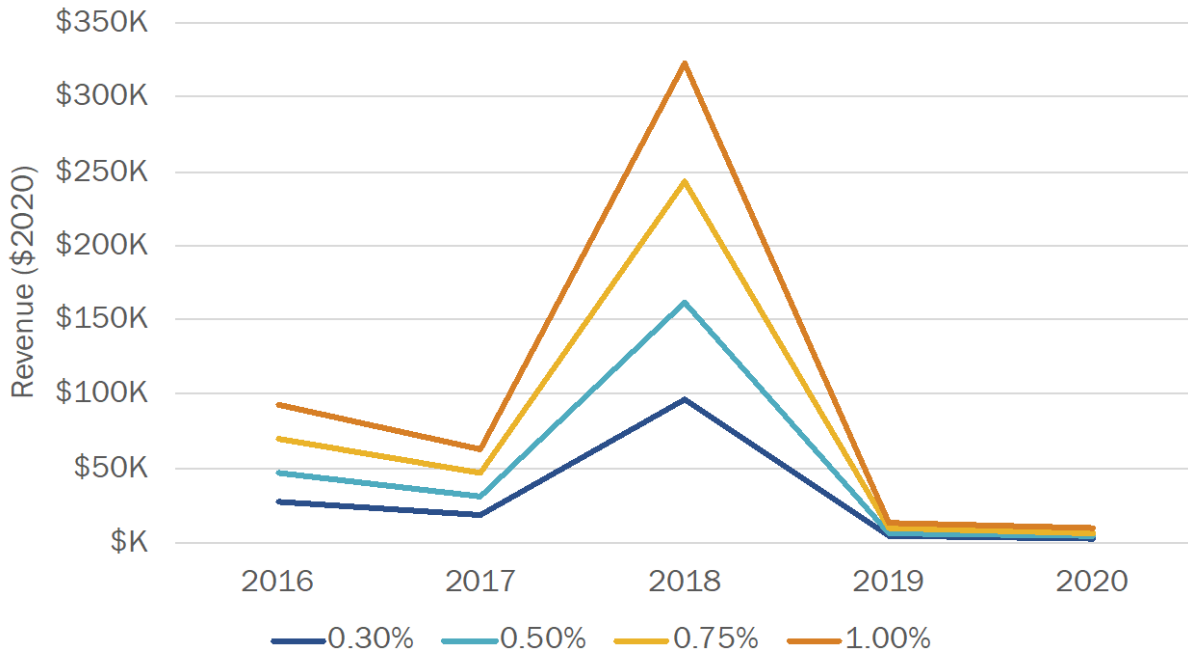
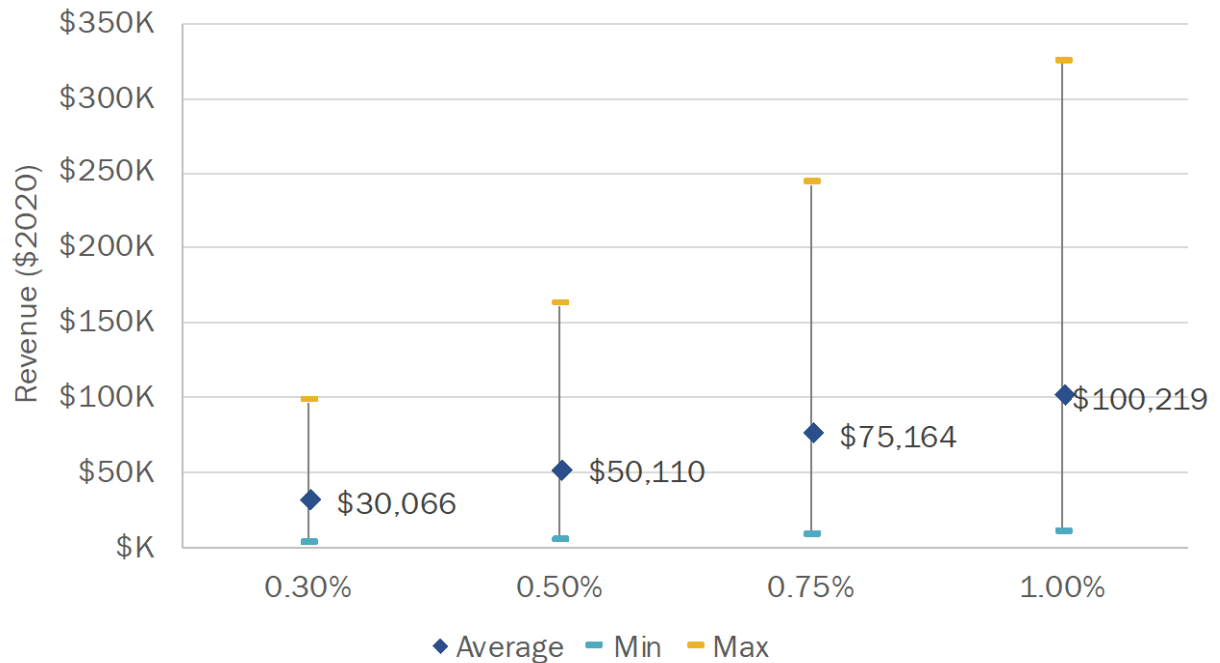


Exhibit 5. Historical Minimum, Maximum, and Average Annual Potential Residential CET Revenue by Rate (2016 to 2020)

Source: ECONorthwest analysis of City of Tualatin permit data.



Based on the statutory requirements about use of funds, ECONorthwest translated the average annual simulated CET collections between 2016 and 2020 into funds available for each funding category, as shown in Exhibit 61 and Exhibit 62.

Exhibit 6. Hypothetical Total Commercial/Industrial CET Revenue (2016 to 2020) by Rate and Use of Funds

Source: ECONorthwest analysis of City of Tualatin permit data.

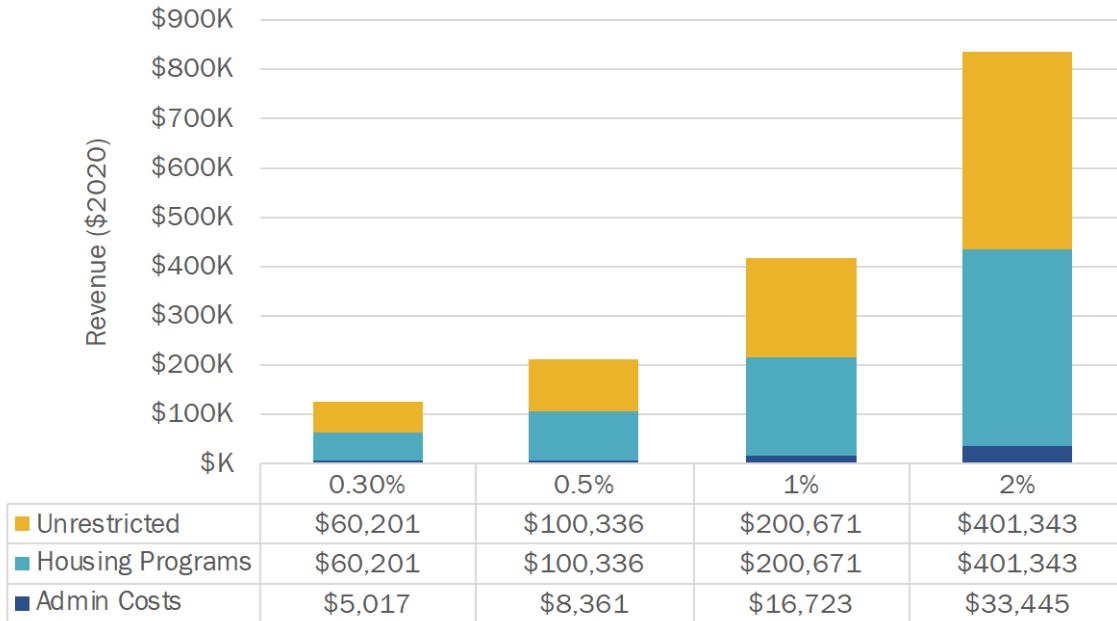
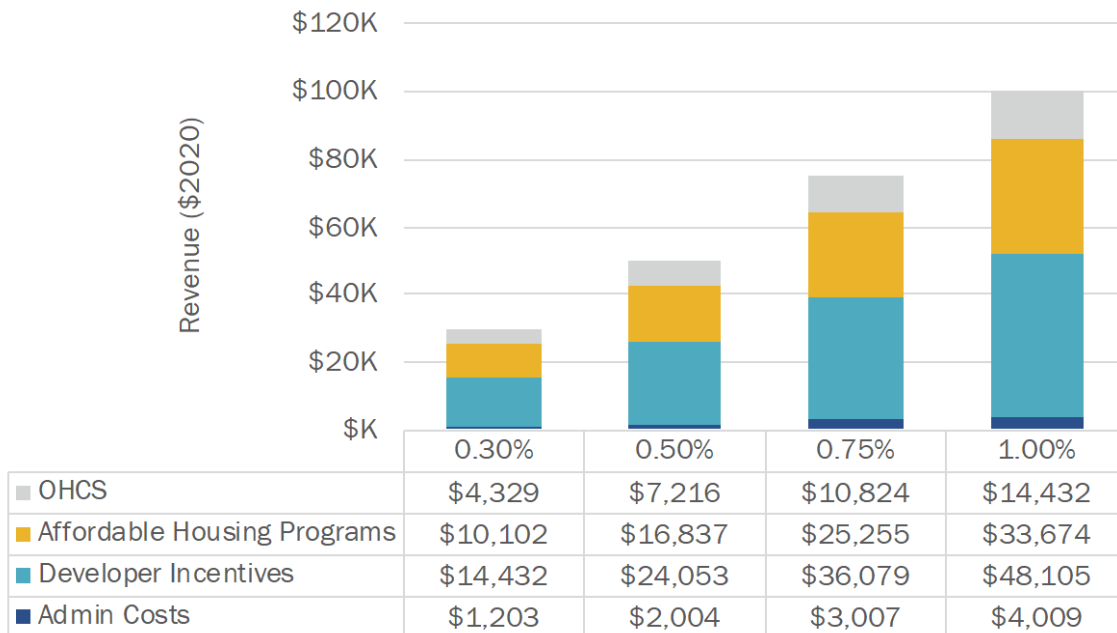


Exhibit 7. Hypothetical Total Residential CET Revenue (2016 to 2020) by Rate and Use of Funds

Source: ECONorthwest analysis of City of Tualatin permit data.



As shown above, a 0.5% or 1% rate on commercial and industrial development could generate meaningful revenue for programs, especially if the unrestricted portion is also dedicated toward housing programs. Because of the greater flexibility for these revenues, the City could design a flexible program for the revenues, or direct all of the net revenues towards a Housing Trust Fund or similar fund. This ease of use is important, because even with the higher revenue potential of the commercial/industrial CET, a 0.5% to 1% rate would offer little funding for administrative costs.

A CET on residential development would generate relatively little revenue given past trends in residential development, even at the maximum rate (1%). In addition, the administration would be more complex due to needing to separate out revenues toward the spending categories as specified in statute, while the funding available to cover administrative costs would be negligible.

Conclusions and Next Steps

Given the results summarized above, a 0.5% to 1% CET on commercial and industrial development may be worthwhile to consider as it could generate a flexible source of revenue for local housing programs, especially if the City continues to see strong industrial and commercial growth. Imposing a CET on residential development is likely not worth considering unless the City annexes a large amount of vacant residential land where higher-end new housing is expected.

If the City chooses to further evaluate adoption of a CET, it should conduct additional outreach to stakeholders and local businesses to offer an opportunity for discussion and to raise any concerns. The City should also advance conversations about the potential uses of the funds, even though this is flexible and does not necessarily need to be determined prior to adoption. Working with stakeholders to clearly define the program's intended purpose, how the funds (especially the unrestricted portion) would be used, and who would make decisions about the use of funds is likely to help build support for the program. If the City chooses to adopt a CET, it must pass an ordinance or resolution that states the rate and base of the tax. Most communities also identify any further self-imposed restrictions on the use of funds as part of adopting the ordinance. If the ordinance passes, the City must then establish a process to distribute the funds.

DATE: 07/15/2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Summary of Nonprofit Corporation Low Income Housing Exemption

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. To understand the potential trade-offs of implementing these strategies in Tualatin, this memorandum describes strategic actions around an affordable housing tax exemption and how it works. In addition, it summarizes an analysis of the potential impacts of implementing these actions. The final section outlines potential next steps for the City of Tualatin to consider.

Nonprofit Corporation Low-Income Rental Housing Tax Exemption

Overview

The **Nonprofit Corporation Low-Income Rental Housing Exemption**¹ provides a full property tax exemption for new and existing affordable housing owned and operated by a 501(c)(3) or (4) nonprofit organization, and land held by a nonprofit for future affordable housing development.

Tax Exemptions:
Incentivizes affordable housing development by waiving some property taxes for qualifying projects. Depending on the local program, nonprofits or all housing developers may be eligible.

The Nonprofit Corporation Low-Income Rental Housing Exemption can apply for as long as the property using it meets eligibility criteria. These include requirements that tenants must initially qualify at 60% of Median Family Income (MFI) or below, which is about \$55,000 for a family of four people in Tualatin based on 2020 MFI.² Once qualified, existing tenant incomes may rise to as much as 80% of MFI (\$74,000 for a family of four) over time. Annual renewal is required to ensure compliance with these requirements.³

The City has options to consider in implementing the tax exemption. First and foremost is which taxing districts will participate in the tax exemption. Only the City's property taxes would be exempted unless there is sufficient support from overlapping taxing districts. If the City and other taxing districts that comprise at least 51% of the local tax roll participated in the program, qualifying developments could have 100% of their property taxes waived. With this majority, all taxing districts would be obligated to participate. Without the support of at least 51% of overlapping districts, only city taxes would be affected by the exemption. The city could

¹ This tax exemption is authorized in ORS 307.540 to 307.548.

² The information about Median Family Income below (and throughout the report) use the 2020 MFI for Washington County (\$92,000). This is based on information in the Tualatin Housing Production Strategy.

³ This requirement is stated in ORS 307.545.

also determine the length of these programs and whether to apply a cap on how long organizations may participate.

In addition, the City must select a definition of affordability (if different from the one stated above of having income at or below 60% of MFI) and set local requirements for receiving this tax exemption, if any. The exemption can be granted for as long as the property meets eligibility criteria, but the property owner must reapply on an annual basis to demonstrate on-going eligibility. For land held for future affordable housing development, the City sets a limit on how long the exemption can apply, with the option for property owners to apply for an extension after that time.

This exemption is granted to development of rental housing with state and federal funding that requires verification of tenant incomes to ensure the tenants meet the income requirements. As a result, little or no additional monitoring or enforcement is likely needed for this program, since eligibility is limited to nonprofit affordable housing providers and the annual application process provides evidence of eligibility. In addition, if part of an eligible property is used for purposes other than low-income housing (e.g., a commercial use or mixed-income housing), the exemption is pro-rated.

Some examples of cities that have adopted this tax exemption include: Newport, Beaverton, Portland, Tigard, Forest Grove, Cornelius, and Wilsonville.

Fiscal Impacts/Who Pays

Nonprofit Low-Income Rental Housing Exemption is implemented, the City would forgo property tax income for qualifying new development for the duration of the exemption. This reduces some revenue for city services and potentially revenue for participating taxing districts such as school districts. However, if no development was to happen, then no taxes would be generated. The level of impact on tax revenue is contingent on affordable projects occurring in Tualatin and developers using the program.

Pros and Cons

Pros:

- The abatement can be used for most nonprofit affordable rental housing development.
- Can apply to both existing and new housing.
- Reduces carrying costs before development occurs (tax exemption available for land being held for development of affordable units), and offsets operational costs once the development is complete, reducing feasibility gaps.
- Allows a city to adopt additional criteria, such as a cap on the number of eligible properties or on the amount of lost tax revenue.
- City services and other taxing districts would not forgo any revenue unless projects were built that served tenants under 60% MFI and developers used the program.

- The structure of this subsidy is simple and straightforward to affordable housing developers. Because it is by-right, it also eliminated some of the administrative costs of programs that are more discretionary.

Cons:

- The city must get affirmative support from enough overlapping taxing districts to apply to their tax collections.
- The tax exemption reduces general fund revenues for all affected taxing districts. This could potentially cause funding gaps that need to be backfilled for some taxing districts
- This tax exemption only applies to housing that is affordable for households with income below 60% of MFI. So, it does not support development of mixed-income housing or affordable housing built by for-profit developers.
- The requirement for the property owner to resubmit eligibility documentation every year may be burdensome, though a streamlined application process can mitigate this.
- Compared to state or federal affordable housing programs, the burden is on local tax payers. Unfortunately, due to construction costs and lack of significant affordable housing funds, layering local, state and federal funds is often necessary.
- Some review of income eligibility by residents is required to maintain these programs. In other jurisdictions in Oregon programs are typically administered by a city's housing bureau or planning and development staff. This will also require some capacity for reporting from participating developers.

Summary of Tax Exemption Analysis

Estimating Forgone Revenue

Methodology Overview

To estimate forgone tax revenue from implementing the Nonprofit Corporation Low-Income Rental Housing Exemption, ECONorthwest identified recent examples of affordable multifamily developments that could have potentially qualified for this program (Exhibit 2).

Given the shortage of new affordable multifamily development in Tualatin in the last ten years, two of the three examples used are comparable projects built nearby in Tigard. Tigard shares some of the same taxing districts as Tualatin, including schools and aquatic centers as well as Washington County, Port of Portland, and Metro Regional Government rates. The third example used was an older affordable housing complex in Tualatin originally built in 1972 but recently renovated in 2021.

Exhibit 1. Comparable Affordable Multifamily Buildings

Source: CoStar

	Red Rock Creek Commons	The Fields	River Loft Apartments
Developer	Community Partners for Affordable Housing (CPAH)	DBG Properties	Next Wave Investors
Jurisdiction	Tigard	Tigard	Tualatin
Year Built	2021	2021	1972 (Renov. 2021)
Lot Size	0.88 acres	24.12 acres	3.8 acres
Units	48	264	74
Average Sq. Ft. per Unit	591 sq ft.	759 sq ft.	930 sq ft.
Assessed Value*	\$2,974,590	\$17,576,080	\$4,274,350

*For those examples recently built in Tigard, the assessed value was not directly available through the Washington County Assessment and Taxation portal because they were already using the city's Nonprofit Corporation Low Income Housing Exemption. To approximate this value, we used their real market value (RMV) included in publicly available assessor files and Washington County's 2021-2022 changed property ration (CPR) for apartment buildings (0.356).

Using these assessed values, we calculated the hypothetical tax dollars that would have been exempted by unit if these projects had been built in Tualatin with the tax schedule in Exhibit 2. Then, we projected how these onto a hypothetical building to demonstrate the forgone tax revenue for a 100-unit building, with considerations for the impact on different taxing districts.

Property Tax Rates

There are a number of taxing districts which have coverage in the City of Tualatin. The City could either model their exemption with their own taxes or all overlapping districts. Exhibit 2 shows the rate each of these districts alongside the rate that they charge on assessed property value and their share of the total tax roll.

The largest share of property taxes in Tualatin goes to public school systems. Although multiple school districts overlap the city including Tigard-Tualatin, West Linn-Wilsonville, Sherwood, and Lake Oswego, this model uses the district with the most coverage (Tigard-Tualatin).

Tualatin also spans two counties in Oregon. Although a portion of the city is in Clackamas County, the majority of the city falls on the Washington County side. This model assumes Washington County's tax rates, though they may generally be lower in Clackamas.

Exhibit 2. Property Tax Rates for All Districts in Tualatin, OR

Source: Washington County Assessment and Taxation

Taxing District	Tax Rate per \$1,000 of value	Share
Tigard-Tualatin School District	0.78%	44.7%
Washington County	0.30%	17.3%
City of Tualatin	0.29%	16.5%
Tualatin Valley Fire and Rescue	0.21%	12.2%
Portland Community College	0.07%	3.8%
Metro Regional Government	0.06%	3.3%
Northwest Regional Education Service District	0.02%	0.9%
Port of Portland	0.01%	0.4%
Tigard-Tualatin Aquatic District	0.01%	0.5%
SWC Tualatin	0.01%	0.5%
Total (All Districts)	1.74%	100%

Results

If the City alone were to implement a Nonprofit Low-Income Rental Housing Tax Exemption program, it would alleviate 16.5% of property taxes for participating projects. If all taxing districts were to participate, this total exemption would be higher and alleviate 100% of annual tax burden for years that the building was included in the program.

Using comparable multifamily building examples, we first estimated the total forgone revenue that would have been associated with those projects (Exhibit 3). There is a wide range in these values based on the number of units, unit mix, location, and other features.

