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DATE: February 3rd, 2017
TO: Joe Dills, Angelo Planning Group
FROM: ECONorthwest
SUBJECT: TECHNICAL MEMO 6: FUNDING REVIEW AND FUNDING TOOLKIT –REVIEW DRAFT

ECONorthwest (ECO) is part of a consulting team led by Angelo Planning Group (APG) that is proposing and evaluating land use concepts for Hood River's Westside. This memorandum documents existing and potential funding tools and programs that could be used to fund the infrastructure necessary to implement the Draft Westside Concept Plan while providing workforce and affordable housing. It describes and discusses funding tools that can be used for water, sanitary sewer, storm water, transportation and parks. It also provides estimates of the Systems Development Charge (or SDC) revenues that can be generated from new development in the study area, and used to fund infrastructure.

This technical memorandum is an initial draft, and does not yet consider infrastructure costs. Once infrastructure costs are determined through the larger Westside Concept Plan process, ECONorthwest will update this memorandum to provide a high-level gap analysis of funding revenues and costs for needed infrastructure to accommodate development in the study area and recommended amendments to the City's existing cost sharing methods. In this iteration, the memorandum's purpose is to set the stage for later discussions regarding funding implementation.

Approach

This memorandum begins by describing the funding tools, identified in the project Scope of Work and amended through conversations with City and County staff, that could be used to fund key infrastructure in the study area.

This memorandum also estimates water, wastewater, stormwater, transportation, and parks and recreation SDC revenues over the planning period by neighborhood and district for three scenarios. We use estimates of new construction identified in the West Area Concept Plan, provided by APG, and assume current SDC rates for all land uses. Because specific timing of development over the 20-year period is not forecasted, we estimate potential revenue at full-build out in the first year. As part of Task 4, Draft Westside Concept Plan Alternatives, Technical Memorandum 6 will document revenue sources and estimates for three alternative scenarios. ECONorthwest communicated with City and County staff to verify SDC rates and understand how SDC rates are applied in the study area.

This technical memorandum is about *funding;* when it is complete, it will identify funding sources and tools, compare them to costs, and identify gaps. While the terms "funding" and "financing" are often used interchangeably, there is an important distinction between the two concepts. Providing infrastructure costs money, and somebody has to pay those costs. The ultimate source of revenue for these costs is *funding*. Funding comes from households and businesses that pay taxes and fees, non-profit contributors, or others that give at various levels to build and maintain the infrastructure. When the funds for the infrastructure costs are borrowed and paid back over time, then these costs have been *financed*. Financing plans are typically undertaken at the transition from planning to implementation, include cash flow analysis that details ability to repay debt over time with specific assumptions about borrowing capacity, interest rates, and other financing terms accounted for.

The analysis described in this technical memorandum reflects the City's desire to provide both market-rate and subsidized affordable housing and discusses the potential impact that any new fees, or changes in fees, assessed on new development will have on new housing prices.

Documentation of Funding Sources

This section describes the funding sources that could be used in the Westside Concept Plan area. The tools are organized in the following categories:

- **Existing funding tools**. These are tools the City of Hood River currently uses which could be applied in the Westside.
- **Potential new funding tools**. These are tools the City of Hood River does not currently use, but that are used in other communities in Oregon to fund the types of infrastructure considered in this analysis.
- **Infrequently used or challenging tools.** While technically possible, these tools are problematic and/or rarely used.

Existing funding tools

The City of Hood River has these tools in place, and could apply them in the Westside. They are: Systems Development Charges, Fuel Tax, Local Improvement District, Property Tax: bonds, and cost sharing.

System Development Charge

How it works

System Development Charges (SDCs) are one-time impact fees assessed on all new development for various types of infrastructure. They are intended to fund the increased capital costs incurred by a municipality or utility resulting from the infrastructure or other needs associated with new development. Local jurisdictions must adopt a method that complies with state statutes for calculating the charges that sets the fee to reflect the actual cost of the needed capital improvements to which the fee is related. The City of Hood River currently charges transportation, water, wastewater, and stormwater SDCs. Additionally, properties in Hood River must pay the County Parks and Recreation District's SDC.

