

To: Sarah Selden, City of Lake Oswego and Kirstin Green, Cogan Owens Cogan
Date: May 23, 2011
From: Todd Chase, AICP, LEED
RE: Supplemental Fiscal Impact Analysis (REVISED FINAL DRAFT)

INTRODUCTION

The primary objective of this supplemental fiscal impact analysis is to understand the relative costs and revenues that the city of Lake Oswego will realize over time with respect to impacts on its General Fund, and potential revenues that could be derived from increases in System Development Charge collections that occur if development occurs in line with growth forecast scenarios.

This preliminary analysis does not account for potential impacts on Enterprise Funds, such as water, sewer, and storm water utilities, or the capital costs associated with expanding infrastructure capacity. While there will be other potential benefits (and costs) that may be realized from the broader county, region, state and federal government perspective, this analysis is intended to focus on the local (city) perspective. In addition, the high level nature of the analysis and methodology is intended to reflect the high level vision statement and scenario. It is not intended to provide detailed information, but rather a high level understanding of the relative costs and benefits of accommodating new housing and jobs.

METHODOLOGY

The steps taken to estimate the net fiscal impacts on the Lake Oswego are generally consistent with other fiscal impact work that FCS GROUP has conducted in other cities throughout the United States. The method used involved the following steps:

1. Document current fiscal year budgets (expenses) attributed to Lake Oswego General Fund payroll, materials and services (the variable expenses that are likely to change as additional development occurs and residents and employees demand local public services).
2. Estimate the existing (2010) and projected change (2035) in population, dwellings, average people per dwelling, and employment that is associated with the long range planning scenarios for the Lake Oswego Urban Service Boundary (USB).
3. Utilize the results from step 2 along with other supporting local data to determine an estimate of equivalent resident units (ERUs) for dwellings and employment. For simplicity purposes, the ERU conversion factors for residents and employees are calculated using the method adopted as part of the Lake Oswego Parks SDC Methodology Report (September 2008). Determine the net new ERUs expected under the growth scenarios being considered in the Comprehensive Plan update.
4. Calculate the annual cost of serving new ERU growth in terms of annual payroll, materials and service costs per ERU.
5. Estimate the annual revenue potential the city realizes from residential and employment development, as measured by property tax collections, state shared tax revenue collections, and

franchise fee revenue collections—based on current rate structures and estimated current levels of dwelling units, employment, and assessed valuation.

6. Calculate the net revenues and expenses that are anticipated upon build-out of the Comprehensive Plan growth scenarios, based on the results of steps 1-5.

These steps were conducted using available background data and current assumptions, derived from the adopted Lake Oswego Budget for FY 2009-10, and draft Housing Needs Analysis (May 1, 2011) and draft Economic Opportunities Analysis (May 2, 2011). All costs and revenues mentioned in this analysis are provided in current year (2011) dollar amounts, unless otherwise stated.

ANNUAL GENERAL FUND COST ASSUMPTIONS

As new population and employment is added to the Lake Oswego USB, there will increasing levels of demand for public services, including staff time attributed to planning and development, public works, general administration, libraries, police, parks, and emergency services. These types of expenditure are accounted for in the city's annual budget for payroll, materials, and services, which are summarized in **Table 1**. Total general fund expenditures on payroll, materials and services during FY 2009-10 were \$37.55 million.

FISCAL REVENUE ASSUMPTIONS

Local governments must “balance their books” each year with respect to the costs of “running a city” and must meet strict federal accounting and state accounting regulations regarding long-term liabilities, such as debt service and capital facility replacement. Lake Oswego, like most local municipal governments in Oregon is funded primarily through property taxes and a variety of local development charges and fees, and state transfer payments. New development (and redevelopment and annexations) provide several types of direct and indirect fiscal benefits, to the City of Lake Oswego, including:

- **Property tax revenues**, as private assessed property values increase;
- **System development charge revenues**, as new development is required to pay for its direct impacts on local public facilities;
- **Franchise fee revenues**, when new development generates additional demand from utility service providers that are licensed to serve local customers;
- **Utility revenues**, when new development is within the city's water, sewer, storm water, or street districts;
- Pass-through of **state transfer payments** when new population is added based on formula share distributions for state taxes on selected items such as motor vehicle fuel taxes, cigarette taxes, and liquor taxes.
- **Other miscellaneous fees and fines** (such as business license fees, pet license fees, library fines, etc.) that vary by household or business type. These are relatively small in comparison to the other revenues and have not been estimated in this memorandum.

