
Wilsonville Urban Renewal Strategic Plan

October 27, 2014

Prepared for:

City of Wilsonville



Contact Information

ECONorthwest prepared this report in conjunction with Elaine Howard Consulting, LLC. ECONorthwest is solely responsible for its content.

ECONorthwest specializes in economics, planning, and finance. Established in 1974, ECONorthwest has over three decades of experience helping clients make sound decisions based on rigorous economic, planning and financial analysis.

ECONorthwest completed this project under contract to the City of Wilsonville. Throughout the report we have identified our sources of information and assumptions used in the analysis. Within the limitations imposed by uncertainty and the project budget, ECO, Elaine Howard Consulting, and the City of Wilsonville have made every effort to check the reasonableness of the data and assumptions and to test the sensitivity of the results of our analysis to changes in key assumptions. ECO and the City acknowledge that any forecast of the future is uncertain. The fact that we evaluate assumptions as reasonable does not guarantee that those assumptions will prevail.

We have also described our analytic techniques and their limitations. (Client) has reviewed our analysis for reasonableness. As time passes the results in this report should not be used without correcting for changing market conditions.

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Executive Summary

The City of Wilsonville faces fundamental and inter-related choices about how best to use urban renewal to advance its economic development goals. Existing urban renewal areas limit the total acreage available for any potential new urban renewal areas. At the same time, the borrowing capacity (or *maximum indebtedness*) of these existing urban renewal areas needs to be re-examined relative to expectations about planned projects.

The city formed a task force in September 2013, and asked it to forward recommendations to City Council on the future use of urban renewal in Wilsonville. The task force considered possible amendments to existing urban renewal plans as well as the possibility of creating new urban renewal areas. Chaired by City Council President Scott Starr, the task force was composed of residents, business owners and managers, and experts in public finance. Appendix A provides a list of all task force members.

This document provides the recommendations of the city's urban renewal task force, summarizing the technical analysis and process that supported task force decision-making.

In general, the task force's approach to the use of urban renewal is a balanced one. It recognizes that urban renewal is a useful tool for financing critical infrastructure projects, but also that it is a tool that creates financial impacts for overlapping taxing districts that should be mitigated where possible.

The task force is supportive of continuing to use urban renewal and tax increment finance to fund planned infrastructure projects in existing urban renewal areas, especially those projects that the City is required to fund because of contractual obligations (intergovernmental agreements and development agreements). At the same time, the task force was not supportive of adding new projects to existing urban renewal areas, which would extend the life of those areas and thereby extend the financial impacts to other taxing districts that forego revenues to fund projects.

The task force is also supportive of a new urban renewal area for Coffee Creek because it achieves an economic development need and funds critical infrastructure projects. They suggest revisiting the need for an urban renewal district in Frog Pond when master planning is complete.

Key points of task force recommendation, for each of the existing and potential new urban renewal areas:

1. West Side Plan:
 - a. Amend plan to increase maximum indebtedness from \$40 million to \$49.4 million, to allow funding of the critical infrastructure projects that the city is contractually obligated to fund.
 - b. Formal concurrence of overlapping taxing districts is not required for this amendment, and should not be sought.
 - c. Following precedent from previous plan amendment processes, do not seek an advisory vote of the public.
 - d. Do not add any new projects to the project list; doing so would increase the life of the district and require a larger increase in maximum indebtedness.
 - e. Do not fund the Old Town Escape project with TIF dollars from the West Side Plan. This project should be funded with other sources, including TIF from the Year 2000 Plan.
2. Year 2000 Plan:
 - a. As revised on September 23, 2014, move the Old Town Escape project from the West Side Plan to the Year 2000 Plan and fund up to \$7 million of this project using Year 2000 Plan urban renewal, with the exact amount of funding to be determined by a development agreement.
 - b. As revised on September 23, 2014, reduce the amount of funding allocated to Old Town Streets and Streetscapes by \$2 million.
 - c. As revised on September 23, 2014, re-allocate \$275,600 for Livability Projects to Town Center Concept Planning. Use Urban Renewal Program income as a funding source to contribute to additional Town Center redevelopment activities.
 - d. Close down the area in a phased approach that limits negative compression impacts on the West Linn – Wilsonville School District.

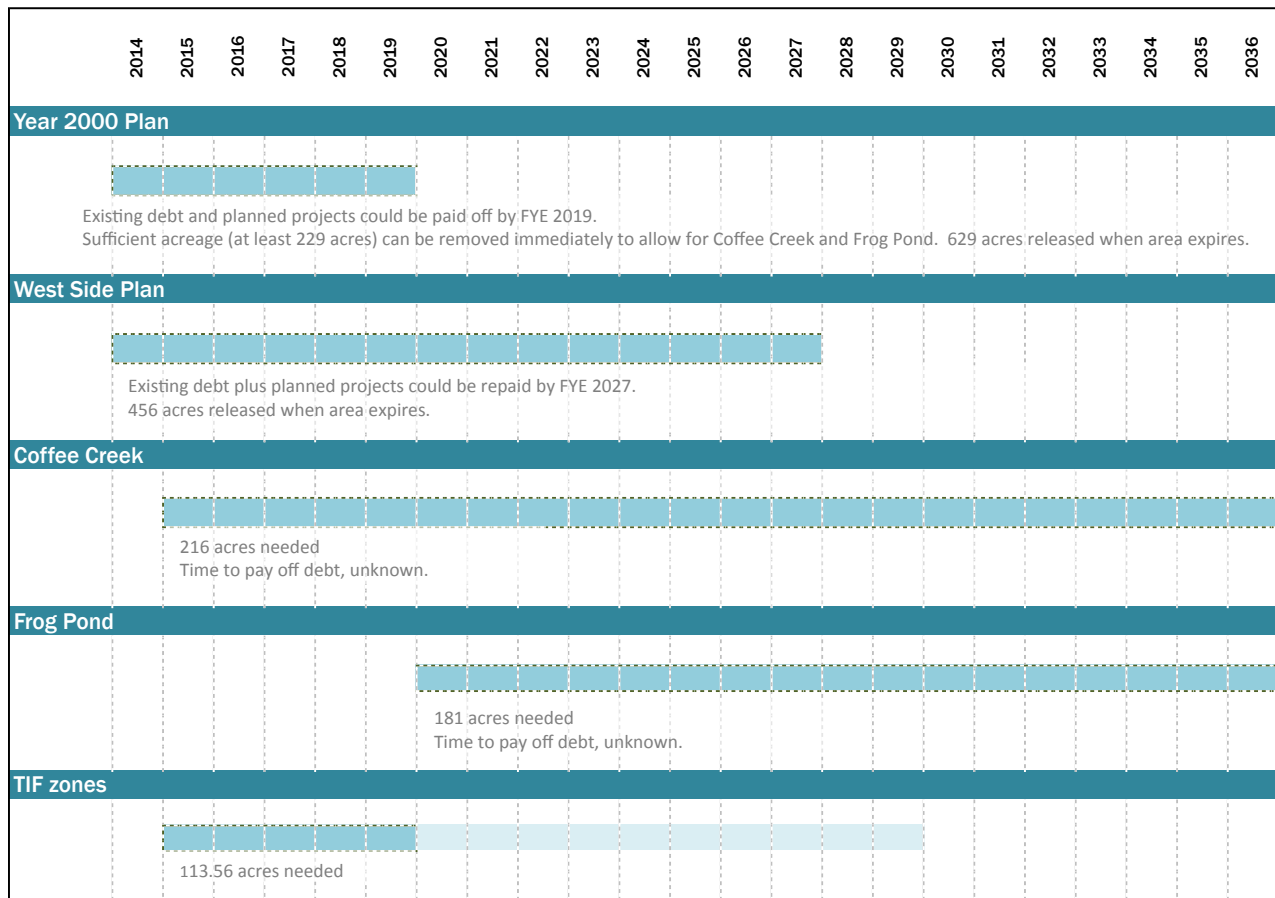
A prior economic development task force convened by the City of Wilsonville defined the appropriate use of TIF. In this process, Task force members expressed continued support for these previously identified guidelines on the use of tax increment funds:

“Urban renewal district – The task force clarified that its support of urban renewal district creation was limited in scope to specific project funding necessary to make development viable and leverage significant private investment: for example, to bring needed infrastructure to the Coffee Creek Industrial Area to facilitate development, or to assemble small parcels into larger parcels for resale and development. The task force also recommended that the City continue to conduct advisory votes prior to establishing new urban renewal districts and that any new district should be of limited duration and have a well-defined project list and scope so that the district is closed down and property-tax revenue returned to the other taxing districts as quickly as possible after planned urban renewal projects are completed and paid for.”

3. Coffee Creek
 - a. Pursue feasibility analysis and planning for a new urban renewal area to fund critical infrastructure in Coffee Creek.
 - b. Remove land from the Year 2000 and/or West Side plans as necessary to free up sufficient acreage for the proposed Coffee Creek urban renewal area.
 - c. Following precedent, as this is a new urban renewal area formation process, pursue citywide advisory vote during plan adoption.
 - d. Pursue formal concurrence of overlapping taxing districts during plan adoption.
 - e. The use of TIF should be limited to development-supportive infrastructure projects (see sidebar).
4. Frog Pond
 - a. Do not pursue feasibility analysis and planning for a new urban renewal area for Frog Pond at this time. Re-evaluate after the master planning effort is completed.
5. General recommendations
 - a. Follow recommendations described by previous task force processes for seeking input on new district formation and for projects (see sidebar).

Figure 1 shows how these various task force recommendations would affect the timing of creation and expiration of urban renewal areas in the City of Wilsonville.

Figure 1: Urban Renewal Area Timelines, City of Wilsonville, 2014 - 2036



1 Introduction

The City of Wilsonville faces fundamental and inter-related choices about how best to use urban renewal in the future. Existing urban renewal areas limit the total acreage available for any potential new urban renewal areas; existing areas require re-examination of planned projects relative to total borrowing capacity (*maximum indebtedness*). Possible new urban renewal areas may require annexation of lands into the City, and their financial capacity relative to the projects requires evaluation. Attitudes about urban renewal in the City, County, and region require careful consideration of its role in supporting economic development outcomes.