What it can be used for

SDC revenue can be spent on projects specifically outlined in a master plan, capital improvement plan, or other similar plan to be funded by, or in-part by SDC revenue. The project list can be updated or modified.

SDC Revenue projections

ECONorthwest received estimates of new development in the study area over the planning period by neighborhood, by scenario from APG. The estimates included number of new single family attached units, single family detached units, and multifamily dwellings (including duplex and 3+ units). APG assumed ten units per non-duplex multifamily building. Using this information, ECONorthwest estimated SDC revenue by neighborhood for each scenario.

The City of Hood River currently charges four citywide SDCs: water, wastewater, stormwater, and transportation. Additionally, the City collects the Parks and Recreation SDC on behalf of the Parks and Recreation district. Key assumptions about each SDC are below:

- **Water.** SDC is charged per water meter. City staff verified current rates. City provided ECONorthwest the following assumptions:
  - Single family units: 0.75" water meter per unit
  - Duplex: 0.75" water meter per unit
  - Multifamily units: 1.5" water meter per building
- **Wastewater.** SDC is charged per water meter. City staff verified current rates. Assumptions are the same as for the water SDC.
- **Stormwater.** The SDC is charged per equivalent residential unit (ERU). City staff verified current rates.[1]
- **Transportation.** SDC is charged per unit. City staff verified current rates. ECONorthwest assumes:
  - Single family detached units: charged single family rate per unit
  - Single family attached units: charged residential townhome/plex rate per unit
  - Duplex units: charged residential townhome/plex rate per unit
  - Multifamily units: charged multifamily rate per unit
- **Parks and Recreation.** SDC is charged per unit. Parks and Recreation staff verified current rates. Parks and Recreation staff provided the following ECONorthwest assumptions:
  - Single family units: charged single family rate per unit
  - Duplex units: charged multifamily rate per unit

[1] City staff confirmed one ERU is equal to one single family unit and one multifamily building.

- Multifamily units: charged multifamily rate per unit

In coordination with City, County, and project staff, ECONorthwest also used the following assumptions:

- The study area boundary is completely within the Hood River Urban Growth Boundary. However, part of the study area is outside of the current City limits. ECONorthwest discussed timing of annexation with City and County staff, who agreed that ECONorthwest should assume properties will be annexed at the time of development, and therefore will pay all City SDCs.[2,3]
- In most cases, development does not occur at the maximum amount of zoned capacity. To account for this and ensure that assumptions are not an over estimate, ECONorthwest assumes that development will achieve 80% of zoned capacity. This assumption is consistent with assumptions in the City's Housing Needs Analysis.

Exhibit 1 and Exhibit 2 show SDC revenue generated over the study period in the study area. Total SDC revenue in the strong scenario ($16.6 million) is 72% higher than in the base scenario ($9.6 million). Corresponding per-unit costs are lower in the stronger growth scenarios, due to the larger share of multifamily units which generally pay somewhat lower SDCs.

Exhibit 1. SDC Revenue (2016$), Westside Area, All Scenarios

	Base	Moderate	Strong
City SDCs			
Water	$ 3,316,163	$ 4,006,712	$ 5,398,490
Wastewater	$ 1,491,594	$ 1,802,040	$ 2,427,940
Stormwater	$ 537,263	$ 590,342	$ 775,232
Transportation	$ 1,533,745	$ 2,056,174	$ 2,841,742
Total	$ 6,878,764	$ 8,455,268	$ 11,443,404
Parks and Recreation SDC	$ 2,681,931	$ 3,608,099	$ 5,008,424
Total SDC Revenue	$ 9,560,696	$ 12,063,367	$ 16,451,827

Source: Angelo Planning Group, City of Hood River, Hood River Parks and Recreation. Calculated by ECONorthwest.