Lake Oswego's major sources of revenue include property taxes, franchise fees, program and service fees, utility fees and state revenue sharing. Total budgeted revenue from all sources (excluding beginning fund balances) for FY 2009-10 is approximately \$134,900,000.¹

¹ Derived from *Lake Oswego Centennial 1910-2010 Proposed Budget, 2010-11*.

Table 1. Lake Oswego FY 2009-10 Budget for Payroll, Materials and Services

Department Description	Payroll, Materials & Services
General:	
General ¹	\$ 7,966,000
Library	\$ 3,075,000
Municipal Court	\$ 625,000
Adult Community Center	\$ 994,000
Planning & Building	\$ 3,016,000
Police	\$ 9,251,000
Fire	\$ 7,871,000
Parks & Recreation	\$ 4,754,000
Subtotal General Fund	\$ 37,552,000
Public Works:	
Water	\$ 3,489,000
Wastewater	\$ 4,607,000
Surface Water	\$ 522,000
Street	\$ 1,649,000
Systems Development Charges	\$ 30,000
Maintenance Services & Motor Pool	\$ 1,122,000
Engineering	\$ 2,707,000
LO-Tigard Water Supply Partnership	\$ 1,408,000
Subtotal	\$ 15,534,000
Other Parks & Recreation:	
Golf Course	\$ 774,000
Tennis Facility	\$ 281,000
Subtotal	\$ 1,055,000
Other:	
Streetcar	\$ 126,000
Tourism	\$ 175,000
Percent for Art	\$ 93,000
Assessment Project	-
Bicycle Path	-
Subtotal	\$ 394,000
Total	\$ 54,535,000

¹Adjusted to exclude \$1.5 million loan to TriMet.

Source: City of Lake Oswego, Annual Budget FY 2009-10.

Property taxes make up the City's largest discretionary revenue source and serves as the primary funding source for basic government services, such as police, fire, parks and recreation and planning. The City's local property tax rate is approximately \$4.97 per \$1,000/assessed value (for tax lots in the Lake Oswego School District) and is set at a level that is slightly below the city's maximum tax levy authority, and is

below local tax rates in many surrounding cities, including Portland, Beaverton, Milwaukie and Oregon City (after adjusting for comparable public services).

For analysis purposes, FCS GROUP developed a comparison of three residential development typologies, ranging from a relatively large single family home to a much smaller apartment or townhome dwelling.

Comparative findings, shown in **Table 2**, indicate that a single family detached (SFD) home with a market value of \$750,000 and an assessed value of \$525,000 would generate approximately \$8,704 in total property tax revenues, of which approximately \$2,520 would be allotted to the City of Lake Oswego's general government levy.

A smaller single family home with an assessed value of \$350,000 would generate approximately \$1,680 per year in property revenue for the City (general government levy).

A townhome or apartment unit with an assessed value of \$245,000 would generate approximately \$1,176 per year in property revenue for the City (general government levy).

Other City of Lake Oswego revenues would also be enhanced including, City of Lake Oswego Bond fund, and the Lake Oswego School District facilities bond fund. In essence, more revenue would be collected that would allow bonds to be retired earlier.

If we extrapolate the average annual local property tax revenues to the City of Lake Oswego from Table 2 to land area required for various types of development density levels, we can estimate the relative benefit to the City of Lake Oswego for various housing types. As indicated in **Table 3**, there is a significant fiscal benefit from relatively higher density development patterns. However, achieving higher density development increases public facility and service demand levels, and is often difficult to implement in relatively low-density suburban settings; hence the costs of serving higher density development and community acceptance must be carefully weighed against any relative fiscal advantage.