During the City's creation of an Economic Development Strategy in 2011-12, a task force recommended that the City examine the strategic use of tax increment financing (TIF) to leverage private-sector capital investment. This document is the result of that task force recommendation. The task force that created the Economic Development Strategy recognized that additional time and effort were required to study this issue more in-depth, to: (1) better understand how the urban-renewal tool could be best used for public benefit; (2) to strategically plan for the final years of two of Wilsonville's existing urban renewal areas; and (3) to plan for the future use of urban renewal in Wilsonville.

Wilsonville City Manager Bryan Cosgrove appointed a 17-member task force in September 2013 to address these issues and to recommend a strategic plan to guide the future use of urban renewal in Wilsonville. Chaired by City Council President Scott Starr, the task force was composed of residents who have served on other City boards, business owners and managers, and experts in public finance; the economic consultant team of ECONorthwest and Elaine Howard Consulting, LLC acted as facilitators. A listing of task force members is shown in Appendix A. The task force's recommendations considered the financial evaluation of TIF capacity, combined with input from stakeholders, staff, and the general public. Figure 2 provides a map of the existing and potential new urban renewal areas that the task force considered.

Key Terms

Concurrence is a statutorily-defined threshold of support from affected taxing districts, required for urban renewal plans to deviate from certain statutory limits. Concurrence is calculated as a combination of taxing districts, the sum of whose permanent property tax rates is equal to or greater than 75% of the total permanent tax rate applicable for the urban renewal area.

Maximum indebtedness means the amount of the principal of indebtedness included in a plan pursuant to ORS 457.190 and does not include indebtedness incurred to refund or refinance existing indebtedness. This is the total amount that can be spent from tax increment proceeds for projects, programs and administration.

Revenue sharing is the result of 2009 legislative changes enacted through HB 3056, which established a system of sharing tax increment revenues with overlapping taxing districts when certain thresholds are met for new and substantially amended urban renewal areas. In new areas, when TIF revenues exceed 10% of the Area's maximum indebtedness, 25% of the amount exceeding 10% of maximum indebtedness is shared. When TIF revenues exceed 12.5% of maximum indebtedness, the urban renewal area's revenue is capped at 12.5%, and all excess revenues are shared with overlapping taxing districts. When an existing urban renewal area is substantially amended to increase its maximum indebtedness, revenue sharing is also triggered.

Tax Increment Financing (TIF) means the funds that are associated with the division of taxes accomplished through the adoption of an urban renewal plan.

The task force's recommendations address the following key issues:

Maximum indebtedness

Maximum indebtedness is the total amount of debt that an urban renewal area can accrue. It is determined in the urban renewal plan. The task force made specific recommendations on whether or not to increase the maximum indebtedness of existing urban renewal areas, and if so, by how much.

Projects

Related to debt capacity are the individual projects to be funded with TIF. The task force discussed which projects identified in existing plans should and should not be funded moving forward, and if any new projects should be added to any of the urban renewal areas. Additionally, the task force discussed the general principles that determine whether or not TIF is an appropriate funding source for a project.

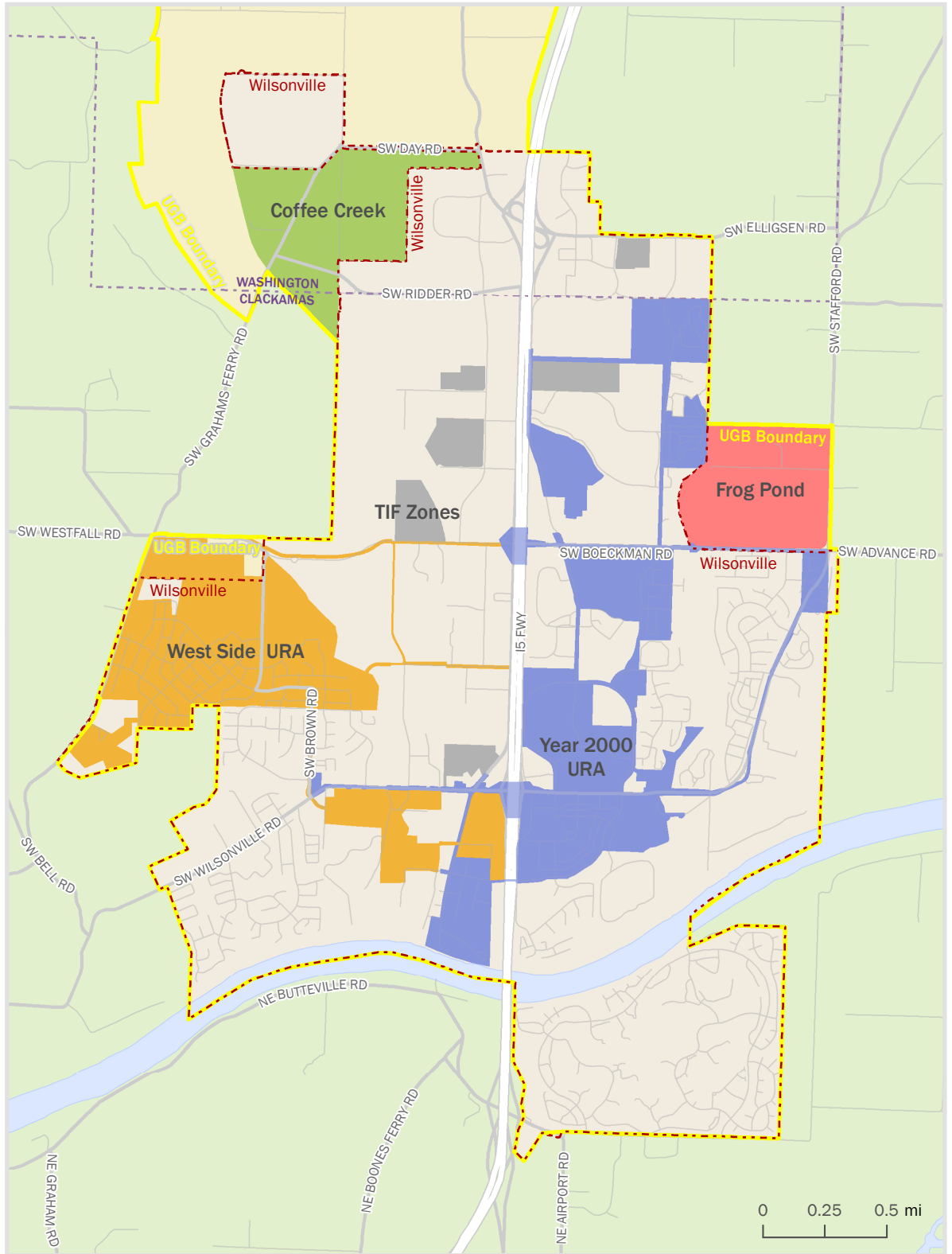
Acreage

Oregon Revised Statute (ORS) limits the total amount of acreage a city having a population of less than 50,000 may have in urban renewal to 25%. The Year 2000 and West Side urban renewal areas comprise 23.1% of the acreage of the City of Wilsonville. With the addition of the TIF Zone urban renewal areas, 24.12% of Wilsonville is currently in urban renewal areas. The remaining area allowed under the cap is about 41 acres, which is not enough to create an urban renewal area that could generate sufficient tax increment to undertake meaningful projects. The task force therefore considered the financial capacity to remove acreage from portions of the Year 2000 and West Side plans. Retiring portions of existing urban renewal areas would release tax increment to the local jurisdictions and free up acreage that could be used to create new urban renewal areas in Coffee Creek and/or Frog Pond.

Approach to involving overlapping taxing districts and voters

In what ways should the City engage affected taxing districts and the general public when making decisions related to urban renewal? The task force discussed the importance of having a meaningful and transparent public involvement process when making decisions regarding urban renewal. In addition to general principles of inclusion and transparency, the task force discussed what circumstances would merit holding an advisory vote of the public, and pursuing official concurrence from overlapping taxing districts.

Figure 2. Existing and Potential Urban Renewal Areas evaluated in Urban Renewal Strategy, City of Wilsonville, Oregon, 2014



Source: ECONorthwest. Data from the City of Wilsonville GIS and Metro RLIS, 2013

2 Urban Renewal: Past and Present

This section of the report describes the existing and potential urban renewal areas in Wilsonville. It includes information on their location, projects, outstanding debt, and the key issues considered by the task force in each area. The results of the task force recommendations are included in the following report section.

The City has two existing urban renewal areas: Year 2000 and West Side. Each urban renewal area faces questions about timelines, indebtedness, projects remaining to be completed, and eventual closure. A third set of urban renewal areas, referred to as “TIF Zones” were adopted in November 2013. These areas were not part of the evaluation and no recommendations are made regarding these areas; they were recommended by a prior task force, given voter approval through an advisory vote and only recently implemented, and no changes are anticipated for these areas.¹