Exhibit 2. SDC Revenue per Unit (2016$), Westside Area, All Scenarios

	Base	Moderate	Strong
Total SDC Revenue	$9,560,696	$12,063,367	$16,451,827
New Units	907	1,314	1,854
Average SDC per unit	$ 10,545	$ 9,184	$ 8,872

[2] There is a future 20-unit subdivision in the southeastern portion of the study area that will not pay City Water SDCs if constructed because it will be served by the Ice Fountain Water District (IFWD). In addition, the City is processing an annexation application for a nearby parcel that is likely to result in an 18-unit PUD that will be served by IFWD and will not pay City Water SDCs.

[3] Some properties in the western portion of the study area are part of the Frankton Sewer LID and are not contiguous to the city limits, and may only pay the City Sewer SDC upon development (ranging from 67 to 149 units depending on scenario) if annexation is not feasible.

Source: Angelo Planning Group, City of Hood River, Hood River Parks and Recreation. Calculated by ECONorthwest.

Exhibit 3 shows SDC revenue generated by neighborhood/district for all scenarios. In all scenarios, the Upper Terrace Neighborhood will generate the most SDC revenue. Residential development is not assumed in the West Cascade District. The Country Club Avenue District will have larger-site commercial and light industrial uses, but also includes a limited amount of residential land and therefore limited SDCs from residential development are anticipated.

Exhibit 3. SDC Revenue by Neighborhood/District (2016$), Westside Area, All Scenarios

	Base	Moderate	Strong
Middle Terrace	$ 2,370,700	$ 3,097,377	$ 3,965,342
Upper Terrace	$ 4,405,964	$ 5,119,316	$ 7,218,049
West	$ 2,722,436	$ 3,761,608	$ 5,141,640
West Cascade Ave	$ -	$ -	$ -
Country Club	$ 61,596	$ 85,067	$ 126,796
Total SDC Revenue	$ 9,560,696	$ 12,063,367	$ 16,451,827

Source: Angelo Planning Group, City of Hood River, Hood River Parks and Recreation. Calculated by ECONorthwest.

Key considerations

SDCs are paid by developers when they obtain permits, and contribute to a pool of SDCs that are then used to pay for approved projects across the City. Understanding immediate capacity to pay for the necessary up-front capital investment in infrastructure in the study area therefore requires an understanding both of the amount of revenue generated in the study area *and* the available city-wide SDCs.

Development fees can affect the financial feasibility of development, because they increase the costs of construction for developers. See section 3 below for further explanation.

Local Fuel Tax

How it works

A fuel tax is on the sale of gasoline and other fuels, levied as a fixed dollar amount per gallon. The City of Hood River currently has a three-cent per gallon gas tax that generates about $300,000 in revenue annually, but the City could increase the tax amount by a public vote (ORS 319.950).

What it can be used for

Local fuel tax revenue can be spent on the same types of projects as the state's fuel tax revenue: "exclusively for the construction, reconstruction, improvement, repair, maintenance, operation and use of public highways, roads, streets and roadside rest areas" (Oregon Constitution, Article IX, Section 3a).

Key considerations

Local fuel taxes in Oregon range from one cent to five cents per gallon, averaging 2.6 cents (not including the City of Portland's new 10 cent fuel tax). Only three cities, Warrenton, Woodburn, and Portland have fuel taxes over three cents. Increasing Hood River's fuel tax would make it one of the highest in the state. Because the City already has a local fuel tax, it would be relatively easy to administer citywide. However, passing a citywide fuel tax would be politically challenging if revenues were only spent on one area in the City. To pass, revenue would likely need to spent on projects throughout the City, decreasing the revenue available for infrastructure in the study area.

Transient Room Tax

How it works

A transient lodging tax is a fee charged to customers for overnight lodging, generally for periods of less than 30 consecutive days. The fee is a percentage of lodging charges incurred by the customer, though some jurisdictions levy a fee per room night. Typical tax rates range between 3% and 9%. These local tax rates are in addition to the State transient lodging tax of 1%. The City of Hood River's Transient Room Tax is currently 8%.

