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MEMORANDUM

DATE: May 8, 2015
TO: Matt Hermen, Clark County
FROM: Ray Delahanty, AICP
SUBJECT: Clark County TIF Update
Task 8: TIF Update Recommendations

The purpose of this memorandum is to summarize recommended changes to Clark County's Traffic Impact Fee (TIF) program. Program elements to be modified include:

- The number of TIF districts and their boundaries
- TIF rates (on a per-trip basis) for each district
- How excess TIF credits (development-related transportation improvements in excess of TIF liability) are handled

This memorandum also documents the process for developing and recommending changes to the TIF program and discusses other program elements that were reviewed, such as the Business Enhancement Factor and other incentive options.

EXECUTIVE SUMMARY

Prior to 2015, Clark County and the City of Vancouver administered a joint TIF program. With the City of Vancouver electing to administer a separate TIF program beginning in 2015, Clark County must update its districts, rates, and other TIF elements to reflect a program that is exclusive to unincorporated Clark County. The TIF update process developed the following key recommendations:

- **TIF Districts.** The project team recommends reducing the number of TIF districts to four: Mt. Vista, Hazel Dell, Orchards, and Rural. The recommended districts are shown in Figure 1 of this memorandum.
- **TIF Rates.** With redrawn districts and an updated list of TIF-eligible projects, each district has a new recommended TIF rate. These range from \$271 (Rural) to \$437 (Mt. Vista) where the current system ranges from \$52 (Rural 2) to \$613 (Mt. Vista). The recommended rates are shown in Table 1 of this memorandum.
- **Excess TIF Credits.** The project team recommends maintaining the existing practice regarding excess credits and continuing to honor outstanding credits. Outstanding credits would be reassigned, by development location, to the new district system.



BACKGROUND AND PLANNING PROCESS

In 2009, Clark County and the City of Vancouver executed an Interlocal agreement to jointly administer a TIF program. The joint program established several TIF districts that were representative of growth patterns at that time. Population and employment growth have led to different development patterns between the two jurisdictions, creating the need for separate TIF programs. The City is currently near the end of a project that will create a separate TIF program that covers all areas within the City limits. This elevated the need for Clark County to revise its existing program, including its TIF District Map, congruent with unincorporated areas of the County.

Recognizing the need to revisit its TIF program, County staff launched a planning process to explore options and develop recommendations for an updated TIF program. The planning process included:

- A **Technical Advisory Group (TAG)** made up of staff from several Clark County departments whose work is closely involved with the TIF program
- A **Stakeholder Advisory Group (SAG)** made up of developers, local leaders in land use law and transportation engineering, and other representatives who bring different perspectives and insights to the TIF update process
- **Stakeholder Interviews**, which provided a deeper understanding of the variety of experience people have with the existing TIF program and where it might be improved

The two advisory groups each met four times over the course of the project to review project deliverables and give feedback on options for TIF program changes. This series of four TAG/SAG meeting pairs covered the following topics:

- **TAG 1/SAG 1:** Review of existing program and lessons learned from other programs around the state and region
- **TAG 2/SAG 2:** Stakeholder interview results, initial review of credit system options, and development of district boundary system concepts
- **TAG 3/SAG 3:** Review of incentives options, analysis of district boundary system concepts, and further discussion of credit system options
- **TAG 4/SAG 4:** Review of recommended changes to TIF program

Looking ahead to future updates

Clark County is currently in the process of updating its Comprehensive Growth Management Plan. The Plan update is scheduled for adoption in June, 2016. The process of updating the TIF Program Administration is scheduled for July, 2015. The 2015 TIF program update is processed based on the existing adopted Comprehensive Plan; the 2007 Comprehensive Plan with approved amendments. If the Comprehensive Plan update requires updates to the Capital Facilities Plan, subsequently the TIF fee rates may need to be adjusted.



RECOMMENDED BOUNDARY SYSTEM AND RATE CHANGES

The process for recommending a new boundary system included developing and analyzing alternative concepts, creating a recommended concept using the best features from the alternatives, and calculating new TIF rates for each district under the recommended concept. These steps are summarized below.