2.1 Year 2000 Plan

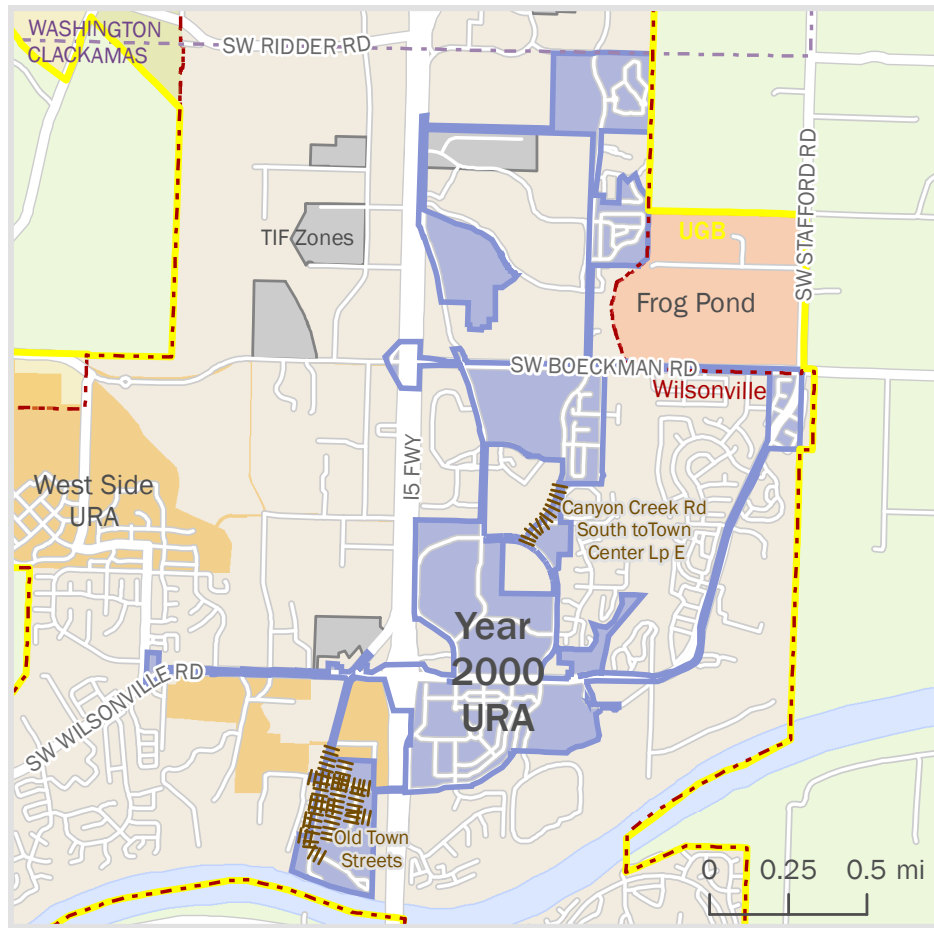
Purpose

The Year 2000 Urban Renewal Plan was created in 1992 with a mission statement of curing blight, attracting job producing investment, buoying property values and protecting residential livability and environmental values. To accomplish this mission, the Year 2000 Plan (sometimes referred to as the East Side Plan) outlines a variety of specific goals including: installing the appropriate infrastructure; creating positive transportation linkages; undergrounding utilities; providing avenues for meaningful citizen involvement; and installing streetscape improvements.

The current boundaries of the Year 2000 Urban Renewal Area are shown in Figure 3.

¹ Summary information regarding the TIF zones is presented in Appendix C, and additional was presented to task force members, but TIF zones are not addressed directly in this strategy.

Figure 3. Year 2000 Urban Renewal Plan and Remaining Projects



Source: ECONorthwest. Data from City of Wilsonville GIS and Metro RLIS

Projects

The Year 2000 Plan lists 34 specific projects and allows for other projects if required.

Figure 4 includes a list of all projects in the Year 2000 plan, and an indication of their status (complete or incomplete), the city's obligation to complete it, and if the task force recommended to fund or not to fund uncompleted projects.

The tax increment funds from this urban renewal area have funded a number of projects on Wilsonville Road, I-5 interchange improvements, Waste Water Treatment Plant improvements, the construction of Memorial Drive, Canyon Creek Road improvements, the construction of Murase Plaza at Memorial Park and Town Center Park, the construction of City Hall, and many other smaller projects.

Figure 4: Year 2000 Project Summary

Project	Total Project Cost (Nominal \$)	City Obligation	Complete	Task Force Recommendation to fund with TIF
Extend Canyon Creek South of Boeckman	\$6,125,300	None	No	Fund
Old Town Streets	\$3,868,300	None	No	Fund
Livability Projects	\$275,600	None	No	Fund
Landover Medians	\$289,400	None	No	Fund
Park Improvements	\$441,000	None	No	Fund
Boeckman Road		None	No	Don't Fund
Boeckman Interchange and Ramps at I-5		None	No	Don't Fund
Wiedemann Road, Overcrossing and Ramps		None	No	Don't Fund
Willamette River Crossing		None	No	Don't Fund
I-5 Freeway Crossing to Seely Trunk at Wiedemann Road		None	No	Don't Fund
Remove Pump Station at Town Center Site		None	No	Don't Fund
Rose Lane/Schroeder Way System		None	No	Don't Fund
Swim Center		None	No	Don't Fund
Neighborhood Park - North (6 to 8 Acres)		None	No	Don't Fund
Teen Center		None	No	Don't Fund
Boones Ferry Park		None	No	Don't Fund
Canyon Creek North			Yes	N/A
Town Center Loop East Extension			Yes	N/A
Town Center Loop West Extension			Yes	N/A
Wilsonville Road			Yes	N/A
Wilsonville Road Realignment			Yes	N/A
Parkway Avenue			Yes	N/A
Traffic Signals			Yes	N/A
Wilsonville Road Interchange			Yes	N/A
Connect to Dependable Water Supply Source			Yes	N/A
Hackamore Road/Old Canyon Creek Road			Yes	N/A
Canyon Creek North Extension			Yes	N/A
Waste Water Treatment Plant Expansion			Yes	N/A
Parkway/Trask Street System			Yes	N/A
Town Center Outfall and Detention Facility			Yes	N/A
Memorial Park			Yes	N/A
Joint Use of Athletic, Cultural and Public Assembly Facilities at New High School			Yes	N/A
Recreation Facilities, Parking and Landscaping at Clackamas Community College Site in Town Center			Yes	N/A
Tranquil Park			Yes	N/A
Town Center Square (5 to 6 Acres)			Yes	N/A
Civic Center Park			Yes	N/A
Barn Rehabilitation			Yes	N/A
Affordable Housing			Yes	N/A

Note: Costs are reported in nominal dollars using a 5% inflation rate. Rounded to the hundredth.

Financial Considerations

Year 2000 Key Financial Issues

1. The success of this URA led to a cap on annual TIF revenue at \$4 million.
 2. The area can generate more TIF, but because of the cap, the area returns the additional revenue back to the overlapping districts.
 3. For this reason, Year 2000 is a good candidate to remove acreage from to create new URAs, while still generating \$4 million in annual TIF and staying under the 25% limit of total URA acreage in the city.
 4. Acreage can be immediately released to allow for the creation of Coffee Creek and Frog Pond.
 5. Closing down the URA too soon would have a substantial impact on the school district's local option tax revenue. As discussed in detail in Appendix J, the task force considered this issue when making a recommendation on when to close down the area.
-

When the Year 2000 Urban Renewal Area was established in 1992, it had an assessed value (frozen tax base) of \$44 million. The assessed value in this area has since grown nearly nine-fold to more than \$396 million and many of the planned projects have been completed. The original maximum indebtedness was \$53,851,923, which a later amendment increased to \$92,687,432. As of October 30, 2012, \$75,385,000 of the maximum indebtedness has been used, leaving \$17,302,423 to complete any remaining projects before the term of the urban renewal area expires.²

At the start of FY 2013-14, the Year 2000 Plan had \$13,542,070 of outstanding debt principal and interest, from three separate loans. The last of these loans is scheduled to be repaid in FY 2024-25. It is possible to repay the debt early, perhaps as early as FY 2017-18 (assuming no new debt is incurred).³

Approximately a decade ago, the success of this urban renewal area led the City Council to cap the annual collection of tax increment at \$4 million and return all additional tax revenue to the overlapping taxing districts.

An important financial consideration for the Year 2000 Plan was the potential impact on the West Linn – Wilsonville School District local option levy when the urban renewal area expires. The school district currently loses significant tax revenue each year due to property tax compression. The division of tax rates that occurs as a result of urban renewal and TIF results in the school district experiencing less compression than would otherwise occur.

If the urban renewal area were to expire and cease collecting TIF, the school district would experience a dramatic increase in compression losses. This impact would be particularly pronounced at times when properties' real market values are low (relative to their assessed values), which happens to be the situation in FY 2013-14. In time, the school district expects real market values to grow, reducing the amount of compression losses the district experiences. Thus, it is likely that if the Year 2000 Plan were to expire at a later date in the future, the impact on compression losses would be less severe.

² Gary Wallis, Wallis Consulting, October 2012, *City of Wilsonville Year 2000 Plan Closure*

³ Note that early repayment of the loans for the Year 2000 and West Side plans would result in cost savings, as it would reduce the amount of interest paid on the loans. However, these loan agreements include "prepayment penalties" which would partially offset the cost savings from early repayment.

Issues for task force consideration

Projects

- Should projects be added? If so, what would be their impact on the maximum indebtedness and longevity of the plan?
- Should any projects be left unfunded or deleted from the plan?

Facilitating a new urban renewal area

- Should land be removed from the Year 2000 Plan to provide capacity to create a new urban renewal area for Coffee Creek or Frog Pond?
- How much land could be removed without impacting the urban renewal area's ability to pay its debt service?
- When could this land be removed?

Closure of the urban renewal area

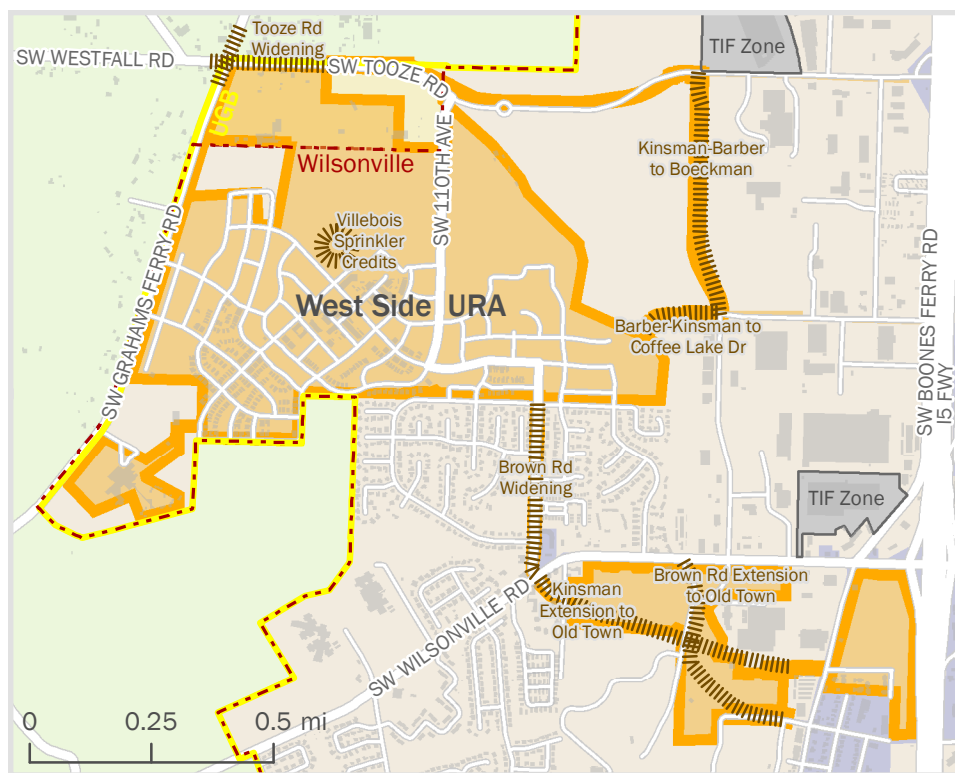
- Should the area explore opportunities to repay debt early and close down the plan ahead of schedule?
- How can closure of the area occur in a way that minimizes the impact to the school district from compression losses?

