

DATE: January 5, 2021
TO: Ted Reid, Metro and Steve Faust, 3J
FROM: Bob Parker and Beth Goodman, ECONorthwest
SUBJECT: Oak Lodge Local Governance Options – Scope of Work

Metro contracted ECONorthwest to develop a governance model alternatives analysis for Oak Lodge, an unincorporated community in Clackamas County between the cities of Milwaukie and Gladstone, the Willamette River, and the Oatfield Ridge. The purpose of the project is to study the economic and governmental potential to incorporate this large, suburban area into a new and/or existing city.

This project is the **first** of many steps in a broader public conversation about whether and how the Oak Lodge area's governance may change in the future. The information in from this project is intended to help inform future public conversations among people living in the Oak Lodge area about the benefits and drawbacks of difference governance options.

This memorandum outlines our approach and provides a scope of work for the project.

Project Approach

Metro is sponsoring a community-led project to evaluate local governance options for the unincorporated area of Clackamas County between the cities of Milwaukie and Gladstone, the Willamette River, and the Oatfield Ridge. This area includes the unincorporated community of Oak Grove and has community representation through the Oak Grove Community Council and the Jennings Lodge Community Planning Organization.

The project intends to analyze governance options for the area and the associated fiscal, economic, and policy implications. The primary focus of this project is on governance and will address the following questions:

- What are the taxes and fees that would be imposed for each governance option? At what rates? How much revenue would be raised?
- A more important, but somewhat subjective, question is how much of that revenue could reasonably be expected to be invested back into the community?
- What are the administrative and overhead costs of each governance option? For example, understanding whether overhead costs will consume 5% or 50% of projected local revenue will provide empirical data to support local decision-making.
- What are the equity implications of each option? How does each governance option differ for representation and taxation, including potential impacts on lower-income and minority populations.¹ Are there meaningful differences in access to power and decision

¹ This analysis should consider the start-up costs of a new city, which are different from costs of annexation or continuing as an unincorporated area.

making or taxation and the distribution of services among the governance options? Is one governance option more or less progressive?

- How might each governance option affect property values within the study area?
- How might each governance option affect costs of housing and development of housing that is affordable to people living in the study area?
- What implications do governance options have on local control? For example, decisions related to future development and transportation infrastructure?

In short, a full evaluation of governance options is more than just a fiscal analysis. It requires consideration of government administration, legal issues, planning, local control, potential levels of service, and the cost of pursuing each course of action. Many of these cannot be reliably modeled so we will pursue a more qualitative approach to evaluating some factors. These factors include:

- What land use patterns would be possible or expected under different governance options? Each governance option potentially will result in different development patterns. This is an instance where governance matters and different governance models will offer different levels of local control.
- What level and types of public services would be possible or expected under different governance options? Communities incorporate in part to provide desired services to residents. Each option has implications for a broad range of public services. Public services may include public works, utilities, transportation, police and fire, parks and recreation, planning and community development, and other services.

Moreover, answering these questions will require a structured and rigorous technical analysis that allows for useful comparisons of the differences between the governance options. In short, we want to be able to analyze the key differences between the options at the margin. That requires fixing some foundational assumptions in the initial fiscal analysis, including:

- Geographic Boundary. A meaningful comparison of governance options will require a fixed boundary. We will work with the project manager, Metro staff, and area stakeholders to determine and set the boundary.
- Population, Household, and Employment Forecasts.² The Metro 2014 Urban Growth Report provides some information about new housing and employment by Transportation Analysis Zones (TAZ), which provide foundational information about future growth in the study area. Metro is currently in the process of updating its forecasts and buildable lands inventory. To the extent that information is available from this update for the study area, we will use it in this study.

² If we varied the population, household, and employment forecasts through the analysis, that would create considerably different results based on the forecasts but could obscure the differences among the governmental options. Given that the focus of the project is the differences among the governmental options, we strongly recommend holding the forecasts the same throughout the modeling.

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- Land Use. Land use is one of the most important considerations for this study. Land use planning will affect development capacity, which in turns will affect housing production and affordability, population and employment density, revenue from a range of sources, and general livability. The challenge with land use is that no method exists to forecast future land use decisions. Moreover, different local governments will have land use authority for each governance option (Clackamas County, the City of Milwaukie, or a newly incorporated municipality).
 - Level of Service: Compare on a service by service basis. Hold some the same but others like police might be different (police, land use planning, etc.). This is a variable that needs to be carefully considered.

The consultant team will analyze three governance options (scenarios) for the study area boundary:

1. Oak Lodge remains an unincorporated community of Clackamas County (no action)
2. Oak Lodge annexes into Milwaukie³
3. Oak Lodge incorporates as a new city

Holding the foundational assumptions constant will allow more meaningful comparisons across the three governance options.

The results of this project will be information to support future public discussions about the three governance options listed above. Future discussions among residents of Oak Lodge would consider questions that are not considered in this study about these governance options, such as: future land uses and zoning, changes (if any) in service providers, changes in services and taxes if incorporating into Milwaukie, formation of a city government (for consideration if the area is considering incorporating into a city), the impact of potential changes in County services (if the area remains unincorporated), and other essential steps towards implementing the options discussed in this study.

³ Initial discussions with stakeholders focused solely on annexation to Milwaukie. As a result, we will consider annexation into Milwaukie, not into Gladstone. We have confirmed this approach as appropriate for consideration with staff with Milwaukie and Gladstone.

Work Program

The following outlines the major elements and deliverables of the project, organized chronologically.

Task 1: Project Kickoff and Project Management

In Task 1, ECONorthwest will facilitate one Project Kickoff Meeting to finalize the scope of work and confirm study parameters with Metro, 3J, and key stakeholders/partners. Discussion lead by 3J with community stakeholders the key assumptions (such as geography and assumptions to hold constant) and the key questions. This task will require discussions about desired outcomes and products, analytical options, and process.