Exhibit 3. Total Potential Annual Forgone Tax Revenue in Comparable Multifamily Buildings

Source: Washington County Assessment and Taxation, ECONorthwest Analysis

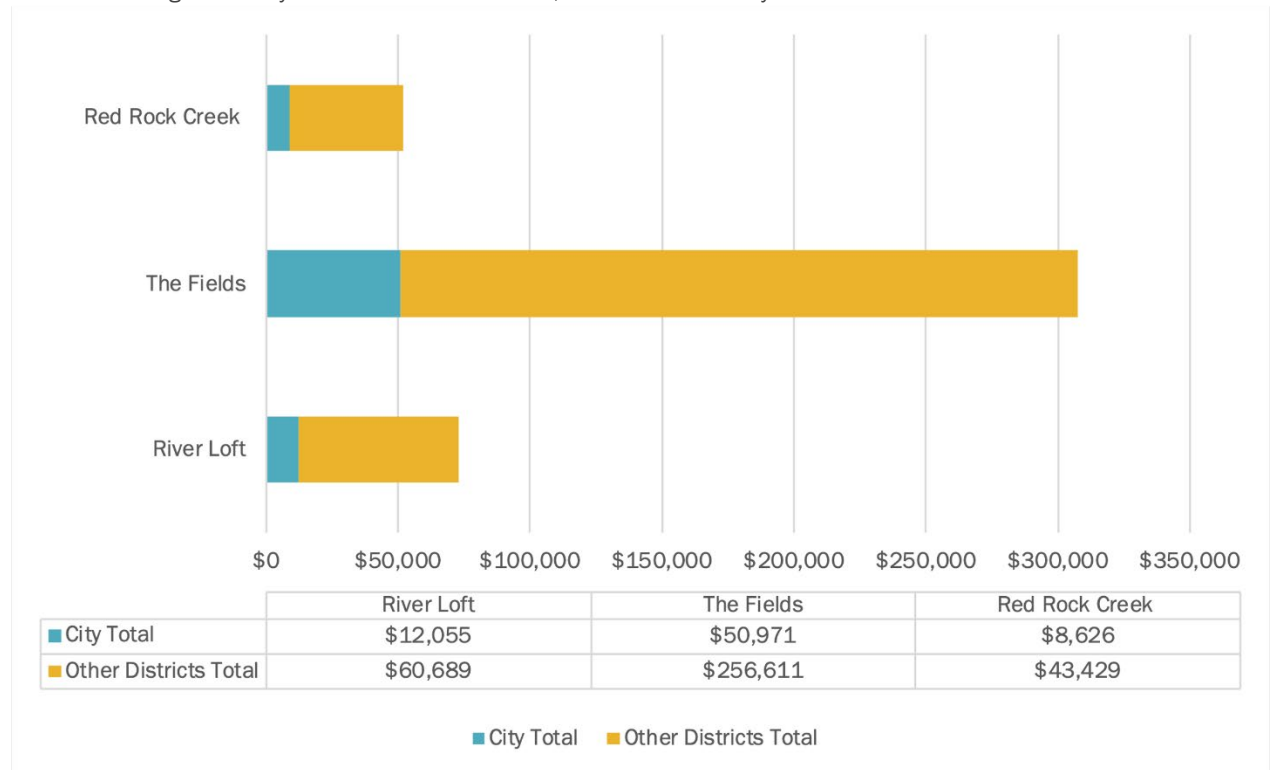
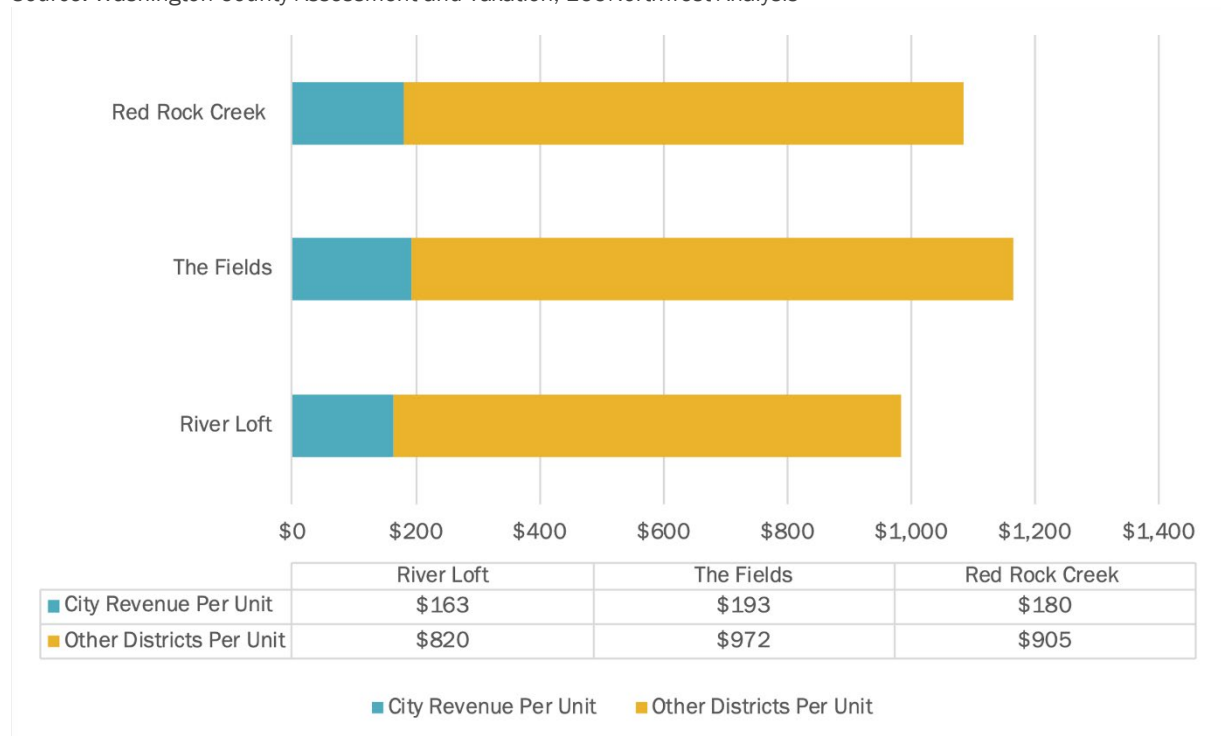


Exhibit 4. Potential Forgone Tax Revenue Per Unit in Comparable Multifamily Buildings

Source: Washington County Assessment and Taxation, ECONorthwest Analysis



Based on these total figures and building specifications, the potential forgone annual revenue for the City would range from \$163-193 per affordable unit (Exhibit 4). Different unit sizes and types may also account for the variability in this range. The average across all example buildings would be **\$179 of forgone annual revenue to the City per unit**. If applied to all taxing districts this impact higher, ranging from **\$983-1,165 per unit with an average of \$1,078**.

For Tualatin only, using the average amount per unit (approximately \$179), we estimate that multiplied across a new development, **for every 100 affordable units built using the exemption, the City would forgo \$17,856 in potential tax revenue per year of the program**.

It is possible that the City may reach an agreement with taxing districts that make up at least 51% of the total levy. In this case all taxing districts would be obligated to participate, resulting in a 100% tax exemption program. If this total exemption were applied at the average of approximately \$1,078 per unit, **it would total \$107,753 in annual savings for a 100-unit affordable building**. Of this amount, public school districts would account for the largest share at 45% (or \$48,204 annually) of the forgone revenue for those units.

Example Tax Exemption Programs

Other jurisdictions have applied the Nonprofit Low-Income Rental Housing Tax Exemptions to their areas. The examples below provide implementation considerations for how Tualatin could structure a similar exemption program.

Portland: Non-Profit Low Income Housing Limited Tax Exemption (NPLTE)

- Portland offers three limited tax exemption programs, including one specifically for nonprofit organizations. To qualify for this program, properties must be located within the City of Portland and rents must be affordable to households earning 60% AMI or less.
- NPLTE is available to participating organizations who are certified by the Internal Revenue Service as 501(c)(3) or (4). They must own, have a leasehold interest in the property, or participate in a partnership where they are responsible for day-to-day property management.
- The Portland Housing Bureau (PHB) administers this program on behalf of the City of Portland by reviewing and approving applications. There is an annual renewal process and fee for participants. In PHB's most recent reporting (2017-18), 11,365 units in the city were using the program for rent-restricted housing units in multifamily buildings. No units in the program were for single-family homes, though it is not specifically prohibited.

Conclusions and Next Steps

- The City should consider this subsidy mechanism as part of the larger mix of funding sources to support development of income-restricted affordable housing. Given the

substantial funding gaps that exist with affordable housing projects, this is a powerful and relatively simple tool to put into play.

- A tax abatement does not layer with all potential forms of subsidy. For example, Urban Renewal uses tax increment financing that typically accesses the same property taxes which would be forgone by the program. A tax exemption would work well with other approaches that add revenue to the City's budget (for instance, a Construction Excise Tax).
- The total impact of the tax exemption for supporting affordable housing development will depend on whether other taxing districts are willing to join the abatement or if it will just apply to city taxes. The Tigard-Tualatin School District participates in a nonprofit tax exemption in Tigard, indicating that they may be willing to consider a similar program in Tualatin. Washington County (who accounts for 17.3% of the tax roll) also offers an exemption for unincorporated areas outside of cities.

AGENDA

Tualatin Housing Implementation Plan: Strategic Equitable Housing Funding Plan Advisory Committee Meeting #2

10/12/2022

5:30 – 5:45 PM

Review of Plan, Committee Goals and Previous Items

- What has already been done
- What the purpose of the study is and how it helps move the process forward
- Brief review of CET and Nonprofit Exemption

5:45 – 6:15 PM

Discussion of Multiple Unit Property Tax Exemption (MUPTE)

- Presentation
- Discussion

6:15 – 6:45 PM

Discussion of System Development Charges (SDC) Exemption

- Presentation
- Discussion

6:45 – 7:15 PM

Discussion of Urban Renewal Funds

- Presentation
- Discussion

7:15-7:30 PM

Next Steps

DATE: October 4, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Summary of Multiple Unit Property Tax Exemption Analysis

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. To understand the potential trade-offs of implementing these strategies in Tualatin, this memorandum describes what each strategic action is and how it works. In addition, it summarizes an analysis of the potential impacts of implementing each action. The final section outlines potential next steps for the City of Tualatin to consider.

Multiple Unit Property Tax Exemption (MUPTE)

Overview

The Multiple Unit Property Tax Exemption (MUPTE, sometimes referred to as MULTE) provides a 10-year partial property tax exemption on new or rehabilitated multifamily rental housing (or middle housing rentals like duplexes, triplexes, etc.) that meets criteria set by the City.¹ It can be used for market-rate multifamily housing with particular features, or for mixed-income or fully regulated affordable housing. If used for housing with affordability restrictions, the exemption can last longer than 10 years and continue as long as the restrictions remain in place. This program is flexible, with City discretion over many aspects of eligibility, including the level of affordability requirements, the minimum number of units in the property, and any design requirements.

Multiple Unit Property Tax Exemption: Can be used to incent multifamily housing with particular features or at particular price points by offering qualifying developments a partial property tax exemption for 10 years (or longer, for housing subject to affordability agreements).

Regardless of the local eligibility criteria, the exemption applies to 100% of the residential portion of the property's improvement value but does not apply to the land value. In other words, all of a residential project's improvement value can be exempt even if only 10 percent of the units are affordable if the city's criteria require a minimum of 10 percent affordability. Further, if there are nonresidential portions of the building (like ground floor commercial), it won't apply over that portion of the development.

Like the Nonprofit Corporation Low-Income Tax Exemption (described in ECONorthwest's previous memorandum), this program applies only to the City's taxes unless the boards of other taxing districts representing at least 51% of the combined levy agree to the exemption, in which case all districts are included. The same taxing districts detailed in ECONorthwest's Summary

¹ This tax exemption is authorized in ORS.307.600 to 307.637

of Nonprofit Corporation Low Income Housing Exemption memorandum apply for this program.

A number of cities in Oregon have implemented tax abatement programs under these statutes, though the program names vary between jurisdictions. This memorandum includes several examples to illustrate different program structures with similar goals to Tualatin for housing. Some cities use the same program to incentivize housing in specific areas with specific design features rather than affordability.

This memorandum focuses on the use of MUPTE to incentivize mixed-income development through inclusion of affordable units in market rate buildings to provide workforce housing. MUPTE can also preserve unregulated affordable housing by encouraging owners to rehabilitate properties without raising rents or displacing tenants, but the analysis for this memorandum focuses primarily on its function for providing new units.

Fiscal Impacts/Who Pays

If this tool is implemented, MUPTE reduces general fund revenues for either the City alone or for all overlapping taxing districts (if at least 51% of the levy agrees to participate). The loss of tax revenue may or may not outweigh the value of affordable rents offered by new development using the program. If it does not, market rate developers would not opt into a voluntary program. However, there is no upfront cost to the City for introducing the program. In this case, revenue would only be forgone if eligible projects used the program to provide or preserve affordable units.

Pros and Cons

Pros:

- MUPTE is a tool that can be used for mixed-income development that supports Tualatin's workforce between 60-80% of area median income (AMI)
- Although Tualatin has not seen much new multifamily development in the past decade, this tool could be used to incentivize developers to the area.
- The City can exempt its own taxes without any other taxing districts approval, and potentially extend the benefit to all taxing districts if school districts sign on. However, this will not likely be a strong enough incentive with only the City participating.

Cons:

- Depending on the City's requirements for the duration of affordability, building owners will most likely use the program as long as they apply and then raise rents to the market rate when they expire. Although this helps achieves affordability goals short term, it may have negative long-term implications for tenants.
- City could be the only entity monitoring compliance with income and rent restrictions on an otherwise market-rate property.

Summary of MUPTE Analysis for Tualatin

Estimating Forgone Tax Revenue

Methodology Overview

To estimate the value of the MUPTE incentive for developers, ECONorthwest analyzed its benefit relative to the cost of rent discounts, using an assumption that rents would be set to be affordable to households earning 80% of Area Median Income (AMI). We used example multifamily developments that were recently built in Tualatin and Tigard, which were selected as the most comparable new market-rate buildings in the past five years (2017-2022).

The example we used for testing the incentive is a multifamily development. While MUPTE could be applied to middle housing (e.g. triplexes), most smaller-scale middle housing development is unlikely to allow for efficient administration of income qualification within a mixed-income project.² The example property is a 180-unit development, 3-story development with a clubhouse, pool, and fitness center. To reach 20% of units affordable at 80% of AMI, this example would have to provide 36 income-restricted units.

Example 1 was used to test these results on the most recent multifamily development within Tualatin. Estimated market rents and the difference with 80% AMI rents are listed in Exhibit 1.

Exhibit 1. Estimated Market Rents by Example Property and Market Area and 80% AMI Rent

Source: ECONorthwest, based on data from CoStar, HUD, and Washington County

Unit Type	Residential Market Rate Rent*	80% AMI Max Rent**	Rent Discount to 80% AMI	Share of Discount to Market Rent
Studio	\$1,780	\$1,477	\$303	17%
1BR	\$1,926	\$1,578	\$348	18%
2BR	\$2,596	\$1,833	\$763	29%
3BR	\$2,763	\$2,174	\$589	21%

* Market rents are based on current asking rents for comparable properties, adjusted for an assumed 6% increase to next year.

**Affordable rents are based on 2022 Washington County maximum rents by income level and unit size for Low Income Housing Tax Credit projects,³ adjusted for a water, sewer, and garbage allowance and an assumed 3% increase to next year.

Results

Exhibit 2 illustrates the value of the abatement (the combined navy and turquoise positive bars) compared to the foregone revenue from below-market rents (shown as an orange negative bar), and the net benefit to the developer (shown as a yellow dot and line).

These analysis indicates that in Year 1, the value of the abatement from all taxing districts would likely exceed the rent loss from the affordable units if all taxing districts participate,

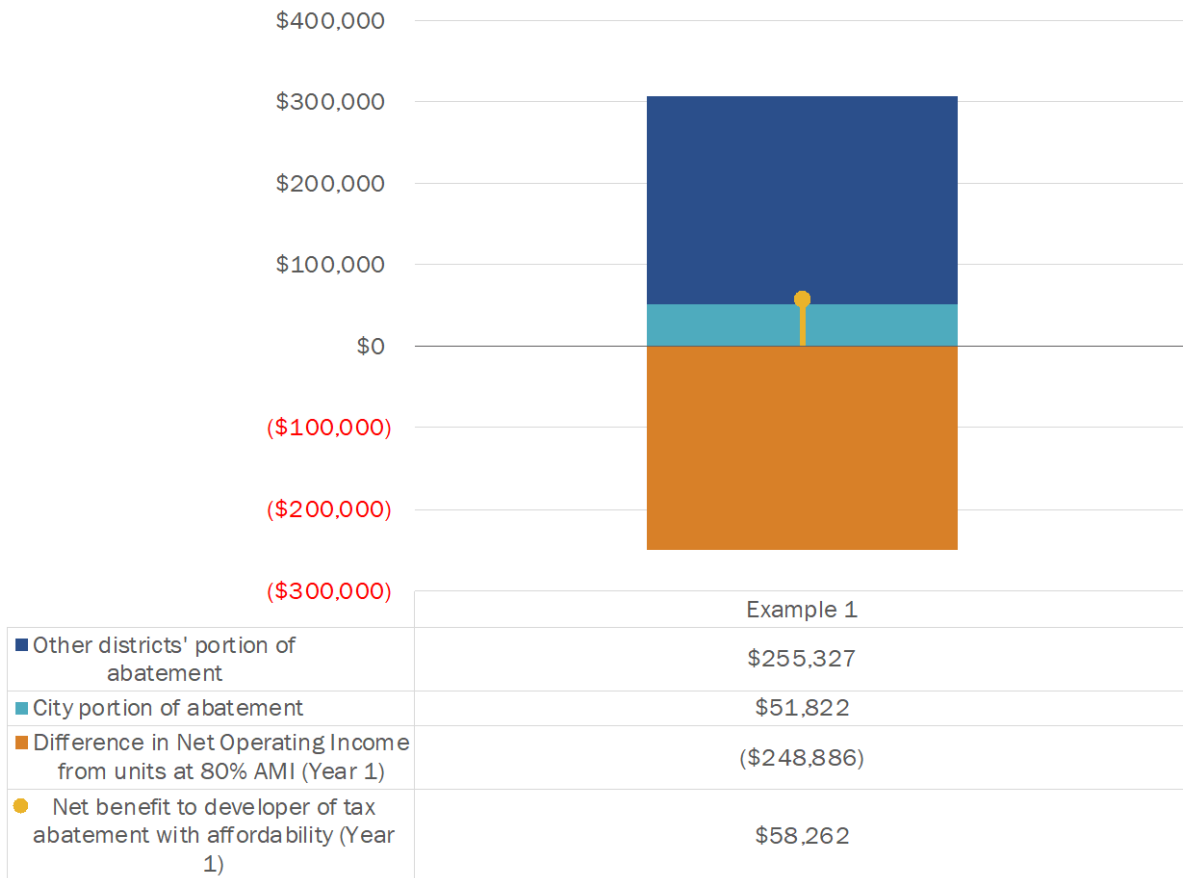
² The improvement value for each example property was available from Washington County assessor data; although part of Tualatin is in Clackamas County, all the properties examined here fall in the Washington County side.

³ <https://www.oregon.gov/ohcs/compliance-monitoring/Documents/rents-incomes/2022/LIHTC/Washington.pdf>

exempting a total of roughly \$307,000 in the first year. The total rent discount is estimated at roughly \$249,000 in year one, offering a net benefit to the developer of roughly \$58,000 in increased net operating income (NOI).

If the City were to allow MUPTE participants to allocate any units in the building to meet 80% AMI affordability criteria, it would increase the incentive and potentially encourage more developers to participate in the program. The unit mix of the example development is not the most advantageous for maximizing the benefits of MUPTE. Of the 180 units in the building, 102 are 2-bedroom apartments, which equates with the largest rent discount to 80% AMI at a loss of \$763 per unit (a higher share of market rent than larger 3-bedroom units). Even though the incentive is applied evenly across all unit types in the building, there is a higher share that fall into this higher discount difference.

Exhibit 2. Tax Abatement Value vs. Foregone Rent (Year 1) for Example Development



Revenue impacts may change over time. Over time, property taxes (and the value of the abatement) will most likely grow at 3 percent per year.⁴ Based on this projection, the total value of taxes abated over 10 years would be approximately \$3.07 million if all taxing districts were

⁴ This is due to Oregon's property taxation system, which caps the increase in taxable value at 3% per year unless major improvements are made to the property.

included. Rent may grow at a similar rate but rent growth will vary from year to year and is less predictable. In the near future, it is likely to grow at more than 3 percent per year given recent trends, though this may slow over time. In addition, the allowed rent for the income-restricted units will change over time as the AMI determined by the US Department of Housing and Urban Development changes.

As a result, the net value of the abatement may change over the life of the program. If the net benefit is negative to start, there is a likely chance that the value of the abatement may not exceed the foregone revenue in the future. A longer affordability period means greater unknowns about how the foregone rent will change over time.

Other Considerations

Coordination with Other Taxing Districts: The City represents only about 17 percent of the overall tax rate, meaning that if that were the only portion included in the abatement it would generally not provide a sufficient incentive. The Tigard-Tualatin School District's support along with the City would be enough to apply the tax abatement to all taxing districts as their share totals about 45 percent of the tax rate.⁵ The school district previously supported the Nonprofit Low Income Rental Housing tax exemption program in Tigard, but the City would need to seek their support for this or other additional tax abatement programs.

Administrative Effort: For market rate developers, participating in an income-restricted program may add significantly more administrative effort to maintain compliance. Verifying tenant incomes, reporting, and monitoring can take additional capacity beyond what would typically be needed for a non-regulated building. If benefits from the abatement program increase the net operating income, this may offset the burden of administrative needs.

Program Design: The specific design of a MUPTE program may change developers' willingness to participate in a voluntary program. Flexibility with requirements may be effective in allowing developers to choose an optimal approach, while still providing clear enough guidelines that ensure public benefits.

If affordable units must be distributed across all unit sizes, developers cannot meet the requirement by simply providing smaller units where market rents would meet or nearly meet the affordability requirements. For example, studio or 1-bedroom units are both a lower overall discount for affordable units relative to market rate prices and a lower share of the market rate rent lost compared with 2-bedroom units. (ECONorthwest's analysis assumes that the affordable units are distributed across unit sizes consistent with the overall unit mix).

If the affordable units can be designated as specific units within the building, the developer can also economize on finishes (e.g., laminate countertops vs. granite) to mitigate the reduced rent

⁵ <https://www.co.washington.or.us/AssessmentTaxation/upload/2020-Summary-Book.pdf>

from those units. What features are economized and their impact on livability in a unit also has potential equity implications for the program.

Example Multiple Unit Housing Tax Exemption Programs

A number of cities have implemented programs under the multiple unit housing statutes summarized above (ORS 307.600 to ORS 307.637), though the program names vary between jurisdictions, including:

- **Newport**, where the City refers to its program as the Multiple Unit Housing Property Tax Exemption (MUPTE).
 - **Applicability:** MUPTE applies to projects with 3 or more units (or renovation projects that add 2 or more units) within certain zones that are located within a quarter-mile of bus service. Projects must meet green building and affordability requirements. To meet the affordability requirements, projects may provide 20% of units at 80% of AMI or below, 10% of units at 60% of AMI or below, or make an in-lieu payment equal to 10% of the total property tax exemption.
 - **Administration:** The application process includes submitting a proforma for review by a third party to show a need for the exemption. Once approved, property owners must sign a Regulatory Agreement that is recorded against the title and submit annual documentation of tenant income and rents for the affordable units to the City's Community Development Department.
- **Portland**, which refers to its program as the Multiple-Unit Limited Tax Exemption (MULTE) Program.⁶
 - **Applicability:** MULTE is currently paired with Portland's Inclusionary Housing (IH) requirement. Projects must have a minimum of 20 units (the same threshold for the IH program). For projects within the Central City Plan District that meet a minimum floor area ratio (FAR), it applies to 100% of the residential portion of the improvement value, including residential parking. For other projects, the City limits the exemption to the affordable portion of the project. At least 5% of the affordable units must be adaptable for ADA accessibility, and the affordable units must be distributed evenly by bedroom size within the project. While the affordability restriction period is for 99 years, the City limits the exemption to 10 years.
 - **Administration:** Applicants must provide project information and basic financial information to calculate the value of the exemption, but do not need to provide a pro forma because the financial need is demonstrated by the City's calibration of their IH program. During the compliance period, projects must provide tenant income and rental data annually.

⁶ All program details from City of Portland, "Multiple-Unit Limited Tax Exemption (MULTE) Program Interim Administrative Rule," <https://www.portland.gov/sites/default/files/policies/hou-3.02-multiple-unit-limited-tax-exemption-multe-program.pdf>

- **Program cap:** The City imposes a rolling cap on foregone revenue of no more than \$15 million within a 5-year period, except for projects located within an urban renewal area. Projects within an urban renewal area require approval from Prosper Portland and the City’s Debt Manager.
- **Salem** calls their program the Multi-Unit Housing Tax Incentive Program (MUHTIP).⁷
- **Applicability:** Can apply to projects with at least two dwelling units located in the downtown core. Projects must include at least one public benefit, though these are discretionary and include a range of options including recreation facilities or common meeting rooms, daycare facilities, ground-level commercial space, special architectural features, and “Units at sales prices or rental rates which are accessible to a broad income range of the general public.”⁸ Projects with 100 or more units must provide at least 15% of units affordable at 80% of AMI or below, or at least two public benefits.
- **Administration:** Applicants must attend a pre-application conference and submit project information. Applications are reviewed by other city departments and the City Council.

Conclusions and Next Steps

- The program configuration of 20% of units at 80% AMI could provide a net benefit to developers if the tax abatement applies to all overlapping taxing districts. However, the city’s rate alone is insufficient to provide an incentive.
- MUPTE may offer a greater incentive for development of smaller studio or 1-bedroom units because these units have a smaller gap between market rate and affordable rents. This could make it a potential tool to align with the City’s goals around providing senior housing or generally meeting the needs of smaller 1-to-2 person households.
- If the City is unable to garner sufficient support from overlapping taxing districts, the City could explore pairing it with other incentives that reduce development costs (such as system development charge exemptions). However, in order to be layered with other incentives, those programs would also have to include mixed-income development projects in their eligibility criteria.
- If the City is the sole party providing funding or financial incentives in exchange for affordability, as is likely for a mixed-income development by a market-rate developer, the City would need to take on monitoring and enforcement or find a partner to take this on. Property managers would also need to income-qualify applicants for the affordable units.

