Snapshot: Development cost and revenue in Sherwood

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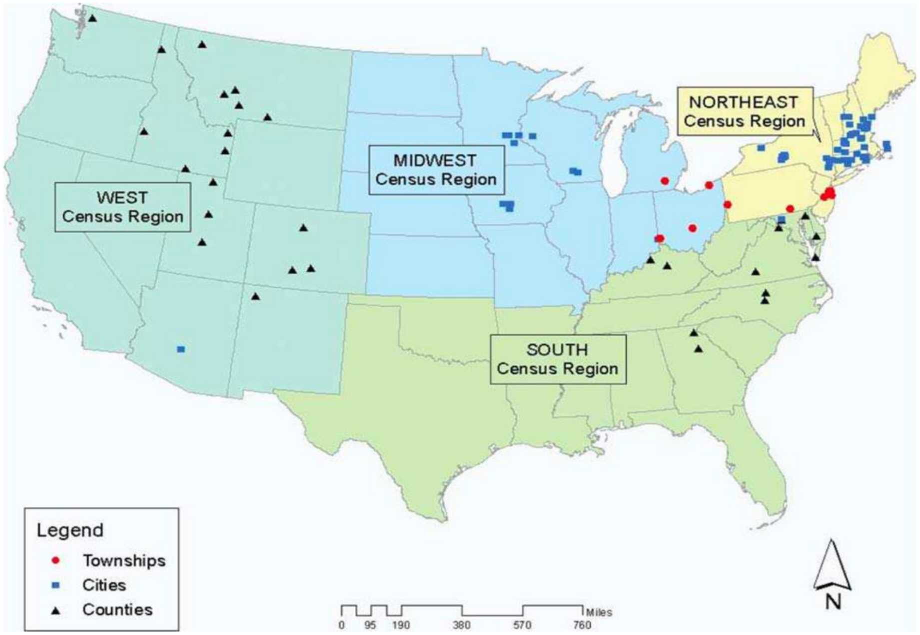
Cost of Community Services (CoCS) Studies

- CoCS studies result in a ratio of costs to revenues by development type.
- They are widely critiqued and are not portable (are unique to their context).
- The lack of sales tax in Oregon reduces commercial revenues, making CoCS ratios from other states irrelevant

American Farmland Trust CoCS studies have not been deployed in Oregon



Source: Kotchen, Matthew J. and Schulte, Stacey L. "A Meta-Analysis of Cost of Community Service Studies." July 2009. DOI 10.1177/0160017609336082