Alternative Boundary System Concepts

Knowing that the existing boundary system is not viable because of districts that overlap with the City of Vancouver's TIF program, the project team developed three new boundary system concepts for consideration. The three concepts are as follows:

- **Concept 1: Five district system.** All cities within the county were excluded from consideration. Within the County, previous districts were maintained, with the exception of North Orchards and South Orchards, which were combined into a single Orchards district, and Evergreen, the remaining fragment of which was included in Rural 1. Also, the boundary between the Hazel Dell and Mt. Vista districts was redrawn to keep the Highway 99W Overlay intact and associated with the Hazel Dell district. Two rural districts were included, one for properties in the southern portion of the county and one for properties to the north.
- **Concept 2: Four district system.** Same as Alternative 1, with only one Rural district and maintaining the existing boundary between Mt. Vista and Hazel Dell.
- **Concept 3: Two district system.** Similar to Alternative 2, with a single Rural district, but with all other districts combined into a single Urban County district.

The three boundary concepts are shown in Figures 2, 3, and 4 in the *Redefined Geographic Boundaries* memorandum in the appendix. These concepts recognize differences between the more urban portions of the county, closer to Vancouver City limits, and the rural portions of the county, which still have lower development potential and fewer transportation infrastructure needs. The concepts also reflect the County's intention to manage its own TIF system for its own jurisdiction, separate from the City of Vancouver.

Recommended Hybrid Concept

Analysis showed that Concepts 1 and 2 each had features that performed well in terms of (1) providing a straightforward district structure while (2) maintaining a nexus between a district's contribution to travel growth and its share of future TIF liability. From Concept 1, we learned that the Highway 99 Overlay area is a better fit for the Hazel Dell district in terms of travel characteristics. We also learned that, while there are significant differences between the urban districts and how their trip growth applies to projects in the Capital Facilities Plan (CFP), the differences between Rural 1 and Rural 2 are smaller, and combining the two districts makes sense.

The resulting recommended concept includes four districts – Mt. Vista, Hazel Dell, Orchards, and Rural -- and is shown in Figure 1 on the next page.

Legend

Preferred Concept

-  Vancouver City Limits
-  City (Excluded from TIF)
-  Hazel Dell
-  Mt. Vista
-  Orchards
-  Rural
-  Arterial Streets