⁷ All program details from City of Salem, “Multi Unit Housing Tax Incentive Program,” <https://www.cityofsalem.net/pages/multi-unit-housing-tax-incentive-program.aspx>

⁸ Salem Revised Code: [SRC 2.815](#) (c).

- The City could reach out to the Washington County Housing Authority to see if the County would be willing to provide administrative support for the program.

DATE: September 23, 2022
 TO: City of Tualatin
 FROM: ECONorthwest
 SUBJECT: Summary of System Development Charge Exemption Analysis

The City of Tualatin is considering a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. To understand the potential trade-offs of implementing these strategies in Tualatin, this memorandum describes what each strategic action is and how it works. In addition, it summarizes an analysis of the potential impacts of implementing each action. The final section outlines potential next steps for the City of Tualatin to consider.

System Development Charge Exemptions

Overview

System Development Charges are one-time fees for new development and certain types of redevelopment that help pay for increased loads on infrastructure systems. These charges are a way for local governments to pay for public facilities like sewer, water, transportation, and parks. SDCs are designed to vary with the magnitude of development impacts, but this can be calculated in a variety of ways depending on the service with which they are associated; for example, water SDCs are often measured by the size of the meter needed, not by the number of dwelling units, square footage, or valuation of the building.

While SDCs are primarily intended to be based on impact, some jurisdictions in Oregon offer exemptions or reductions in system development charges (SDCs) for specific types of development based on local policies. Some jurisdictions offer exemptions or reductions for regulated affordable rentals, deed-restricted affordable homeownership, and/or accessory dwelling units. This memo focuses on analysis for a potential SDC exemption for regulated affordable housing in Tualatin.

Lowering SDCs for affordable housing projects can help to make development more feasible by lowering upfront building costs. Typically, affordability requirements are put in place for a period of time, with the level of affordability and duration of requirements varying by jurisdiction. For rental units or affordable homeownership this can include annual reporting requirements or deed restrictions respectively to ensure compliance. Jurisdictions set their own

New Development Charges in Tualatin: SDCs are a part of the fees that new developments pay to service districts. Rates for SDCs in Tualatin are different based on these districts. The table below summarizes the rates for these charges in Tualatin. (* indicates that a line shows a charge that is a different type of fee, not an SDC)

Service District	Rate
Metro Construction Excise Tax (CET) *	0.12% of valuation
Transit Development Tax (TDT)	\$6,542 / unit
Parks and Recreation	\$6,371 / unit
Schools CET (Tigard-Tualatin District) *	\$1.45 / sq ft.
Sewer	\$7,266 / unit
Water	Varies by meter size

standards for these requirements, like program caps that may set a limit on how much the city can forgo per year.

Generally, cities can only exempt the SDCs that they control, not those controlled by special districts or other service providers.

Some cities “backfill” the lost revenue by paying the lost amount from other specific funding sources allocated to fill the gap. In other cases, cities simply forego SDC revenue for exempt projects. Whether a city backfills revenue or not depends on local determinations.

Fiscal Impacts/Who Pays

The City of Tualatin has limited control over SDCs because most of these charges are collected on behalf of other service districts and providers. These entities determine their own rates and fee structure. However, the City does control Parks and Water SDCs.

ECONorthwest’s analysis in the Tualatin Housing Production Strategy identified the Parks SDC as the most promising option for implementing an exemption (this charge recently went through a review and update process). The Water SDC is based on meter size, which makes it difficult to predict what new buildings will pay, especially for multifamily projects. An exemption for Parks would theoretically mean forgone revenue for the City’s Parks and Recreation Department or the need to identify another funding source to backfill the funding gap. However, if projects are only feasible with the SDC exemption, this may be revenue that the City would not have collected regardless.

The City does not control TDT (Transportation Development Tax), which is a voter-approved charge imposed on new development and redevelopment within Washington County. This charge helps to pay for the impact development has on the transportation system.

Pros and Cons

Pros:

- Tualatin would be able to set its own qualifying standards for development to use the SDC exemption, allowing the city to target the kind of units it most needs in terms of apartments vs. single family homes, AMI level, and duration of affordability.
- SDC exemptions have been successful in other jurisdictions in Oregon, including Portland, Tigard, Eugene, and Bend. Some backfill forgone revenue using a variety of local funding options while others do not.
- The City has the flexibility to control whether it wants to implement a program cap that could avoid excessive forgone revenue in Tualatin, depending on the estimated gap created by projected participation in the program. Like the nonprofit tax exemption, revenue would not actually be forgone unless affordable housing projects are built which qualify for the desired criteria. If implemented, considerations for how projects are chosen should be clear and based on an application process.

Cons:

- Tualatin only has control over Parks and Water SDCs. TDT and sewer/stormwater SDCs are collected for other service providers, restricting the City's ability offer an exemption.
- It is difficult to estimate what the cost of Water SDCs will be for multifamily buildings, giving the City less certainty about the impact of an exemption program. Since the charge is based on a fixed water meter size, this incentive also does not scale easily with more units the way that Parks and other SDCs do. This would require careful consideration for lost revenue and how it could be backfilled when there is only a very rough approximation that is subject to variation.
- Most other jurisdictions in Oregon that have offered SDC exemptions have included more than one. It is possible that only exempting the Parks SDC would not provide a strong enough incentive to encourage development, though for regulated affordable housing it will still likely provide some assistance for existing plans.

Summary of the SDCs in Tualatin

Estimating Forgone Revenue

Methodology Overview

To estimate the potential impact of providing an SDC exemption for Tualatin, city staff provided data on the new development charges estimated for an affordable housing project currently undergoing land use review. The example site is planned as a 116-unit housing development split between two 4-story wood-framed residential buildings, with a freestanding community center located on the site that includes additional resident services and offices.

ECONorthwest used the rates for this example site and confirmed that they aligned with the most current rates through public facing information as of July 2022 from the City and Clean Water Services. Exhibit 1 shows the rate schedule and its total estimated costs that they created for the sample building. Some of these charges are calculated by unit, including Transit Development Tax, Parks, and Sewer. Other charges are calculated by specific measurements, including total valuation or building area.

Exhibit 1. Summary of New Development Charges for Sample Multifamily Development

Source: City of Tualatin

Note: There is a cap on the amount that the Metro or Schools CET can charge on new development. Metro's CET will not collect more than \$12,000 per project, while the Tigard-Tualatin CET caps at \$36,100 for nonresidential development only.

Charge Category	Rate	Cost	Per Unit Estimate
Metro Construction Excise Tax (CET)	0.12% of valuation	TBD	N/A
Transit Development Tax (TDT)	\$6,542 / unit	\$758,872	\$6,542
Parks (City)	\$6,371 / unit	\$739,036	\$6,371
Schools CET (Tigard-Tualatin)	1.45 / sq ft.	\$175,035	\$1,508
Sewer (CWS)	\$7,266 / unit	\$842,856	\$7,266
Water (City)	One (1) 4" water meter	\$132,634	\$1,143
Total		\$2,574,077	\$22,190

System Development Charge Rates

In addition to this building's SDCs, we also used the rates listed in Exhibit 1 to generate estimates for three other recent examples of comparable affordable multifamily buildings. While we were able to gather information about each building's valuation, unit number, and square footage, we relied on the per unit estimate from our example building for the water SDC.

School district rates may also vary throughout Tualatin. The example building used is located in the Sherwood School District, which as a rate of \$1.39/sq ft. rather than \$1.45. For this model we used \$1.45/sq ft. because that is consistent with the other three of the four school districts covering the city. Some school districts also include caps on what they charge development. This includes Tigard-Tualatin which has a non-residential maximum of \$35,000.

In our analysis the example building, which is not yet completed, there was not yet a permit valuation publicly listed from the Washington County Assessor. Since this was not available to generate the likely charge from Metro CET, it is lower than the developer is likely to pay, but we were able to include this in all other buildings analyzed.

There is a wide range in these values based on the number of units, unit mix, location, and other features. For example, although the total estimate for The Fields is much higher than the other buildings analyzed, this building contains more units. Exhibit 4 shows a rate per unit that is closer to that of other recent affordable housing developments.

Exhibit 2. Total Estimated New Development Charges in Comparable Buildings

Source: City of Tualatin, ECONorthwest Analysis

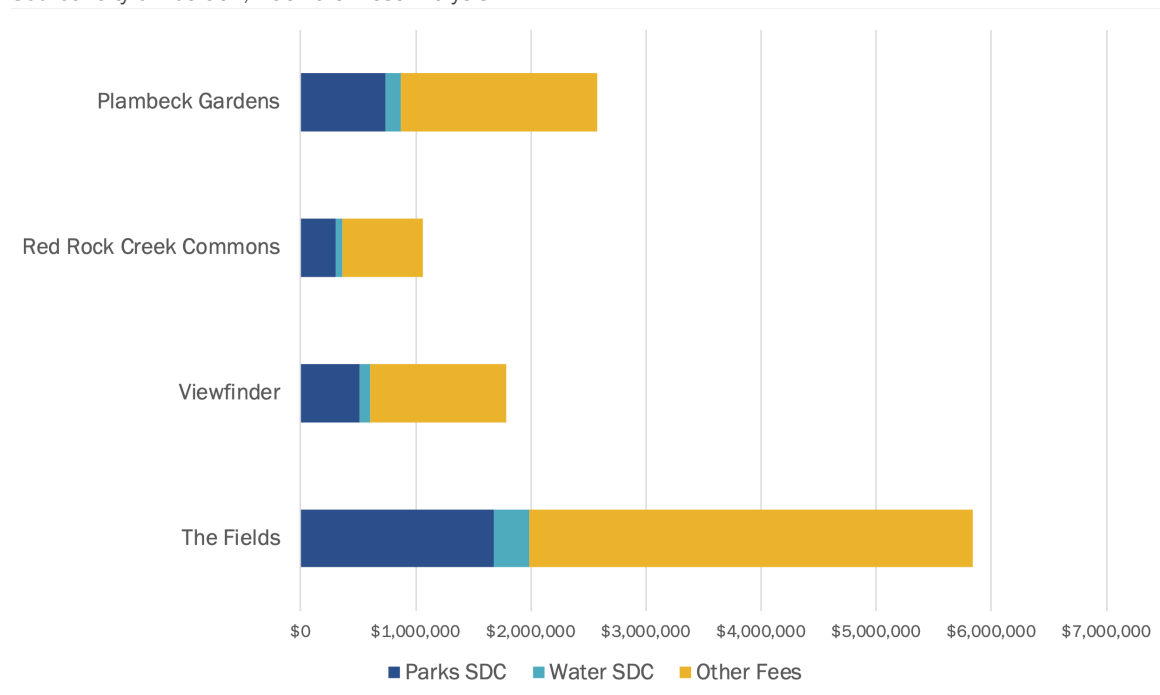


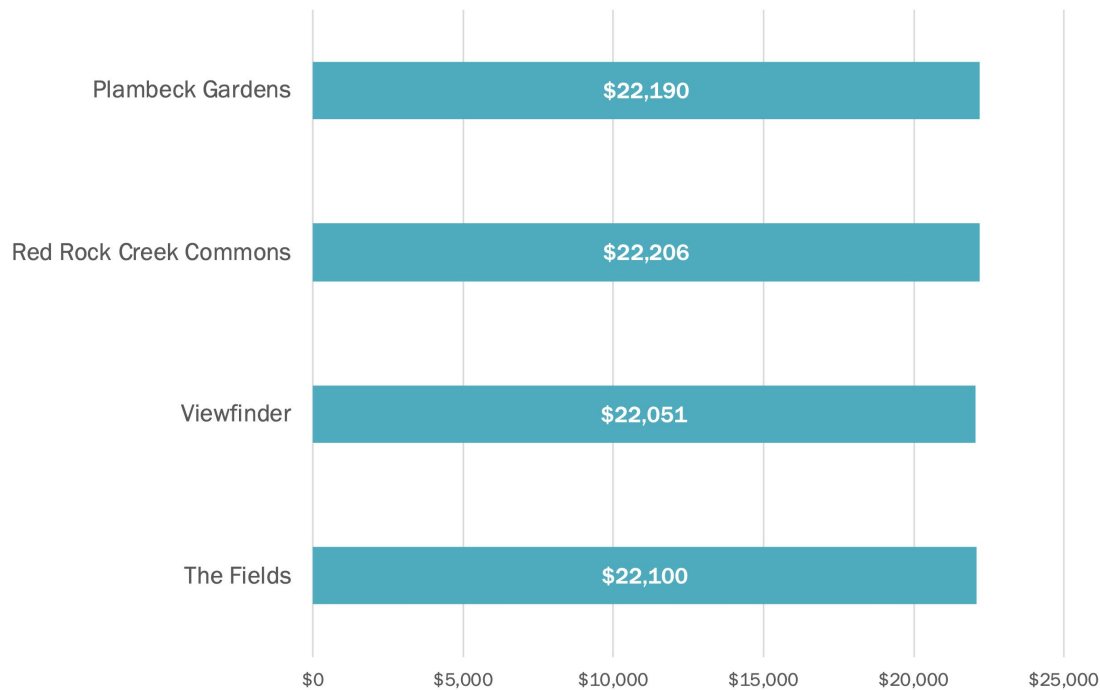
Exhibit 3. Detail of Total Estimated New Development Charges in Comparable Buildings

Source: City of Tualatin, ECONorthwest Analysis

	Plambeck Gardens (116 units)	Red Rock Creek (48 units)	ViewFinder (81 units)	The Fields (264 units)
Parks SDC	\$739,036	\$305,808	\$516,051	\$1,681,944
Water SDC	\$132,634	\$54,883	\$92,615	\$301,857
Other Fees	\$1,702,407	\$705,186	\$1,177,498	\$3,850,588
Total	\$2,574,077	\$1,065,877	\$1,786,164	\$5,834,389

Exhibit 4. Total Estimated System Development Charges Per Unit in Comparable Buildings

Source: City of Tualatin, ECONorthwest Analysis



Results

For these comparable multifamily buildings, the value of all SDCs ranged between \$705,000 to \$3.8 million (Exhibit 2). However, when controlled for the number of units in each building, the cost of SDCs had very little variation. This may be in part because four of the six SDC rates are calculated at a flat rate per unit, putting costs for all four buildings around \$22,000 for each apartment. Of these total costs, the Parks SDC accounted for a greater share of the total SDC amount than the Water SDC in each building.

Since the Parks SDC is a flat rate per unit in multifamily buildings, it can be easily measured by the number of units. If the City had offered an exemption for Parks SDCs during this period for the example building, it would have foregone roughly \$739,000 in revenue (\$6,371 per unit). Applied to a hypothetical new multifamily development, this exemption would translate to \$667,100 in forgone Parks revenue per 100 units in an affordable development. Water SDC rates are more difficult to measure consistently for hypothetical buildings, but based on an average for the example, this would roughly equate to \$114,300 in forgone Water SDC revenue per 100 affordable units. The Parks and Water SDC exemptions combined would equal \$7,514 per unit.

If an SDC exemption were to be used for developing affordable single-family residential units, the City applies a flat rate of \$8,133 per unit for the Parks SDC which would be forgone. Although Water SDCs can be difficult for multifamily buildings, it may be easier to offer this incentive for single family affordable homeownership. Typical new homes require between a 5/8"-3/4" water meter, which costs a flat rate of either \$5,306 or 7,958 in Tualatin as of the City's 2022 rate schedule. If the City were able to offer both Parks and Water SDC exemptions for affordable homeownership projects, the forgone revenue would be between \$13,439-16,091 per unit depending on water meter size. Regarding just Parks (the most likely charge to be exempted) forgone SDC revenue is 22% higher per unit for single family homeownership than it is per unit in a multifamily building.

Fiscal Requirements

Requirements to backfill exempted SDCs vary by jurisdiction in Oregon depending on local determinations. If Tualatin were to pursue this strategy, first steps would need to include setting up a conversation about legal requirements. Based on an initial assessment it is likely that the City would have to find a source to backfill forgone revenue for Parks and Water.

A number of cities have implemented SDC programs with different configurations of city and participant requirements:

- **Tigard** provides exemptions for the local Transportation and Park SDCs for regulated affordable housing that serves households earning 80% of MFI or less. The exemption can be used for rental or for sale housing, but affordability restrictions must last for at least 20 years. There is no program cap or backfill.
- **Eugene** offers an SDC exemption of all charges except the Metropolitan Wastewater Management Commission (MWMC) regional wastewater fees. This program is for rental and affordable homeownership affordable housing developments. For rentals, units must be affordable to households at 60% of MFI for at least five years. For homeownership, they must be affordable to households at 80% of MFI or less for at least five years. Eugene's exemption is backfilled using local funds, which is capped at \$372,280, to be split evenly between rental and homeownership applicants.
- **Bend** offers a forgivable loan for City Transportation, Water, and Sewer SDCs. This is available for affordable rental and homeownership housing that is deed restricted. The program can be used for projects affordable to households at 80% of MFI or less for at least five years.¹ Bend backfills the program using local funds and the program initially had a cap and projects were selected on a competitive basis.
 - The program is structured as a forgivable loan at 6% interest per annum for 5-year installment loans or 7% for 10-years. If the property owner leaves the program or is

¹ Bend City Code 12.10.120(C)(1-2)

out of compliance, the SDCs must be paid back with interest. Applications are reviewed by the Affordable Housing Advisory Committee on a rolling basis.²

Conclusions and Next Steps

- The City should consider this exemption as a method to help close gaps for affordable multifamily housing development. Although it is possible to offer for affordable single-family homeownership, the benefits are multiplied when used for larger developments which have higher total upfront system development charges. To ensure compliance with either type of housing, the City could also include deed restriction agreements for developers or property owners.
- To implement this action, the City should begin a conversation with the Parks and Recreation Department and Public Works Department as well as consulting with an attorney to understand the impact to their revenues and any requirements for backfilling. In addition, the City should consider steps to identify backfilling sources either from the general fund, another local funding source, or other tools examined in this project that generate revenue for affordable housing development.
- In addition to an outright exemption, the City could consider a deferral program where developers or homeowners can pay SDCs later in the development process (for example at certificate of occupancy), but this would likely require a higher level of staff capacity.
- An SDC exemption would work more efficiently alongside some tools than others. Projects funded by Low Income Housing Tax Credits (LIHTC) will not receive as strong of a benefit from an exemption because of the reduction in eligible costs used to calculate equity for those projects.

² <https://www.bendoregon.gov/government/departments/economic-development/affordable-housing-program/developer-resources>

DATE: October 4, 2022
TO: City of Tualatin
FROM: ECONorthwest
SUBJECT: Urban Renewal Districts – Affordable Housing Funding Opportunities

The City of Tualatin is considering using urban renewal to support housing production, as part of a range of strategies and actions to fund and implement the goals from its 2021 Housing Production Strategy. This memo describes the potential trade-offs of implementing urban renewal districts in Tualatin and summarizes an analysis of the potential impacts of implementing each action. The final section outlines potential next steps for the City of Tualatin to consider.

Urban Renewal Districts

Overview

Urban renewal districts in Oregon are authorized by the state in ORS Chapter 457 and implemented by local jurisdictions. State law specifies requirements for a city to create an urban renewal agency, which can then create plans for areas that are officially designated as ‘blighted’ by a local governing body (either the city or county).

Urban Renewal Districts: Areas where a local urban renewal authority has created a plan for new public investments. Tax increment financing (TIF) revenues generally pay off bonds used for catalytic improvements like parks, infrastructure, commercial development, or affordable housing.

How does tax increment financing work?

Urban renewal districts use tax increment financing (TIF) to fund strategic public investments intended to spur more development in designated areas. This tool works by leveraging future growth for new catalytic projects through bonds. When the plan is adopted, the total assessed value for properties in the boundary is ‘frozen’ for the plan’s lifespan. Taxes from that original base continue going to the taxing jurisdictions at the time of adoption at that base rate. The growth in tax revenue above the base is called the ‘increment,’ which goes to the urban renewal agency to be used for funding projects within the plan area. Agencies most often use bonds to begin projects, then when new development in the urban renewal area leads to an increase in property value and more tax revenue, the agency uses it to pay the bonds with TIF dollars.

When the bonds are paid off and the plan sunsets, the entire valuation of the district is returned to the general property tax rolls.

What urban renewal areas exist in Tualatin?

In 2021, the City of Tualatin adopted the new Southwest and Basalt Creek Development Area. There is also a proposal for a North District area which encompasses parts of Bridgeport Village, Town Commons, I-5 Corridor and Tualatin-Sherwood Road area. While much of the land included in these two areas is planned for industrial and commercial use, portions of the potential new districts are also planned for residential or mixed-use development. These could

be appropriate locations for new affordable housing rehabilitation or mixed-income housing funded by increment revenue.

Development Area Boundaries

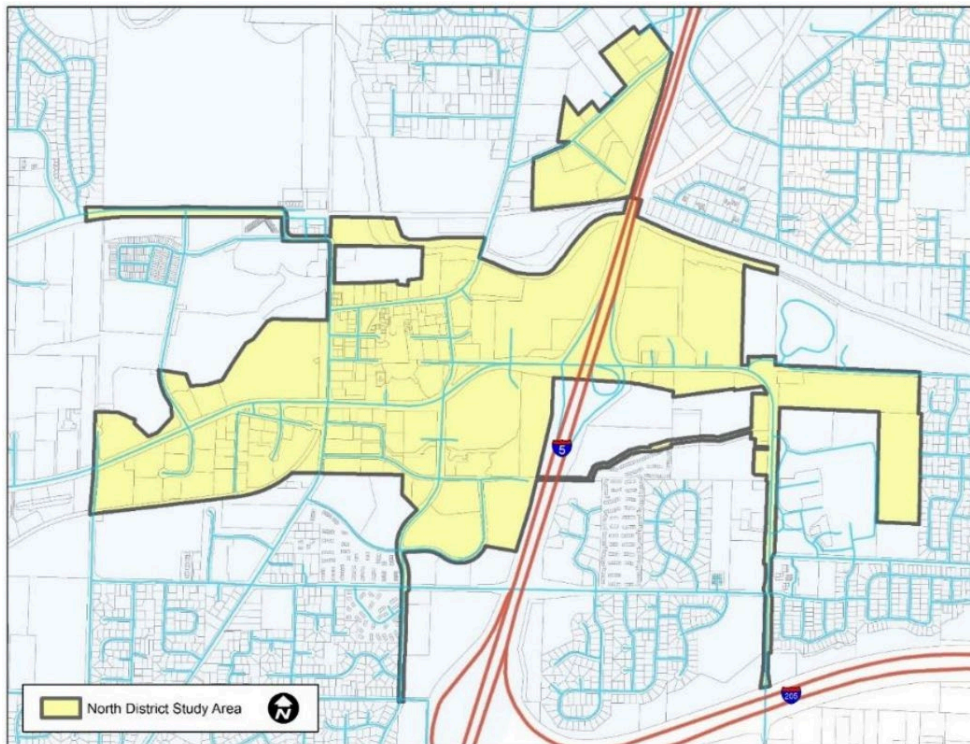
The City would only be able to use TIF revenue within renewal plan areas, though there may be flexibility for revenue generated within one district to be used in another urban renewal area.