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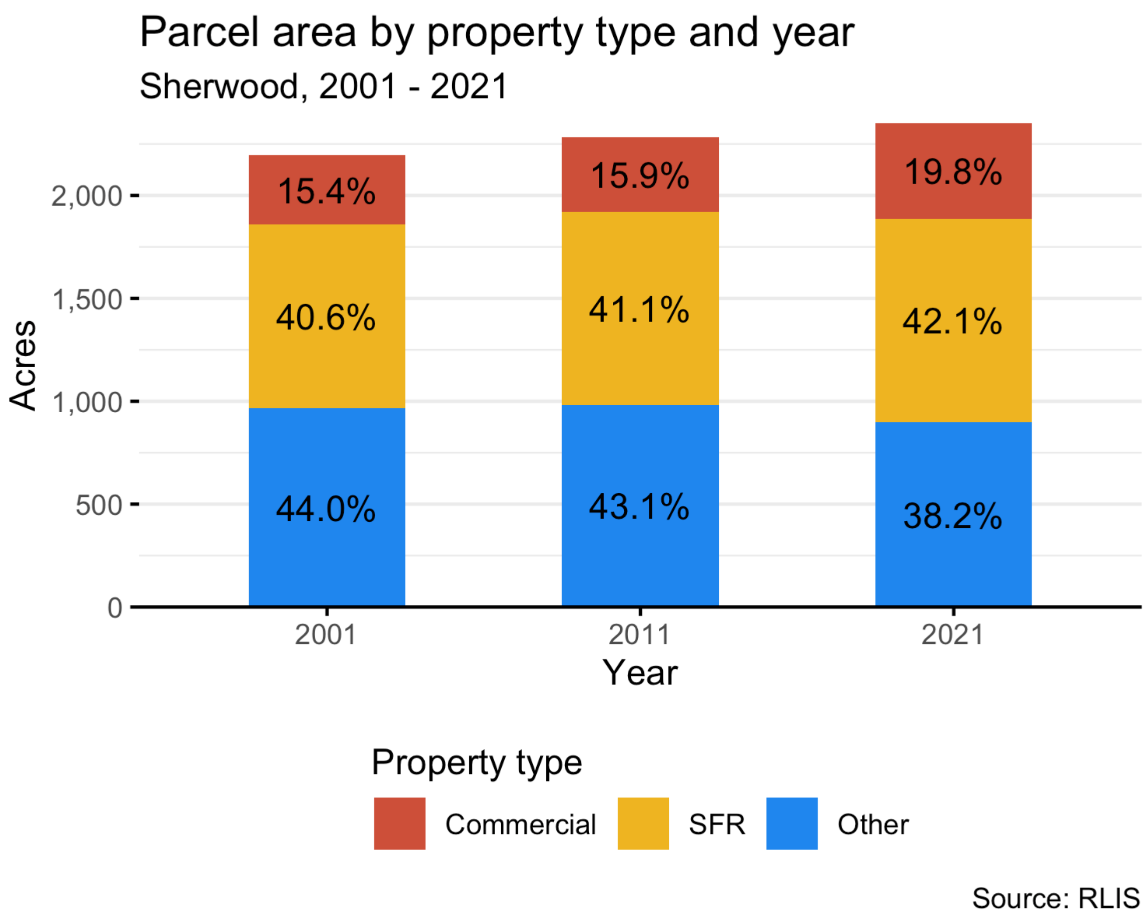
Sherwood's share of commercial is rising



Sherwood is growing steadily.

Commercial uses are rising fastest.