Table 2. Relative Comparison of Property Tax Revenues Attributed to Residential Housing Typologies, City of Lake Oswego (inside School District)

		Estimated Annual Prop. Tax Revenues**		
	Tax Rate*	Example A Above Avg. SFD Home	Example B Avg. Home/ Condo	Example C Smaller Townhome or Apt.
Estimated Market Value Per DU		\$750,000	\$500,000	\$350,000
Estimated Assessed Value Per DU		\$525,000	\$350,000	\$245,000
Property Tax Rates and Revenues				
Portland Community College	0.2740	\$144	\$96	\$67
Clackamas ESD	0.3503	\$184	\$123	\$86
Lake Oswego School Dist.	4.3235	\$2,270	\$1,513	\$1,059
Lake Oswego School Dist. Local Option	1.2185	\$640	\$426	\$299
Total Education	6.1663	\$3,237	\$2,158	\$1,511
City of LK Oswego Inside School Dist.				
Clackamas County	2.3246	\$1,220	\$814	\$570
County Soil Conserv. Dist.	0.0000	\$0	\$0	\$0
Port of Portland	0.0669	\$35	\$23	\$16
Metro SRV 2 - Oregon Zoo	0.0919	\$48	\$32	\$23
UR County SP	0.0996	\$52	\$35	\$24
Urban Renewal County	0.0142	\$7	\$5	\$3
Urban Renewal Lake Oswego	0.5399	\$283	\$189	\$132
Vector Control	0.0063	\$3	\$2	\$2
Vector Control - Local Option	0.0242	\$13	\$8	\$6
Total General Government	7.9682	\$4,183	\$2,789	\$1,952
City of Lake Oswego Bond				
Portland Comm. Coll. Bond	0.1997	\$105	\$70	\$49
Lake Oswego School Dist. Bond	1.2518	\$657	\$438	\$307
Metro SRV 2 Bond	0.1727	\$91	\$60	\$42
TriMet Trans. Bond	0.0925	\$49	\$32	\$23
Total, Excluded from Limitation	2.4441	\$1,283	\$855	\$599
Total Per Dwelling Unit (DU)	16.5846	\$8,704	\$5,803	\$4,062

Notes:

* Derived from Clackamas County Assessor data for Lake Oswego Tax Code: 007-002, FY 2009-10.

* Based on the following assumptions:

Residential Dwelling Assumptions	Market Value	RMV to AV Ratio	Est. Assessed Value
Large Home	\$ 750,000	70%	\$ 525,000
Average Home	\$ 500,000	70%	\$ 350,000
Small Home/Cottage/Townhome	\$ 350,000	70%	\$ 245,000

Table 3. Relative Annual Property Tax Revenues Per Acre for General Government Tax Levy Based on Average Density Levels and Housing Type, City of Lake Oswego, 2010

	Example A Above Avg. Home	Example B Avg. Home/ Condo	Example C Smaller Townhome or Apt.
Low Density	\$11,341	\$7,939	
Medium Density	\$20,163	\$14,114	
Townhome Density	\$30,244	\$21,171	\$14,114
Apartment Density (3 levels)	\$55,447	\$38,813	\$25,875
High Density (4-5 levels, parking underneath)	\$100,813	\$70,569	\$47,046
Higher Density (6-8 levels, parking underneath)	\$201,625	\$141,138	\$94,092

Source: analysis by FCS GROUP.

To measure the relative fiscal benefit associated with local franchise revenues and state shared tax revenues, historic trends between FY 2000 and FY 2009. As indicated in **Table 4**, the annual population growth in Lake Oswego has varied from 0.43% to 0.45% since FY 2001. Local property taxes have grown at an average annual rate of 5.1% since FY 2002 (in spite of no increases in tax rates and low residential growth). Most of this increase is attributed to increased assessments from remodels and new residential and commercial developments. In light of the statewide passage of Ballot Measure 50, cities are limited to a 3% annual increase in local tax revenues; but growth attributed to annexations, new development and real property improvements are outside the 3% limitation.

Local franchise fee revenues recorded a slight decline between FY 2008 and FY 2009-10 in the wake of the recent economic recession. State transfer payments based on motor vehicle fuel tax revenues have declined by nearly 3% since FY 2003, due in part to improved vehicle fuel economies, slower population growth rates and the recent economic recession. State transfer payments based on alcoholic beverage tax revenues picked up by nearly 40% since FY 2003 (6.6% annual increase). More recent trends between FY 2009-10 and FY 2010-11 suggest a slight increase in alcohol and state motor vehicle tax revenues, but a decline in cigarette tax revenues.