The City's proposed **North District**¹ comprises Bridgeport Village, Town Commons, I-5 Corridor, and Tualatin-Sherwood Road. It could be a potential site for investment in affordable housing through TIF. The Agency has not finalized the boundaries or adopted the plan, leaving more room for including explicit goals around affordable housing. Like the City's other urban renewal areas, the North District contains large amounts of industrial and commercially zoned land, but it does have portions for residential use where projects could be located.

Although majority of land exclusively zoned for residential use in the North District is already developed, there could be potential for denser or mixed-use housing development in Downtown. Exhibit 1 shows the proposed boundaries for this plan area, though it has not yet been finalized.

Exhibit 1. Proposed Urban Renewal Area Plan Boundaries for the North District

Source: City of Tualatin



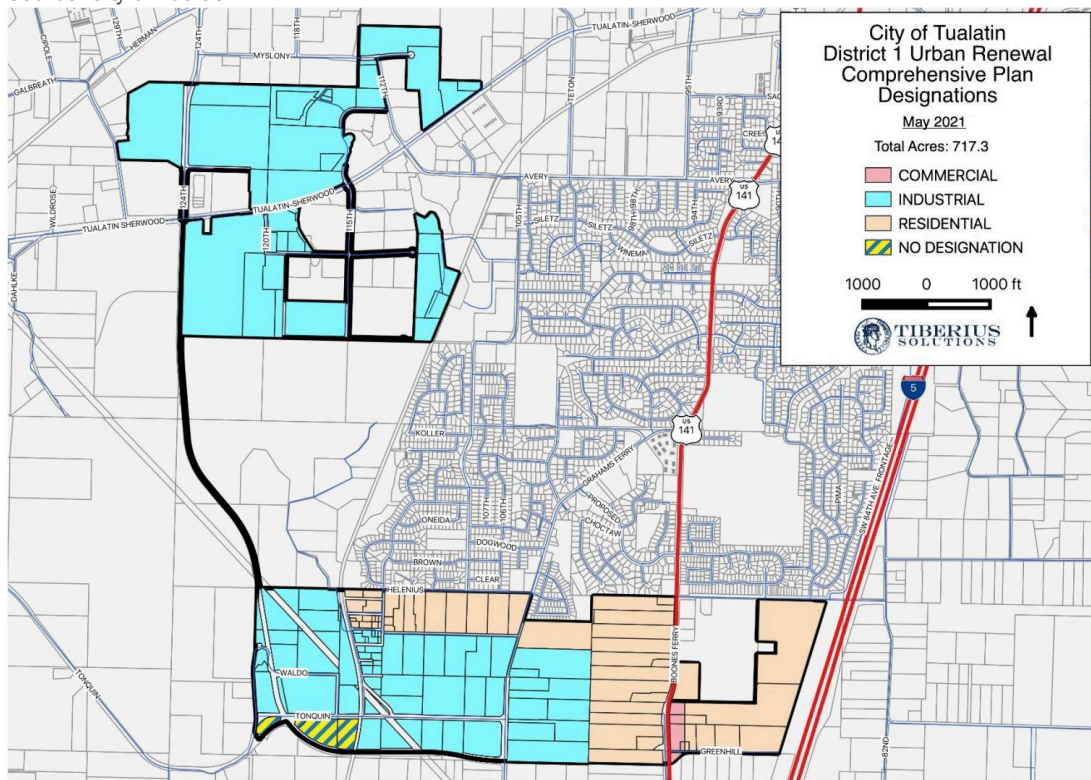
¹ This district has been referred to with several names during its development, including the 'I-5 Corridor' and 'District 2.'

Exhibit 2 and 3 shows the boundaries for the **Southwest and Basalt Creek Area** and its comprehensive plan designations. While a part of the area is residential, large portions are zoned for industrial or commercial uses which could limit the actual area where affordable housing investments could be made. The residential zones in Southwest and Basalt Creek are focused in the eastern part of the proposed district, near I-5. Many of the lots that would be eligible for the use of urban renewal funds are already developed and not available for new construction.

Within the Southwest and Basalt Creek Plan Area, Community Partners for Affordable Housing (CPAH) owns a parcel. CPAH was a part of the Task Force Advisory Board for developing the plan, which included infrastructure provisions that benefit affordable housing and other housing development within the plan boundaries.

Exhibit 3. Urban Renewal Plan Area Boundaries and Comprehensive Plan Designations in Southwest and Basalt Creek Plan Area

Source: City of Tualatin



The area of Tualatin’s existing **Leveton Tax Increment Plan** is almost entirely designated for commercial and industrial use, with only a small corner designated for high density residential. While the plan stresses compatibility with adjacent residential areas, it does not explicitly include initiatives or goals around housing. To use TIF funds in this area, the City would need to update their plan with objectives around housing but would be limited to a relatively small area for implementation.

What kinds of housing projects can TIF fund?

Designating TIF dollars from urban renewal for affordable housing is a way for the City to directly provide funding for affordable housing. While regulated affordable housing is often tax exempt and does not generate additional tax revenue, some jurisdictions allocate a portion of TIF revenues to fund affordable housing development to support equitable development within the designated district. TIF can be invested in the form of low interest loans and/or grants for housing projects or a variety of capital investments. There are other restrictions that make it difficult to use TIF funding for operations and it is typically directed towards construction and capital projects such as multifamily development, rehabilitation, or supportive utilities.

How much money is available?

There are two potential urban renewal areas where Tualatin could consider using tax increment financing (TIF) revenue to support affordable housing projects. These include the Southwest and Basalt Creek Development which was established in 2021 and the proposed North District.

The Southwest and Basalt Creek Development potential total TIF revenue over 30 years is estimated to be between \$28.4 million and \$55.5 million, depending on future growth in assessed value in the area. The plan for this area includes objectives for affordable housing, including a parcel owned by Community Partners for Affordable Housing (CPAH).

The North District's potential total TIF revenue over 30 years is estimated between \$248.2 and \$362.7 million based on three different growth scenarios detailed in a 2021 report, though this area has not yet been adopted by the City.

Each urban renewal area has a maximum indebtedness that caps the total amount that projects can access.

Exhibit 2. Urban renewal areas in Tualatin

	Leveton	Southwest and Basalt Creek	North (proposed)
Year established	2002	2021	TBD
Potential TIF revenue (30 years)	Undefined	\$28.4 - \$55.5M	TBD
Maximum indebtedness	\$36.4M	\$13.6 - 26.2M	TBD
Affordable housing considerations in the plan	None	Language on increasing housing options	TBD

Where can TIF be used?

The Agency must use TIF funds within the boundaries of the plan district. There may be some possible exceptions for utilities located outside of the district that serve the urban renewal area. If there is a citywide program, TIF funds may be used as the funding source for it in the specific urban renewal area if projects align with plan goals.

Considerations

Pros and Cons

Pros:

- Urban renewal revenue is the city's largest locally-controlled funding source that could be available to support affordable housing development through direct project subsidies, land write-downs, and infrastructure enhancements.
- The City is already in the process of creating a new urban renewal district. These plans could include explicit goals for incenting affordable housing or adopt housing unit development targets. The agency could use these goals in its investment criteria in the district.
- The City can use TIF revenue to ensure affordable housing is available in districts as properties appreciate due to investments in the urban renewal area. Including affordable housing investments as part of a comprehensive set of infrastructure enhancements can help to mitigate potential displacement when the district grows.

Cons:

- In many cases, affordable housing projects are tax exempt, and therefore do not contribute to the growth of tax increment revenues. Investments should be made with this trade-off in mind.
- TIF can only be used in areas already designated for urban renewal. These may not necessarily be areas that have the highest need, ideal transportation options, or proximity to jobs.
- In the currently active TIF areas (Leveton, Southwest and Basalt Creek) in Tualatin, the majority of the land is zoned for industrial or commercial use rather than residential development, limiting the area where urban renewal funds could be used.
- Investing over \$750,000 in TIF (or any public funds) directly into a new or renovated privately developed project triggers prevailing wage requirements. Prevailing wages are specific local rates set by the US Department of Labor by different types of construction projects funded by federal dollars, including fringe benefits. These can typically increase overall project costs by 10 to 20 percent for developers.
- Setting aside TIF revenue or using bonds for affordable housing projects means that that amount is no longer available to other projects in the district like infrastructure, parks, or commercial development.

Urban Renewal Areas in Tualatin

Examples of Other Urban Renewal Revenue Housing Programs

Other cities in Oregon have set aside tax increment funds for various local affordable housing initiatives in urban renewal areas. Some examples include:

- **Portland.** The City began using a 45% set aside of their tax increment dollars for new affordable housing for households at or below 100% of AMI in 2006. Although funds could still only be used within the boundaries of urban renewal areas, the policy set a minimum share of TIF revenue to be put towards affordable housing projects. In the first twelve years of implementation, the set aside policy generated more than \$275 million in direct investment in housing affordable to low-income and workforce residents. In the years since, affordable housing investment has accounted for one-third of TIF expenditures across nine urban renewal areas in Portland. The set aside has provided capital resources for key projects like the Bud Clark Commons, Block 49 veterans housing in South Waterfront, and preservation of existing low-income apartment units. Funds have also been used for down payment assistance programs and home repairs throughout urban renewal areas.²
- **Tigard.** The City Center and Tigard Triangle Urban Renewal Plans included explicit goals to provide financial and technical assistance to targeted types of housing development. The City Center area has seen a 32% increase in multifamily housing since 2006, compared with a 25% increase in the rest of the city, while the Tigard Triangle has seen a 265% increase.³ Although this progress is the result of multiple overlapping strategies, the urban renewal agency has contributed development assistance.

In 2017, Tigard's Town Center Development Agency participated in a public-private partnership with Capstone Development to complete a 165-unit apartment building. Through the agreement, the developer team purchased the agency-owned property for its appraised value of \$1.7 million, and the City provided an SDC waiver for the same amount to the developer to offset some of the estimated \$2.8 million in SDCs incurred by the project. Since the project qualifies for a partial 10-year property tax reduction under the state's Vertical Housing program, some of the estimated \$7.8 million in property taxes that would be generated over 20 years will be forgone.⁴

- **Redmond.** The local urban renewal agency provided \$150,000 in gap financing in 2017 to fund Housing Works' 48-unit affordable housing project for seniors located in its Downtown Urban Renewal District. The building includes community space and a full-service 10,000 SF medical clinic. The total project cost was \$12 million and included

² Portland Housing Bureau, "Importance of TIF Set-aside Policy," City of Portland, accessed August 2, 2022, <https://www.portlandoregon.gov/phb/article/653603>.

³ Town Center Development Agency of the City of Tigard, "TIF District/Urban Renewal Financial Impact Report," January 31, 2022, <https://www.tigard-or.gov/home/showpublisheddocument/2017/637792251216970000>.

⁴ Downtown Revitalization Projects- Downtown Tigard. http://www.tigard-or.gov/community/project_history.php

financing from Wells Fargo's Community Lending & Investment team. It includes one residential condo and six project-based HUD Section 8 voucher units.⁵

Conclusions and Next Steps

- The City should evaluate areas designated for residential use within its existing and potential urban renewal areas.
- The City should evaluate a potential setaside or other policy language as part of the implementation of its existing urban renewal plan.
- The City should evaluate including strong but flexible language in the upcoming North District plan that could support the use of TIF funding for affordable housing. By including affordable housing in the urban renewal plan, the City should identify whether it wants to set unit production and affordability targets over time or simply include affordable housing as an eligible project category.

⁵ NOAH Project Profile: Cook Crossing. https://noah-housing.org/docs/project_profiles/Cook_Crossing.pdf



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council

THROUGH: Sherilyn Lombos, City Manager

FROM: Mike McCarthy, Interim City Engineer
Bryce Donovan, Engineering Associate

DATE: October 24, 2022

SUBJECT:

Consideration of **Resolution No. 5647-22** Awarding the Contract for Construction of the 65th /Nyberg Sanitary Sewer Trunk Main Rehabilitation Project.

RECOMMENDATION:

Staff recommends that Council approve the resolution awarding and allowing the City Manager to execute a contract with Moore Excavation, Inc. to construct the 65th /Nyberg Sanitary Sewer Trunk Main Rehabilitation Project in the amount of \$897,313.

EXECUTIVE SUMMARY:

The contract will construct new pipes, manholes, and connections to replace the existing deteriorated sanitary sewer trunk main west of 65th Avenue and south of Nyberg Road. This work also includes repair of a stormwater outfall that is currently affecting the sewer.

The construction contract was advertised in the Daily Journal of Commerce on September 7, 2022 and the Business Tribune on September 8, 2022. Two bids were received before the bid period closed on October 4, 2022. Moore Excavation, Inc. submitted the lowest responsible bid for the project in the amount of \$897,313.

OUTCOMES OF DECISION:

Adopting the resolution and authorizing contract execution would allow construction of this project to proceed.

FINANCIAL IMPLICATIONS:

Funds for this project are available in the Sewer Fund, and most of the project cost will be reimbursed by Clean Water Services.

ATTACHMENTS:

Resolution No. 5647-22 Awarding Contract

RESOLUTION NO. 5647-22

A RESOLUTION AWARDING THE CONTRACT FOR CONSTRUCTION OF THE 65TH/NYBERG SANITARY SEWER TRUNK MAIN REHABILITATION

WHEREAS, on September 7, 2022 and September 8, 2022, the project was posted in the *Daily Journal of Commerce* and *Business Tribune* (respectively) and requested for proposals as part of Tualatin's capital improvement program;

WHEREAS, two (2) bids were received prior to the close of the bid period on October 4th, 2022;

WHEREAS, Moore Excavation Inc. submitted the lowest responsible bid for the project in the amount of \$897,313; and

WHEREAS, there are funds budgeted for this project in the Sewer Fund.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, OREGON, that:

Section 1. The contract is awarded to Moore Excavation, Inc.

Section 2. The City Manager is authorized to execute a contract with Moore Excavation, Inc. in the amount of \$897,313.

Section 3. The City Manager, or the City Manager's designee, is authorized to execute Change Orders totaling up to 10% of the original contract amount.

Section 4. This resolution is effective upon adoption.

Adopted by the City Council this 24th day of October, 2022.

ATTEST:

CITY OF TUALATIN, OREGON

BY _____
City Recorder

BY _____
Mayor



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council
THROUGH: Sherilyn Lombos, City Manager
FROM: Mike McCarthy, Interim City Engineer
DATE: October 24, 2022

SUBJECT:

Consideration of **Resolution No. 5648-22** Awarding the Contract for Construction of the 2022 Neighborhood Traffic Safety Projects Phase 1, part of the Tualatin Moving Forward Program.

RECOMMENDATION:

Staff recommends that Council approve the resolution awarding and allowing the City Manager to execute a contract with Cascade Civil Corp to construct the 2022 Neighborhood Traffic Safety Projects Phase 1 in the amount of \$256,835.

EXECUTIVE SUMMARY:

The contract will build new sidewalk along Avery Street southeast of Tualatin-Sherwood Road, enhance crosswalks with ADA curb ramps and flashing lights across Martinazzi Avenue at Mohawk Street and across Boones Ferry Road at 84th Avenue, and improve sidewalks, ramps, and a bus stop on Martinazzi Avenue near Fred Meyer.

The construction contract was advertised in the Daily Journal of Commerce on September 12, 2022 and the Business Tribune on September 13, 2022. Six bids were received before the bid period closed on October 4, 2022. Cascade Civil Corp submitted the lowest responsible bid for the project in the amount of \$256,835.

OUTCOMES OF DECISION:

Adopting the resolution and authorizing contract execution would allow construction of this project to proceed.

FINANCIAL IMPLICATIONS:

Funds for this project are available in the Transportation Project Fund.

ATTACHMENTS:

Resolution No. 5648-22 Awarding Contract

RESOLUTION NO. 5648-22

A RESOLUTION AWARDING THE CONTRACT FOR CONSTRUCTION OF THE 2022 NEIGHBORHOOD TRAFFIC SAFETY PROGRAM PHASE 1 PROJECT, PART OF THE TUALATIN MOVING FORWARD PROGRAM

WHEREAS, on September 12 and 13, 2022, the project was posted in the *Daily Journal of Commerce* and *Business Tribune* (respectively) and requested for proposals as part of the Tualatin Moving Forward program;

WHEREAS, six (6) bids were received prior to the close of the bid period on October 4th, 2022;

WHEREAS, Cascade Civil Corp submitted the lowest responsible bid for the project in the amount of \$256,835; and

WHEREAS, there are funds budgeted for this project in the Transportation Project Fund.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, OREGON, that:

Section 1. The contract is awarded to Cascade Civil Corp.

Section 2. The City Manager is authorized to execute a contract with Cascade Civil Corp in the amount of \$256,835.

Section 3. The City Manager, or the City Manager's designee, is authorized to execute Change Orders totaling up to 10% of the original contract amount.

Section 4. This resolution is effective upon adoption.

Adopted by the City Council this 24th day of October, 2022.

ATTEST:

CITY OF TUALATIN, OREGON

BY _____
City Recorder

BY _____
Mayor



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council

THROUGH: Sherilyn Lombos, City Manager

FROM: Mike McCarthy, Interim City Engineer
Bryce Donovan, Engineering Associate

DATE: October 24, 2022

SUBJECT:

Consideration of **Resolution No. 5649-22** Awarding the Contract for Construction of the B-Level Water Main Project

RECOMMENDATION:

Staff recommends that Council approve the resolution awarding and authorizing the City Manager to execute a contract with Trench Line Excavation, Inc. to construct the B-Level Water Main Project in the amount of \$1,596,523.47.

EXECUTIVE SUMMARY:

The contract will construct about 4,000 linear feet of new 18" water transmission main parallel to Boones Ferry Road and Norwood Road to bring water to Tualatin's B-Level Reservoir south of Norwood Road.

The construction contract was advertised in the Daily Journal of Commerce on September 16 and 19, 2022 and the Business Tribune on September 20 and 23, 2022. Seven bids were received before the bid period closed on October 11, 2022. Trench Line Excavation, Inc. submitted the lowest responsible bid for the project in the amount of \$1,596,523.47.

OUTCOMES OF DECISION:

Adopting the resolution and authorizing contract execution would allow construction of this project to proceed.

FINANCIAL IMPLICATIONS:

Funds for this project are available in the Water Fund.

ATTACHMENTS:

Resolution No. 5649-22 Awarding Contract

RESOLUTION NO. 5649-22

A RESOLUTION AWARDING THE CONTRACT FOR CONSTRUCTION OF THE B-LEVEL WATER MAIN PROJECT

WHEREAS, on September 16 and 19, 2022 and September 20 and 23, 2022, the project was posted in the *Daily Journal of Commerce and Business Tribune* (respectively) and requested for proposals as part of Tualatin's capital improvement program;

WHEREAS, seven (7) bids were received prior to the close of the bid period on October 11th, 2022;

WHEREAS, Trench Line Excavation Inc. submitted the lowest responsible bid for the project in the amount of \$1,596,523.47; and

WHEREAS, there are funds budgeted for this project in the Water Fund.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, OREGON, that:

Section 1. The contract is awarded to Trench Line Excavation, Inc.

Section 2. The City Manager is authorized to execute a contract with Trench Line Excavation, Inc. in the amount of \$1,596,523.47.

Section 3. The City Manager, or the City Manager's designee, is authorized to execute Change Orders totaling up to 10% of the original contract amount.

Section 4. This resolution is effective upon adoption.

Adopted by the City Council this 24th day of October, 2022.

ATTEST:

CITY OF TUALATIN, OREGON

BY _____
City Recorder

BY _____
Mayor



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council
THROUGH: Sherilyn Lombos, City Manager
FROM: Stacy Ruthrauff, Human Resources Director
DATE: October 24, 2022

SUBJECT:

Consideration of Resolution No. 5650-22 Authorizing the City Manager to Execute a Collective Bargaining Agreement with the Tualatin Police Officers Association

RECOMMENDATION:

Staff recommends the City Council adopt the attached Resolution

EXECUTIVE SUMMARY:

Updates to the contract include inclusion of language from a Memorandum of Understanding regarding legislation passed in both the Senate and House in late 2019. Also included is a 4.5% cost of living adjustment retroactive to July 1, 2022 and a 2% cost of living adjustment effective January 1, 2023. In years two of the contract, the cost of living adjustment will reflect a 2% and 3% adjustment on July 1 and January 1. In year three of the contract, the cost of living adjustments will reflect a 2.5% cost of living adjustment and a 3% cost of living adjustment on July 1 and January 1, of that fiscal each year. Additionally, the medical and dental plans were updated to reflect the current plans from City/County Insurance Services (CIS) and retiree return-to-work language was agreed upon in the contract.

FINANCIAL IMPLICATIONS:

Provisions for adjustments to the economic terms of the Collective Bargaining Agreement between the City of Tualatin and the Tualatin Police Officers Association for the first year of the bargaining agreement are incorporated in the FY 2022-23 budget. The costs associated with the second and third year of the agreement will be allocated to corresponding fiscal year's budgets.

ATTACHMENTS:

RESOLUTION NO. 5650-22

RESOLUTION NO. 5650-22

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A COLLECTIVE BARGAINING AGREEMENT WITH THE TUALATIN POLICE OFFICERS ASSOCIATION.

WHEREAS, the City Council is the authority in authorizing the execution of collective bargaining agreements (CBA) between the City of Tualatin and the Tualatin Police Officers Association (TPOA); and

WHEREAS, the City and TPOA previously negotiated and executed a CBA that was in effect until June 30, 2022; and

WHEREAS, the City and TPOA negotiated a new successor CBA, which agreement term begins July 1, 2022 and ends June 30, 2025; and

WHEREAS, the City Council believes that it is in the best interest of the City to approve the new CBA with TPOA.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, OREGON, that:

Section 1. The Council approves the CBA between the City and the Tualatin Police Officers Association for the term July 1, 2022 through June 30, 2025.

Section 2. The Council authorizes the City Manager to execute the CBA.

Section 3. This resolution is effective upon adoption.

INTRODUCED AND ADOPTED this 24th day of October, 2022

CITY OF TUALATIN OREGON

BY _____
Mayor

APPROVED AS TO LEGAL FORM

ATTEST

BY _____
City Attorney

BY _____
City Recorder



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council
THROUGH: Sherilyn Lombos, City Manager
FROM: Don Hudson, Assistant City Manager/Finance Director
DATE: October 24, 2022

SUBJECT:

Consideration of Resolution No. 5652-22 to Adopt the City of Tualatin Investment Policy

RECOMMENDATION:

Staff recommends that the City Council adopt the attached Investment Policy.

EXECUTIVE SUMMARY:

Oregon Revised Statutes (ORS) 294.135(1)(a) requires local governments that invest in securities with maturities longer than 18 months, annually adopt their investment policies. The City previously submitted the City of Tualatin Investment Policy to the Oregon Short Term Fund Board for review and comment, as required by law. The City Council adopted the current policy on October 25, 2021. The policy is being presented for re-adoption to the City Council with no proposed changes.

OUTCOMES OF DECISION:

Adoption of the City's investment portfolio under State Statute.