Product: Refined work program, if needed

Meetings: One meeting with Metro, 3J, and key stakeholders

Task 2: Data Collection

In Task 2, ECONorthwest will gather data relevant to the benefit cost model and governance options evaluation. At present, ECONorthwest expects to collect:

- Baseline financial and budgetary information for taxing districts that might provide services to the Oak Lodge area under any of the governance options (e.g., City of Milwaukie, Clackamas County, Clackamas Fire District, North Clackamas Parks and Rec, etc.). Data should include adopted budgets, capital facility plans, fee schedules, transportation system plans, and related documents.
- Detailed data about calls from existing police and fire (if necessary) for historical calls from households in the study area.
- GIS data (RLIS) for the Oak Lodge study area, including taxing district boundaries, parcel boundaries, land use, zoning designations, comprehensive plan designations, etc.
- Disaggregated assessment data for all property tax accounts located within the Oak Lodge study area.
- Metro forecasts for population and employment for each TAZ overlapping the Oak Lodge study area.
- Quarterly Census of Employment and Wages data for covered employment in the Oak Lodge study area.
- City and County charter documents. In particular, sections related to governance and representation.

This task will involve defining the study area boundary for the project, including determining whether there are potential subareas for consideration within the study area.

This task can overlap (run in parallel with) Task 3 and Task 4: in fact, it is preferable if it does. The desired outputs of the model suggest data to collect; data available (or not available) suggest how the model should be structured.

Critical to this effort is data documentation. The consultant team will develop standard protocols in Task 2 so that we can document data sources in a thorough and consistent way.

Product: Chapter of the report documenting data; Data request

Meetings: Phone discussions with staff, as needed

Task 3: Identify and Document Governance Options

In Task 3, ECONorthwest will describe the three governance options for Oak Lodge, with a single growth scenario and a static geographic boundary. The governance options are:

1. Oak Lodge remains an unincorporated community of Clackamas County (no action)
2. Oak Lodge annexes into Milwaukie
3. Oak Lodge incorporates as a new city

Each governance option will have fiscal, economic, and equity implications. In this Task, and for each option, ECONorthwest will identify key analytical metrics, characterize legal constraints and administrative considerations, present the forecast of growth, and identify the relevant public service responsibilities. We will line up applicable information to answer the following questions:

- What implications do the three governance options have on local control?
- What land use patterns would be possible or expected under each governance options?⁴
- What level and types of public services would be possible or expected under each option?⁵
- What the is taxing authority of each governance option?
- What are the costs of pursuing each governance option?
- How does each governance option differ for representation and taxation, including potential impacts on lower-income and minority populations? Do the options present meaningful differences in access to power and decision making – or – taxation and the distribution of services? Is one governance option more or less progressive?
- How might each governance option affect property values within the study area?
- How might each governance option affect costs of housing and development of housing that is affordable to people living in the study area?

⁴ Each governance option potentially will result in different development patterns. This is an instance where governance matters, and different governance models will offer different levels of local control.

⁵ Communities incorporate in part to provide desired services to residents. Each option has implications for a broad range of public services. Public services may include public works, utilities, transportation, police and fire, parks and recreation, planning and community development, and other services.

The product of this analysis will be (1) a chapter in the report describing the governance options in detail, and (2) a framework chapter in the report that describes our approach and how the consulting team conducted the analysis.

Product: Chapter(s) of the final report

Meetings: None, interviews and discussions with governmental stakeholders as needed

Task 4: Model Development and Governance Options Evaluation

In Task 4, ECONorthwest will develop the benefit-cost model to assess fiscal costs and revenues of the three governance options. This task evaluates the findings of the technical analysis and includes a qualitative assessment of benefits which cannot be quantified. The ECO team will assess the following services:

- Police
- Transportation
- Public works (e.g., water, sanitary sewer, and storm water)
- Planning
- Other general services (e.g., finance, human resources, economic development, etc.)

Other public services that are unaffected by decisions on municipal governance will be excluded from the analysis, including the following:

- Fire and emergency medical services
- Public transit
- Parks and recreation
- Education
- Library

The analysis may consider special districts, looking for districts with existing capacity. ECONorthwest may do interviews with special districts about this issue and governance options.

This task incorporates much of the technical work and characterizes the financial realities of each option. This task will involve correcting data, adjusting the model, and interpreting the results. We include model development and governance option evaluations in a single task to signify the iterative nature of this work.

Our approach is strong if our assumptions about the overall objectives for this study are correct. Oak Lodge needs evidence to support decisions about changing policies that will change governance realities. Such decisions are controversial. Different parties have different perspectives and are affected in different ways. This project will deliver relevant and credible evidence about the impacts of the three governance options.

Product: Chapter(s) of the final report

Meetings: None, interviews and discussions with service providers as needed

Task 5: Draft and Final Reports

The project will result in development of a technical report, which will provide all of the analysis conducted for the project, and a summary report, which will be graphically oriented and easily accessible to the general public. The draft version of the technical report will be peer reviewed by a third-party reviewer to identify concerns or unanswered questions.

ECONorthwest will make a presentation to stakeholders and decisionmakers about the analysis and results of the analysis.

Product: Draft and final version of a technical report and a summary report

Meetings: Presentation to stakeholders and decisionmakers

Schedule and Budget

We propose to complete the project for a not-to-exceed fee of \$100,000. Exhibit 1 presents a proposed project budget by task. The hourly rates are as follows:

We propose to have a draft report available by June 30, 2021 and final reports completed by August, 31 2021. Exhibit 2 presents a proposed project schedule by task.