What it can be used for

Although local jurisdictions use transient lodging tax revenues to fund a wide variety of programs, the State enacted new legislation in 2003 that requires new or increased local transient lodging taxes to dedicate at least 70% of net revenue to fund tourism promotion or tourism-related activities. This significantly limits the amount of revenue that could be used for infrastructure from a transient lodging tax.

Key considerations

This tool requires a more detailed cost-benefit analysis. Because Hood River already has a transient lodging tax, an increased tax would be easy to administer. Revenue generation would likely be high, as Hood River's has a large tourist economy. However, limited funding could be used for infrastructure in the study area. Additionally, it may be politically challenging to implement, as the tax is currently relatively high.

Local Improvement District (LID)

How it works

An LID is a special assessment district where property owners are assessed a fee to pay for capital improvements, such as streetscape enhancements, underground utilities, or shared open space. LIDs must be supported by a majority of affected property owners.

What it can be used for

City Code states that "street, water, sewer, sidewalk, stormwater, or other local improvement" LIDs are permitted.

Key considerations

The City of Hood River has municipal code that guides use of LIDs, and has used LIDs in the past. LIDs are often used for greenfield developments with relatively few property owners who can pay in proportion to their benefit.

An LID is a good mechanism for gathering contributions from key willing property owners who must have infrastructure for development to occur and will therefore benefit from their own investment.

Property Tax: Bonds

How it works

There are two major types of bonds: General Obligation (GO) Bonds and revenue bonds. In Oregon, both are commonly levied against municipal property taxes, though revenue bonds can be levied against any steady stream of public tax revenue. The funding source is therefore the property tax.

- GO bonds: Local property taxes are committed to pay debt service on a city-issued GO Bond. GO bond levies typically last for 15 to 30 years for capital projects, and must be approved by a public vote. The effective property tax levied to support GO bond obligations can vary over time, based on the total assessed value of property within the jurisdiction that issued the bonds and the scheduled GO bond payment obligations.
- Revenue bonds: City-issued revenue bonds are used to finance revenue-generating projects. Income from the projects a pay debt service on the revenue bonds. The City of Hood River currently has various mechanisms to share costs for infrastructure improvements with affected property owners. Municipal Code Chapter 3.16 established a special revolving fund to pay for improvements and established procedures for alternate financing and loans.

What it can be used for

GO and revenue bonds can be used for all types of infrastructure in this analysis.

Key considerations

GO bonds require a public vote. Therefore, they are typically only used for projects that benefit all voters in a community. For this reason, revenue bonds may be more appropriate for infrastructure in the study area.

Utility Fee

How it works

A utility fee is a fee assessed to all businesses and households in the jurisdiction for use of specified types of infrastructure or public utilities, based on the amount of use (either measured or estimated). A utility fee can be applied citywide or in a smaller area within a city. The City of Hood River currently has a monthly stormwater utility fee, for maintenance and repair of the stormwater system.

What it can be used for

Utility fees are common practice for a wide-range of services, including garbage, water, electricity, and other traditional utilities. In recent years, municipalities have become more creative in defining "utilities" to include other types of infrastructure like street lighting, transportation maintenance, and emergency services (both capital projects and operations and maintenance). Several other Oregon Communities have used utility fees to fund infrastructure and public works investments. Oregon City, for example, used a temporary monthly utility fee to fund a new public safety building, and Lake Oswego has a street maintenance utility fee.

Key considerations

Utility fees are increasingly used to fund infrastructure projects.

Often, utility fee methodologies involve tradeoffs between fairness and simplicity, where the simplest fee structures may not do a great job of fairly allocating costs, and improving the fairness of the methodology may increase the complexity, making it more difficult to administer and understand.

Partnerships: Cost-Sharing

How it works

The City of Hood River currently uses cost-sharing agreements to leverage funding from various public and private partners. A recent example is the cost-sharing for the traffic signal improvement at the intersection of Cascade Avenue and Rand Road, between the City and private developers. The agreement requires developers to pay their proportionate share of the improvements, based on number of PM peak-hour trips generated.