ALTERNATIVES TO RECOMMENDATION:

Choose not to approve the Investment Policy and not comply with ORS 294.135

ATTACHMENTS:

- Resolution No. 5652-22
- Exhibit A, Investment Policy

RESOLUTION NO. 5652-22

A RESOLUTION ADOPTING THE CITY OF TUALATIN INVESTMENT POLICY

WHEREAS, Oregon Revised Statutes (ORS) 294.135(1)(a) requires local governments investing in securities with maturities longer than 18 months to annually adopt their investment policies;

WHEREAS, the City invests in securities with maturities longer than 18 months;

WHEREAS, the City previously submitted the City of Tualatin Investment Policy to the Oregon Short Term Fund Board for review and comment;

WHEREAS, the City Council previously adopted the City of Tualatin Investment Policy on October 25, 2021; and

WHEREAS, the City wishes to annually adopt the City of Tualatin Investment Policy in compliance with ORS 294.135(1)(a).

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, OREGON, that:

Section 1. The Council adopts the City of Tualatin Investment Policy, which is attached as Exhibit A and incorporated by reference.

Section 3. This resolution is effective upon adoption.

INTRODUCED AND ADOPTED this 24th day of October, 2022.

CITY OF TUALATIN, OREGON

BY _____
Mayor

APPROVED AS TO FORM:

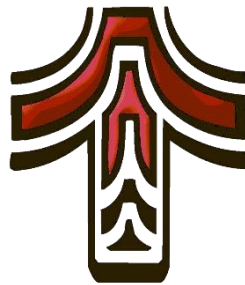
ATTEST:

BY _____
City Attorney

BY _____
City Recorder

**EXHIBIT A
RESOLUTION NO. 5652-22**

CITY OF TUALATIN



City of Tualatin

INVESTMENT POLICY 2022

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1. INTRODUCTION

The purpose of this Investment Policy is to establish the investment objectives, delegation of authority, standards of prudence, eligible investments and transactions, internal controls, reporting requirements, and safekeeping and custodial procedures necessary for the prudent management and investment of the funds of the City of Tualatin.

2. GOVERNING AUTHORITY

The investment program shall be operated in conformance with federal, state, and other legal requirements. Specifically, this investment policy is written in conformance with ORS 294.035; 294.040; 294.052; 294.135; 294.145 and 294.810. All funds within the scope of this policy are subject to regulations established by the state of Oregon. Any revisions or extensions of these sections of the ORS shall be assumed to be part of this Investment Policy immediately upon being enacted.

This Policy has been adopted by Resolution #5652-22 by the City Council of Tualatin, Oregon on October 24, 2022.

3. SCOPE

This policy applies to activities of the City with regards to investing the financial assets of all funds except for funds held in trust for the Pension Portfolio and deferred compensation funds for the employees of the City which have separate rules. Other than bond proceeds or other unusual situations, the total of all funds ranges from \$40,000,000 to \$90,000,000. This policy provides direction for the following fund types:

1. General Fund
2. Special Revenue Funds
3. Capital Projects Funds
4. Debt Service Funds
5. Enterprise Funds
6. Internal Service Funds
7. Trust and Agency Funds
8. Other Funds

4. OBJECTIVES

The City's principal investment objectives in order of priority are:

4.1 Safety:

- Preservation of capital and protection of investment principal.
- Diversification to avoid incurring unreasonable risks regarding specific security types or individual financial institutions.

4.2 Liquidity:

- Maintenance of sufficient liquidity to meet operating requirements that are reasonably anticipated.

4.3 Yield – Return:

- Attainment of a market value rate of return throughout budgetary and economic cycles.

5. STANDARDS OF CARE

5.1 Delegation of Authority

- a. **Governing Body:** The ultimate fiduciary responsibility and authority for the investment of City funds resides with the City Council. The City hereby designates the Finance Director as the Investment Officer for the City's funds. The Finance Director shall invest City funds in accordance with ORS Chapter 294, Public Financial Administration, and with this Investment Policy. This Policy shall constitute a "written order" from City Council per ORS 294.035.
- b. **Investment Advisor:** Subject to required procurement procedures, the City may engage the support services of outside professionals in regard to its financial program, so long as it can be demonstrated or anticipated that these services produce a net financial advantage or necessary financial protection of the City's resources. External investment advisors shall be subject to Oregon Revised Statutes and the provisions of this Investment Policy. The Advisor shall provide non-discretionary advisory services, which require prior approval from the Finance Director on all transactions.

In order to optimize total return through active portfolio management, resources shall be allocated to the cash management program. This commitment of resources shall include financial and staffing considerations.

5.2 Prudence:

The standard of prudence to be used, by the Finance Director, in the context of managing the overall portfolio is the prudent person rule which states:

"Investments will be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the probable income to be derived."

The City's Finance Director (ORS 294.004 (2)) and staff acting in accordance with this Investment Policy, written procedures, and Oregon Revised Statutes 294.035 and 294.040 and exercising due diligence shall be relieved of personal responsibility for an individual security's credit risk or market price change or other loss, provided deviations from expectations are reported and appropriate action is taken to control adverse developments within a timely fashion as defined in this policy.

5.3 Ethics:

Officers and employees involved in the investment process shall refrain from personal activity that could conflict with the proper execution and management of the investment program, or that could impair their ability to make impartial decisions. Employees and investment officials shall disclose any material interests in financial institutions with which they conduct business. Disclosure shall be made to the governing body. They shall further disclose any personal investment positions that could be related to the performance of the investment portfolio. Employees and officers shall refrain from undertaking personal investment transactions with the same individual with whom business is conducted on behalf of the City. Officers and employees shall, at all times, comply with the State of Oregon Government Standards and Practices code of ethics set forth in ORS Chapter 244.

6. AUTHORIZED FINANCIAL INSTITUTIONS

The City shall maintain a list of all authorized financial institutions and dealers that are approved for investment purposes. Any firm is eligible to make an application to the Finance Director and upon due consideration and approval, will be added to the list. Additions and deletions to the list will be made at the City's discretion. There should be in place, proof as to all the necessary credentials and licenses held by employees of the brokers/dealers who will have contact with the City of Tualatin as specified by but not necessarily limited to the Financial Industry Regulatory Authority (FINRA), Securities and Exchange Commission (SEC), etc.

6.1 Broker/Dealers:

The Investment Officer shall determine which broker/dealer firms and registered representatives are authorized for the purposes of investing funds within the scope of this investment policy. A list will be maintained of approved broker/dealer firms and affiliated registered representatives. The following minimum criteria must be met prior to authorizing investment transactions. The Investment Officer may impose more stringent criteria.

- a. Broker/Dealer firms must meet the following minimum criteria:
 - i. Be registered with the Securities and Exchange Commission (SEC);
 - ii. Be registered with the Financial Industry Regulatory Authority (FINRA).
 - iii. Provide most recent audited financials.
 - iv. Provide FINRA Focus Report filings.
- b. Approved broker/dealer employees who execute transactions with the City must meet the following minimum criteria:
 - i. Be a registered representative with the Financial Industry Regulatory Authority (FINRA);
 - ii. Be licensed by the state of Oregon;
 - iii. Provide certification (in writing) of having read; understood; and agreed to comply with the most current version of this investment policy.
- c. If the City's investment advisor is contracted to provide securities transactions on behalf of the City, the advisor's broker/dealer list must be provided to the Investment Officer for approval. The Investment Officer can assign the responsibility of

broker/dealer due diligence process to the Advisor, and all licensing information on the counterparties will be maintained by the Advisor and available upon request.

The advisor broker/dealer review should include:

- i. FINRA Certification check
- ii. Firm Profile
- iii. Firm History
- iv. Firm Operations
- v. Disclosures of Arbitration Awards, Disciplinary and Regulatory Events
- vi. State Registration Verification
- vii. Financial review of acceptable FINRA capital requirements or letter of credit for clearing settlements.

The advisors must provide the City with any changes to the list prior to transacting on behalf of the City.

6.2 Financial Bank Institutions:

All financial banks that provide bank deposits, certificates of deposits or any other deposit of the bank to the City must either be fully covered by the FDIC or the bank must be a participant of the Public Funds Collateralization Program (PFCP) program. ORS Chapter 295 governs the collateralization of Oregon public funds and provides the statutory requirements for the Public Funds Collateralization Program. Bank depositories are required to pledge collateral against any public funds deposits in excess of deposit insurance amounts. This provides additional protection for public funds in the event of a bank loss. ORS Chapter 295 sets the specific value of the collateral, as well as the types of collateral that are acceptable. ORS Chapter 295 creates a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected.

6.3 Investment Advisors:

An Investment Advisor may be utilized to manage funds and will be selected through a competitive RFP process. The Advisor must meet the following criteria:

- a. The investment advisor firm must be registered with the Securities and Exchange Commission (SEC) or licensed by the state of Oregon; (Note: Investment advisor firms with assets under management > \$100 million must be registered with the SEC, otherwise the firm must be licensed by the state of Oregon);
- b. All investment advisor firm representatives conducting investment transactions on behalf of City must be registered representatives with FINRA;
- c. All investment advisor firm representatives conducting investment transactions on behalf of City must be licensed by the state of Oregon;
- d. Contract terms will include that the Investment advisor will comply with the City's Investment Policy.

A periodic (at least annual) review of all authorized investment advisors under contract will be conducted by the Finance director to determine their continued eligibility within the portfolio guidelines. The Investment Advisor must notify the City immediately if any of the following issues arise while serving under a City Contract:

- a. Pending investigations by securities regulators.
- b. Significant changes in net capital.
- c. Pending customer arbitration cases.
- d. Regulatory enforcement actions.

6.4 Competitive Transactions:

The Finance Director will obtain telephone, faxed or emailed quotes before purchasing or selling an investment. The Finance Director will select the quote which best satisfies the investment objectives of the investment portfolio within the parameters of this policy. The Finance Director and/or the Investment Advisor will maintain a written record of each bidding process including the name and prices offered by each participating financial institution.

In the instance of a security for which there is no readily available competitive bid or offering on the same specific issue, the Investment Officer shall document quotations for comparable or alternative securities.

The City's investment advisor that is providing investment management services must provide documentation of competitive pricing execution on each transaction. The investment advisor will retain documentation and provide upon request.

7. SAFEKEEPING AND CUSTODY

7.1 Safekeeping of Securities and Funds:

Securities will be held by an independent third-party safekeeping institution selected by the City in the City's segregated account. Upon request, the safekeeping institution shall make available a copy of its Statement on Standards for Attestation Engagements (SSAE) No. 16.

All trades of marketable securities will be executed on a delivery vs payment (DVP) basis to ensure that securities are deposited in the City of Tualatin's safekeeping institution prior to the release of funds. The City will have online access through the safekeeping bank for verification of the account holdings and transactions.

7.2 Bank Deposits and Certificates of Deposit:

The City may hold bank deposits or certificates of deposits at banks qualified under ORS 295.

7.3 Accounting Method:

The City shall comply with all required legal provisions and Generally Accepted Accounting Principles (GAAP). The accounting principles are those contained in the pronouncements of authoritative bodies including but not necessarily limited to, the Governmental Accounting Standards Board (GASB); the American Institute of Certified Public Accountants (AICPA); and the Financial Accounting Standards Board (FASB).

7.4 Internal Controls:

The Finance Director shall maintain a system of written internal controls which shall address the following areas of concern:

- Compliance with investment policy constraints and requirements
- Clear delegation of authority
- Segregation of duties and separation of responsibilities for trade execution, accounting, and record keeping
- Written confirmation of transactions and funds transfers
- Timely reconciliation of custodial reports
- Appropriate security for online transactions and access to bank accounts and bank data
- Custodial safekeeping
- Control of collusion
- Review, maintenance and monitoring of security procedures both manual and automated
- Dual authorizations of wire and automated clearing house (ACH) transfers
- Avoidance of physical delivery of securities wherever possible and address control requirements for physical delivery where necessary

An external auditor shall provide an annual independent audit to assure compliance with Oregon state law and City of Tualatin policies and procedures.

8. AUTHORIZED AND SUITABLE INVESTMENTS

8.1 Authorized Investments:

All investments of the City shall be made in accordance with Oregon Revised Statutes: ORS 294.035 (Investment of surplus funds of political subdivisions; approved investments), ORS 294.040 (Restriction on investments under ORS 294.035), ORS 294.135 (Investment maturity dates), ORS 294.145 (Prohibited conduct for Finance Director including not committing to invest funds or sell securities more than 14 business days prior to the anticipated date of settlement), ORS 294.805 to 294.895 (Local Government Investment Pool). Any revisions or extensions of these sections of the ORS must be amended to this policy in order to be allowable.

If additional types of securities are considered for investment, per Oregon state statute they will not be eligible for investment until this Policy has been amended and the amended version adopted by City Council.

8.2 Suitable Investments:

The City is empowered to invest in the following types of securities:

US Treasury Obligations: U.S. Treasury and other government obligations that carry the full faith and credit guarantee of the United States for the timely payment of principal and interest [ORS Section 294.035(3)(a)].

US Agency Obligations: Senior debenture obligations of US federal agencies and instrumentalities or U.S. government sponsored enterprises (GSE) whose payment is guaranteed by the United States [ORS Section 294.035(3)(a)].

Municipal Debt: Lawfully issued debt obligations of the States of Oregon, California, Idaho and Washington and political subdivisions of those states if the obligations have a long-term rating on the settlement date of AA- or better by S&P or Aa3 or better by Moody's or equivalent rating by any nationally recognized statistical rating organization, or are rated on the settlement date in the highest category for short-term municipal debt by a nationally recognized statistical rating organization [ORS Section 294.035(3)(c)].

Corporate Indebtedness: Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Corporate indebtedness must be rated on the settlement date AA- or better by S&P or Aa3 or better by Moody's or equivalent rating by any nationally recognized statistical rating organization [ORS Section 294.035(3)(i)].

Commercial Paper: Corporate indebtedness subject to a valid registration statement on file with the Securities and Exchange Commission or issued under the authority of section 3(a)(2) or 3(a)(3) of the Securities Act of 1933, as amended. Commercial Paper must be rated A1 by Standard and Poor's or P1 by Moody's or equivalent rating by any nationally recognized statistical rating organization. Issuer constraints for commercial paper combined with corporate notes will be limited by statute to 5% of market value per issuer [ORS Section 294.035(3)(i)].

Certificates of Deposit: Certificates of deposit in insured institutions as defined in ORS 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state [ORS Section 294.035(3)(d)].

Bank Time Deposit/Savings Accounts: Time deposit open accounts or savings accounts in insured institutions as defined in ORS Section 706.008, in credit unions as defined in ORS Section 723.006 or in federal credit unions, if the institution or credit union maintains a head office or a branch in this state [ORS Section 294.035(3)(d)].

Bankers' Acceptance: Banker's acceptances, if the banker's acceptances are: (i) Guaranteed by, and carried on the books of, a qualified financial institution*; (ii) Eligible for discount by the Federal Reserve System; and (iii) Issued by a qualified financial institution whose short-term letter of credit rating is rated in the highest category by one or more nationally recognized statistical rating organizations [ORS Section 294.035(3)(h)].

Local Government Investment Pool: State Treasurer's local short-term investment fund up to the statutory limit per ORS Section 294.810.

*For the purposes of this paragraph, "qualified financial institution" means: (i) A financial institution that is located and licensed to do banking business in the State of Oregon; or (ii) A financial institution that is wholly owned by a financial holding company or a bank holding company that owns a financial institution that is located and licensed to do banking business in the State of Oregon [ORS Section 294.035(3)(h)].

8.3 Collateralization:

Time deposit open accounts, Certificates of Deposit and savings accounts shall be collateralized through the collateral pool for any excess over the amount insured by an agency of the United States government in accordance with ORS 295.015 and ORS 295.018.

9. INVESTMENT PARAMETERS

9.1 Diversification:

The City will diversify the investment portfolio to avoid incurring unreasonable risks, both credit and interest rate risk, inherent in over investing in specific instruments, individual financial institutions or maturities.

Credit risk: is the risk that a security or a portfolio will lose some or all of its value due to a real or perceived change in the ability of the issuer to repay its debt.

Liquidity risk: is the risk that an investment may not be easily marketable or redeemable.

Interest rate risk: longer term investments have the potential to achieve higher returns but are also likely to exhibit higher market value price volatility due to the changes in the general level of interest rates.

Diversification Constraints on Total Holdings – Liquidity and Core Funds

Issue Type	Maximum % Holdings	Maximum % per Issuer	Ratings S&P, Moody's, or Equivalent NRSRO
US Treasury Obligations	100%	None	N/A
US Agency Obligations	100%	35%	N/A
Municipal Debt (OR, CA, ID, WA)	25%	5%	AA- / Aa3 Short Term*
Corporate Notes	35%**	5%***	AA- / Aa3
Commercial Paper			A1 / P1
Bank Time Deposits/Savings Accounts	25%	10%	Oregon Public Depository
Certificates of Deposit	10%	5%	Oregon Public Depository
Banker's Acceptance	25%	5%	A1 / P1
Oregon Short Term Fund	Maximum allowed per ORS 294.810	None	N/A

*Short Term Ratings: Moody's - P1/MIG1/VMIG1, S&P - A-1/SP-1, Fitch - F1

**35% maximum combined corporate and commercial paper per ORS.

***Issuer constraints apply to the combined issues in corporate and commercial paper holdings.

9.2 Investment Maturity:

The City will not directly invest in securities with a stated maturity of more than 5.25 years from the date of purchase.

- The maximum weighted maturity of the total portfolio shall not exceed two (2) years. This maximum is established to limit the portfolio to excessive price change exposure.
- Liquidity funds will be held in the State Pool, Bank Deposits or in money market instruments maturing six months and shorter. The liquidity portfolio shall, at a minimum, represent six month budgeted outflows.
- Core funds will be defined as the funds in excess of liquidity requirements. The investments in this portion of the portfolio will have maturities between 1 day and 5.25 years and will be only invested based on the diversification parameters listed in 9.1 of this policy.
- Total Portfolio Maturity Constraints:

Maturity Constraints	Minimum % of Total Portfolio
Under 30 days	10%
Under 1 year	25%
Under 5.25 years	100%

Maturity Constraints	Maximum of Total Portfolio in Years
Weighted Average Maturity	2.00

Security Structure Constraint	Maximum % of Total Portfolio
Callable Agency Securities	25%

9.3 Prohibited Investments:

- The City shall not invest in "144A" private placement securities, this includes commercial paper privately placed under section 4(a)(2) of the Securities Act of 1933
- The City shall not lend securities nor directly participate in a securities lending or reverse repurchase program.
- The City shall not purchase mortgage backed securities.
- The City will not purchase, per ORS 294.040, any bonds of issuers listed in ORS 294.035(3)(a) to (c) that have a prior default history.
- No commitments to buy or sell securities may be made more than 14 days prior to the anticipated settlement date, or receive a fee other than interest for future deliveries.

10. INVESTMENT OF PROCEEDS FROM DEBT ISSUANCE

Investments of bond proceeds are restricted further and will not include corporate bonds in the dedicated bond proceed portfolio. All other allowable investments including: US Treasury, US Agency and Commercial Paper may be utilized. The investments will be made in a manner to match cash flow expectations based on managed disbursement schedules.

Liquidity for bond proceeds will be managed through the OSTF Pool or Bank deposit balances.

Funds from bond proceeds and amounts held in a bond payment reserve or proceeds fund may be invested pursuant to ORS 294.052. Investments of bond proceeds are typically not invested for resale and maturity matched with expected outflows.

Information will be maintained for arbitrage rebate calculations.

11. INVESTMENT OF RESERVE OR CAPITAL IMPROVEMENTS

Pursuant to ORS 294.135(1)(b), reserve or capital Improvement project monies may be invested in securities exceeding 5.25 years when the funds in question are being accumulated for an anticipated use that will occur more than 18 months after the funds are invested, then, upon the approval of the governing body of the county, municipality, school district or other political subdivision, the maturity of the investment or investments made with the funds may occur when the funds are expected to be used.

12. POLICY COMPLIANCE AND PERFORMANCE STANDARDS

12.1 Compliance Measurement and Procedures:

- a. Compliance Report: A compliance report documenting the portfolio versus the investment policy shall be maintained quarterly.
- b. Compliance Measurement: Guideline measurements will use market value of investments.
- c. Compliance Procedures:
 - i. If the portfolio falls outside of compliance with adopted investment policy guidelines or is being managed inconsistently with this policy, the Investment Officer shall bring the portfolio back into compliance in a prudent manner and as soon as prudently feasible.
 - ii. Violations of portfolio guidelines as a result of transactions; actions to bring the portfolio back into compliance and; reasoning for actions taken to bring the portfolio back into compliance shall be documented and reported to the City Council.
 - iii. Due to fluctuations in the aggregate surplus funds balance, maximum percentages for a particular issuer or investment type may be exceeded at a point in time. Securities need not be liquidated to realign the portfolio; however, consideration should be given to this matter when future purchases are made to ensure that appropriate diversification is maintained.
 - iv. As determined on any date that the security is held within the portfolio. If the credit rating of a security is subsequently downgraded below the minimum rating level for a new investment of that security, the Finance Director shall evaluate the downgrade on a case-by-case basis in order to determine if the security should be held or sold. The Finance Director will apply the general objectives of Safety, Liquidity, Yield and

Legality to make the decision. *If the City has hired the services of an Investor Advisor, the Finance Director will act on the recommendation of the Advisor.*

12.2 Performance Measurement:

- a. The City yields will be compared to the OST Pool rates.
- b. The portfolio will be invested into a predetermined structure that will be measured against a selected benchmark portfolio. The structure will be based upon a chosen minimum and maximum effective duration and will have the objective to achieve market rates of returns over long investment horizons. The purpose of the benchmark is to appropriately manage the risk in the portfolio given interest rate cycles. The core portfolio is expected to provide similar returns to the benchmark over interest rate cycles, but may underperform or out perform in certain periods. The portfolio will be positioned to first protect principal and then achieve market rates of return. The benchmark used will be a 0-3 year or 0-5 year standard market index and comparisons will be calculated monthly and reported quarterly.
- c. When comparing the performance of the City's portfolio, all fees and expenses involved with managing the portfolio shall be included in the computation of the portfolio's rate of return.
- d. The mark to market pricing will be calculated monthly and be provided in a monthly report.

13. REPORTING REQUIREMENTS

The Finance Director will retain and provide quarterly investment reports to the City Council in a similar manner as outlined in ORS 208.090. The reports also will be available upon request. Securities holdings and cash balances held in the investment portfolio will be provided on the reports.

The minimum quarterly reporting requirements for total portfolio are as follows:

- Earnings Yield
- Holdings Report (including mark to market)
- Transactions Report
- Weighted Average Maturity or Duration
- Compliance Report

14. INVESTMENT POLICY ADOPTION

This Investment Policy shall be adopted by City Council annually in accordance with ORS 294.135(a). Any significant changes to the policy must be reviewed by the Oregon Short Term-Fund Board prior to submitting to City Council for adoption.

15. GLOSSARY

Accrued Interest: The interest accumulated on a security since the issue date or since the last coupon payment. The buyer of the security pays the market price plus accrued interest.

Agency Securities: See “Federal Agency Securities.”

Bankers’ Acceptance (BA’s): A draft or bill of exchange drawn upon and accepted by a bank. Frequently used to finance shipping of international goods. Used as a short-term credit instrument, bankers’ acceptances are traded at a discount from face value as a month market instrument in the secondary market on the basis of the credit quality of the guaranteeing bank.

Basis Point: A basis point is a unit of measure used in finance to describe the percentage change in the value or rate of a financial instrument. One basis point is equivalent to 0.01% (1/100th of a percent) or 0.0001 in decimal form. In most cases, it refers to changes in interest rates and bond yields.

Benchmark: A market index used as a comparative basis for measuring the performance of an investment portfolio. A performance benchmark should represent a close correlation to investment guidelines, risk tolerance and duration of the actual portfolio’s investments.