Property taxes are only part of the story

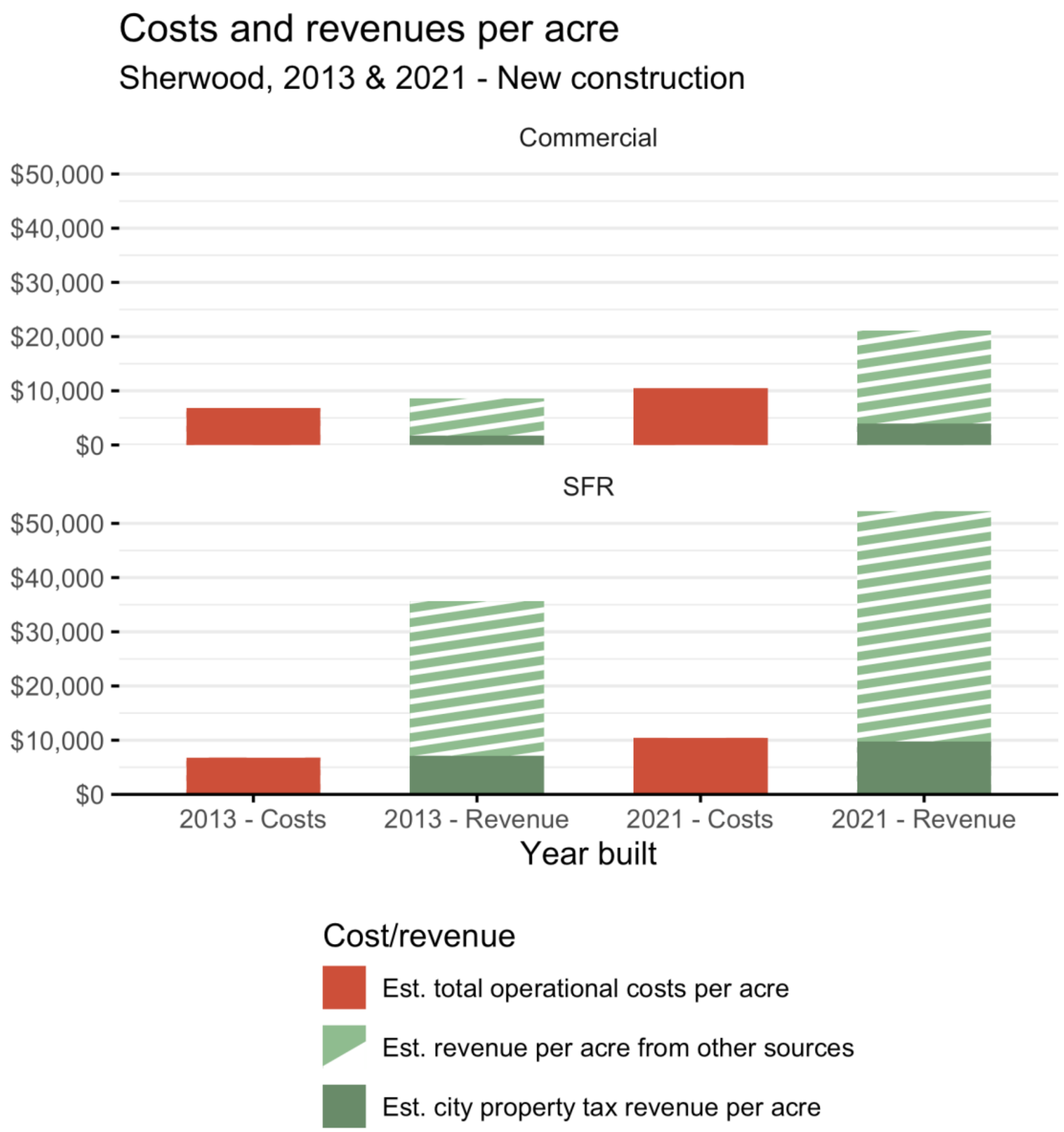
All Revenue for all Funds as a Percent

Utility Fees	33%	Charges for Services	6%	Infrastructure Fees	5%
Property Taxes	23%	Franchise Fees	7%	Intergovernmental	5%
Fines & Forfeitures	8%	State Shared Revenue	8%	Transfers & Other	5%

Property taxes only make up a portion of Sherwood's revenue.

But, it is the most flexible and among the most reliable of the City's sources of revenue, and is strongly tied to land use decisions.