2.2 West Side Plan

Purpose

The West Side Plan (shown in Figure 5) was created in 2003 after an advisory vote of the public showed 80 percent of the public were in favor. The goal of the area was to promote development and fund infrastructure improvements on and around the former Dammasch Hospital site. This resulting development, known as the Villebois Village, offers quality housing options for a variety of income levels. The original goals of the West Side Plan were to develop a transportation network within the area, provide transportation infrastructure to connect Villebois to the remainder of the city, support the development of diverse housing types, provide public services and facilities, support the development of multi-purpose public parks and green spaces, and to make public investments that directly support high-quality private development. The original West Side Plan had 385 acres; the present area is 456 acres.

Figure 5. West Side Plan and potential projects



Source: ECONorthwest. Data from City of Wilsonville GIS and Metro RLIS.

Projects

The major projects included in the West Side Urban Renewal Plan are the construction of the Boeckman Road extension, the Barber Street extension and the Old Town Escape, in addition to improvements on Tooze Road, Barber Street and Brown Road. Smaller projects include a \$2 million contribution to the construction of community and regional parks and the acquisition of an elementary school site as part of a land exchange agreement under which the City will obtain an equally-sized parcel from the West Linn-Wilsonville School District on Advance Road for sports fields.

Old Town Escape is a \$7.4 million road improvement plan. The fire district commented that this project does not result in a drastic improvement for their operations. The task force discussed whether it should be funded with tax increment financing, and if so, in which urban renewal area it should be funded. By including this project in the West Side Plan, it would push the maximum indebtedness over the limit at which concurrence is required.

Figure 6: West Side Project Summary

Project	Cost Paid by URA (Nominal \$)	City Obligation	Complete	Task Force Recommendation
Barber St. (Kinsman Rd. to Coffee Lake Dr.)	\$4,908,800	Yes	No	Fund
Tooze Rd. (110th to Grahams Ferry Rd.)	\$2,811,400	Yes	No	Fund
Sprinklers	\$2,376,900	Yes	No	Fund
Parks	\$1,129,500	Yes	No	Fund
Other Transportation/Brown Road	\$3,935,800	None	No	Fund
Old Town Escape (Kinsman Option)	\$9,006,900	None	No	Don't Fund
Kinsman Rd. (Barber to Boeckman Rd.)	\$6,069,000	Yes; Paid with other funds	No	N/A
Boeckman Rd. Repair		Yes	Yes	N/A
Boeckman Rd. (95th to 110th)		N/A	Yes	N/A
Barber St. (Boones Ferry Rd. to Boberg)		N/A	Yes	N/A
Barber St. (Boberg to Kinsman Rd.)		N/A	Yes	N/A
Grahams Ferry Rd. (Tooze to LEC)		No plans for completion using current funding		N/A
School Site		N/A	Yes	N/A

Notes: Costs are reported in nominal dollars using a 5% inflation rate. Rounded to the hundredth.

Financial Considerations

The original area had an assessed value of \$16.5 million. Ten years later, the assessed value of the area has increased 14-fold and is now over \$263 million. There is approximately \$38,295,788 in outstanding debt principal. This debt is

scheduled to be repaid in FY 2027-28. It is possible to repay the debt early, perhaps as early as FY 2022-23 (assuming no new debt is incurred).

The maximum indebtedness for the West Side Urban Renewal Area is \$40 million, with \$8 million remaining to be spent.

Due to low project-cost estimates at the time the plan was developed and property acquisition and construction at the peak of the pre-recession bubble, the Wilsonville city staff determined that there is insufficient debt capacity to complete the projects in the urban renewal area that are subject to intergovernmental agreements and development agreements with other parties.

Issues for task force consideration

Projects

- Should projects be added? If so, what would be their impact on the maximum indebtedness and longevity of the plan?
- Should any projects be left unfunded or deleted from the plan?

Maximum indebtedness

- Is an increase in maximum indebtedness necessary to fund the desired projects? If so, how much should the maximum indebtedness be increased, and when?

Concurrence and advisory vote

- Does the increase in maximum indebtedness trigger the requirement for the city to ask for concurrence from overlapping taxing districts? If not, should the City voluntarily seek concurrence for this amendment?
- Should the City seek an advisory vote of the public regarding this increase in maximum indebtedness?

Facilitating a new urban renewal area

- Should land be removed from the West Side Plan to provide capacity to create a new urban renewal area for Coffee Creek or Frog Pond?
- How much land could be removed without impacting the urban renewal area's ability to pay its debt service?
- When could this land be removed?

Closure of the urban renewal area

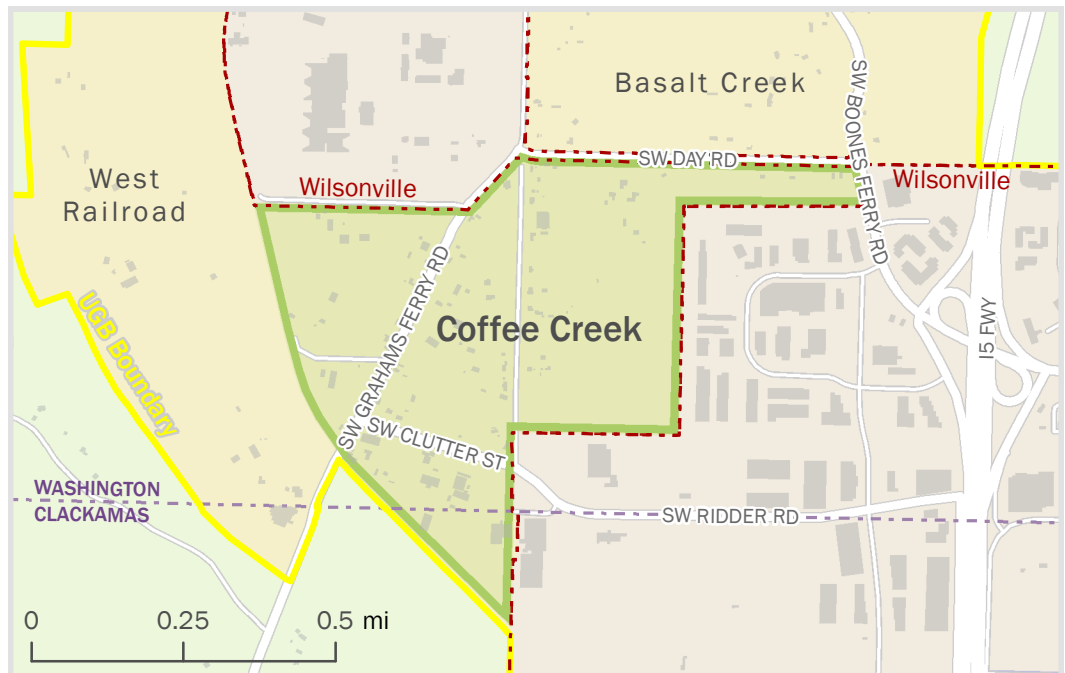
- Should the area explore opportunities to repay debt early and close down the plan ahead of schedule?

2.3 Coffee Creek

Purpose

The Coffee Creek Industrial area lies west of I-5 and is adjacent to the northwest corner of the City of Wilsonville (Figure 5). It is located outside Wilsonville city limits but within the urban growth boundary. Bounded on the north by the Coffee Creek Correctional Facility and Day Road, the Coffee Creek Industrial Planning Area contains approximately 216 acres of land zoned for industrial development. Like the rest of Wilsonville, the Coffee Creek area enjoys prime positioning in relation to transportation corridors due to its location along the I-5 corridor and its easy access to I-5, I-84, OR-26 and OR-217. Hailed by the City of Wilsonville as the next area of major business development, the area is projected to provide more than 1,800 family⁴ wage jobs at full buildout. Business development at Coffee Creek would synergize well with new residential development at Villebois Village and good access to public transportation including close proximity to the WES rail line.

Figure 7. Coffee Creek Industrial area



Source: ECONorthwest. Data from City of Wilsonville GIS and Metro RLIS.

⁴CCIA Infrastructure Report, Memorandum from FCS Group sent on 4/5/2011.

Projects

An Urban Renewal Plan does not yet exist for Coffee Creek, so the projects are not finalized at this time. However, the types of projects that have been discussed by the task force and in the Coffee Creek Infrastructure Analysis include:

- On-Site Infrastructure
 - Streets
 - Intersections
 - Water
 - Sewer
 - Storm Sewer
 - Park/Trail/Other
- Off-Site Infrastructure
 - Water
 - Sewer
 - Grahams Ferry Railroad Underpass

Financial Considerations

The Coffee Creek Master Plan projects that total assessed value in the area would increase from \$16 million in 2007 to \$258 million at build out (assumed to be calendar year 2030). In the Coffee Creek Master Plan, it identifies that urban renewal is one option for funding projects in this area (see sidebar). However, since no projects have been finalized, it is unknown at this time what the specific financial considerations will entail.

Issues for task force consideration

Facilitating a new urban renewal area

- Is urban renewal an appropriate tool to facilitate development in the area?
- Can/should land be removed from existing urban renewal areas to provide capacity to create a new urban renewal area here?
- When could/should such a district be formed?
- How does the timing of a new urban renewal area coincide with the timing of proposed development in the area?

Projects

- What types of projects should be considered for TIF funding in this area?

“Explore and quantify potential local funding sources that can be used to pay for new collector and arterial roads, transit service, bicycle/pedestrian facilities, storm water mitigation, water, and sewer improvements. This additional analysis should include but not be limited to the formation of a new System Development Charge overlay district, Local Improvement Districts, and/or an Urban Renewal District.”

