



## Urban Flood Safety & Water Quality District Fix

### The Problem

A large portion of northern Multnomah County - including multiple residential neighborhoods, the Portland International Airport and other major employers - is located in a historic floodplain that is protected by levees, pump stations, and conveyances. Although the infrastructure acts as one complete system, it is currently managed by four century old drainage districts. This governance structure has become increasingly burdensome, inefficient, and the districts can no longer afford to meet federal safety standards, which will have major economic implications for the state.

To address this challenge, the Oregon legislature created the Urban Flood Safety & Water Quality District through SB 431 in 2019. SB 431, codified as ORS 550, contemplated the use of a utility or service fee model to fund ongoing operations. After significant research and coordination with municipal partners, it has been determined that the utility or service fee model cannot realistically be implemented. As a result, alternative revenue tools are needed to operate and maintain this crucial flood safety infrastructure. Legislation will be introduced during the 2024 session to support the UFSWQD in creating an effective operating revenue structure.

### Solution

**SB 1517** will provide the UFSWQD with two financial tools not currently included in ORS 550:

1. *Property Assessments in the Managed Floodplain:* After significant research, the UFSWQD seeks authority to maintain the existing **property assessments** used by the the legacy drainage districts. This assessment would only be applied to the properties that receive a direct physical benefit from the flood safety infrastructure. This modification provides the district with a stable operating revenue base that is affordable to implement and property owners in the managed floodplain are already familiar with.
2. *District-wide Flood Safety Benefit Fee:* The UFSWQD also seeks authority to charge an intergovernmental **Flood Safety Benefit Fee** to the cities within the district’s boundary and Multnomah County for the unincorporated areas within the district. This fee is designed to reflect the “regional significance” of the economic and community benefits provided by the district as noted in ORS 550.150. The fee would be apportioned to each jurisdiction based on population and each jurisdiction would be responsible for determining how to raise the revenue to pay this fee to the district.

Both revenue sources will be used for ongoing operations and maintenance costs and the coalition of municipal partners involved in setting up the UFSWQD remains committed to putting this revenue structure in place.

### The Urgency

This bill is needed in 2024 to ensure the district has an ongoing operating revenue source in place so it can refer a general obligation bond measure to the voters in May 2024. This bond



measure must go out in 2024 so the district can make necessary improvements to the infrastructure to meet federal safety standards and unlock more than **\$100 million of federal funding** by providing a local match of 35%. An ongoing revenue structure will be important to the district's ability to sell bonds and receive a reasonable bond rating.

### **Background**

In 2019, the Oregon State Legislature passed Senate Bill 431, creating the Urban Flood Safety & Water Quality District (UFSWQD), a new special district to manage the levees, pump stations, and conveyances that reduce the risk of flooding along the Columbia River in northern Multnomah County. The legislation was introduced at the request of Levee Ready Columbia, a regional partnership of public, private, and nonprofit organizations working collaboratively to modernize this infrastructure and the way it is managed.

SB 431 recognized the importance of the area protected by the levee system to the state economy. The area not only includes the Portland International Airport and Oregon's second largest source of drinking water, but it is also home to nearly 8,000 residents and 2,500 businesses that generate at least 59,000 jobs and \$16 billion in annual economic activity and associated revenue for the State. This flood safety system also protects three interstate highways (I-5, I-205, and I-84), two major rail lines, the Oregon Food Bank, Oregon's second largest source of drinking water – Columbia South Shore Well Field, an Air National Guard Base, State and County Correctional Facilities, to name a few.

In the aftermath of Hurricane Katrina and Superstorm Sandy, the Federal Emergency Management Agency (FEMA) updated their resiliency regulations for levees. As a result, substantial investments need to be made in order to bring this system into compliance with those updated regulations. This infrastructure is currently operated and maintained by four drainage districts that were first established in 1917 by farmers and other business interests that wanted to drain the land along the river for year-round use. Although the drainage districts have done as much as they can with the resources provided, they were never intended to manage and make significant capital investments in what has become urban infrastructure.

Falling out of compliance could cause FEMA to require a remapping of the area to a Special Flood Hazard Area. That designation will restrict or stop new development and redevelopment in the managed floodplain. Development and redevelopment costs would increase, putting additional pressure on other buildable areas in the greater Portland region. Costs for existing property owners would increase significantly as they would be required to purchase flood insurance without federally subsidized rates – which could cost up to 10 times as much as the federal flood insurance program if it's obtainable at all.

The passage of SB 431 (now ORS Chapter 550) was foundational to putting a more modern, environmentally friendly, and financially sustainable governance structure in place to protect people and property from flooding, prepare for climate change, and contribute to the health of the river and the watershed.

SB 431 limited the Urban Flood Safety & Water Quality District to using a utility or service fee model for generating operating revenue. After significant research since the passage of SB 431, the regional partners have determined that the utility/service fee approach has too many legal, technical, financial, and political challenges, and that, while possible, the approach does not reflect best practices as they are not administratively practical or cost-effective to bill or collect, at this time. As such, the partners worked with economists and financial advisors to develop a more feasible, cost-effective alternative to fund the important operations of this district.

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