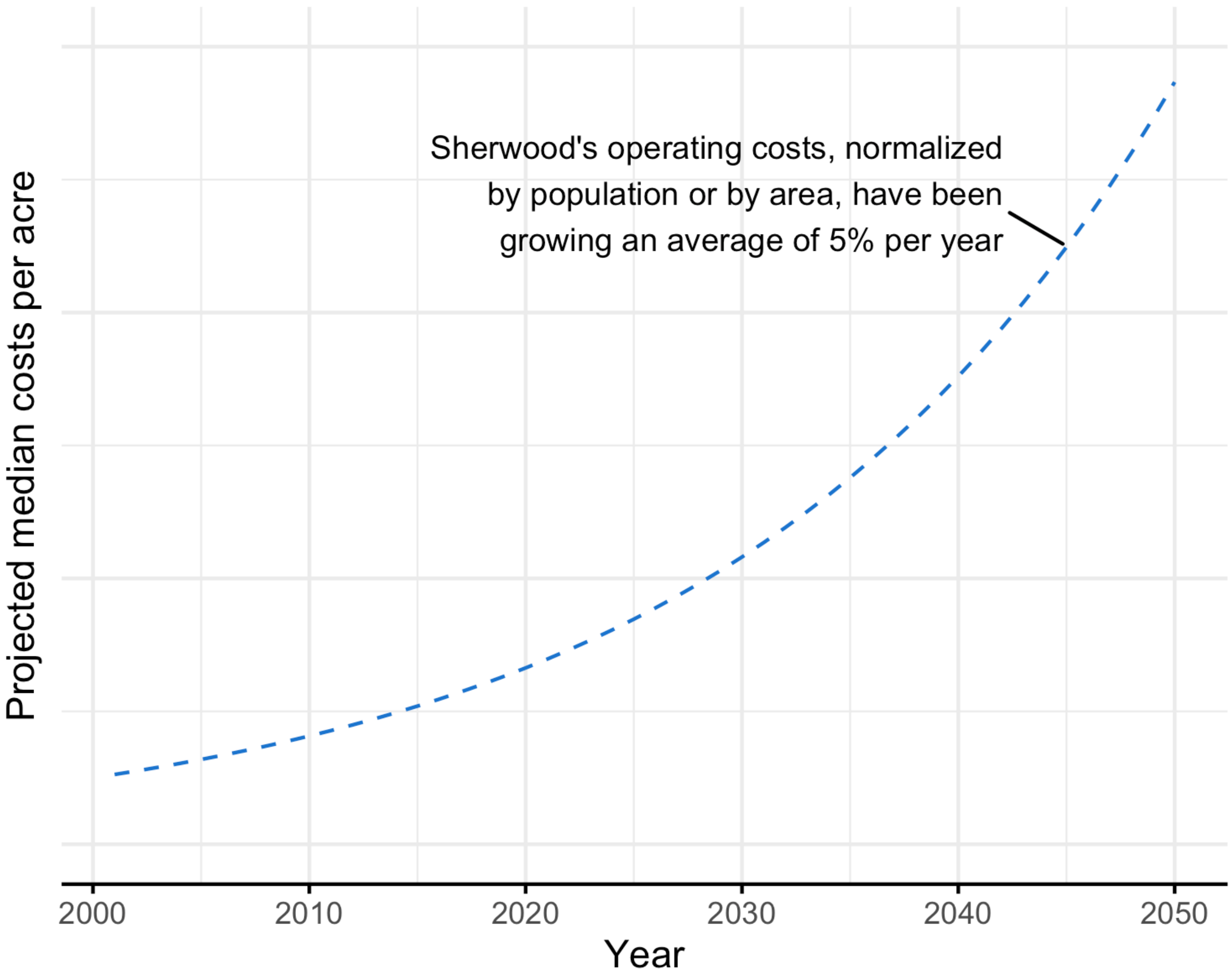
Snapshot: Residential vs Commercial



Source: RLIS, ACS 2019 5-year, City of Sherwood
Revenue estimates assume the average Washington County mill rates by year
Cost estimates assume the ACS-provided average persons per household