- Coffee Creek Master Plan

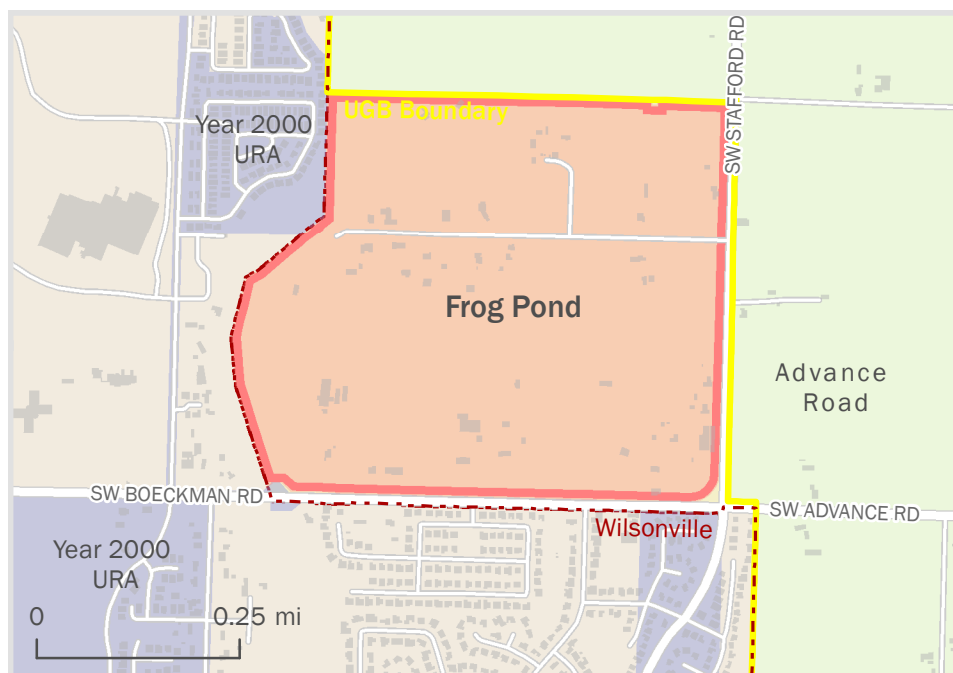
2.4 Frog Pond

Purpose

The Frog Pond area consists of 181 acres immediately east of the City of Wilsonville city limits (6). The Frog Pond area was brought into the urban growth boundary in 2002 in anticipation of eventual annexation into the City for residential development. Considered a second choice option for Wilsonville's next urban renewal area following the Coffee Creek Area, Frog Pond would not provide new industrial development opportunities. The Frog Pond area could potentially provide about 1,000 housing units.

In 2013, the City of Wilsonville received a Metro Community Planning and Development Grant to help planning efforts for the Frog Pond and Advance Road areas. The next step in the development of Frog Pond will be the completion of a Master Plan for the area, beginning in early 2014.

Figure 8. Frog Pond area



Source: ECONorthwest. Data from City of Wilsonville GIS and Metro RLIS.

Projects

Similar to Coffee Creek, Frog Pond is not yet an urban renewal area, so the projects for this area have not been determined. The City is just beginning a master planning process that will define the needed investments in infrastructure and other development-supporting projects.

Financial Considerations

Projects in Frog Pond have not been decided, so no financial considerations will be discussed until the master plan is completed.

Issues for task force consideration

Facilitating a new urban renewal area

- Is urban renewal an appropriate tool to facilitate development in the area?
- Can/should land be removed from existing urban renewal areas to provide capacity to create a new urban renewal area here?
- When could/should such a district be formed?
- How does the timing of a new urban renewal area coincide with the timing of proposed development in the area?

Projects

- What types of projects, if any, should be considered for TIF funding in this area?

3 Task Force Recommendations

The Urban Renewal Strategy task force met a total of four times to discuss key strategic questions regarding the use of urban renewal. At the third meeting, the task force was asked a series of questions that resulted in specific policy recommendations regarding the use of urban renewal. Meeting summary notes are shown in Appendices D, E, and F. Following the third meeting, the City Council identified specific issues for further examination by the task force. A fourth task force meeting was called to revisit the original recommendations, and to consider the issues raised by City Council. Based on this fourth meeting, a few of the task force recommendations were revised.

In addition to task force input, the strategic planning process included stakeholder interviews with community members, developers, county elected officials, property owners and representatives of other taxing districts. A summary of these interviews, conducted in December of 2013 and January of 2014, is shown in Appendix H. This information was shared with the task force at their January meeting and helped inform the recommendations of the task force.

In general, the task force's approach to the use of urban renewal is a balanced one. It recognizes that urban renewal is a useful tool for financing critical infrastructure projects, but also that it is a tool that creates financial impacts for overlapping taxing districts that should be mitigated where possible. The task force is supportive of continuing to use urban renewal and tax increment finance to fund planned infrastructure projects in existing urban renewal areas, especially those projects that the City is required to fund because of contractual obligations (intergovernmental agreements and development agreements). At the same time, the task force was not supportive of adding new projects to existing urban renewal areas, which would extend the life of those areas and thereby extend the financial impacts to other taxing districts that forego revenues to fund projects. For all major decisions regarding urban renewal, the task force strongly emphasized the importance of effective public engagement, and, in some circumstances, public votes to confirm decisions.

This approach follows closely the principles outlined by a prior economic development task force convened by the City of Wilsonville regarding the appropriate use of TIF. Task force members expressed continued support for these previously identified guidelines on the use of tax increment funds:

“Urban renewal district — The task force clarified that its support of urban renewal district creation was limited in scope to specific project funding necessary to make development viable and leverage significant private investment: for example, to bring needed infrastructure to the

Coffee Creek Industrial Area to facilitate development, or to assemble small parcels into larger parcels for resale and development. The task force also recommended that the City continue to conduct advisory votes prior to establishing new urban renewal districts and that any new district should be of limited duration and have a well-defined project list and scope so that the district is closed down and property-tax revenue returned to the other taxing districts as quickly as possible after planned urban renewal projects are completed and paid for.”

– Recommendations of the Economic Development Strategy Task Force on Business Attributes and Incentives March 2013

The task force’s recommendations follow, and are organized by plan.

3.1 West Side Plan

Question 1. Should Wilsonville amend the plan to increase maximum indebtedness?

Task Force Recommendation. Yes. The maximum indebtedness should be increased from \$40 million to at least \$49.4 million.

Rationale. TIF revenue from the West Side Plan is the primary source identified to fund capital projects related to the development of Villebois. The City is contractually obligated to build several of these improvements (through intergovernmental agreements and development agreements). However, original cost estimates for other projects in the West Side Plan were too low, resulting in insufficient maximum indebtedness to fund the remaining projects in the Plan. Increasing the maximum indebtedness from \$40 million to \$49.4 million allows the City to use TIF to fund necessary projects in the area. See Figure 6 for a list of projects the task force recommends funding with TIF from the West Side Plan.

Question 2. Should Wilsonville seek formal concurrence of overlapping taxing districts for this urban renewal plan amendment?

Task Force Recommendation. No.

Rationale. The task force strongly recommends consulting and conferring with all overlapping taxing districts, providing them meaningful opportunities to comment on the use of urban renewal and TIF. However, this is not the same as providing all taxing districts the right to vote to approve the proposed plan amendment. In some situations, the process of concurrence requires overlapping taxing districts to vote on urban renewal issues. Concurrence is not required for this type of amendment.

Question 3. Should Wilsonville seek an advisory vote of the public?

Task Force Recommendation. No.

Rationale. The task force supports an open and transparent public process for any use of urban renewal. The task force also supports seeking an advisory vote of the public for creation of new urban renewal areas, as it did in the recent formation of the TIF zones. For this particular plan amendment there was concern that an advisory vote would be inappropriate and confusing, because the projects are already identified in an existing plan, and the City is contractually obligated to fund these projects. Thus, in this situation, the majority of the task force recommended against an advisory vote. There was a dissenting minority opinion on the task force that any and all important urban renewal decisions, including this amendment, should seek an advisory vote of the public.

Question 4. Should any new projects be added to the project list?

Task Force Recommendation. No.

Rationale. The task force opposes further use of TIF in this area for projects other than those that the City is contractually obligated to fund.

Question 5. Should the Old Town Escape, and other non-contractually obligated projects, be funded with TIF dollars from the West Side Plan?

Task Force Recommendation. No.

Rationale. The task force recommends not funding the Old Town Escape Project (a new road that provides additional ingress and egress from the Old Town area) with TIF from the West Side URA. However, the task force recognizes the importance of this project to facilitate economic development and alleviate congestion in this area. Therefore, the task force recommends moving the Old Town Escape project to the Year 2000 Plan, where additional urban renewal resources are available to fund the project (in part) with TIF. An important consideration for the task force was that funding this project from the West Side URA would have required further increasing maximum indebtedness, which would have triggered the concurrence requirement.

Question 6. Should the City seek to waive revenue sharing?

Task Force Recommendation. No.

Rationale. By increasing the maximum indebtedness of the plan, the urban renewal area becomes subject to revenue sharing, requiring a portion of the TIF revenue to be shared with other taxing districts. This revenue sharing requirement can be waived if the urban renewal area receives concurrence from the overlapping taxing districts. Some of the scenarios considered by the task force included waiving revenue sharing for the West Side Plan. The recommendation of the task force not to pursue concurrence eliminated the need to waive revenue sharing.

Figure 9 shows a revised version of the West Side Plan project summary. The difference between Figure 9 and the earlier Figure 6, is that the Old Town Escape project is recommended to be moved to the Year 2000 Plan and partially funded with TIF from that district.