Other examples of cost-sharing include public private development deals (cost sharing with private developers), local improvement districts (cost sharing with property owners), and any number of possible configurations of intergovernmental agreements (cost sharing with other government entities).

What it can be used for

Cost sharing can be used for all types of infrastructure in this analysis, provided that there is a willing partner who also benefits from the infrastructure investments.

Key considerations

Cost sharing mechanisms require partnerships. There must be a willing partner, who also benefits from improvements to infrastructure, to begin to discuss cost sharing approaches. Typically, these are negotiated on an ad-hoc basis and are specific to a particular infrastructure investment.

The City has existing cost-sharing agreements in place with the Oregon Department of Transportation (ODOT) and other developers for some intersections in the Westside Concept Plan area. When infrastructure costs are determined in future phases, the Westside Area Concept Plan should consider changes to existing cost sharing methodologies to fill the funding gap.

Potential New Funding Tools for the Westside Concept Plan Area

The City may need to explore additional tools, beyond those that are already available, to fill gaps in the Westside Concept Plan Area. This subsection describes sole source SDCs, supplemental SDCs, urban renewal, utility fees, and special service districts as tools that could be considered. Some of these tools (like urban renewal) are in use in other parts of the City of Hood River, but would require additional policy action to be used in the Westside Concept Plan Area.

Sole Source SDC

How it works

SDC's are one-time fees based on proposed new use or increase in use of a property. Sole Source SDSs retains SDCs paid by developers within the limited geographic area that directly benefits from new development.

What it can be used for

Sole Source SDCs can only be spent on new development in the geographic area in which it is collected. The revenue is allocated separately from Citywide SDCs.

Key considerations

Sole Source SDCs can be administratively challenging to implement and manage, but they do ensure that revenues collected in an area are used in that area, and for that reason can sometimes be more acceptable to engaged property owners and developers.

Supplemental SDC

How it works

Supplemental SDCs are additional SDCs charged on a specific sub-area of a city and are supplemental to the city's existing SDC. Sometimes, supplemental SDCs are charged only in certain geographies (supplemental SDCs charged in a sole source SDC area).

What it can be used for

Supplemental SDCs can only be spent on new development in the geographic area in which it is collected. They are allocated separately from Citywide SDCs.

Key considerations

Supplemental SDCs can be administratively challenging to implement and manage, but can they do ensure that property owners pay in proportion to their benefit.

Urban Renewal

How it works

Tax increment finance revenues are generated by the increase in total assessed value in an urban renewal district from the time the district is first established. The governing body, usually acting on the recommendation of Technical and Advisory Committees, creates an urban renewal district with specific boundaries and identities improvements to be funded within the district. Bonds may be issued to fund improvements. As property values increase in the district, the increase in total property taxes (e.g., city, county, school portions) is used to pay off the bonds. When the bonds are paid off, the entire valuation is returned to the general property tax rolls.

What it can be used for

Urban renewal funds can be invested in the form of low-interest loans and/or grants for a variety of capital investments in blighted areas: redevelopment projects, economic development strategies, streetscape improvements, land assembly, transportation enhancements, historic preservation projects, and parks and open spaces.

Key considerations

The City of Hood River already has three urban renewal areas (none of which overlap the study area), and therefore may be approaching statutory limits on the amount of area that can be in a URA at any given time. This would require investigation. Further, URAs can be politically challenging to implement, as they divert revenues that would otherwise flow to overlapping service providers who must nonetheless serve new development inside the URA boundary. However, they are powerful funding / financing mechanisms that are designed to support investments in infrastructure that are needed to allow redevelopment to occur.

Special Service District

How it works

A special service district can take several forms in Oregon, but in general, they use property taxes, service fees, or a combination of the two to finance infrastructure or other investments. Parks districts, fire districts, and county service districts are examples. A boundary for a potential special service district would need to be evaluated. Hood River Valley Parks and Recreation District is a special service district. Another example is in the North Bethany area of Washington County, where a new County Service District was put in place to fund infrastructure investments to support development.