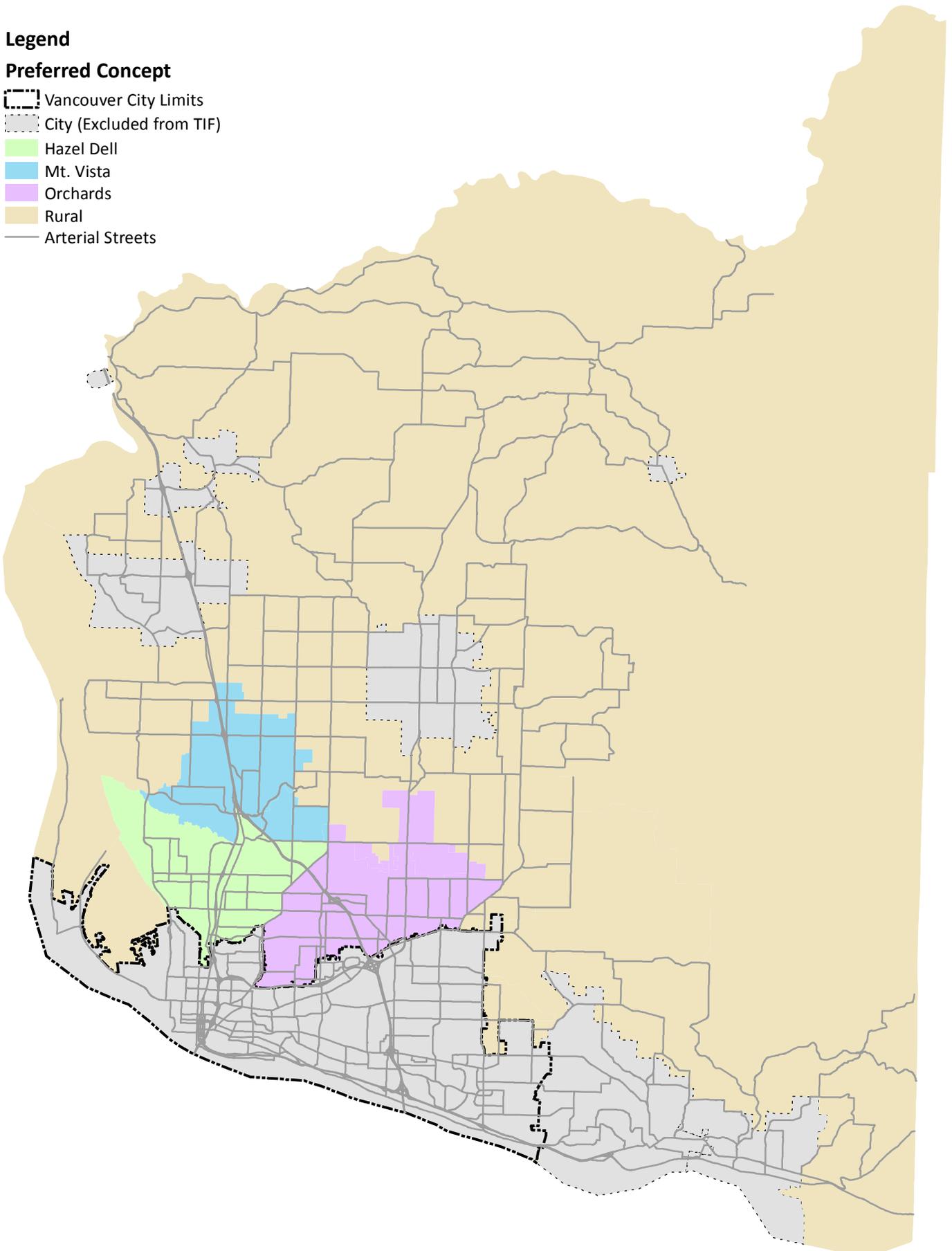


Figure 1: Clark County TIF Districts, Preferred Concept



New TIF Rate Calculations

Under the recommended concept, each district in the existing program is either consolidated into a larger district (as with Orchards and Rural) or its boundary is modified (as with Mt. Vista and Hazel Dell). These geographic changes to the districts, along with changes to the list of TIF-eligible CFP projects, are key elements in the updated TIF calculations shown in Table 1 below. Full documentation of the calculation assumptions and methodology is included in the appendix.¹

Table 1: Comparison of Existing and Recommended TIF Rate per ADT

District	Existing System	District	Recommended System
Hazel Dell	\$375	Hazel Dell	\$283
Mt. Vista	\$613	Mt. Vista	\$436
North Orchards	\$553	Orchards	\$348
South Orchards	\$389		
Rural 1	\$315	Rural	\$271
Rural 2	\$52		

Source: Exhibit 4, Scenario 2, *Clark County Traffic Impact Fee Rate Scenarios and Draft Findings with project costs allocated to districts based on trips*, FCS Group, May 4, 2015

THE EXCESS CREDIT SYSTEM

The project team considered several options for handling the existing excess credit process² as part of this update. Under the existing system, TIF credit may be available for developments/developers electing to construct a portion of roadway infrastructure that is identified on the Capital Facilities Plan (CFP). Typically, the developer elects to construct TIF credit eligible infrastructure immediately adjacent to their proposed development. When the credits earned exceed the development's calculated TIF responsibility, a credit is generated that may be used against TIF liability for a future development in the same district.

Existing outstanding credits are assigned to the current district structure. We considered several options for handling these outstanding credits under the recommended district system, including:

- Expire existing credits (i.e., setting a "sunset" date)
- Continue to honor the outstanding credits and apply them to the district system under which they were generated
- Continue to honor the outstanding credits, but transfer them to the new district system

¹ *Clark County Traffic Impact Fee Rate Scenarios and Draft Findings with project costs allocated to districts based on trips*, FCS Group, May 4, 2015.

² A full description of the excess credit system is provided in the appendix. See *Task 6: TIF Credit System Update Memorandum*



The project team recommends honoring outstanding credits and moving them to the recommended district system. Because the recommended system generally has larger districts, this will give credit holders more opportunities to use or sell their credits for development across a wider area. Figure 2, below, shows how outstanding credit balances will be consolidated into the recommended district system.