Table 4. Local Property Tax Revenues, Franchise Tax and State Allocated Remittances and Population, City of Lake Oswego, FY 2000 to FY 2009

		State-allocated remittances			
Fiscal Year	Property Tax	Franchise Tax	Motor Fuel Tax	Alcoholic Beverage Tax	Total
2000					
2001					
2002					
2003	\$22,863,038	\$1,932,405	\$1,447,352	\$309,928	\$26,552,723
2004	\$24,467,913	\$1,845,056	\$1,616,831	\$336,032	\$28,265,832
2005	\$26,058,276	\$1,958,160	\$1,742,832	\$348,583	\$30,107,851
2006	\$26,981,047	\$2,164,721	\$1,743,384	\$375,831	\$31,264,983
2007	\$27,847,561	\$2,363,736	\$1,670,244	\$379,498	\$32,261,039
2008	\$29,106,537	\$2,557,856	\$1,574,305	\$430,649	\$33,669,347
2009	\$30,314,960	\$2,528,804	\$1,404,495	\$432,498	\$34,680,757

Fiscal Year	Population	Motor Fuel Tax Revenue/ Person	Alcoholic Beverage Tax/Person	Pop. Growth Rate
2000	35,278			
2001	35,436			0.45%
2002	35,594			0.45%
2003	35,751	\$40.48	\$8.67	0.44%
2004	35,909	\$45.03	\$9.36	0.44%
2005	36,067	\$48.32	\$9.66	0.44%
2006	36,225	\$48.13	\$10.38	0.44%
2007	36,382	\$45.91	\$10.43	0.44%
2008	36,540	\$43.08	\$11.79	0.43%
2009	36,698	\$38.27	\$11.79	0.43%

Source: City of Lake Oswego Consolidated Annual Financial Report, 2009; compiled by FCS GROUP.

State-shared tax remittances are allocated to localities based on a formula that takes into account local population levels and net revenue collections. If we assume that the average population per dwelling unit type varies as indicated in **Table 5**, and adjust the franchise fee revenues for non-residential development, we can estimate the relative amount of revenues attributed to various housing types. The analysis indicates that the expected level of combined annual average franchise fee revenue and state shared tax revenues ranges from approximately \$177/year (\$90 plus \$87) for the average multifamily dwelling to \$305/year (\$155 plus \$150) for the average single-family dwelling unit. Additional local shared tax revenues will also be derived from the Clackamas County Library District, which is expected to provide funding of about \$2.0 million to Lake Oswego in FY 2010/11, or approximately \$105/year per dwelling unit.

Table 5. Comparison of Estimated Annual Franchise Fee Revenues and State Shared Tax Remittances Attributed to Housing Types

	Above Avg. Single-Family Home	Avg. Single-Family Home	Multifamily Avg.	Townhome or Condo Dwelling	Small Lot SFD or Apartment Dwelling
Annual Local Property Tax Revenues					
<i>City of Lake Oswego Inside School Dist.</i> ¹	\$2,520	\$1,680	\$1,176	\$1,176	\$1,176
Annual State Shared Tax Revenue ²	\$186	\$155	\$90	\$105	\$75
Annual Local Franchise Tax Revenue ²	\$179	\$150	\$87	\$101	\$72
Annual Local Library District Shared Tax Revenue ³	\$105	\$105	\$105	\$105	\$105

Notes:

¹ Represents current tax rate for Lake Oswego general government.

² Derived from Table 3. Assumes 20% higher-than-average revenue with larger homes.

³ Assumes current distribution formula for FY 2010/11, applied to all household types equally.

Source: analysis by FCS GROUP.

Non-residential development impacts were derived using the results from the Clackamas County Economic Landscape Study, May 2010 (by FCS GROUP et. al.). That analysis included a detailed assessment of the Kruse Way Corridor business impacts and associated local government general fund impacts. The economic and fiscal benefit estimates from the Kruse Way Corridor is summarized in **Table 6**. The results indicate that for each job, the city receives a value from associated real property assessments that equates to approximately \$509/year in annual general fund revenues. The city also receives an additional \$155/year in local bond levy assessments; however, these revenues will cease once the bond levies sunset.

While the results for the non-residential fiscal impact analysis are limited to the Kruse Way Corridor, they can be applied elsewhere in the Lake Oswego USB because there is a proportional relationship between job density and real property assessed valuation. In other words, an industrial area in comparison to an office area would have lower job density and lower assessed value per acre; hence the overall impact of general fund revenue added per job would be relatively similar. In light of limited data and budget, the non-residential fiscal impact analysis for the Lake Oswego USB is based on the results shown in Table 6.