What it can be used for

Except in limited circumstances, special service districts are typically used to fund specific types of infrastructure (such as schools, or parks) rather than multiple types. They are also typically used for entire cities or larger geographic areas, rather than subareas.

Key considerations

Implementing a special service district would require more analysis to determine (1) which segment of infrastructure should be funded with a special service district, and (2) the impact on the overall property tax rate.

A special service district would be politically challenging to implement in a subarea of the City.

Infrequently used or challenging tools

The following tools are technically possible but are problematic and/or rarely used for a variety of reasons.

- **Income Tax.** An income tax is a tax on income, typically calculated as a surcharge on state income tax. Could apply to people, corporations, or both. Relatively low rates (1-3%) have potential to generate substantial levels of revenue. Local income taxes are politically challenging to implement and difficult to administer, while possible, are very rarely used.
- **Sales Tax.** A tax on retail sales, typically added to the price at the point of sale. Sales taxes are generally considered regressive because low-income people pay a higher percentage of their income than high-income people. There is no state sales tax in Oregon, but local governments could adopt a local sales tax. Essential goods like food, medicine, and housing are typically exempt from a sales tax. There is low likelihood of political acceptability for adopting a sales tax to fund growth.
- **Payroll tax.** A tax on wages and salaries paid by employers or by employees as a payroll deduction. A payroll tax generates revenue from people who work inside, but live outside of the area in which the tax is applied. Low rates (<1%) have potential to generate substantial levels of revenue. A local payroll tax can be administratively challenging. The City of Hood River does not currently have the facilities or infrastructure to implement it.
- **Income Tax Sequestration.** A variation on a local income tax is income tax sequestration. This concept identifies some group of income tax payers and diverts some or all state income tax revenues to a specific project. There is currently no State-sanctioned program in Oregon that would allow income tax sequestration, so a new program would need to be created.
- **Construction Excise Tax.** A tax levied on the value of new construction. Only school district and affordable housing related projects can be funded from Construction Excise Tax revenue. Hood River County School District currently implements a construction excise tax paid in association with building permits. Hood River County is also leading a discussion of implementing a construction tax for affordable housing.
- **Permit/Record Surcharge.** A fee charged to property owners for new construction, additions, or remodeling property. The amount of the building permit fee typically depends on the value of the construction. This source typically generates very limited amounts of funding.
- **Business License Fee.** A fee charged on businesses. There are a variety of ways that jurisdictions could choose to charge fees on businesses, including a one-time fee, to an annual fee based on sales, number of employees, size of building, amount of parking, or other factors. License fees can apply to all businesses or only certain businesses such as automobile dealers or service stations. A business license fee would generate limited

amounts of funding. Additionally, a Citywide business license fee has no direct connection to the benefits received by infrastructure in the study area.

Impact of development charges/fees on housing affordability

Affordability of housing in Hood River is an increasingly important issue, and the City is interested in finding as many avenues to address housing affordability as possible. Fees charged on new development (such as systems development charges or other fees) increase the cost of development. The City asked ECONorthwest to consider this relationship and its impacts on housing affordability in this analysis.

Theoretically, increased fees on new development are passed on to future homebuyers, and increase housing price for those homes. The actual relationship between new fees and housing prices, however, is less direct.

It is a common misconception that developers "set the price" of new development to cover costs and profit margins. However much they would like to, developers cannot control how much a homebuyer is willing or able to pay for a new home, and cannot control the price of the competing supply that is available in our free market housing system. They cannot simply increase the sale price to account for a new fee beyond what the market will otherwise bear.

The price of housing is determined no differently than any other good or service in a competitive market—it is established at an equilibrium between the quantity demanded and quantity supplied with similar size and features at a given market price. Thus, for development charges or fees to have an impact on the price of housing, it would need to affect either the demand for, or the supply of housing in the Hood River market.