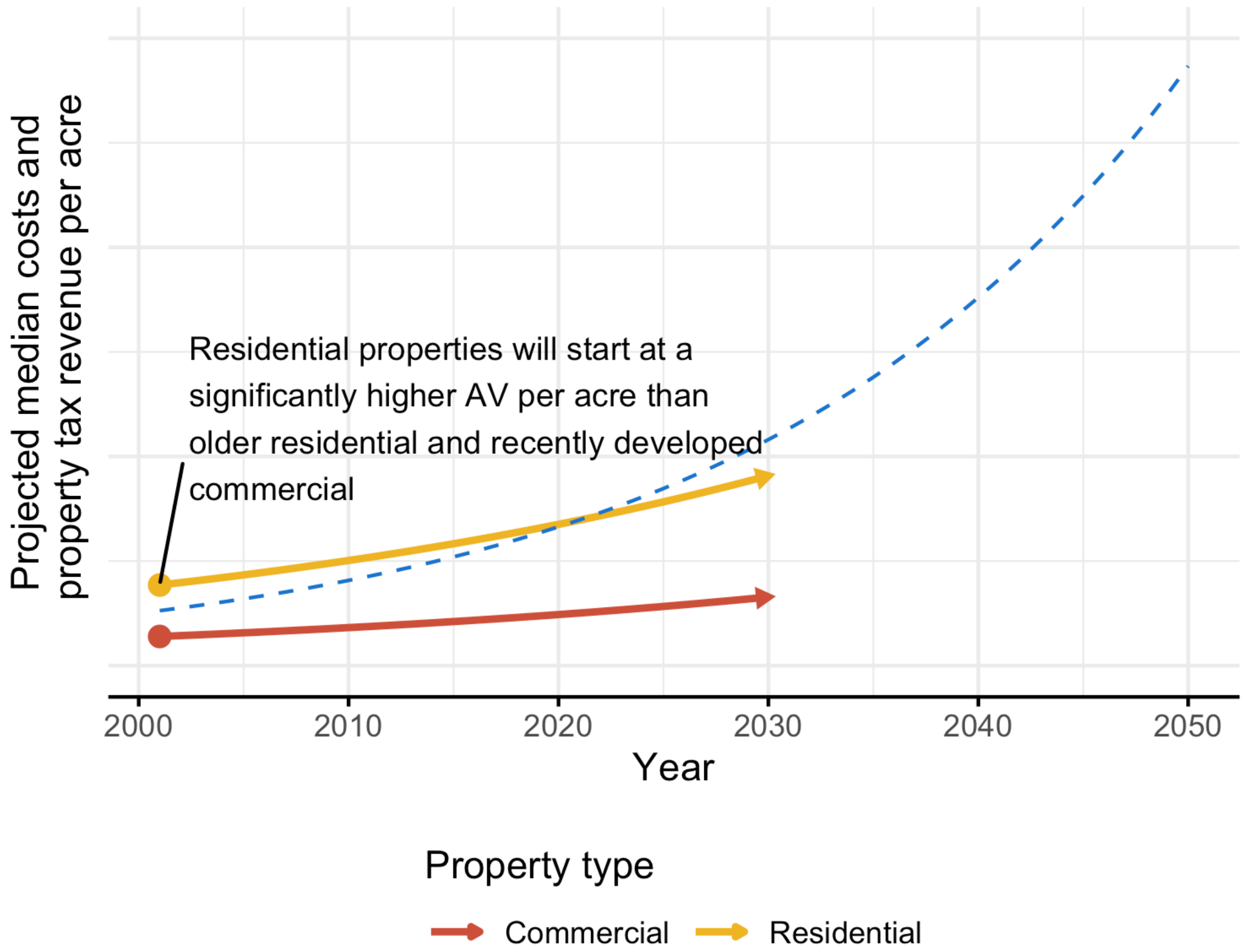
New single-family construction (bottom) generates increasingly more revenue per acre than new commercial (top). For this reason, residential development better covers operating costs.

Costs are increasing



Like all communities in Oregon, Sherwood's service costs are increasing. If they continue at the same pace, they'll follow the curve shown to the right.