Table 6. Estimated Annual Local Property Tax Collection Per Job in Kruse Way Corridor

Est. Assessed Value Per Developed Acre on Employment Land	\$2,166,836
Est. Annual Property Tax Revenue Per Developed Acre on Emp. Land	\$22,666
General Government (City of Lake Oswego)	\$17,370
Local Bond Levies (City of Lake Oswego)	\$5,296
Jobs Per Acre in Analysis Area	34.1
Est. Annual Local Property Tax Revenue Per Job	
General Government (City of Lake Oswego)	\$509
Local Bond Levies (City of Lake Oswego)	\$155

Notes:

¹ Derived from Clackamas Economic Landscape Study, by FCS GROUP et.al.,2010; data reflects findings for the Kruse Way area in 2006.

Source: analysis by FCS GROUP.

GROWTH ASSUMPTIONS

Existing (2010) and long-term (2035) projections for dwellings and employment within the Lake Oswego USB are the basis for determining local fiscal impacts. As indicated in **Table 7**. The Lake Oswego USB had an estimated 19,166 dwelling units and 43,094 people in 2010.

Table 7. Lake Oswego USB 2010 Dwellings and Population Estimates

	Dwelling Unit Est.	Pop. Estimate	Pop. Per Dwelling Estimate
Single family	12,617	32,173	2.55
Multifamily	6,549	10,921	1.67
Total	19,166	43,094	2.25

Source: estimates by City of Lake Oswego and FCS GROUP.

Because residents have greater impacts on local public services (such as roads, library, police and emergency services), it is necessary to compare residents and non-residents using a method to convert population and employment to equivalent resident units (ERUs). FCS GROUP utilized the city of Lake Oswego’s existing adopted method for calculating ERUs based on the city’s Parks SDC Methodology Update Report (September 2008). That report determined that the ERUs conversion for resident population is 100%, and each job has a fiscal impact that is only 18.3% of a typical resident. The ERUs factors and estimates for Lake Oswego are provided in **Table 8**.

Table 8. Lake Oswego Equivalent Resident Unit (ERU) Estimates

	Residents ¹	Jobs ²	ERU Factor ³	ERUs ⁴
Single Family	32,173		100%	32,173
Multifamily	10,921		100%	10,921
Employment		20,538	18.3%	3,758
Total	43,094	20,538		46,852

Notes:

¹ Derived from Table 8.

² Job estimate based on 2010 estimate reported in Lake Oswego Economic Opportunities Analysis, May 2011.

³ ERU factor derived from Lake Oswego Parks SDC Methodology Update Report, Sept. 2008.

⁴ ERU calculations equal to residents or jobs x the ERU factor.

Source: compiled by FCS GROUP.

The amount of new growth in Lake Oswego over the 2010-2035 timeframe is expected to vary depending upon whether local plan policies and vision supports the low-growth, medium-growth, and medium-high growth scenario. As indicated in **Table 9**, the amount of net new ERUs that are expected under the three growth scenarios ranges from 4,768 ERUs to 9,250 ERUs.

**Table 9. ERU Growth Projections for the Lake Oswego USB
Low Growth Forecast, Net New Development, 2010 to 2035**

	Dwellings ¹	Residents ¹	Jobs ²	ERU Factor ³	ERUs ⁴
Single Family	1,445	3,685		100%	3,685
Multifamily	429	715		100%	715
Employment			2,008	18.3%	367
Total	1,874	4,400	2,008		4,768

Medium Growth Forecast, Net New Development, 2010 to 2035

	Dwellings ¹	Residents ¹	Jobs ²	ERU Factor ³	ERUs ⁴
Single Family	2,745	7,000		100%	7,000
Multifamily	816	1,361		100%	1,361
Employment			3,815	18.3%	698
Total	3,561	8,360	3,815		9,059

Medium Housing Growth Forecast & Medium-High Jobs Growth Forecast, 2010 to 2035

	Dwellings ¹	Residents ¹	Jobs ²	ERU Factor ³	ERUs ⁴
Single Family	2,745	7,000		100%	7,000
Multifamily	816	1,361		100%	1,361
Employment			4,859	18.3%	889
Total	3,561	8,360	4,859		9,250

¹ Derived from Lake Oswego Housing Needs Assessment, with avg. pop.: dwelling ratio from Table 8.