Figure 9. Recommended West Side Project Summary

Project	Cost Paid by URA (Nominal \$)	City Obligation	Complete	Task Force Recommendation
Barber St. (Kinsman Rd. to Coffee Lake Dr.)	\$4,908,800	Yes	No	Fund
Tooze Rd. (110th to Grahams Ferry Rd.)	\$2,811,400	Yes	No	Fund
Sprinklers	\$2,376,900	Yes	No	Fund
Parks	\$1,129,500	Yes	No	Fund
Other Transportation/Brown Road	\$3,935,800	None	No	Fund
Old Town Escape (Kinsman Option)		None	No	Move to Year 2000 Plan
Kinsman Rd. (Barber to Boeckman Rd.)		Yes; Paid with other funds	No	N/A
Boeckman Rd. Repair		Yes	Yes	N/A
Boeckman Rd. (95th to 110th)		N/A	Yes	N/A
Barber St. (Boones Ferry Rd. to Boberg)		N/A	Yes	N/A
Barber St. (Boberg to Kinsman Rd.)		N/A	Yes	N/A
Grahams Ferry Rd. (Tooze to LEC)		No plans for completion using current funding		N/A
School Site		N/A	Yes	N/A

3.2 Year 2000 Plan

Question 1. Should Wilsonville amend the plan to change the project list and increase maximum indebtedness?

Task Force Recommendation. Yes, the project list should be changed, but maximum indebtedness should not be increased.

Rationale. There is a limited subset of projects identified in the plan that are incomplete and considered necessary by City staff. The task force recommends using TIF to finish these projects (See Figure 4). Additionally, the task force recommended transferring the Old Town Escape project from the West Side URA to the Year 2000 Plan. Adding this project requires extending the life of the urban renewal area. However, the task force proposes to reduce funding for the Old Town Streets and Streetscapes project by \$2 million, to partially mitigate the impact of adding the Old Town Escape project. Additionally, the task force did not recommend the Old Town Escape project to be fully funded with TIF from the Year 2000 Plan, as this would have required an increase in maximum indebtedness. Instead, the task force recommended that funding of up to \$7 million be provided by TIF from the Year 2000 Plan, with the exact amount of funding to be determined later through a development agreement with any potential developers that would benefit from the construction of this project.

The task force also discussed funding store front loans and the redevelopment of the Town Center commercial area. Reasons for not recommending funding these projects, include:

- Lack of support for these projects in interviews
- Questions about whether the projects were appropriate in the context of the Wilsonville market and development form
- Lack of support for extending the life of the district and writing a “blank check that’s waiting to be cashed”

However, the task force did recommend that \$275,600 in TIF be reallocated from Livability Projects to concept planning for the Town Center area. This planning effort could occur in the short-term, and would help prepare the area for future economic development efforts, without keeping the URA open indefinitely, waiting to invest directly in redevelopment projects in the Town Center if and when they occur. Program Income from the Year 2000 URA could be used to partially fund future redevelopment activities in the Town Center area.

Question 2. When should the Year 2000 Plan be closed down?

Task Force Recommendation. As soon as possible, while limiting compression impacts to the School District

Rationale. The task force recognizes that the Year 2000 Plan is collecting annual TIF revenues that exceed annual debt service requirements. This will result in a surplus fund balance that will allow the urban renewal area to pay off its outstanding debt ahead of schedule. In general, the task force was supportive of repaying the debt early and retiring the district as soon as possible, with one important caveat. The task force recommended that the City coordinate with the West Linn - Wilsonville School District to close down the Year 2000 Plan in a way that limits any abrupt compression impacts to the school district’s local option levy. While the task force did not recommend a specific date for closing the district, or a specific method for mitigating the impact of the district’s closure on the school district; the task force did recommend that the City and school district staff communicate as often as necessary to find a solution that works for both taxing districts

Figure 10 shows a revised version of the Year 2000 Plan project summary. The differences between Figure 10 and Figure 4 are:

- Old Town Streets cost paid by URA is reduced by \$2 million.
- Old Town Escape is a new project on the list (moved from the West Side Plan) with cost paid by URA recommended to be no more than \$7 million.
- Funding for “livability projects” has been reallocated to “Town Center Planning.”

Figure 10. Recommended Year 2000 Project Summary

Project	Cost Paid by URA (Nominal \$)	City Obligation	Complete	Task Force Recommendation to fund with TIF
Extend Canyon Creek South of Boeckman	\$6,125,300	None	No	Fund
Old Town Streets	\$1,868,300	None	No	Fund
Old Town Escape	\$7,000,000	None	No	Fund
Town Center Planning	\$275,600	None	No	Fund
Landover Medians	\$289,400	None	No	Fund
Park Improvements	\$441,000	None	No	Fund
Boeckman Road		None	No	Don't Fund
Boeckman Interchange and Ramps at I-5		None	No	Don't Fund
Wiedemann Road, Overcrossing and Ramps		None	No	Don't Fund
Willamette River Crossing		None	No	Don't Fund
I-5 Freeway Crossing to Seely Trunk at Wiedemann Road		None	No	Don't Fund
Remove Pump Station at Town Center Site		None	No	Don't Fund
Rose Lane/Schroeder Way System		None	No	Don't Fund
Swim Center		None	No	Don't Fund
Neighborhood Park - North (6 to 8 Acres)		None	No	Don't Fund
Teen Center		None	No	Don't Fund
Boones Ferry Park		None	No	Don't Fund
Canyon Creek North			Yes	N/A
Town Center Loop East Extension			Yes	N/A
Town Center Loop West Extension			Yes	N/A
Wilsonville Road			Yes	N/A
Wilsonville Road Realignment			Yes	N/A
Parkway Avenue			Yes	N/A
Traffic Signals			Yes	N/A
Wilsonville Road Interchange			Yes	N/A
Connect to Dependable Water Supply Source			Yes	N/A
Hackamore Road/Old Canyon Creek Road			Yes	N/A
Canyon Creek North Extension			Yes	N/A
Waste Water Treatment Plant Expansion			Yes	N/A
Parkway/Trask Street System			Yes	N/A
Town Center Outfall and Detention Facility			Yes	N/A
Memorial Park			Yes	N/A
Joint Use of Athletic, Cultural and Public Assembly Facilities at New High School			Yes	N/A
Recreation Facilities, Parking and Landscaping at Clackamas Community College Site in Town Center			Yes	N/A
Tranquil Park			Yes	N/A
Town Center Square (5 to 6 Acres)			Yes	N/A
Civic Center Park			Yes	N/A
Barn Rehabilitation			Yes	N/A
Affordable Housing			Yes	N/A

3.3 Coffee Creek Industrial Area

Question 1. Should Wilsonville conduct a feasibility analysis and planning for adoption of a new urban renewal area?

Task Force Recommendation. Yes

Rationale. The task force views Coffee Creek as having great potential for economic development. Furthermore, the task force views the proposed development in Coffee Creek as the appropriate target for urban renewal (generating growth in jobs and taxable assessed value). While it is premature to identify the specific projects and maximum indebtedness for a Coffee Creek urban renewal area, the task force recommends conducting a feasibility study to evaluate how urban renewal could assist implementation of Coffee Creek development.

Question 2. Should Wilsonville pursue a citywide advisory vote and concurrence of overlapping taxing districts during plan adoption?

Task Force Recommendation. Yes.

Rationale. The task force supports the precedent set by the City to seek an advisory vote of the public before the creation of **new** urban renewal areas, as part of an open and transparent public process. Additionally, the task force supports intergovernmental coordination on the use of urban renewal.

Question 3. Should Wilsonville remove land from other URAs to enable the formation of a Coffee Creek URA?

Task Force Recommendation. Yes.

Rationale. The City does not have capacity to form a new urban renewal area without closing or reducing the acreage of an existing urban renewal area. Analysis of the consultant team determined that it is possible to remove sufficient acreage from the Year 2000 and West Side plans to create the proposed Coffee Creek urban renewal area, while still maintaining enough assessed value in the existing urban renewal areas to fund all projects as planned, and to meet all outstanding financial obligations. If acreage were not removed from the West Side or Year 2000 plans, then a Coffee Creek urban renewal area could not be formed until one of the existing districts expires, which is not forecast to occur until at least FY 2018-19. The task force would prefer for the Coffee Creek urban renewal area to be formed prior to FY 2018-19, to facilitate more rapid development of the area.

Question 4. What types of projects in the Coffee Creek area should be considered eligible for TIF funding?

Task Force Recommendation. The task force reiterated their commitment to language from a prior task force on the appropriate use of TIF: to support projects that “make development viable and leverage significant private

investment: for example, to bring needed infrastructure to the Coffee Creek Industrial Area to facilitate development, or to assemble small parcels into larger parcels for resale and development.”

Rationale. Urban renewal should be used in a way that supports economic development outcomes and encourages new development, rather than to support community amenities that have a questionable return on investment potential.

3.4 Frog Pond

Question 1. Should Wilsonville conduct a feasibility analysis and planning for a new urban renewal area?

Task Force Recommendation. No.

Rationale. The task force did not feel that there was any evidence that development of Frog Pond required urban renewal investment at this time. The task force recommended the City re-evaluate the need for urban renewal to serve the Frog Pond area after the master planning effort is completed.

3.5 Next Steps

The Wilsonville City Council will review the task force recommendations and decide how to proceed. The City Council may not agree with all task force recommendations. If the City Council agrees with task force recommendations, then next steps may include:

- Identification of specific areas to be removed from the West Side or Year 2000 urban renewal plans, to free up acreage for a new Coffee Creek URA.
- Feasibility study for a Coffee Creek URA.
- Urban renewal plan amendment for the West Side Plan.

Some task force recommendations call for projects identified in urban renewal plans to not receive funding from TIF. The task force also recommended not to pursue projects related to the redevelopment of Town Center properties. If the City Council agrees with these recommendations, but still desires to implement these projects, then the Council will need to consider alternate funding sources. Those funding sources could include the use of “program income”, which can be used in urban renewal areas, subject to any constraints of bond documents and consistent with the definition of urban renewal agency powers identified in ORS 457. Program income may also be used for specific types of projects after an urban renewal area has formally terminated. Other potential funding sources are those funds available for use by the City Council including general funds, systems development charges, local improvement districts, general obligation bonds, or other sources as identified by the city council.

Appendices

Appendix A: *Task Force Members*

Appendix B: *Terms glossary*

Appendix C: *Financial summaries of the recommended scenario*

Appendix D: *Summary of acreage evaluation*

Appendix E: *Compression impacts to the school district*

Appendix A. Urban Renewal Strategy Task Force Members

Chair – City Council President Scott Starr

Bill Bach

Mary Closson

Brenner Daniels

Chief Mike Duyck

Lonnie Gieber

Gale Lasko

Doug Middlestetter

Susan Myers

Ray Phelps

Christine Reynolds

Larry Remmers

Fred Robinson

Dr. Bill Rhoades

Dick Spence

Alan Steiger

Doris Wehler

Appendix B. Urban Renewal Terminology

“**Area**” means the properties and rights of way located with an urban renewal boundary.