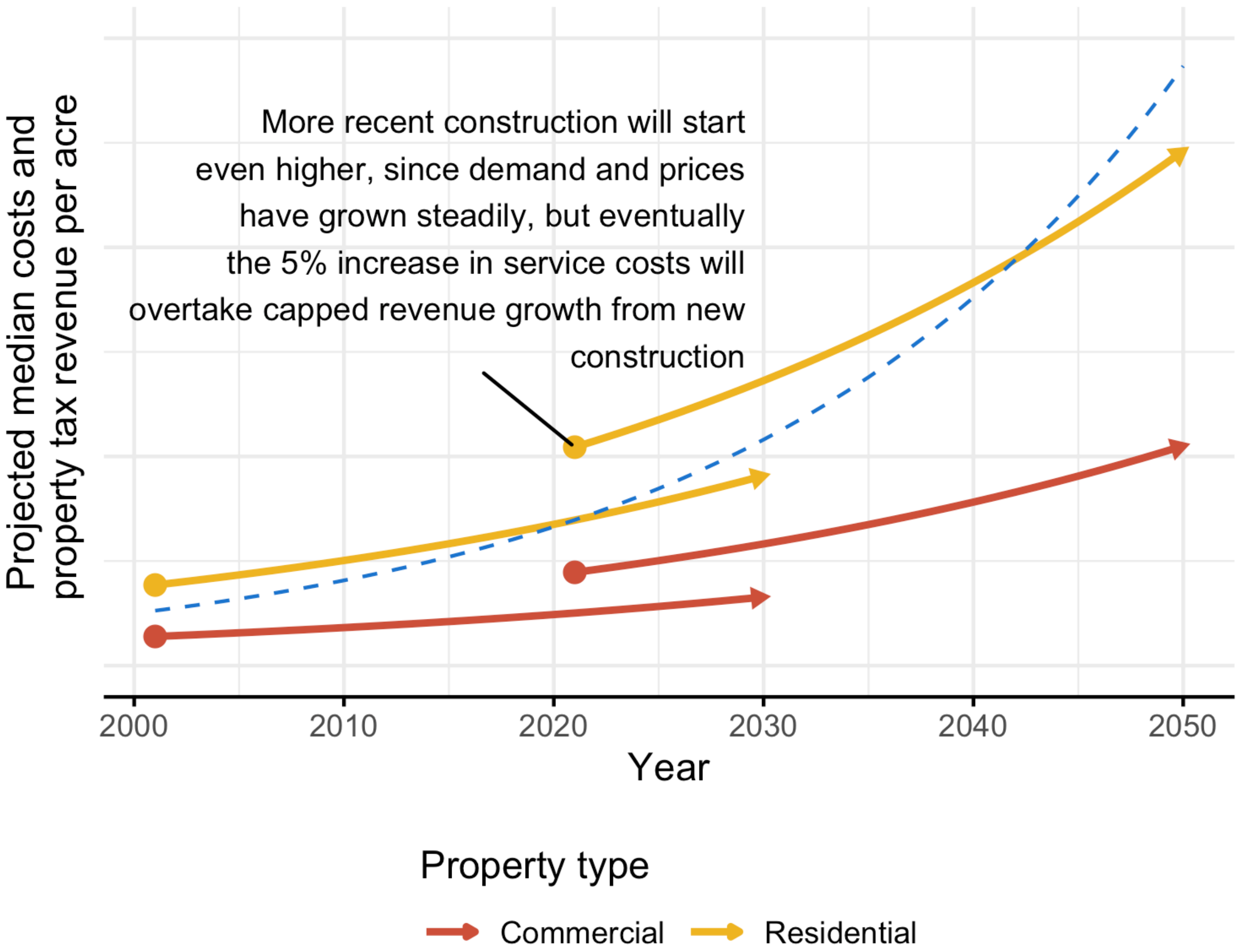
New Residential Produces More Revenue



New SFR has a higher value than older SFR or new commercial. SFR's revenue per acre is somewhat higher than the city's per acre annual operating costs on a per acre basis.

Once developed, per Oregon's property tax laws, revenue growth is capped at a lower growth rate than recent growth in costs.