² Job estimate based on 2010 estimate reported in Lake Oswego Economic Opportunities Analysis, May 2011.

³ ERU factor derived from Lake Oswego Parks SDC Methodology Update Report, Sept. 2008.

⁴ ERU calculations equal to residents or jobs multiplied by the ERU factor.

Source: compiled by FCS GROUP.

NET FISCAL IMPACTS

The current general fund expenditures in Lake Oswego for FY 2009-10 of \$34.55 million can be divided by the estimated ERUs in the Lake Oswego USB (46,852) to determine an annual cost per ERU of \$806. This cost is intended to represent the annual payroll, materials and service costs that one ERU will demand of the city each year related to public administration, planning, engineering, community facilities, parks, police, emergency services, etc. (see **Table 10**).

Table 10. Annual General Fund Costs Per Equivalent Resident Unit (ERU), FY 2009-10 Estimate

Lake Oswego Annual Budget Expense in FY 2009-10 ¹	\$37,552,600
Equivalent Resident Units (ERU) in FY 2010 ²	46,852
Annual Expense Per ERU (FY 2009-10 estimate)	\$802

Notes:

¹ Derived from Table 1, reflects annual costs of city payroll, materials and services for all departments.

² Derived from Table 9.

Source: analysis by FCS GROUP.

To determine the net annual fiscal cost of adding the amount of growth that is assumed under the three growth forecasts being considered by the Comprehensive Plan, the average general fund cost per ERU is applied to the amount of net new ERUs added in each growth scenario. The level of added fiscal expense associated with servicing the three growth scenarios is summarized in **Table 11**, and ranges from \$3.8 million in the low-growth scenario to \$7.3 million in the medium-growth scenario, and \$7.4 million in the medium-growth scenario for housing and medium-high growth scenario for employment.

To determine the net annual fiscal revenues associated with adding the amount of growth that is assumed under the three growth forecasts being considered by the Comprehensive Plan, the average revenue per dwelling unit (single family and multifamily) and per job is applied to the amount of net new dwellings and jobs expected under each growth scenario. The level of added fiscal revenues associated with the three growth scenarios is summarized in **Table 12**, and ranges from \$4.7 million in the low-growth scenario to \$8.9 million in the medium-growth scenario, and \$9.4 million in the medium-growth scenario for housing and medium-high growth scenario for employment.

After comparing the expected annual increase in fiscal costs with the expected increase in fiscal revenues, the city of Lake Oswego is likely to experience a net increase in General Fund revenues. The level of added fiscal revenues associated with the three growth scenarios is summarized in **Table 13**. While the results indicate that net general fund impact may be positive, the additional enterprise fund revenues and related capital and operating expenditure have not been analyzed at this time. The overall net new fiscal benefit on Lake Oswego upon build-out of the growth forecasts is projected to range from approximately \$860,000 per year in the low-growth scenario, to \$1.6 million per year in the medium-growth scenario, and nearly \$2.0 million per year in the medium-growth scenario for housing and medium-high growth scenario for employment (at build-out).

**Table 11. Annual Local General Fund Expense Associated with Planned Development
Low Growth Forecast, Net New Development, 2010 to 2035**

	ERUs ¹	Annual Local Payroll, M&S Costs ²
Single Family	3,685	\$2,950,000
Multifamily	715	\$570,000
Employment	367	\$290,000
Total	4,768	\$3,810,000

Medium Growth Forecast, Net New Development, 2010 to 2035

	ERUs ¹	Annual Local Payroll, M&S Costs ²
Single Family	7,000	\$5,610,000
Multifamily	1,361	\$1,090,000
Employment	698	\$560,000
Total	9,059	\$7,260,000

Medium Housing Growth Forecast & Medium-High Jobs Growth Forecast, 2010 to 2035

	ERUs ¹	Annual Local Payroll, M&S Costs ²
Single Family	7,000	\$5,610,000
Multifamily	1,361	\$1,090,000
Employment	889	\$710,000
Total	9,250	\$7,410,000

Notes:

ERUs = equivalent resident units.