Bond: An interest-bearing security issued by a corporation, government, governmental agency, or other body. It is a form of debt with an interest rate, maturity, and face value, and it is usually secured by specific assets. Most bonds have a maturity of greater than one year and in general, pay interest semiannually.

Broker/Dealer: A person or firm transacting securities business with customers. A “broker” acts as an agent between buyers and sellers, and receives a commission for these services. A “dealer” buys and sells financial assets from its own portfolio. A dealer takes risk by owning an inventory of securities, whereas a broker merely matches up buyers and sellers.

Call: An option to buy a specific asset at a certain price within a certain period of time.

Callable: A bond or preferred stock that may be redeemed by the issuer before maturity for a call price specified at the time of issuance.

Call Date: The date before maturity on which a bond may be redeemed at the option of the issuer.

Certificate of Deposit (CD): Bank obligation issued by a financial institution generally offering a fixed rate of return (coupon) for a specified period of time (maturity).

Collateral: Securities or other property that a borrower pledges as security for the repayment of a loan. Also refers to securities pledged by a bank to secure deposits of public monies.

Commercial Paper: Short-term, unsecured, negotiable promissory notes issued by a company or financial institution. Issued at a discount and matures at par or face value. Usually a maximum maturity of 270 days, and given a short-term debt rating by one or more NRSROs.

Core Fund: Core funds are defined as operating fund balance which exceeds the City’s daily liquidity needs. Core funds are invested out the yield curve to diversify maturity structure in the

overall portfolio. Having longer term investments in a portfolio will stabilize the overall portfolio interest earnings over interest rate cycles.

Corporate Note: A debt instrument issued by a corporation with a maturity of greater than one year and less than ten years.

Coupon Rate: The annual rate of interest that the issuer of a bond promises to pay to the holder of the bond.

Current Maturity: The amount of time left until an obligation matures. For example, a one-year bill issued nine months ago has a current maturity of three months.

Current Yield: The coupon payments on a security as a percentage of the security's market price. In many instances the price should be gross of accrued interest, particularly on instruments where no coupon is left to be paid until maturity.

CUSIP: A CUSIP number identifies securities. CUSIP stands for Committee on Uniform Security Identification Procedures, which was established under the auspices of the American Bankers Association to develop a uniform method of identifying municipal, U.S. government, and corporate securities.

Delivery Versus Payment (DVP): Settlement procedure in which securities are delivered versus payment of cash, but only after cash has been received. Most security transactions, including those through the Fed Securities Wire system and DTC, are done DVP as a protection for both the buyer and seller of securities.

Depository Trust Company (DTC): A firm through which members can use a computer to arrange for securities to be delivered to other members without physical delivery of certificates. A member of the Federal Reserve System and owned mostly by the New York Stock Exchange, the Depository Trust Company uses computerized debit and credit entries. Most corporate securities, commercial paper, CDs and BAs clear through DTC.

Discount Notes: Short term debt obligations issued by Federal Agencies at a discount. Discount notes mature at par and can range in maturity from overnight to one year. Discount Notes typically have very large primary (new issue) and secondary markets.

Federal Agency Security: A debt instrument issued by one of the federal agencies. Federal agencies are considered second in credit quality and liquidity only to U.S. Treasuries.

Federal Agency: Government sponsored/owned entity created by the U.S. Congress, generally for the purpose of acting as a financial intermediary by borrowing in the marketplace and directing proceeds to specific areas of the economy considered to otherwise have restricted access to credit markets.

Federal Farm Credit Bank (FFCB): A Government Sponsored Enterprise (GSE) system that is a network of cooperatively owned lending institutions that provide credit services to farmers, agricultural cooperatives and rural utilities. The FFCBs act as financial intermediaries that borrow money in the capital markets and use the proceeds to make loans and provide other assistance to farmers and farm-affiliated businesses. FFCB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance

to the U.S. Financial system and agricultural industry. Also issues notes under its “designated note” program.

Federal Home Loan Bank System (FHLB). A Government Sponsored Enterprise (GSE) system, consisting of wholesale banks (currently twelve district banks) owned by their member banks, which provides correspondent banking services and credit to various financial institutions, financed by the issuance of securities. The principal purpose of the FHLB is to add liquidity to the mortgage markets. Although FHLB does not directly fund mortgages, it provides a stable supply of credit to thrift institutions that make new mortgage loans. FHLB debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes and callable agency securities. Also issues notes under its “global note” and “TAP” programs.

Federal Home Loan Mortgage Corporation (FHLMC or "Freddie Mac"). One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides stability and assistance to the secondary market for home mortgages by purchasing first mortgages and participation interests financed by the sale of debt and guaranteed mortgage backed securities. FHLMC debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its “reference note” program.

Federal National Mortgage Association (FNMA or "Fannie Mae"). One of the large Federal Agencies. A government sponsored public corporation (GSE) that provides liquidity to the residential mortgage market by purchasing mortgage loans from lenders, financed by the issuance of debt securities and MBS (pools of mortgages packaged together as a security). FNMA debt is not an obligation of, nor is it guaranteed by the U.S. government, although it is considered to have minimal credit risk due to its importance to the U.S. financial system and housing market. Frequent issuer of discount notes, agency notes, callable agency securities and MBS. Also issues notes under its “benchmark note” program.

Federal Reserve Bank. One of the 12 distinct banks of the Federal Reserve System.

Federal Reserve System (the Fed). The independent central bank system of the United States that establishes and conducts the nation's monetary policy. This is accomplished in three major ways: (1) raising or lowering bank reserve requirements, (2) raising or lowering the target Fed Funds Rate and Discount Rate, and (3) in open market operations by buying and selling government securities. The Federal Reserve System is made up of twelve Federal Reserve District Banks, their branches, and many national and state banks throughout the nation. It is headed by the seven member Board of Governors known as the “Federal Reserve Board” and headed by its Chairman.

General Obligation Bonds (GOs): Bonds secured by the pledge of the municipal issuer's full faith and credit, which usually includes unlimited taxing power.

Government Bonds: Securities issued by the federal government; they are obligations of the U.S. Treasury. Also known as “governmentals.”

Government Sponsored Enterprise (GSE): Privately owned entity subject to federal regulation and supervision, created by the U.S. Congress to reduce the cost of capital for certain borrowing

sectors of the economy such as students, farmers, and homeowners. GSEs carry the implicit backing of the U.S. Government, but they are not direct obligations of the U.S. Government. For this reason, these securities will offer a yield premium over Treasuries. Some consider GSEs to be stealth recipients of corporate welfare. Examples of GSEs include: FHLB, FHLMC, FNMA and FFCB.

Interest: Compensation paid or to be paid for the use of money. The rate of interest is generally expressed as an annual percentage.

Interest Rate: The interest payable each year on borrowed funds, expressed as a percentage of the principal.

Investment Advisor: A company that provides professional advice managing portfolios, investment recommendations and/or research in exchange for a management fee.

Investment Portfolio: A collection of securities held by a bank, individual, institution, or government agency for investment purposes.

Investment Securities: Securities purchased for an investment portfolio, as opposed to those purchased for resale to customers.

Liquidity: The ease at which a security can be bought or sold (converted to cash) in the market. A large number of buyers and sellers and a high volume of trading activity are important components of liquidity.

Liquidity Component: A percentage of the total portfolio that is dedicated to providing liquidity needs for the City.

Mark to Market: Adjustment of an account or portfolio to reflect actual market price rather than book price, purchase price or some other valuation.

Municipals: Securities, usually bonds, issued by a state or its agencies. The interest on “munis” is usually exempt from federal income taxes and state and local income taxes in the state of issuance. Municipal securities may or may not be backed by the issuing agency’s taxation powers.

NRSRO: A “Nationally Recognized Statistical Rating Organization.” A designated rating organization that the SEC has deemed a strong national presence in the U.S. NRSROs provide credit ratings on corporate and bank debt issues. Only ratings of a NRSRO may be used for the regulatory purposes of rating such as Moody’s, S&P, Fitch and Duff & Phelps.

Par Value: The value of a security expressed as a specific dollar amount marked on the face of the security, or the amount of money due at maturity. Par value should not be confused with market value.

Prudent Person Standard: Standard that requires that when investing, reinvesting, purchasing, acquiring, exchanging, selling, or managing public funds, a trustee will act with care, skill, prudence, and diligence under the circumstances the prevailing, including, but not limited to, the general economic conditions and the anticipated needs of the agency, that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of a like character and with like aims, to safeguard the principal and maintain the liquidity needs of the entity.

Rate of Return: Amount of income received from an investment, expressed as a percentage of the amount invested.

State of Oregon Local Government Investment Pool (OSTF – Oregon Short Term Fund): The OSTF is organized pursuant to ORS 294.805 through 294.895. Participation in the Pool will not exceed the maximum limit annually set by ORS 294.810.

Total Return: Investment performance measured over a period of time that includes coupon interest, interest on interest, and both realized and unrealized gains or losses. Total return includes, therefore, any market value appreciation/depreciation on investments held at period end.

Treasury Bill (T-Bill): An obligation of the U.S. government with a maturity of one year or less. T-bills bear no interest but are sold at a discount.

Treasury Bonds and Notes: Obligations of the U.S. government that bear interest. Notes have maturities of one to ten years; bonds have longer maturities.

Yield: The annual rate of return on an investment, expressed as a percentage of the investment. Income yield is obtained by dividing the current dollar income by the current market price for the security. Net yield, or yield to maturity, is the current income yield minus any premium above par or plus any discount from par in the purchase price, with the adjustment spread over the period from the date of purchase to the date of maturity of the bond.

Yield to Maturity: The average annual yield on a security, assuming it is held to maturity; equals to the rate at which all principal and interest payments would be discounted to produce a present value equal to the purchase price of the bond.



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council
THROUGH: Sherilyn Lombos, City Manager
FROM: Nicole Morris, Deputy City Recorder
DATE: 10/24/2022

SUBJECT:

Consideration of Resolution No. 5654-22 Awarding Fiscal Year 2022-23 Outside Agency Grant Funds to Provide Services to the Tualatin Community

RECOMMENDATION:

Staff recommends the City Council approve Resolution No. 5654-22 awarding the 2022-23 Outside Agency Grants.

EXECUTIVE SUMMARY:

On October 10, 2022, the City Council discussed in work session the disbursements of the fiscal year 2022-23 Outside Agency Grant funding. Consensus was reached at the meeting to disperse the funds as follows:

Agency	Award Amount
Borland Free Clinic	\$2,250
Columbia Land Trust	\$2,500
Community Action Organization	\$1,500
Domestic Violence Resource Center	\$2,000
Family Justice Center of Washington County	\$4,500
Family Promise of Tualatin Valley	\$5,250
Good Neighbor Center	\$4,500
Love INC- Tigard, Tualatin, and Sherwood	\$1,000
Meals on Wheels People	\$1,000
Neighbors Nourishing Communities	\$2,500
Oregon Community Warehouse	\$3,000
Sexual Assault Resource Center	\$2,000
Tualatin High School HOSA Chapter	\$1,000
Tigard-Tualatin Family Resource Center	\$4,000
Tualatin Food Pantry	\$3,000

FINANCIAL IMPLICATIONS:

Grant funds for the Outside Agency Grants were budgeted for Fiscal Year 2022-23 in the amount of \$40,000.

ATTACHMENTS:

-Resolution No. 5654-22

RESOLUTION NO. 5654-22

RESOLUTION AWARDING FISCAL YEAR 2022/2023 OUTSIDE AGENCY GRANT FUNDS TO PROVIDE SOCIAL SERVICES TO THE CITIZENS OF TUALATIN

WHEREAS, the City Council finds that providing social services is an important governmental function; and

WHEREAS, the City does not provide social services directly; and

WHEREAS, other non-profit entities exist that provide social services that serve the citizens of the City of Tualatin; and

WHEREAS, the City finds it is most efficient for the City to utilize these entities to provide social services to the citizens of Tualatin; and

WHEREAS, the City finds it is in the public interest for the City to grant funds directly to non-profit entities in order to provide needed social services;

WHEREAS, the City Council finds the City will receive a direct public benefit from the expenditure of these funds.

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, OREGON, that:

Section 1. The City Council awards the following amounts to the following entities as a grant to provide social services to the citizens of the City of Tualatin:

Agency	Award Amount
Borland Free Clinic	\$2,250
Columbia Land Trust	\$2,500
Community Action Organization	\$1,500
Domestic Violence Resource Center	\$2,000
Family Justice Center of Washington County	\$4,500
Family Promise of Tualatin Valley	\$5,250
Good Neighbor Center	\$4,500
Love INC- Tigard, Tualatin, and Sherwood	\$1,000
Meals on Wheels People	\$1,000
Neighbors Nourishing Communities	\$2,500
Oregon Community Warehouse	\$3,000
Sexual Assault Resource Center	\$2,000
Tualatin High School HOSA Chapter	\$1,000

Tigard-Tualatin Family Resource Center	\$4,000
Tualatin Food Pantry	\$3,000

Section 2. The City Manager is authorized to execute grant agreements with the entities and amounts established in Section 1 of this resolution.

Section 3. This resolution is effective upon adoption.

INTRODUCED AND ADOPTED this 24th day of October, 2022.

CITY OF TUALATIN, OREGON

BY _____
Mayor

APPROVED AS TO LEGAL FORM

ATTEST:

BY _____
City Attorney

BY _____
City Recorder



City of Tualatin

CITY OF TUALATIN
Staff Report

TO: Honorable Mayor and Members of the City Council
THROUGH: Sherilyn Lombos, City Manager
FROM: Nicole Morris, Deputy City Recorder
DATE: 10/24/2022

SUBJECT:

Consideration of Approval of a New Liquor License Application for Sunny's Diner

RECOMMENDATION:

Staff respectfully recommends the Council approve endorsement of the liquor license application for Sunny's Diner.

EXECUTIVE SUMMARY:

Sunny's Diner has submitted a new application under the liquor license category of full on-premises. This would permit them to sell and serve distilled spirits, malt beverages, wine, and cider for consumption at their location. The business is located at 7107 SW Nyberg Road. The application is in accordance with provisions of Ordinance No. 680-85 which establishes procedures for liquor license applicants. Applicants are required to fill out a City application form, from which a review by the Police Department is conducted, according to standards and criteria established in Section 6 of the ordinance. The Police Department has reviewed the new liquor license application and recommended approval. According to the provisions of Section 5 of Ordinance No. 680-85 a member of the Council or the public may request a public hearing on any of the liquor license requests. If such a public hearing request is made, a hearing will be scheduled and held on the license. It is important that any request for such a hearing include reasons for said hearing.

FINANCIAL IMPLICATIONS:

A fee has been paid by the applicant.

ATTACHMENTS:

- Application
- Vicinity Map



CITY OF TUALATIN

LIQUOR LICENSE APPLICATION

Return Completed form to:
City of Tualatin
Attn: Finance
18880 SW Martinazzi Ave
Tualatin, OR 97062

Date 9/26/2022

IMPORTANT: This is a three-page form. You are required to complete all sections of the form.
If a question does not apply, please indicate N/A. Please include full names (last, first middle) and full dates of birth (month/day/year). Incomplete forms shall receive an unfavorable recommendation.
Thank you for your assistance and cooperation.

SECTION 1: TYPE OF APPLICATION

- Original (New) Application - \$100.00 Application Fee.
- Change in Previous Application - \$75.00 Application Fee.
- Renewal of Previous License - \$35.00 Application Fee. Applicant must possess current business license. License # _____
- Temporary License - \$35.00 Application Fee.

SECTION 2: DESCRIPTION OF BUSINESS

Name of business (dba): Sunny's Diner

Business address 7107 SW Nyberg City Tualatin State OR Zip Code 97062

Mailing address 7145 SW Varnum St #204 City Tigard State OR Zip Code 97223

Telephone # 503-597-8050 Fax # _____

Email ramsey@BajaFreshLO.com

Name(s) of business manager(s) First Ramsey Middle K Last Zawideh

(attach additional pages if necessary)

Type of business Restaurant

Type of food served Breakfast + Lunch - American

Type of entertainment (dancing, live music, exotic dancers, etc.) _____

Days and hours of operation 7AM - 3PM Daily

Food service hours: Breakfast 7AM Lunch to 3PM Dinner Not open

Restaurant seating capacity 125 Outside or patio seating capacity 20

How late will you have outside seating? 3pm How late will you sell alcohol? 3pm

How many full-time employees do you have? 6 Part-time employees? 8

SECTION 3: DESCRIPTION OF LIQUOR LICENSE

Name of Individual, Partnership, Corporation, LLC, or Other applicants _____

BZ Ventures IV LLC

Type of liquor license (refer to OLCC form) _____

Full ON PREMISE

Form of entity holding license (check one and answer all related applicable questions):

INDIVIDUAL: If this box is checked, provide full name, date of birth, and residence address.
Full name _____ Date of birth _____
Residence address _____

PARTNERSHIP: If this box is checked, provide full name, date of birth and residence address for each partner. If more than two partners exist, use additional pages. If partners are not individuals, also provide for each partner a description of the partner's legal form and the information required by the section corresponding to the partner's form.
Full name _____ Date of birth _____
Residence address _____
Full name _____ Date of birth _____
Residence address _____

CORPORATION: If this box is checked, complete (a) through (c).
(a) Name and business address of registered agent.
Full name _____
Business address _____

(b) Does any shareholder own more than 50% of the outstanding shares of the corporation? If yes, provide the shareholder's full name, date of birth, and residence address.
Full name _____ Date of birth _____
Residence address _____

(c) Are there more than 35 shareholders of this corporation? Yes No. If 35 or fewer shareholders, identify the corporation's president, treasurer, and secretary by full name, date of birth, and residence address.
Full name of president: _____ Date of birth: _____
Residence address: _____
Full name of treasurer: _____ Date of birth: _____
Residence address: _____
Full name of secretary: _____ Date of birth: _____
Residence address: _____

LIMITED LIABILITY COMPANY: If this box is checked, provide full name, date of birth, and residence address of each member. If there are more than two members, use additional pages to complete this question. If members are not individuals, also provide for each member a description of the member's legal form and the information required by the section corresponding to the member's form.

Full name: Ramsey Zawideh _____

Full name: SUNSA BURDEN Date of birth: [REDACTED]

OTHER: If this box is checked, use a separate page to describe the entity, and identify with reasonable particularity every entity with an interest in the liquor license.

SECTION 4: APPLICANT SIGNATURE

A false answer or omission of any requested information on any page of this form shall result in an unfavorable recommendation.

[REDACTED] _____ Date 9/26/2022
Signature of Applicant

For City Use Only

Sources Checked:

- DMV by [Signature]
- LEDS by [Signature]
- TuPD Records by [Signature]
- Public Records by [Signature]

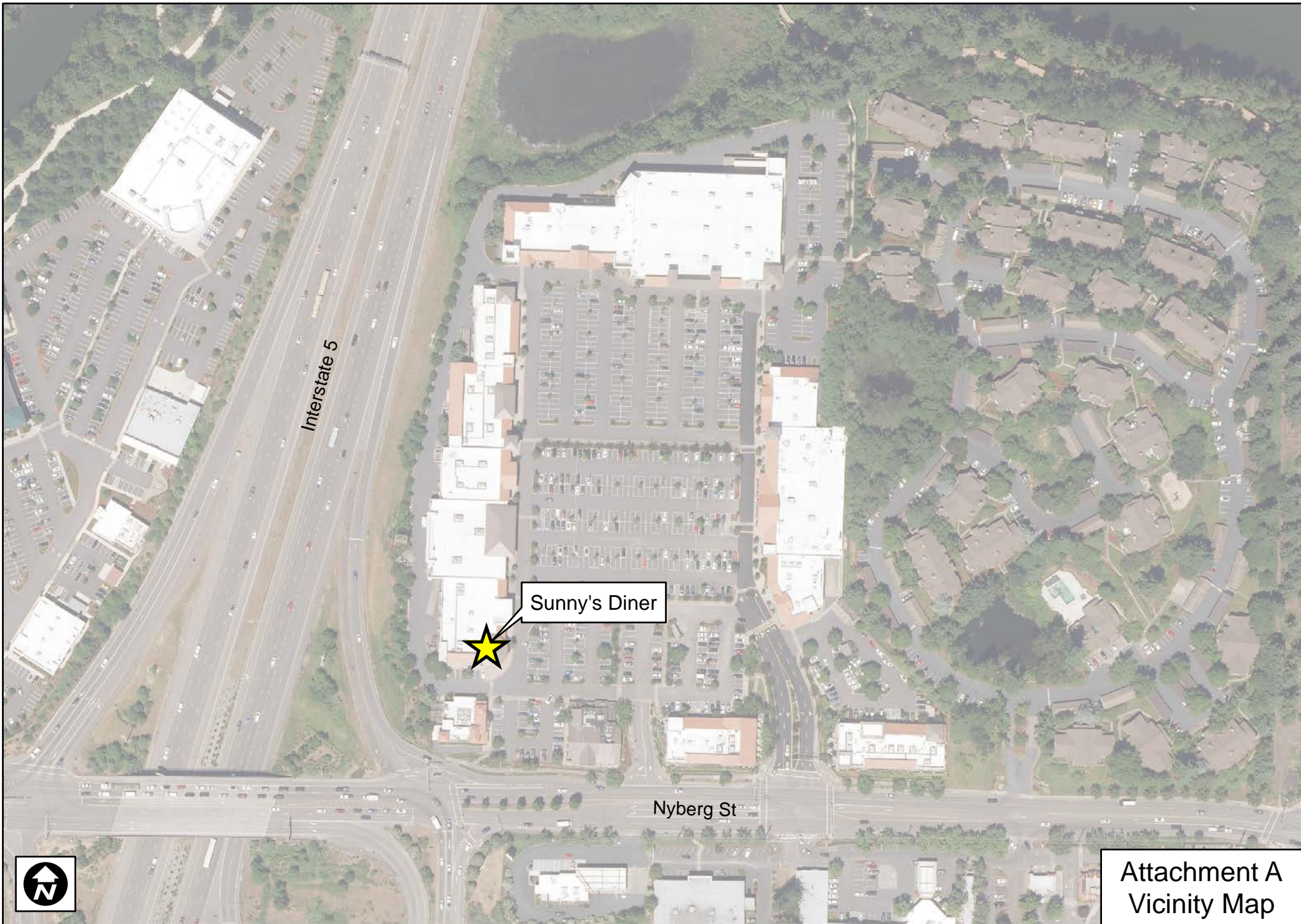
- Number of alcohol-related incidents during past year for location.
- Number of Tualatin arrest/suspect contacts for _____

It is recommended that this application be:

- Granted**
- Denied**
Cause of unfavorable recommendation: _____

[REDACTED] _____ Date 10/5/22
Signature

~~Bill Steele~~ Interim Greg Pickering
Chief of Police
Tualatin Police Department





City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council
THROUGH: Sherilyn Lombos, City Manager
FROM: Kim McMillan, Community Development Director
DATE: October 24, 2022

SUBJECT:

Scheduling of a Public Hearing on a Petition for the Vacation of Right-of-Way Located at the East Terminus of Myslony Street

RECOMMENDATION:

Staff recommends scheduling a public hearing for November 14, 2022 to consider the petition.

EXECUTIVE SUMMARY:

The vacation of public property is governed by ORS Chapter 271. Under these statutes, when a petition for vacating public property is received, the petition must be presented to the City Council. The Council may either: (1) deny the petition after notice to the petitioners of such proposed action; or (2) schedule a public hearing on the petition if there appears to be no reason why the petition should not be allowed in whole or in part.