“**Concurrence**” is a statutorily-defined threshold of support from affected taxing districts, required for urban renewal plans to deviate from certain statutory limits. Concurrence is calculated as a combination of taxing districts, the sum of whose permanent property tax rates is equal to or greater than 75% of the total permanent tax rate applicable for the urban renewal area.

“**Debt Limit**” is another term for maximum indebtedness.

“**Debt Principal Outstanding**” means the outstanding amount of unpaid principal from debt incurred by the Agency for the urban renewal area.

“**Frozen base**” means the total assessed value including all real, personal, manufactured and utility values within an urban renewal area at the time of adoption. The county assessor certifies the assessed value after the adoption of an urban renewal plan.

“**Increment**” means that part of the assessed value of a taxing district attributable to any increase in the assessed value of the property located in an urban renewal area, or portion thereof, over the assessed value specified in the certified statement.

“**Maximum indebtedness**” means the amount of the principal of indebtedness included in a plan pursuant to ORS 457.190 and does not include indebtedness incurred to refund or refinance existing indebtedness. This is the total amount that can be spent from tax increment proceeds for projects, programs and administration.

“**ORS**” means the Oregon revised statutes and specifically Chapter 457, which relates to urban renewal.

“**Program income**” is income that accrues to urban renewal agencies from their programmatic activities (as opposed to from tax increment). A common example is income from a loan repayment program, which may include interest.

“**Revenue sharing**” is the result of 2009 legislative changes enacted through HB 3056, which established a system of sharing tax increment revenues with overlapping taxing districts when certain thresholds are met for new and substantially amended urban renewal areas. In new areas, when TIF revenues exceed 10% of the Area’s maximum indebtedness, 25% of the amount exceeding 10% of maximum indebtedness is shared. When TIF revenues exceed 12.5% of maximum indebtedness, the urban renewal area’s revenue is capped at 12.5%, and all excess revenues are shared with overlapping taxing districts. When an

existing urban renewal area is substantially amended to increase its maximum indebtedness, revenue sharing is also triggered.

“Tax increment financing (TIF)” means the funds that are associated with the division of taxes accomplished through the adoption of an urban renewal plan.

“Tax increment revenues” means the funds allocated by the assessor to an urban renewal area due to increases in assessed value over the frozen base within the area.

“Urban renewal agency” or **“agency”** means an urban renewal agency created under ORS 457.035 and 457.045. This agency is responsible for administration of the urban renewal plan

Appendix C. Financial summaries of the recommended scenario

Methods

TIF revenues are calculated as the product of the assessed value in the URA and the consolidated tax rate. Thus, the first step in the process is to identify the relevant tax rates for the URA. Step two is to forecast assessed value for the URA. Step three is to calculate total TIF revenues. The fourth and final step is to calculate the portion of total TIF revenues that are shared with other taxing districts and the portion that is received by the URA.

Tax Rates

The West Side and Year 2000 URAs only collect taxes from permanent rates, and general obligation bonds and local option levies approved before October of 2001. Permanent rates are, as the name implies, permanent, and therefore do not need to be “forecast” into the future. Local option levies are temporary in nature, and therefore none exist today that were approved prior to 2001. There are, however, some outstanding general obligation bonds approved prior to 2001 for taxing districts overlapping the URA. We used debt service schedules found in the jurisdictions’ annual Certified Annual Financial Reports (CAFRs), and assessed value information from the Clackamas County Assessor’s Office to forecast the future general obligation bond tax rates for these jurisdictions.

Figure 1: 2014 Tax Rates for Tax Codes in URAs, City of Wilsonville

District	Tax Code Areas: 003-033, 003-043 and 003-044	Tax Code Areas: 003-034 and 003- 045
Clackamas County City	2.4042	
Clackamas County Rural		2.9766
County 4-H	0.0500	0.0500
County Library	0.3974	0.3974
County Soil Cons	0.0500	0.0500
Wilsonville (Perm)	2.5206	
Wilsonville (GO)	0.1540	
Fire 64 Tualatin	1.5252	1.5252
Port of Portland	0.0701	0.0701
Metro (Perm)	0.0966	0.0966
Metro (GO)	0.0934	0.0934
Vector Control	0.0065	0.0065
General Government Subtotal	7.3680	5.2658
WL / WILS SD (Perm)	4.8684	4.8684
WL / WILS SD (GO)	0.7816	0.7816
Clack CC (Perm)	0.5582	0.5582
Clack CC (GO)	0.1501	0.1501
Clack ESD	0.3687	0.3687
Education Subtotal	6.7270	6.7270
Consolidated Rate	14.0950	11.9928

Source: Clackamas County 2013-14 Table 4a – Taxing District Detail

Note that Figure 1 shows two sets of tax rates. The first set, applies to tax code areas 003-033, 003-043, and 003-044. These tax code areas are all within Wilsonville city limits. These tax rates apply to all property in the Year 2000 Plan and 99% of the property value in the West Side Plan. The second set of tax rates apply to tax code areas that are outside of Wilsonville city limits. These tax rates are only used to calculate TIF for the small amount of property value in the West Side Plan that is outside of city limits.

Assessed Value

Change in assessed value is caused by two drivers: (1) appreciation or depreciation of existing property values, and (2) “exception” events, such as construction of new property, or appealing a previous valuation. In Oregon, appreciation for existing property is limited to 3% per year, which means that any growth above 3% is due to exception events.

Figure 2 shows the annual forecast of assessed value for both the West Side and Year 2000 plans. Note that the table shows assessed value projections through FYE 2030. Our analysis, however, suggests that each URA could be closed down prior to that time horizon.

Figure 2: Annual Growth Projections and Assessed Value, FYE 2014-2030

Fiscal Year Ending	West Side		Year 2000	
	Annual Growth	Assessed Value	Annual Growth	Assessed Value
2014	12.34%	\$264,441,504	2.17%	\$396,154,818
2015	3.00%	\$272,374,750	3.00%	\$408,039,463
2016	3.00%	\$280,545,992	3.00%	\$420,280,647
2017	21.63%	\$341,238,109	3.00%	\$432,889,066
2018	29.23%	\$440,969,384	3.00%	\$445,875,738
2019	15.26%	\$508,264,993	3.00%	\$459,252,010
2020	12.03%	\$569,420,078	3.00%	\$473,029,570
2021	12.79%	\$642,249,838	3.00%	\$487,220,457
2022	3.00%	\$661,517,333	3.00%	\$501,837,071
2023	3.00%	\$681,362,853	3.00%	\$516,892,183
2024	3.00%	\$701,803,739	3.00%	\$532,398,948
2025	3.00%	\$722,857,851	3.00%	\$548,370,916
2026	3.00%	\$744,543,586	3.00%	\$564,822,043
2027	3.00%	\$766,879,893	3.00%	\$581,766,704
2028	3.00%	\$789,886,290	3.00%	\$599,219,705
2029	3.00%	\$813,582,879	3.00%	\$617,196,296
2030	3.00%	\$837,990,365	3.00%	\$635,712,185

Sources: ECONorthwest and City of Wilsonville

The assessed value forecasts are driven by the following assumptions:

- **West Side:** Development of Villebois is ongoing, with additional housing units scheduled to be built over the next five years. City staff provided us with a detailed schedule of future Villebois construction, as stipulated in development agreements with the City. Our forecast of growth in assessed value for the West Side URA reflects this development schedule.
- **Year 2000:** Although the area may experience new development in future years, this development would be speculative, and therefore is not included in our forecast. Future growth in assessed value of the Year 2000 Plan is somewhat irrelevant, as City policy limits annual TIF collection to \$4 million. Therefore growth in assessed value in the Year 2000 Plan does not correlate into increased TIF revenues for the urban renewal agency.

Total TIF

Multiplying the consolidated tax rate by the assessed value tells us the total TIF to be raised in the URA. In FY 2012-13 the West Side URA raised \$3,108,892 in TIF revenues, and the Year 2000 Plan raised \$4,000,000.¹ Figure 3 shows the total amount of TIF that each URA would raise in

¹ Clackamas County Table 4c – Estimation of Urban Renewal Revenue from Increment Value

future years. Note that for the Year 2000 Plan, we show the maximum amount of TIF that could be raised. City policy, however, limits TIF collections to \$4,000,000 per year.

Figure 3: TIF Projections, FYE 2014-2030

Fiscal Year Ending	West Side	Year 2000
2014	3,494,170	\$4,962,385
2015	3,609,262	\$5,134,703
2016	3,708,703	\$5,284,983
2017	4,520,906	\$5,413,785
2018	5,545,360	\$5,249,922
2019	6,424,612	\$5,424,743
2020	7,223,583	\$5,604,768
2021	8,080,864	\$5,723,457
2022	8,329,603	\$5,912,244
2023	8,585,804	\$6,106,694
2024	8,849,690	\$6,306,978
2025	9,121,494	\$6,513,270
2026	9,401,452	\$6,725,751
2027	9,689,809	\$6,944,607
2028	9,986,815	\$7,170,028
2029	10,292,732	\$7,402,212
2030	10,607,827	\$7,641,361

Source: Calculated by ECONorthwest, with data from Clackamas County Assessor

Impacts of revenue sharing

Not all of the TIF generated in URAs is received by URAs. In some situations, “revenue sharing” occurs, and a portion of TIF revenues are distributed to overlapping taxing districts. The Year 2000 Plan shares all TIF revenue above \$4,000,000, per City policy. The West Side Plan is not currently subject to any revenue sharing provisions, but if the Plan were amended to increase its maximum indebtedness, then it would be subject to State revenue sharing requirements. Our analysis assumes that the West Side Plan would be amended to increase maximum indebtedness, and therefore the following State revenue sharing requirements would apply.

Oregon Statutes require that when TIF revenues for the URA exceed the “transition amount”, then the amount of TIF received by the URA is limited to the transition amount, plus 25% of the TIF that exceeds the transition amount. The remaining TIF is shared with overlapping taxing districts. The transition amount is defined as the amount that the URA was eligible to receive in the first year in which the URA Plan was amended.