¹ Derived from Lake Oswego Housing Needs Assessment, with avg. pop.: dwelling ratio from Table 2.

² Job estimate based on 2010 estimate reported in Lake Oswego Economic Opportunities Analysis, May 2011.

³ ERU factor derived from Lake Oswego Parks SDC Methodology Update Report, Sept. 2008.

⁴ ERU calculations equal to residents or jobs multiplied by the ERU factor.

Source: compiled by FCS GROUP.

Table 12. Annual Local Government Revenues Associated with Planned Development

Low Growth Forecast, Net New Development, 2010 to 2035

	Dwellings ¹	Jobs ²	Annual Local Prop. Tax Revenues ³	Annual State & County Shared Tax Revenues ⁴	Annual Local Franchise Tax Revenues ⁵	Total Annual Revenues
Single Family	1,445		\$2,430,000	\$380,000	\$220,000	\$3,030,000
Multifamily	429		\$500,000	\$80,000	\$40,000	\$620,000
Employment		2,008	\$1,020,000			\$1,020,000
Total	1,874	2,008	\$3,950,000	\$460,000	\$260,000	\$4,670,000

Medium Growth Forecast, Net New Development, 2010 to 2035

	Dwellings ¹	Jobs ²	Annual Local Prop. Tax Revenues ³	Annual State & County Shared Tax Revenues ⁴	Annual Local Franchise Tax Revenues ⁴	Total Annual Revenues
Single Family	2,745		\$4,610,000	\$710,000	\$410,000	\$5,730,000
Multifamily	816		\$960,000	\$160,000	\$70,000	\$1,190,000
Employment		3,815	\$1,940,000			\$1,940,000
Total	3,561	3,815	\$7,510,000	\$870,000	\$480,000	\$8,860,000

Medium Housing Growth Forecast & Medium-High Job-Growth Forecast, 2010 to 2035

	Dwellings ¹	Jobs ²	Annual Local Prop. Tax Revenues ³	Annual State & County Shared Tax Revenues ⁴	Annual Local Franchise Tax Revenues ⁴	Total Annual Revenues
Single Family	2,745		\$4,610,000	\$710,000	\$410,000	\$5,730,000
Multifamily	816		\$960,000	\$160,000	\$70,000	\$1,190,000
Employment		4,859	\$2,480,000			\$2,480,000
Total	3,561	4,859	\$8,050,000	\$870,000	\$480,000	\$9,400,000

Notes:

¹ Derived from Lake Oswego Housing Needs Assessment, with avg. pop.: dwelling ratio from Table 2.

² Job estimate based on 2010 estimate reported in Lake Oswego Economic Opportunities Analysis, May 2011.

³ Derived from average revenue forecast shown in Tables 5 and 6.

⁴ Derived from average revenue forecast shown in Table 5.

Source: analysis by FCS GROUP.

**Table 13. Net Total Annual Fiscal Impacts Associated with Planned Development (at build-out)
Low Growth Forecast, Net New Development, 2010 to 2035**

	Annual Local Payroll, M&S Costs in Gen. Fund ¹	Total General Fund & Shared Tax Revenues ²	Annual Net New Gen. Fund Revenues
Single Family	(\$2,950,000)	\$3,030,000	\$80,000
Multifamily	(\$570,000)	\$620,000	\$50,000
Employment	(\$290,000)	\$1,020,000	\$730,000
Total	(\$3,810,000)	\$4,670,000	\$860,000

Medium Growth Forecast, Net New Development, 2010 to 2035

	Annual Local Payroll, M&S Costs in Gen. Fund ¹	Total General Fund & Shared Tax Revenues ²	Annual Net New Gen. Fund Revenues
Single Family	(\$5,610,000)	\$5,730,000	\$120,000
Multifamily	(\$1,090,000)	\$1,190,000	\$100,000
Employment	(\$560,000)	\$1,940,000	\$1,380,000
Total	(\$7,260,000)	\$8,860,000	\$1,600,000

Medium Housing Growth Forecast & Medium-High Job-Growth Forecast, 2010 to 2035

	Annual Local Payroll, M&S Costs in Gen. Fund ¹	Total General Fund & Shared Tax Revenues ²	Annual Net New Gen. Fund Revenues
Single Family	(\$5,610,000)	\$5,730,000	\$120,000
Multifamily	(\$1,090,000)	\$1,190,000	\$100,000
Employment	(\$710,000)	\$2,480,000	\$1,770,000
Total	(\$7,410,000)	\$9,400,000	\$1,990,000

Notes:

¹ derived from Table 11.