Development fees and charges would not likely have any impact on housing demand (or the number of people needing to purchase a home and their willingness to pay for it). In other words, a development charge or fee on some homes in Hood River will not result in a change in the number of buyers looking to purchase homes in the Hood River area, nor the amount that those buyers are willing to pay for a given home with a given set of attributes.

Costs of production impact the supply curve, and therefore the market price of a good. For example, a developer will build a house on a vacant lot if the anticipated sales price of the home exceeds the anticipated development costs plus an acceptable rate of return on their capital. If the developer's costs increase—for example, from the imposition of a new fee—then it would reduce their net operating income, and reduce the interest of financers (banks) in underwriting the project. If a developer is not able to achieve a minimally acceptable operating income, they cannot build, and therefore decrease the supply of homes on the market. If the fee is the singular cause of this increase, then the fee could slow new development and result in supply constraints, which would then potentially have an impact on pricing in the entire market. In this way, new fees could theoretically increase housing pricing in Hood River's market.

In the study area, if additional or higher SDCs are charged than in other parts of the City, and if there remains sufficient demand at a higher pricepoint needed to cover the full cost of production so that new development can occur, developers will charge a higher rent or sales price as a result of these fees. The impact of this increase could affect pricing in the entire market, as the new development in the study area serves as new "comps" for appraisals with competing supply.

While in these circumstances fees and SDCs can make a difference for development feasibility and unit pricing, they must be considered in context. It is important to note that while fees increase the costs of development, they are typically a smaller contributor to overall development feasibility than larger market forces such as achievable sales pricing or rents or labor and construction costs. To fully understand the degree of impact, the City would need to conduct analysis at the time that the development is moving forward, as markets change over time in ways that are very consequential.

Achieving a balance between supply of units and demand for those units (ensuring that new construction occurs at rates that match household formation and inmigration) is the best strategy for slowing housing price increases. It is important to ensure that fees and SDCs are not creating a barrier to housing construction that could reduce needed supply. One way to keep fees lower, and reduce the likelihood of housing price impacts associated with fees, is to ensure that development is efficiently using available infrastructure and maximizing the investments of public dollars. These kinds of actions can mean that fees do not have to be increased, or can be spread over a larger total number of units.

Efforts like the one the City is undertaking in the Westside Concept Plan Area to ensure that infrastructure is comprehensively planned and that many units are sharing the infrastructure costs are best practice. If higher density scenarios do not also have higher infrastructure costs, then, on a per-unit basis, each individual unit will pay lower fees *and* more units will be added to the market relative to demand to help to slow price increases. From a pricing perspective, this is the best possible outcome.

The City may also want to consider additional tools for funding affordable housing in the study area. The City's adopted Hood River Housing Strategy includes a wide range of tools that can be used for these purposes[4]. It includes three broad strategies: (1) Increase the efficiency of use of land within the Hood River UGB, (2) Regulate and manage secondary and short-term rental housing, and (3) Develop affordable housing. The third strategy lists many recommended actions, including to identify sources of funding to support government-subsidized affordable housing development (for example, TRT), develop a tax abatement program, and work with a nonprofit to develop a community land trust.

[4] *Hood River Housing Strategy* (2015), ECONorthwest.
http://centralpt.com/upload/375/2015HousingStudy/19124_HoodRiverHousingStrategy2015Final.pdf

Next Steps

ECONorthwest will revise this draft technical memorandum based on comments from the PMT, TAC, and PAC.

At the current stage of this analysis, cost estimates for infrastructure are not yet available. When costs are estimated in Task 5 of the larger Westside Concept Plan process, ECONorthwest will update this memorandum to provide a high-level gap analysis of funding revenues and costs for needed off-site infrastructure and recommended amendments to the City's existing cost sharing methods. ECONorthwest will also lead an infrastructure funding work session in Hood River to discuss approaches to filling the gap. A concept plan level infrastructure strategy, including remaining issues to be resolved, will be included in the Preferred Alternative for Westside Concept Plan.

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