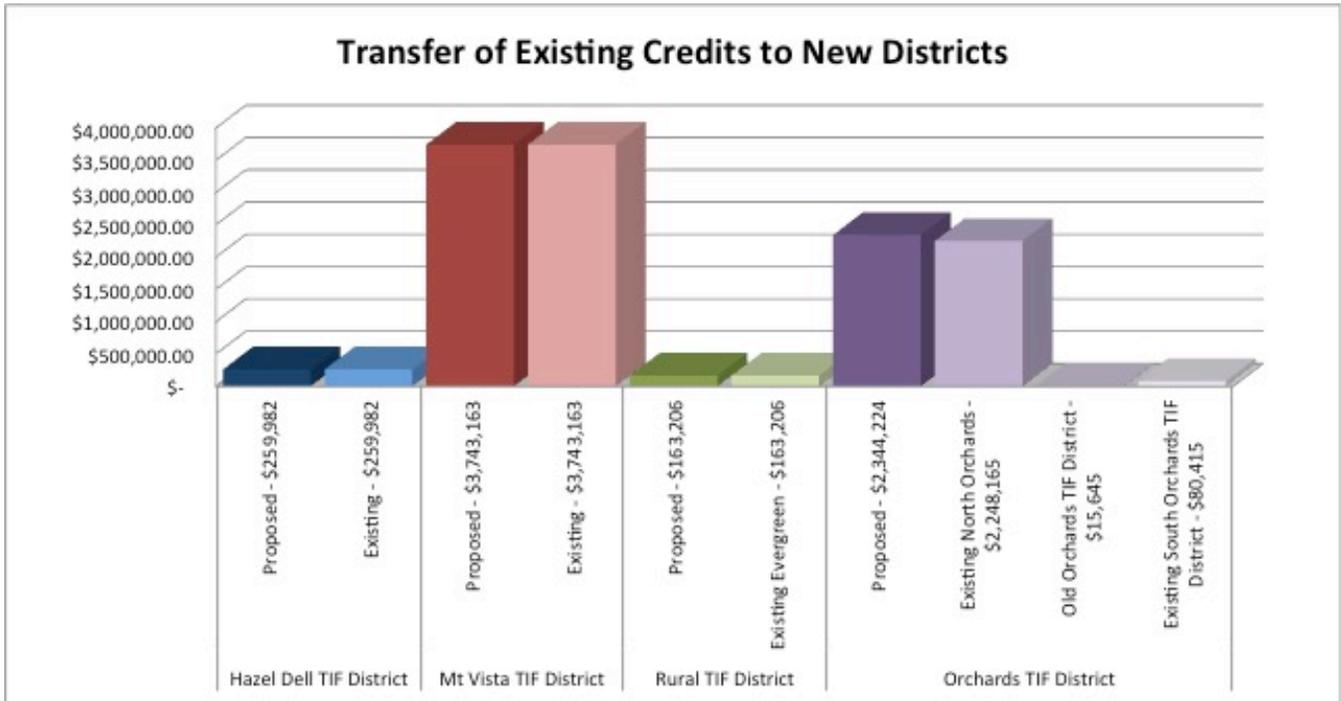


Figure 2: Proposed and Existing Credit Balances by District

BUSINESS ENHANCEMENT FACTOR AND INCENTIVES

The project team considered whether changes to the current Business Enhancement Factor (BEF) or other incentives were appropriate for this update. The current BEF recognizes that retail and service-related land uses have shorter average trip lengths, resulting in lower burden on the transportation system (per trip) than other land uses. The BEF is implemented as a multiplier of 0.70 within the TIF calculation. For more background on the BEF, see the *Business Enhancement Factor and Other Potential Incentives Memorandum* appendix.

While adding new land uses to the list of those qualifying for the BEF and adding new vehicle trip reduction-related incentives was considered during this update, the project team elected to maintain the existing BEF with no change.

OTHER CHANGES TO TIF PROGRAM

The project team recommends updating the list of TIF trip generation rates to be consistent with the ITE Trip Generation Manual 9th Edition. A table showing trip rate changes for relevant land uses is included in the *Business Enhancement Factor and Other Potential Incentives Memorandum* appendix.