² derived from Table 12.

Source: analysis by FCS GROUP.

In addition to the general fund revenues, a preliminary analysis indicates that various enterprise funds will also increase in revenues as new customers pay utility rates and fees for public services, such as water, sewer, and street maintenance. The incremental impacts on individual enterprise funds have not been determined at this time.

SYSTEM DEVELOPMENT CHARGE REVENUES

A preliminary analysis of Lake Oswego’s current SDCs has been conducted by FCS GROUP for the two residential growth forecasts now being considered as part of the Lake Oswego Comprehensive Plan update. Non-residential growth and related SDC revenues have not been calculated at this time. The results of the residential SDC revenue analysis are provided in **Table 14**. The results indicate that the City of Lake Oswego could collect between \$33 million and \$63 million in cumulative SDC revenues from the planned residential development associated with the low and medium growth forecasts (over the 2010 to 2035 time period). Annual SDC revenues will vary significantly depending upon the level of development activity, and the amount of SDC credits that are granted for specific developments.

Table 14. Projected SDC Revenues Associated with Planned Residential Development, 2010 to 2035

	Single-Family	Multi-family	Total
Upfront System Development Charge Revenues (Average per Dwelling Unit) ¹			
Water	\$2,478	\$1,679	-
Sanitary Sewer	\$2,258	\$1,530	-
Surface Water	\$124	\$84	-
Streets	\$4,195	\$2,716	-
Parks and Recreation	\$10,683	\$5,199	-
Average SDC Revenues Per Dwelling	\$19,738	\$11,208	-
Cumulative SDC Revenues with Low Growth Forecast ²			
Water	\$3,581,000	\$720,000	\$4,301,000
Sanitary Sewer	\$3,263,000	\$656,000	\$3,919,000
Surface Water	\$179,000	\$36,000	\$215,000
Streets	\$6,062,000	\$1,165,000	\$7,227,000
Parks and Recreation	\$15,437,000	\$2,230,000	\$17,667,000
Total Cumulative SDC Revenues	\$28,522,000	\$4,807,000	\$33,329,000
Cumulative SDC Revenues with Medium Growth Forecast ²			
Water	\$6,802,000	\$1,370,000	\$8,172,000
Sanitary Sewer	\$6,198,000	\$1,248,000	\$7,446,000
Surface Water	\$340,000	\$69,000	\$409,000
Streets	\$11,515,000	\$2,216,000	\$13,731,000
Parks and Recreation	\$29,325,000	\$4,242,000	\$33,567,000
Total Cumulative SDC Revenues	\$54,180,000	\$9,145,000	\$63,325,000

Notes:

¹ Represents current SDC fees for Lake Oswego.

² Derived from Table 9.

Source: FCS GROUP.

While this analysis focuses only on the potential annual fiscal impacts that the city of Lake Oswego could potentially receive from various housing and employment development types, it is also beneficial to understand the local infrastructure costs and potential local SDC revenues of serving targeted

redevelopment locations, such as the Foothills area. In the *Portland Metro Regional Infrastructure Study* (by FCS GROUP et al.), it was determined that the cost of serving new developments varies widely depending on development location, scale and mix. It is recommended that the city conduct additional analysis of specific locations to more fully understand how public infrastructure capital costs compare with anticipated development revenues to optimize public return on investment.

SUMMARY

The results indicate an overall net new fiscal benefit upon build-out in all three growth forecasts. Table 13 also indicates that there is a positive fiscal benefit in the creation of jobs, resulting in a net benefit

The overall net new fiscal benefit on Lake Oswego upon build-out of the growth forecasts is projected to range from approximately \$860,000 per year in the low-growth scenario, to \$1.6 million per year in the medium-growth scenario, and nearly \$2.0 million per year in the medium-growth scenario for housing and medium-high growth scenario for employment (at build-out).

In addition, the City could collect between \$33 million and \$63 million in cumulative SDC revenues from the planned residential development associated with the low and medium growth forecasts (over the 2010 to 2035 time period), depending on the level of development and SDC credits granted.