The Petition requests that the City vacate its interest in an unused portion of the cul-de-sac bulb in the public right-of-way at the east terminus of Myslony Street, including the associated public utility easement. This portion of the cul-de-sac does not provide a public benefit because Myslony Street has been extended further to the east. As a result, there does not appear to be any reason why the petition should not be allowed, and the Council should therefore schedule a public hearing on the petition. A final decision on the petition would be made after the public hearing.

OUTCOMES OF DECISION:

Scheduling the hearing will permit the City to continue the process for the requested vacation.

ALTERNATIVES TO RECOMMENDATION:

Council can decide that there is a reason to reject the petition and direct staff to provide the required notice to the requestor.

INSTRUCTIONS FOR COMPLETING VACATION APPLICATIONS

1. All applications must be either typed or printed (black ink). Please make the words easily readable. Neatness is important.
2. The application must be submitted with the correct fee.
3. If you mail in the application, please verify with the Engineering Division to ensure that it was received and that all necessary fees and information are with the application form.
4. If you wish to modify or withdraw the application, you must notify the Engineering Division in writing. Additional fees may be charged if the changes require new public notice and/or if additional staff work is necessary.
5. Attach all the information with the application form that you have available that pertains to the activity you propose.
6. Prior to submitting the application, you must make an appointment to discuss your proposal with a member of the Engineering Division. If you wish, Engineering Division staff will advise you in completing some portions of the application; however, the entire burden is upon the applicant to provide necessary information to justify approval of the application.
7. Detailed legal descriptions, maps, and other relevant information should be attached to the application form and will be available for public review. All applicable standards and criteria must be addressed prior to acceptance of the application. The content of the attached information should be discussed with the City Engineer prior to submission of the application.
8. Incomplete applications will be returned.

APPLICANT'S NAME & SIGNATURE: Michael DeArmey *Michael DeArmey*

MAILING ADDRESS: 450 Newport Center Dr., Suite 405, Newport Beach, CA 92660 (949) 720-8050
City State Zip Phone No.

ABUTTING PROPERTY OWNER'S NAME & SIGNATURE: Michael DeArmey *Michael DeArmey*

MAILING ADDRESS: 450 Newport Center Dr., Suite 405, Newport Beach, CA 92660 (949) 720-8050
City State Zip Phone No.

ABUTTING PROPERTY OWNER'S NAME & SIGNATURE: _____

MAILING ADDRESS: _____
City State Zip Phone No.

ABUTTING PROPERTY OWNER'S NAME & SIGNATURE: _____

MAILING ADDRESS: _____
City State Zip Phone No.

If the property owner does not sign this application, then a letter authorizing signature
by an agent must be attached.

FOR OFFICE USE ONLY

DATE SUBMITTED: _____

RECEIVED BY: _____

FEE PAID: _____

RECEIPT NO.: _____

PUBLIC HEARING DATE: _____

ENGINEER ASSIGNED: _____

DATE ACCEPTED AS COMPLETE: _____



City of Tualatin

CITY OF TUALATIN Staff Report

TO: Honorable Mayor and Members of the City Council

THROUGH: Sherilyn Lombos, City Manager

FROM: Ross Hoover, Parks and Recreation Director
Rich Mueller, Parks Planning and Development Manager

DATE: October 24, 2022

SUBJECT:

Consideration of **Resolution No. 5653-22** Authorizing the City Manager to Execute a Purchase and Sale Agreement for the Acquisition of Real Property Located at 23465 SW Boones Ferry Road.

RECOMMENDATION

Staff recommends adoption of Resolution No. 5653-22 to authorize the City Manager to execute a Purchase and Sale agreement for property at 23465 SW Boones Ferry Road.

EXECUTIVE SUMMARY:

City Council adopted the Parks and Recreation Master Plan in 2019, and accepted the Basalt Creek Parks and Recreation Plan January 2022 that identifies a need for parks, trails and natural areas in Basalt Creek. Both planning processes involved extensive public outreach and community engagement. The Basalt Creek Parks and Recreation Plan identifies the need to preserve natural areas and provide active recreation to serve residential and employment. The property recommended for consideration is immediately across from the majority of residential development, including a future affordable housing complex. This property is connected to creek natural area, forested area, and has a flat usable space for active recreation near SW Boones Ferry Road.

FINANCIAL IMPLICATIONS:

The purchase and sale agreement requires a property appraisal to inform the property value, which staff will then negotiate purchase price with property owners for future Council consideration.

ATTACHMENTS:

Resolution 5653-22
Purchase and Sale Agreement
Presentation



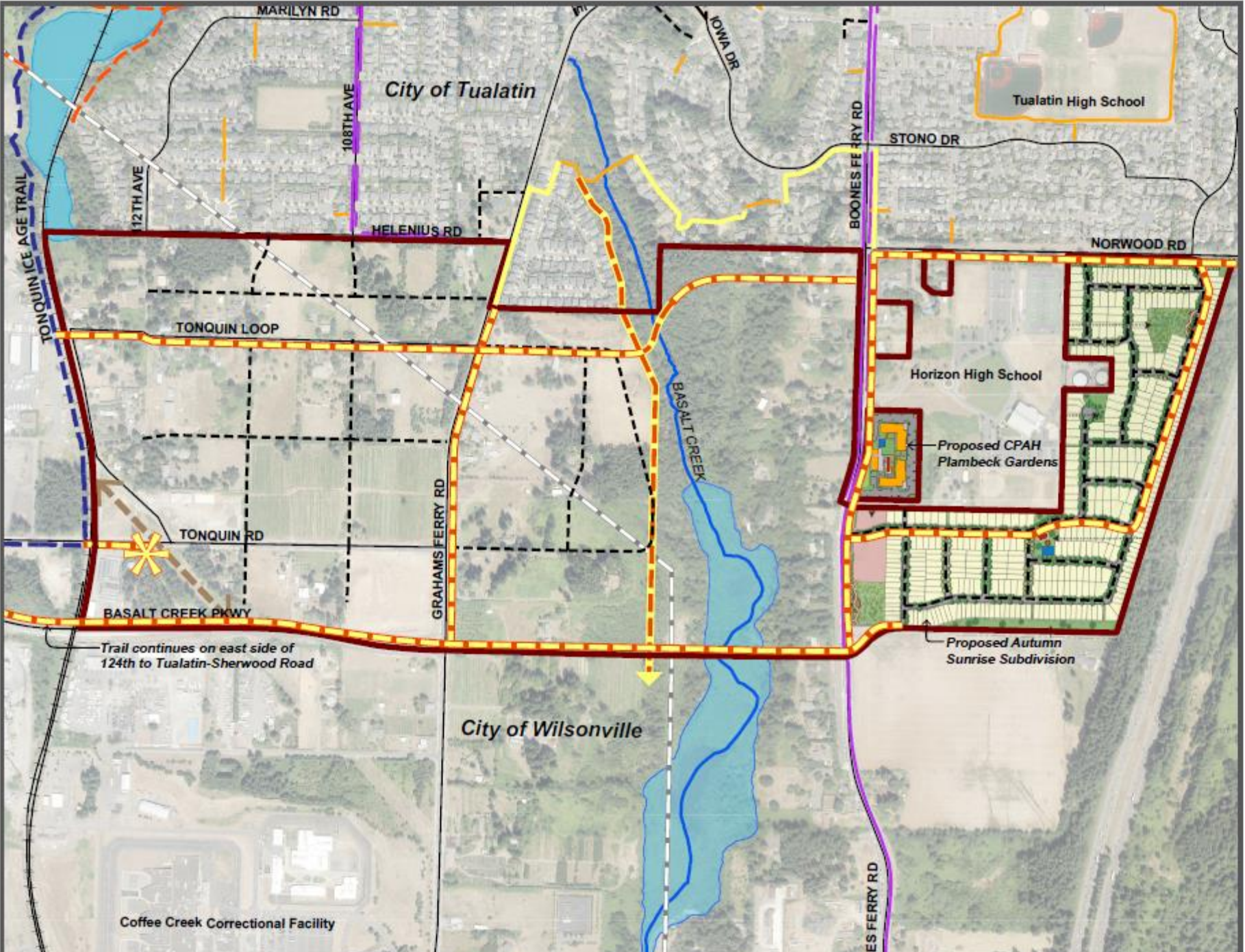
City of

TUALATIN

PARKS & RECREATION

Basalt Creek Parkland Acquisition

October 24, 2022



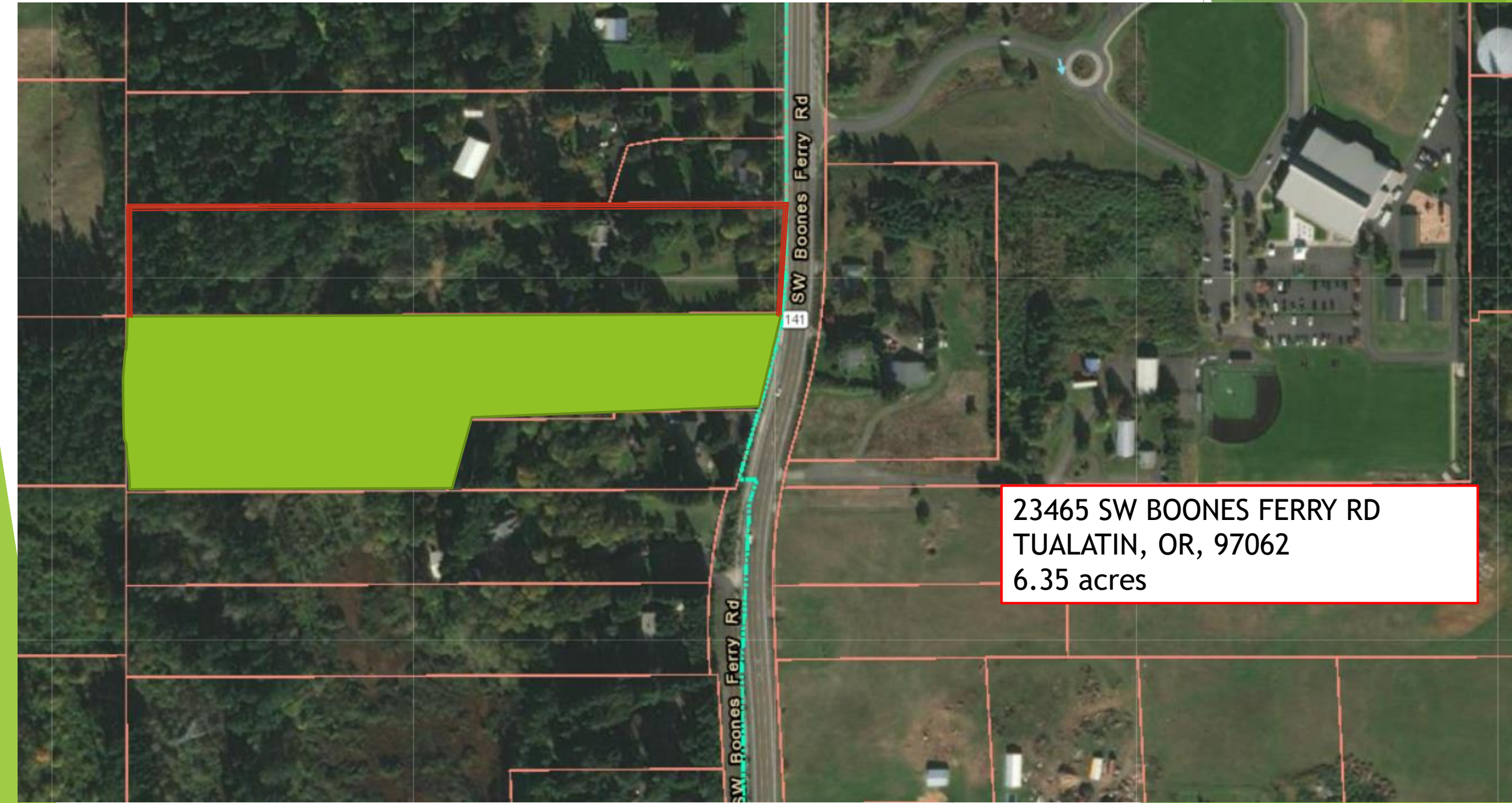
Basalt Creek Trails Concept

Legend

- Basalt Creek Planning Area
- Existing Roads
- Proposed Roads
- Existing Sidewalk
- Existing Bike Lanes
- Existing Trails
- Planned and Proposed Trails**
- Tualatin (general)
- On-street trail/widened sidewalk
- Off-street trail/greenway
- Tonquin Ice Age Trail
- Sherwood to Sandy Power Line Trail
- ✦ Proposed Trailhead
- PGE Overhead Power Lines
- Railroad
- Streams
- Waterbodies

Note: On-street trails (enhanced sidewalks or multi-use paths) in residential areas to follow future development street systems.





SW Boones Ferry Rd
141

SW Boones Ferry Rd

23465 SW BOONES FERRY RD
TUALATIN, OR, 97062
6.35 acres

Site Attributes

- ▶ Natural area and creek/wetland resource
- ▶ Flat area for active recreation
- ▶ Adjacency to residential
- ▶ Alignment with City Council Vision goals
- ▶ Future access across Boones Ferry
- ▶ Adjacent to recently purchased parkland
- ▶ Expands Basalt Creek Parkland to 14.04 acres

City Council Vision Goal Alignment

- ▶ An **INCLUSIVE COMMUNITY** that promotes equity, diversity, and access in creating a meaningful quality of life for everyone
- ▶ Safe, vibrant, and accessible **GATHERING PLACES** throughout the city that build and celebrate our whole community
- ▶ Safe, desirable, welcoming, and sustainable **NEIGHBORHOODS** with housing that is available for all
- ▶ An **ENVIRONMENTALLY** active, sustainable, responsible, and forward-thinking community that values and protects our natural resources, inhabitants, and habitat

Current State

- ▶ Owners are interested selling to the City as parkland
- ▶ Owners would like to enter into a Purchase and Sale Agreement (PSA) with the City of Tualatin

PSA Terms

- ▶ Sale price to be negotiated upon completion of appraisal report
- ▶ City of Tualatin will pay for appraisal
- ▶ PSA would expire without final Council action

Value/Cost Estimates

- ▶ Washington County Tax Year 2022 Real Market Value: \$924,880
- ▶ Zillow: \$1,019,000
- ▶ Redfin: \$919,661





RESOLUTION NO. 5653-22

A RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE A PURCHASE AND SALE AGREEMENT FOR THE ACQUISITION OF REAL PROPERTY LOCATED AT 23465 SW BOONES FERRY ROAD.

WHEREAS, McLeod Trust own the property located at 23465 SW Boones Ferry Road, Tax Lot 2S135CA00800, (the "Property");

WHEREAS, the City has identified a willing seller for the acquisition of the Property in order to facilitate a future park;

WHEREAS, the City and the McLeod Trust are receptive and willing to sign a Purchase and Sales Agreement for the Property (the "Agreement"); and

WHEREAS, the City Council desires to authorize the City Manager to execute the Agreement on the City's behalf; and

WHEREAS, the Agreement will require City Council approval of the final purchase of the Property upon completion of the due diligence period; and

WHEREAS, the City Council desires to authorize the City Manager to take all steps necessary to acquire funding for the purchase of the Property.

NOW THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF TUALATIN, OREGON, that:

Section 1. The City Manager is authorized to execute the Purchase and Sale Agreement for the Property, provided that, as required by the Agreement, Council approval is necessary before the City's final purchase of the Property.

Section 2. The City Manager is further authorized to take any and all steps necessary to complete the due diligence and other tasks contemplated by the Agreement on behalf of the City, including negotiating a final purchase price on the terms listed in the Agreement.

Section 3. This resolution is effective upon adoption.

INTRODUCED and ADOPTED by the City Council this 24th day of October, 2022

CITY OF TUALATIN, OREGON

ATTEST:

BY _____
Mayor

BY _____
City Recorder

PURCHASE AND SALE AGREEMENT

DATED: _____, 2022 (the "Effective Date")
(the last date signed by both parties below)

BETWEEN: McLeod Trust ("Seller")

AND: City of Tualatin,
an Oregon Municipal Corporation ("Buyer")

RECITALS

A. Seller is owner of approximately 6.35 gross acres of certain real property together with all the improvements thereon and all rights appurtenant thereto (including but not limited to access rights, timber rights, water rights, grazing rights, development rights and mineral rights) located in unincorporated, Washington County, Oregon, commonly referred to as 23465 SW Boones Ferry Rd, Washington County Assessor's Tax Map and Lot 2S135CA00800 (the "Property"), which property is more particularly described on the attached Exhibit A (the "Property").

B. Buyer desires to purchase the Property from Seller, and Seller desires to sell the Property to Buyer, for the price and on the terms and conditions described in this Purchase and Sale Agreement (this "Agreement").

C. At Closing (hereinafter defined), upon payment of the full Purchase Price to Seller by Buyer, Seller will convey full legal title to the Property to Buyer.

TERMS

1. **Purchase and Sale.** Seller agrees to sell and convey to Buyer, and Buyer agrees to purchase from Seller, the Property upon the terms and conditions set forth below in this Agreement.

2. **Purchase Price.** Subject to the Conditions Precedent to Closing in Section 6 and the Appraisal Process in 2.4 below, the Purchase Price for the Property is, payable as follows:

2.1 Earnest Money Deposit. Deposit to be delivered upon the full execution and delivery of this Agreement to the Title Company, as defined below. Buyer shall deposit \$10,000 in cash (the "Earnest Money") into escrow with Lawyers Title, 6000 SW Meadows Road, Suite 100, Lake Oswego OR 97035 (the "Title Company"). At Closing, the Earnest Money will be credited toward payment of the Purchase Price.

2.2 Balance of Purchase Price. Buyer shall deposit into escrow with the Title Company the balance of the Purchase Price on or before the Closing Date. At Closing, the Earnest Money and the balance of the Purchase Price shall be paid to Seller.

2.3 Earnest Money Interest. The Earnest Money shall be invested by the Title Company in a federally insured interest-bearing account with all interest accruing thereon paid to Buyer on demand or at Buyer's election credited to the Purchase Price at Closing.

2.4 Appraisal Process. Within five (5) business days following the mutual execution of this Agreement, Buyer shall arrange for an appraisal of the Property (the "Appraisal"). The Costs of the Appraisal shall be borne by Buyer, and the Appraisal shall be completed as soon as practical given the appraiser's schedule. The Parties agree that the Appraisal shall be based on the "highest and best use" valuation theory, taking into account all applicable restrictions on development. The appraisal shall be done by qualified, independent MAI appraiser. Buyer shall provide Seller with a copy of the completed Appraisal within five (5) business days of receipt.

2.4.1 The Appraisal shall be used to establish the Purchase Price. Within five (5) business days of Buyer providing Seller a copy of the Appraisal, both parties must provide notice to the other party as to whether they agree with the value of the Property established by the Appraisal. If both parties are in agreement, the Purchase Price shall equal the value of the Property set forth in the Appraisal. If one or both parties disagree with the value of the Property set forth in the Appraisal, the Parties agree to follow the procedures in 2.4.2 below to establish the Purchase Price.

2.4.2 If any party disagrees with the results the Appraisal (the "Challenging Party"), then within ten (10) days written notice to the other party, the Challenging Party shall at its sole cost and expense obtain a second appraisal of the subject property by a qualified, independent MAI appraiser ("Additional Appraisal"). Any such Additional Appraisal shall be completed as soon as practical based on the appraiser's schedule. The Challenging Party shall provide the other party with a copy of the Additional Appraisal within five (5) business days of receipt. Such other party shall have five (5) business days thereafter to either: (i) accept the Additional Appraisal as the Purchase Price or (ii) offer to negotiate a Purchase Price that falls between the Appraisal and Additional Appraisal. If an offer to negotiate is made under this subsection, the parties agree to negotiate in good faith to establish a Purchase Price based on the Appraisal and Additional Appraisal for a period of not less than thirty (30) days.

2.4.3 If the parties fail to reach agreement on a Purchase Price using the procedures set forth above, either party may terminate this Agreement. In the event of such termination both parties shall be released from any and all obligations to the other party, the earnest money shall be returned to Buyer, and this Agreement shall terminate and be of no further force or effect.

3. **Closing Date.** Closing (the "Closing Date" or "Closing") shall occur no later than _____ after Buyer provides notice, in writing, that the conditions precedent to closing

(set forth in Sections 6.1 and 6.2 below) are either satisfied or waived by Buyer, as provided therein. The Buyer, in its sole discretion, may extend Closing an additional thirty (30) days beyond November 30, 2022 by providing notice in writing to the Seller. Closing will occur at the office of the Title Company.

4. **Buyer's Title Review.**

4.1 Title Report; Unacceptable Exceptions. Within ten (10) days after the Effective Date, Buyer shall obtain from the Title Company a preliminary title report on the Property, along with legible copies of all plats and exceptions documents referenced in such report (the "Title Report"). Buyer will have fifteen (15) days following the later of (i) the Effective Date or (ii) Buyer's receipt of the Title Report to review the Title Report and give Seller written notice of the exceptions listed in the Title Report that are unacceptable to Buyer (the "Unacceptable Exceptions"). Mortgages, delinquent taxes, or other financial obligations secured by the Property are automatically deemed Unacceptable Exceptions. If Buyer notifies Seller of its objection to any Unacceptable Exceptions, Seller will thereafter have fifteen (15) days to provide Buyer written notice stating whether Seller will (at Seller's sole cost and expense) cause such exceptions to be removed from the Title Policy issued to Buyer at Closing. If Seller refuses to remove any of the Unacceptable Exceptions and Buyer is not then satisfied with the condition of title, Buyer may elect to terminate this Agreement, in which event the Earnest Money shall be returned to Buyer.

4.2 Failure to Deliver Clean Title at Closing. If Seller fails to eliminate any Unacceptable Exception by the Closing Date, then Buyer may, without limiting any of its otherwise available remedies, elect to either (a) accept title to the Property subject to such exceptions, (b) refuse to accept the Property and terminate this Agreement, in which case the Earnest Money shall be refunded to Buyer, or (c) extend the Closing Date for a period of thirty (30) days to provide Seller with additional time to remove such exceptions. If Buyer elects option (c) and at the end of the 30-day period such exceptions have not been removed, Buyer may then elect to proceed in accordance with either option (a) or (b) described above. To the extent that an Unacceptable Exception is a monetary lien or financial obligation secured by the Property including but not limited to any farm and forest tax deferrals, the Title Company is hereby directed to pay off such lien or obligation to the extent that it can be satisfied by application of all or a portion of the Purchase Price delivered into escrow by Buyer at Closing.

4.3 Permitted Exceptions. All exceptions other than the Unacceptable Exceptions objected to by Buyer shall be deemed acceptable to Buyer (the "Permitted Exceptions"); provided, however, that in no event will mortgages, delinquent taxes, or other financial obligations secured by the Property be deemed Permitted Exceptions. Should the Title Company inform Buyer of any new title exceptions not appearing on the initial Title Report, such new exceptions shall be deemed Unacceptable Exceptions, unless specifically accepted in writing by Buyer.

5. Buyer's Due Diligence and Inspections.

5.1 Seller's Delivery of Documents. Buyer shall have a ninety (90) day period after the Effective Date to review documents, make inspections, and otherwise satisfy itself that the condition of the Property is satisfactory to it ("Due Diligence Period"). During the Due Diligence Period, Seller shall provide Buyer and its agents and consultants access to any records in Seller's possession that are pertinent and material to the Property ("Due Diligence Documents"). Seller shall also allow Buyer a reasonable time to copy (at Buyer's expense) any Due Diligence Documents that the Buyer would like to keep a record of which Due Diligence Documents shall be returned to Seller upon being copied. Seller makes no representation or warranty regarding the accuracy, completeness, or efficacy of the Due Diligence Documents, should any such Due Diligence Documents exist.