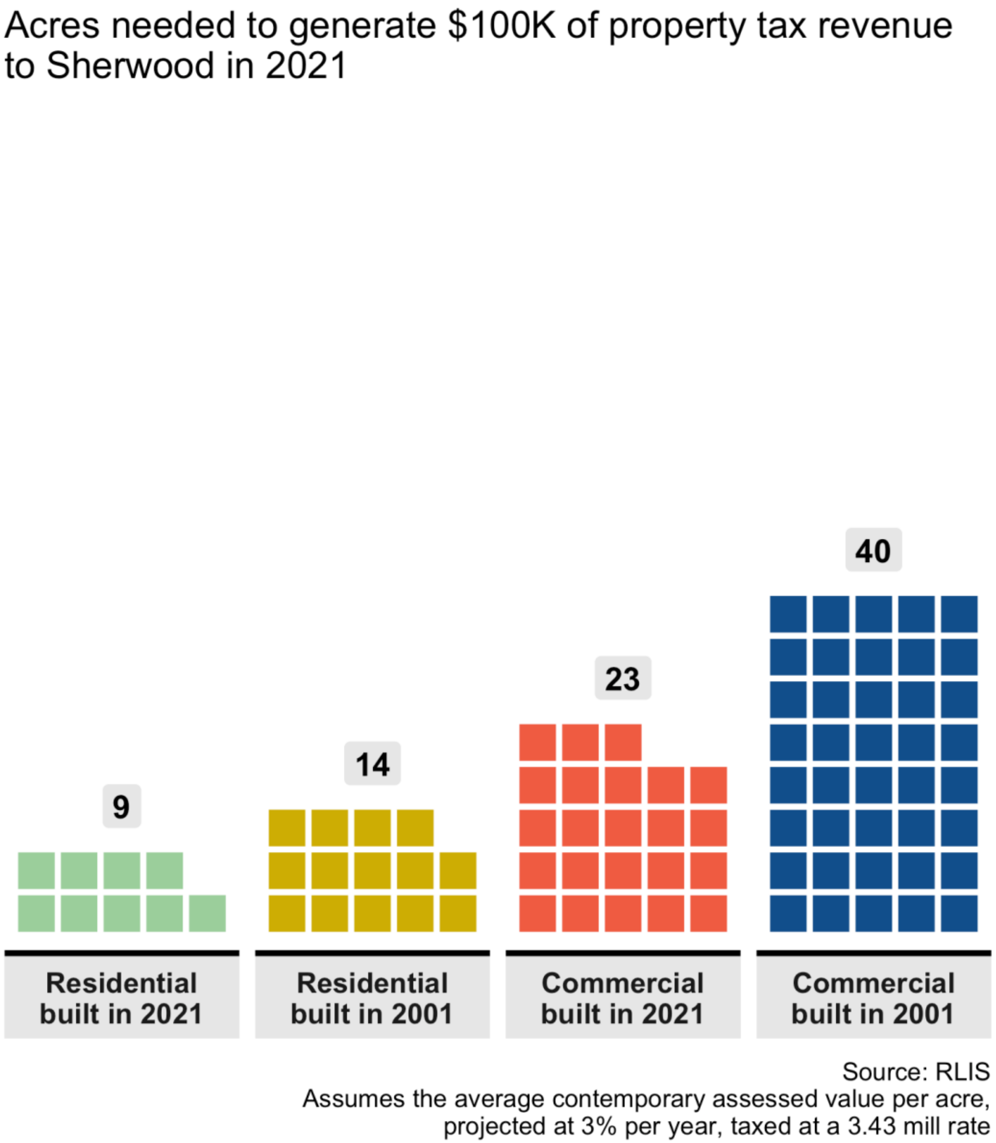
Residential Growth is Needed for Fiscal Health



New development is needed to keep revenues growing faster than costs.

Without sufficient new construction, the city's average annual growth of property tax revenues will tend towards 3% (because of Measures 5 & 50), and eventually the older construction will generate insufficient revenue.

Implications for Development Patterns



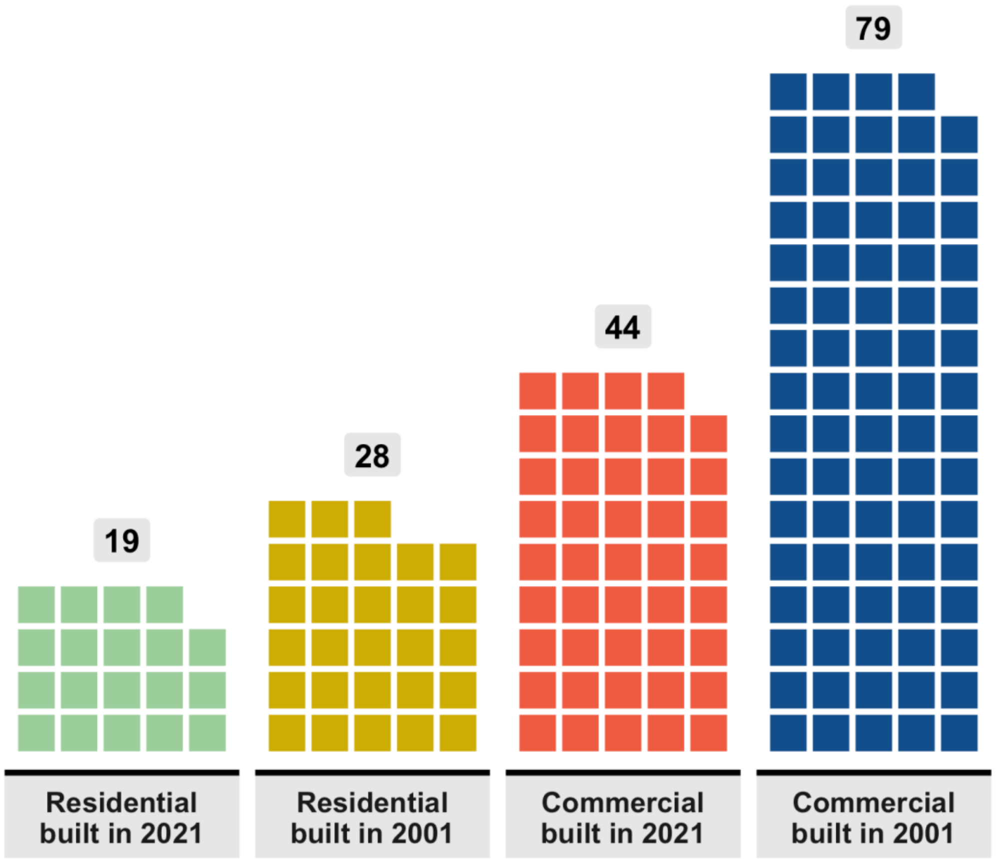
Residential development creates a faster path toward fiscal health.

It takes far more (over 2x) commercial land to generate the same amount of county property tax revenue as it does for residential land.

With each added acre, how much new infrastructure is required? Is there sufficient vacant land?

Implications for Development Patterns

Acres needed to generate $1M of property tax revenue
to Washington County in 2021



Source: RLIS
Assumes the average contemporary assessed value per acre, projected at 3% per year, taxed at a 17.65 mill rate

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Methodology Notes

Methodology

Revenue projections

- Unless otherwise noted, analysis of property tax revenue is based on taxlot data from Oregon Metro, taken from multiple years between 2001 and 2021. We use real market value and land use classification from the taxlot data, and, taking changed property ratios from Washington County, estimate assessed values. Per-acre assessed values are calculated using the parcels' surface area.
- We estimated property tax revenues per acre by applying Sherwood's local tax rate (taken from Washington County) to these assessed values.
- Average assessed values for each property were projected forward in time using a 3% annual growth rate, consistent with constitutional limits imposed by Measures 5 and 50.

Assessment of costs

- Per acre operating costs are based on data from Sherwood's budget reports from 2013 and 2021, divided by Sherwood's total area in each respective year.
- We omit capital outlay costs from our calculated total operating costs to more clearly focus our analysis on regular, ongoing operating costs. Large capital outlays tend to occur in single years, with additional debt paid out over time, skewing costs in any given year.

Notes about datasets

- Taxlot data, while detailed and generally accurate, is not without flaws. In particular, counties' methods for classifying a taxlot's land use often change over time, complicating time series analyses. We have not attempted to explore or correct for any related issues.
- Year-built information for commercial properties in Sherwood contains numerous missing values. In these cases, the year of the taxlot's most recent property sale was used as a substitute.
- Alternative revenue sources per acre were assumed to be proportional to Sherwood's share of budget derived from sources *other* than property taxes. This proportion could change over time.

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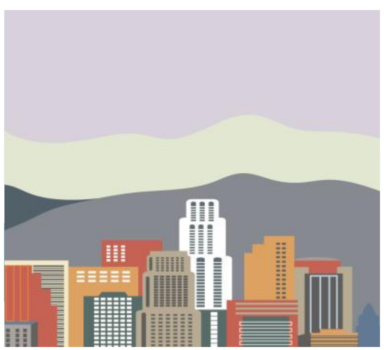

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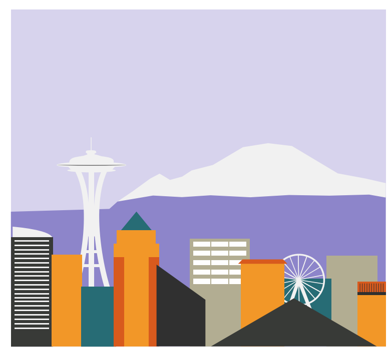
Portland



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