5.2 Property and Environmental Inspections. Buyer and its agents, including but not limited to consultants, surveyors, engineers, home inspectors, appraisers, and other professionals hired by Buyer, at Buyer's sole cost and expense (save for section 5.2.1 below), shall have the right to access the Property upon one week notice (or less time as agreed upon by Seller) to conduct environmental studies (including but not limited to Phase 1 and Phase 2 Environmental Site Assessments), structural inspections, sewer and septic system sampling, asbestos and lead testing, and any other due diligence Buyer deems necessary. Seller shall cooperate with Buyer in making such inspections. Buyer and its agents will have the right to enter the Property at reasonable times before Closing to perform such surveys, analyses, studies, appraisals, and other due diligence that Buyer deems necessary. Any area disturbed by Buyer's inspections shall be restored by Buyer, at Buyer's sole costs and expense, to its pre-inspection condition. Buyer through Buyer's selected provider shall pay for an Environmental Site Assessment "Phase 1" at Buyer's sole cost and expense. If the "Phase 1" report indicates the recommendation for further site investigation, the costs of a "Phase 2" report shall therefore be borne by the Buyer at Buyer's sole cost and expense. In the event "Phase 3" remediation is necessary, the parties will mutually agree on the costs for "Phase 3" before the work is initiated. Buyer shall be named as the intended recipient and beneficiary of the "Phase 2" report and "Phase 3" work along with Seller. If Buyer determines a Phase 2 and/or Phase 3 costs or conditions are unacceptable, Buyer may terminate this Agreement and the Earnest Money will be promptly returned to the Buyer.

6. Conditions Precedent to Closing.

6.1 Conditions Precedent to Buyer's Obligations. In addition to any other conditions contained in this Agreement, the conditions set forth in this Section 6 must be satisfied prior to Buyer's obligation to acquire the Property. Buyer may waive the conditions in this Section 6.1 by written notice since these conditions are intended solely for Buyer's benefit. In the event any condition is not satisfied or waived on or before the time period indicated below, Buyer will have the right terminate this Agreement, in which event the Earnest Money shall promptly be returned to Buyer.

6.1.1 City Council Approval. Prior to Closing, purchase of the Property must be approved by the Tualatin City Council.

6.1.2 Due Diligence and Inspection Results. Buyer must be satisfied, in its sole and absolute discretion, with its review of the Due Diligence Documents and the results of Buyer's inspections of the Property conducted under Section 5.2 above. If Buyer notifies Seller in writing prior to the end of the Due Diligence Period that Buyer is not satisfied with the Property due to the results of its due diligence and inspections under Section 5, the Due Diligence Period will be automatically extended for a period of thirty (30) days so that Seller and Buyer may address such results. Unless either an agreement to resolve Buyer's concerns or an agreement to create an additional extension period is reached after the end of the extended Due Diligence Period, this Agreement will automatically terminate and the Earnest Money shall be refunded to Buyer.

6.1.3 Parks System Development Charges. Prior to Closing, Buyer must have received adequate funding from Tualatin Parks System Development Charges in an amount needed for the Property purchase.

6.1.4 Title. At Closing, the Title Company must be committed to issue to Buyer the Title Policy described below in Section 9. After the Purchase Price has been paid as set forth under Section 7.2.1 below, the Seller shall convey fee simple title to the Property as set forth in Section 7.1.1 below.

6.1.5 Representations, Warranties, and Covenants of Seller. Seller's representations, warranties, and covenants set forth in this Agreement shall be true and correct as of the Closing Date.

6.1.6 No Material Changes. At Closing, there shall have been no material adverse changes related to or connected with the Property.

6.1.7 Seller's Deliveries. Seller shall have timely delivered each item to be delivered by Seller pursuant to this Agreement, including (without limitation) the documents and materials described below in Section 7.1.

6.1.8 Removal of Personal Property and Debris. At Closing Seller shall have removed or have caused to be removed from the Property, at Seller's sole cost and expense, any and all personal property and/or best efforts trash, rubbish, debris, illegally dumped materials or illegal fill materials. This provision shall survive Closing.

6.1.9 Termination of Leases. At Closing, the Seller shall have caused any and all leases applicable to the Property to be terminated. This provision shall survive Closing.

6.2 Conditions Precedent to Seller's Obligations. In addition to other conditions contained in this Agreement, the conditions set forth in this Section 6.2 must be satisfied prior to Seller's obligation to convey the Property. Closing and Seller's obligations with respect to the transactions contemplated by this Agreement are subject to Buyer's delivery to the Title Company on or before the Closing Date of (i) the balance of the Purchase Price and (ii) the documents and materials described below in Section 7.2.

6.3 Failure of Conditions. In the event any of the conditions set forth above in Sections 6.1 or 6.2 are not timely satisfied or waived for a reason other than the default of Buyer

or Seller under this Agreement, then this Agreement, escrow, and the rights and obligations of Buyer and Seller hereunder shall terminate and the Earnest Money shall be returned to Buyer.

6.4 Cancellation Fees and Expenses. In the event the escrow terminates because of the nonsatisfaction of any condition, the Parties will equally split the cancellation charges required to be paid to the Title Company. In the event this escrow terminates because of Buyer's default, Buyer shall pay the cancellation charges required to be paid to the Title Company. In the event this escrow terminates because of Seller's default, Seller shall pay the cancellation charges required to be paid to the Title Company.

7. **Deliveries to the Title Company.**

7.1 By Seller. On or before the Closing Date, Seller shall deliver the following into escrow with the Title Company:

7.1.1 Deed. A Statutory Warranty Deed (the "Deed"), duly executed and acknowledged in recordable form by Seller, conveying the Property to Buyer free and clear of all liens and encumbrances except the Permitted Exceptions accepted by Buyer pursuant to Section 4.1 above. The Title Company's usual, preprinted exceptions (listed as General Exceptions 1-5 on the Title Report) shall not be listed as exceptions on the Deed.

7.1.2 Nonforeign Certificate. Seller represents and warrants that it is not a "foreign person" as defined in IRC §1445. Seller shall give Buyer a certification to this effect in the form required by that statute and related regulations.

7.1.3 Proof of Authority. Such proof of Seller's authority to enter into this Agreement and consummate the transaction contemplated hereunder, as may be reasonably required by the Title Company and/or Buyer.

7.1.4 Lien Affidavits. Any lien affidavits or mechanic's lien indemnifications as may be reasonably requested by the Title Company in order to issue the Title Policy.

7.1.5 Other Documents. Such other fully executed documents and funds as are required of Seller to close the sale in accordance with this Agreement, including (without limitation) escrow instructions.

7.2 By Buyer. On or before the Closing Date, Buyer shall deliver the following into escrow with the Title Company:

7.2.1 Balance of the Purchase Price. The balance of the Purchase Price, in accordance with Section 2.2 above.

7.2.2 Proof of Authority. Such proof of Buyer's authority to enter into this Agreement and consummate the transaction contemplated hereunder, as may be reasonably required by the Title Company and/or Seller.

7.2.3 Other Documents. Such other fully executed documents and funds as are required of Buyer to close the sale in accordance with this Agreement, including (without limitation) escrow instructions.

8. **Title Insurance**. At Closing, Seller shall cause the Title Company to issue to Buyer a standard ALTA owner's title insurance policy in the full amount of the Purchase Price, insuring fee simple title vested in Buyer or its nominees, subject only to the Permitted Exceptions as established under Section 4 of this Agreement (the "Title Policy").

9. **Closing Costs**. Seller shall pay for the Title Policy, one-half of all escrow fees, any real property transfer or excise taxes, all recording charges other than those allocated to Buyer below, and Seller's share of prorations pursuant to Section 10 below. Buyer shall pay the cost of recording the Deed, one-half of all escrow fees, and Buyer's share of prorations pursuant to Section 10 below. Buyer and Seller each shall pay for its own legal and professional fees incurred. All other costs and expenses are to be allocated between Buyer and Seller in accordance with the customary practice in the county where the Property is located.

10. **Prorations and Taxes**.

10.1 Prorations. Any and all state, county, and/or city taxes for the current year, rents, or other income or operating expenses pertaining to the Property will be prorated between Seller and Buyer as of the Closing Date.

10.2 Taxes and Assessments. All taxes, assessments, and encumbrances including but not limited to any farm/forest tax deferrals, that will be a lien against the Property at Closing, whether or not those charges would constitute a lien against the Property at settlement, shall be satisfied by Seller at Closing. If Seller shall fail to do so, Buyer may pay any such tax, assessment, encumbrance or other charge and deduct an amount equal to any such payment from the Purchase Price.

11. **Seller's Representations and Warranties**. Seller hereby warrants and represents to Buyer the following matters and acknowledges that they are material inducements to Buyer to enter into this Agreement. Seller agrees to indemnify, defend, and hold Buyer harmless from all expense, loss, liability, damages and claims, including (without limitation) attorneys' fees, arising out of the breach or falsity of any of Seller's representations, warranties, and covenants. Seller warrants and represents to Buyer that the following matters are true and correct, and will remain true and correct through Closing:

11.1 Authority. Seller has full power and authority to enter into this Agreement (and the persons signing this Agreement for Seller, if Seller is not an individual, have full power and authority to sign for Seller and to bind it to this Agreement) and to sell, transfer and convey all right, title, and interest in and to the Property in accordance with this Agreement. No further consent of any partner, shareholder, creditor, investor, judicial or administrative body, governmental authority, or other party is required.

11.2 Unrestricted Access. To Seller's knowledge, the Property has unrestricted, insurable vehicular access to a public road.

11.3 Hazardous Substances. For purposes of this Agreement, the term “Hazardous Substances” has the meaning defined in and includes those substances set forth in ORS 465.200. Seller warrants and represents as follows:

(a) Seller has not brought onto, stored on, buried, used on, emitted or released from, or allowed to be brought onto, stored on, buried, used on, emitted, released from, or produced or disposed of, from, or on the Property, any Hazardous Substances in violation of any environmental laws of the federal or state government; provided.

(b) Seller acknowledges that underground storage tanks were previously widely used in the area. To Seller’s knowledge, no underground storage tank(s) have leaked or are known to be leaking on the Property.

(c) To Seller’s knowledge, the Property is materially in compliance with applicable state and federal environmental standards and requirements affecting it;

(d) Seller has not received any notices of violation or advisory action by regulatory agencies regarding environmental control matters or permit compliance with respect to the Property;

(e) Seller has not transferred, and to Seller’s knowledge no other person has transferred, Hazardous Substances from the Property to another location that is not in compliance with applicable environmental laws, regulations, or permit requirements; and

(f) There are no proceedings, administrative actions, or judicial proceedings pending or, to Seller’s knowledge, contemplated under any federal, state, or local laws regulating the discharge of hazardous or toxic materials or substances into the environment.

11.4 Encroachments. To Seller’s knowledge (a) all structures and improvements, including any driveways and accessory structures, are wholly within the lot lines of the Property, (b) no existing building, structure, or improvement of any kind encroaches upon the Property from any adjacent property, and (c) there are no present or past discrepancies or disputes regarding the boundaries of the Property.

11.5 Rights and Contracts Affecting Property. Except for this Agreement, Seller has not entered into any other contracts for the sale of the Property, nor do there exist any rights of first refusal or options to purchase the Property. Except for those exceptions of record listed on the Title Report, Seller owns the Property in fee, free and clear of all liens, conditions, reservations, mortgages, leases, licenses, easements, prescriptive rights, permits, or other similar encumbrances. Seller has not sold, transferred, conveyed, or entered into any agreement regarding timber rights, mineral rights, water rights, “air rights,” or any other development or other rights or restrictions relating to the Property, and to Seller’s knowledge no such rights encumber the Property. There are no service contracts or other agreements pertaining to the Property that Seller will be required to assume at Closing.

11.6 Possession. Except as specifically set forth in this Agreement, there are no leases, licenses, or other agreements permitting, nor has Seller entered into any course of

conduct that would permit, any person or entity to occupy or use any portion of the Property. Seller shall deliver immediate possession of the entire Property to Buyer at Closing.

11.7 Recitals. The statements and information set forth in the Recitals are true and correct.

11.8 No Legal Proceedings. There is no suit, action, arbitration, judgment, legal, administrative, or other proceeding, claim, lien, or inquiry pending or threatened against the Property or against Seller that could (a) affect Seller's right or title to the Property, (b) affect the value of the Property, or (c) subject an owner of the Property to liability.

11.9 Mechanic's and Other Liens. No work on the Property has been done or materials provided that would give rise to actual or impending mechanic's liens, private liens, or any other liens, against the Property.

11.10 Public Improvements or Governmental Notices. To Seller's knowledge, there are no intended public improvements which will result in the creation of any liens upon the Property, nor have any notices or other information been served upon Seller from any governmental agency notifying Seller of any violations of law, ordinance, rule or regulation which would affect the Property.

11.11 Breach of Agreements. The execution of this Agreement will not constitute a breach or default under any agreement to which Seller is bound or to which the Property is subject.

11.12 Bankruptcy Proceedings. No attachments, execution proceedings, assignments for the benefit of creditors, insolvency, bankruptcy, reorganization, or other proceedings are pending or, to Seller's knowledge, threatened against Seller, nor are any such proceedings contemplated by Seller.

11.13 Changed Conditions. If Seller discovers any information or facts that would materially change the foregoing warranties and representations, Seller shall immediately give notice to Buyer of those facts and information. If any of the foregoing warranties and representations ceases to be true before Closing, Seller shall use its best efforts to remedy the problem, at its sole expense, before Closing. If the problem is not remedied before Closing, Buyer may elect to either: (a) terminate this Agreement, in which case Buyer will have no obligation to purchase the Property and the Earnest Money shall be refunded to Buyer, or (b) extend the Closing Date for a period not to exceed thirty (30) days or until such problem has been remedied, whichever occurs first. Should Buyer extend the Closing Date and the problem is not remedied within the 30-day timeframe, Buyer may then elect to terminate this Agreement and receive a refund of its Earnest Money; provided, however, that such election will not constitute a waiver of Buyer's rights in regard to any loss or liability suffered as a result of a representation or warranty not being true, nor will it constitute a waiver of any other remedies provided in this Agreement or by law or equity.

12. **Condition of the Property Through Closing.** Seller further represents, warrants, and covenants that until this transaction is closed or escrow is terminated, whichever occurs first, Seller shall (a) maintain the Property in substantially the same condition as it was on the Effective Date, with no tree cutting, timber harvesting, or alteration of the Property in any way, (b) keep all existing insurance policies affecting the Property in full force and effect, (c) make all regular payments of interest and principal on any existing financing, if applicable, (d) comply with all government regulations, and (e) keep Buyer timely advised of any repair or improvement required to keep the Property in substantially the same condition as it was on the Effective Date.

13. **Buyer's Representations and Warranties.** In addition to any express agreements of Buyer contained herein, the following constitute representations and warranties of Buyer to Seller:

(a) Subject to the conditions stated herein, Buyer has the legal power, right, and authority to enter into this Agreement and the instruments referred to herein and to consummate the transactions contemplated herein;

(b) Subject to the conditions stated herein, all requisite action has been taken by Buyer in connection with entering into this Agreement and the instruments referred to herein and the consummation of the transactions contemplated herein; and

(c) Subject to the conditions stated herein, the persons executing this Agreement and the instruments referred to herein on behalf of Buyer have the legal power, right, and actual authority to bind Buyer to the terms and conditions of this Agreement.

14. **Legal and Equitable Enforcement of This Agreement.**

14.1 Default by Seller. In the event Closing and the consummation of the transaction herein contemplated do not occur by reason of any default by Seller, Buyer shall be entitled to all its out-of-pocket expenses incurred in connection with the transaction, including the Earnest Money, and will have the right to pursue any other remedy available to it at law or equity, including the specific performance of this Agreement.

14.2 Default by Buyer. In the event Closing and the consummation of the transaction herein contemplated do not occur by reason of any default by Buyer, Buyer and Seller agree that it would be impractical and extremely difficult to estimate the damages that Seller may suffer. Therefore, Buyer and Seller agree that a reasonable estimate of the total net detriment that Seller would suffer in the event that Buyer defaults and fails to complete the purchase of the Property is and will be an amount equal to the Earnest Money. This amount shall be Seller's sole and exclusive remedy (whether at law or in equity), and the full, agreed, and liquidated damages for the breach of this Agreement by Buyer. The payment of said amount as liquidated damages is not intended as a forfeiture or penalty. All other claims to damage or other remedies are hereby expressly waived by Seller. Upon default by Buyer, this Agreement will terminate and except as set forth in this section, neither party will have any further rights or obligations hereunder or to one another.

15. **Risk of Loss, Condemnation.** Seller bears the risk of all loss or damage to the Property from all causes, through the Closing Date, except those that are caused directly by the Buyer or its agents, which shall be the responsibility of the Buyer to remedy in a mutually agreeable manner. If, before the Closing Date, all or any part of the Property is damaged, destroyed, condemned, or threatened with condemnation, Seller shall give Buyer written notice of such event. Buyer may terminate this Agreement by giving written notice to Seller within fifteen (15) days following receipt by Buyer of written notice from Seller of such casualty or condemnation and the Title Company shall return to Buyer the Earnest Money and any accrued interest thereon.

16. **Notices.** All notices required or permitted to be given must be in writing to the address set forth below or by email and will be deemed given upon (a) personal service or (b) deposit in the United States Mail, postage prepaid. All such notices shall be deemed received upon personal service, five (5) business days after deposit in the United States Mail, postage prepaid, or one (1) day after deposit with a nationally recognized overnight courier service. Notice by email shall be deemed given and received by the recipient upon submittal of the email and receiving an automated email delivery receipt.

To Seller: McLeod Trust
Attn: Janine and Randy McLeod
23465 SW Boones Ferry Road
Tualatin, OR 97062

To Buyer: City of Tualatin
Parks and Recreation Department
Attn: Ross Hoover
18880 SW Martinazzi Avenue
Tualatin, OR 97062

The foregoing addresses may be changed by written notice, given in the same manner. Notice given in any manner other than the manners set forth above will be effective when received by the party for whom it is intended. Telephone numbers provided above are for information only and are not intended to serve as a substitute for written notice.

17. **Broker or Commission.** The Parties represent and warrant that there are no Brokers known or disclosed by Buyer or Seller; claims to the contrary must be verified in writing. In the event any person or entity asserts a claim for a broker's commission or finder's fee against one of the parties to this Agreement, then Seller shall indemnify, hold harmless, and defend Buyer from and against any such claim if based on any action, agreement, or representations made by Seller; and Buyer shall indemnify, hold harmless, and defend Seller from and against any such claim if based on any action, agreement, or representations made by Buyer.

18. **Further Actions of Buyer and Seller.** Buyer and Seller agree to execute all such instruments and documents and to take all actions pursuant to the provisions of this Agreement in order to consummate the purchase and sale contemplated and both parties shall use their best efforts to accomplish Closing in accordance with the provisions hereof.

19. **Miscellaneous.**

19.1 **Partial Invalidity.** If any term or provision of this Agreement or the application to any person or circumstance is, to any extent, found invalid or unenforceable, the remainder of this Agreement, or the application of such term or provision to persons or circumstances, other than those to which it is held invalid or unenforceable, will not be affected thereby, and each such term and provision of this Agreement will be valid and be enforced in accordance with the law.

19.2 **Waivers.** No waiver of any breach of any covenant or provision contained herein will be deemed a waiver of any preceding or succeeding breach thereof, or of any other covenant or provision herein contained. No extension of time for performance of any obligation or act will be deemed an extension of the time for performance of any other obligation or act.

19.3 **Survival of Representations.** The covenants, agreements, representations, and warranties made herein, including all provisions in the Recitals, specifically those obligations that explicitly state they will survive closing, will not merge into the Deed upon recordation in the official real property records.

19.4 **Representation.** This Agreement was prepared by Buyer and modifications were made at the request of Seller's legal counsel prior to execution of this Agreement by the parties. Accordingly, this Agreement shall be construed as if it had been prepared by both parties.

19.5 **Entire Agreement.** This Agreement (including any exhibits attached to it) is the final expression of, and contains the entire agreement between, the parties with respect to the subject matter of this Agreement and supersedes all prior understandings with respect to it. This Agreement may not be modified or terminated, nor may any obligations under it be waived, except by written instrument signed by the party to be charged or by its agent duly authorized in writing or as otherwise expressly permitted herein.

19.6 **Time of Essence.** Seller and Buyer hereby acknowledge and agree that time is strictly of the essence with respect to every term, condition, obligation, and provision contained in this Agreement. Unless otherwise specified herein, in computing any period of time described in this Agreement, whenever a date for an action required to be performed falls on a Saturday, Sunday, or a state or federal holiday, then such date shall be extended to the following business day.

19.7 **Recitals.** The statements and information set forth in the Recitals are hereby incorporated as if fully set forth herein and shall be used for the purposes of interpreting this Agreement.

19.8 **Governing Law.** The parties acknowledge that this Agreement has been negotiated and entered into in the state of Oregon. The parties expressly agree that this Agreement is governed by and should be interpreted in accordance with the laws of the state of Oregon.

THE PROPERTY DESCRIBED IN THIS INSTRUMENT MAY NOT BE WITHIN A FIRE PROTECTION DISTRICT PROTECTING STRUCTURES. THE PROPERTY IS SUBJECT TO LAND USE LAWS AND REGULATIONS THAT, IN FARM OR FOREST ZONES, MAY NOT AUTHORIZE CONSTRUCTION OR SITING OF A RESIDENCE AND THAT LIMIT LAWSUITS AGAINST FARMING OR FOREST PRACTICES AS DEFINED IN ORS 30.930 IN ALL ZONES. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON TRANSFERRING FEE TITLE SHOULD INQUIRE ABOUT THE PERSON'S RIGHTS, IF ANY, UNDER ORS 195.300, 195.301, AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010. BEFORE SIGNING OR ACCEPTING THIS INSTRUMENT, THE PERSON ACQUIRING FEE TITLE TO THE PROPERTY SHOULD CHECK WITH THE APPROPRIATE CITY OR COUNTY PLANNING DEPARTMENT TO VERIFY THAT THE UNIT OF LAND BEING TRANSFERRED IS A LAWFULLY ESTABLISHED LOT OR PARCEL, AS DEFINED IN ORS 92.010 OR 215.010, TO VERIFY THE APPROVED USES OF THE LOT OR PARCEL, TO VERIFY THE EXISTENCE OF FIRE PROTECTION FOR STRUCTURES AND THE RIGHTS OF NEIGHBORING PROPERTY OWNERS, IF ANY, UNDER ORS 195.300, 195.301 AND 195.305 TO 195.336 AND SECTIONS 5 TO 11, CHAPTER 424, OREGON LAWS 2007, AND SECTIONS 2 TO 9 AND 17, CHAPTER 855, OREGON LAWS 2009, AND SECTIONS 2 TO 7, CHAPTER 8, OREGON LAWS 2010.

IN WHEREOF, the parties have executed this Agreement effective as of the last date of signature specified below.

BUYER:
City of Tualatin

SELLER:
McLeod Trust

By: _____

By: Randy McLeod

Date: _____

Date: _____

By: Janine McLeod

Date: _____

Exhibit A
Property Description

DRAFT