Note that when TIF received by the URA reaches a second, higher threshold, of 12.5% of the maximum indebtedness of the Plan immediately prior to the amendment, then TIF revenues received by the URA are capped at 12.5% of the original maximum indebtedness, and any

increase in TIF above that threshold is shared with overlapping taxing districts. We forecast the West Side Plan would hit that 12.5% threshold in FYE 2018, and that TIF collections for the URA would be limited to \$5,000,000 in all subsequent years.

Figure 4: TIF for URA, FYE 2014-2030

Fiscal Year Ending	West Side	Year 2000
2014	\$3,494,170	\$4,000,000
2015	\$3,609,262	\$4,000,000
2016	\$3,708,703	\$4,000,000
2017	\$4,520,906	\$4,000,000
2018	\$5,545,360	\$4,000,000
2019	\$5,000,000	\$3,479,100
2020	\$5,000,000	-
2021	\$5,000,000	-
2022	\$5,000,000	-
2023	\$5,000,000	-
2024	\$5,000,000	-
2025	\$5,000,000	-
2026	\$5,000,000	-
2027	\$5,000,000	-
2028	-	-
2029	-	-
2030	-	-

Source: Calculated by ECONorthwest, with data from Clackamas County Assessor

Figure 4 shows a detailed table with the TIF revenue received by the URA in each year of our forecast period.

Finance Plan

Figure 6 and Figure 8 show how the tax increment revenues and other resources will be used to fund projects and debt service for both the West Side and Year 2000 plans. Figure 5 and Figure 7 show the Debt Service Funds, including annual TIF revenues and anticipated debt service payments.

West Side Plan

- It is anticipated that TIF revenues each year will achieve a minimum coverage ratio of 1.25 times debt service².

² FYE 2024 does have a ratio of 0.8, due to an irregularly large payment scheduled for that year, but has sufficient resources from prior years to cover debt service in that year.

- All projects are expected to be completed no later than FY 2017-18. Total project costs including URA admin and financing fees, in nominal dollars is \$17,732,581.
- It is anticipated that all debt will be retired by the end of FY 2026-27.

Year 2000 Plan

- It is anticipated that TIF revenues each year will achieve a minimum coverage ratio of 1.3 times debt service.
- All projects are expected to be completed no later than FY 2017-18. Total project costs, including URA admin and financing fees, in nominal dollars is \$19,529,505.
- It is anticipated that all debt could be retired by the end of FY 2019-20.
- The City will work with the School District to explore different options for underlevying TIF revenues that could result in extending the year that all debt would be retired. This would potentially allow for a less dramatic impact on School District local option levy compression losses when the Year 2000 Plan expires.

Figure 5: West Side Debt Service Fund

FYE	2014	2015	2016	2017	2018	2019	2020
TIF Revenue	\$3,494,170	\$3,609,262	\$3,708,703	\$4,520,906	\$5,545,360	\$5,000,000	\$5,000,000
Debt Service							
Outstanding Loans	\$2,209,198	\$2,210,523	\$2,213,548	\$2,214,528	\$2,213,408	\$2,210,188	\$2,204,745
Loan 2015		\$330,223	\$330,223	\$330,223	\$330,223	\$330,223	\$330,223
Loan 2016			\$283,642	\$283,642	\$283,642	\$283,642	\$283,642
Loan 2017				\$289,993	\$289,993	\$289,993	\$289,993
Total Debt Service Remaining	\$2,209,198	\$2,540,746	\$2,827,413	\$3,118,386	\$3,117,266	\$3,114,046	\$3,108,603
Coverage Ratio	1.58	1.42	1.31	1.45	1.78	1.61	1.61
TIF Revenue After D/S							
Interest Earnings						\$21,788	\$74,608
Annual	\$1,284,973	\$1,068,517	\$881,291	\$1,402,521	\$2,428,095	\$1,885,955	\$1,891,397
Cumulative	\$1,284,973	\$2,353,489	\$3,234,780	\$4,637,300	\$7,065,395	\$8,951,349	\$10,842,746

Figure 5: West Side Debt Service Fund, cont.

FYE	2021	2022	2023	2024	2025	2026	2027
TIF Revenue	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000	\$5,000,000
Debt Service							
Outstanding Loans	\$2,207,178	\$2,207,100	\$2,209,503	\$5,374,428	\$1,427,320	\$3,103,200	\$3,568,875
Loan 2015	\$330,223	\$330,223	\$330,223	\$330,223	\$330,223	\$330,223	\$330,223
Loan 2016	\$283,642	\$283,642	\$283,642	\$283,642	\$283,642	\$283,642	\$283,642
Loan 2017	\$289,993	\$289,993	\$289,993	\$289,993	\$289,993	\$289,993	\$289,993
Total Debt Service Remaining	\$3,111,036	\$3,110,958	\$3,113,361	\$6,278,286	\$2,331,178	\$4,007,058	\$4,472,733
Coverage Ratio	1.61	1.61	1.61	0.80	2.14	1.25	1.12
TIF Revenue After D/S							
Interest Earnings	\$123,424	\$173,381	\$224,571	\$276,964	\$251,524	\$324,105	\$356,581
Annual	\$1,888,965	\$1,889,042	\$1,886,640	(\$1,278,286)	\$2,668,822	\$992,942	\$527,267
Cumulative	\$12,731,711	\$14,620,753	\$16,507,392	\$15,229,107	\$17,897,929	\$18,890,871	\$19,418,138

Figure 6: West Side Project Fund

FYE	2014	2015	2016	2017	2018	2019	2020
Resources							
Beginning Fund Balance	\$414,907	\$985,755					
Transfer from D/S	\$1,284,973	\$1,068,517	\$881,291	\$1,402,521	\$1,338,700	\$12,800	\$13,400
Bonds		\$4,115,306	\$3,534,806	\$3,613,959			
Interest Earnings	\$2,075	\$4,929					
Total Resources	\$1,701,955	\$6,174,506	\$4,416,096	\$5,016,479	\$1,338,700	\$12,800	\$13,400
Expenditures							
Barber St.		\$4,908,800					
Tooze Road			\$2,811,400				
Sprinklers	\$360,000	\$388,800	\$100,500	\$363,500	\$1,164,100		
Parks	\$262,800		\$866,700				
Brown Road				\$3,935,800			
URA Admin	\$93,400	\$794,600	\$566,800	\$644,900	\$174,600	\$12,800	\$13,400
Financing Fees		\$82,306	\$70,696	\$72,279			
Total Expenditures	\$716,200	\$6,174,506	\$4,416,096	\$5,016,479	\$1,338,700	\$12,800	\$13,400
Ending Fund Balance	\$985,755	-	-	-	-	-	-

Figure 6: West Side Project Fund, cont.

FYE	2021	2022	2023	2024	2025	2026	2027
Resources							
Beginning Fund Balance							
Transfer from D/S	\$14,100	\$14,800	\$15,500	\$16,300	\$17,100	\$18,000	\$18,900
Bonds							
Interest Earnings							
Total Resources	\$14,100	\$14,800	\$15,500	\$16,300	\$17,100	\$18,000	\$18,900
Expenditures							
Barber St.							
Tooze Road							
Sprinklers							
Parks							
Brown Road							
URA Admin	\$14,100	\$14,800	\$15,500	\$16,300	\$17,100	\$18,000	\$18,900
Financing Fees							
Total Expenditures	\$14,100	\$14,800	\$15,500	\$16,300	\$17,100	\$18,000	\$18,900
Ending Fund Balance	-	-	-	-	-	-	-

Figure 7: Year 2000 Debt Service Fund

FYE	2014	2015	2016	2017	2018	2019
TIF Revenue	\$4,125,000	\$4,125,000	\$4,125,000	\$4,125,000	\$4,125,000	\$3,604,100
Debt Service						
Outstanding Loans	\$3,073,832	\$1,876,700	\$591,463	\$593,075	\$594,050	\$594,388
Total Debt Service	\$3,073,832	\$1,876,700	\$591,463	\$593,075	\$594,050	\$594,388
Coverage Ratio	1.34	2.20	6.97	6.96	6.94	6.94
TIF Revenue After D/S						
Interest Earnings	\$31,500	\$29,343	\$12,587	\$57,466	\$135,049	\$49,415
Annual	\$1,051,168	\$2,248,300	\$3,533,538	\$3,531,925	\$3,530,950	\$3,530,613
Cumulative	\$1,051,168	\$3,299,468	\$6,833,006	\$10,364,931	\$13,895,881	\$17,426,493

Figure 8: Year 2000 Project Fund

	FYE	2014	2015	2016	2017	2018	2019
Resources							
Beginning Fund Balance		\$2,308,920	\$1,151,690				
Interim Loan							
Transfer from D/S			\$5,628,752	\$316,900	\$332,800	\$10,198,500	\$12,800
Bonds							
Interest Earnings		\$11,675	\$5,758				
Total Resources		\$2,320,595	\$7,486,200	\$316,900	\$332,800	\$10,198,500	\$12,800
Expenditures							
Canyon Creek		\$665,250	\$5,460,000				
Old Town Streets						\$1,868,300	
Town Center Planning				\$275,600			
Landover Medians					\$289,400		
Park Improvements			\$441,000				
Old Town Escape						\$7,000,000	
Project Mgmt and Admin.		\$503,655	\$885,200	\$41,300	\$43,400	\$1,330,200	\$12,800
Total Expenditures		\$1,168,905	\$6,786,200	\$316,900	\$332,800	\$10,198,500	\$12,800

Appendix D. Summary of Acreage Evaluation

This Appendix describes the analysis that supports the consultant team’s conclusion that it is possible to remove sufficient acreage from existing urban renewal plans to create the proposed Coffee Creek urban renewal area, while still maintaining enough assessed value (AV) in the existing urban renewal areas to fund all projects as planned and to meet all outstanding financial obligations.

The analysis has three main steps:

1. Assessment of acreage needed
2. Assessment of financial capacity to remove acreage from existing urban renewal areas
3. Evaluation of low-AV parcels and acreage

Step 1: Assessment of Acreage Needed

The first step in assessing the feasibility of removing acreage from existing urban renewal areas to allow for a Coffee Creek urban renewal area is to determine how much acreage the City needs to be released from existing urban renewal areas. Two numbers drive that analysis:

1. **Acreage required for a Coffee Creek URA.** According to the 2007 Coffee Creek Master Plan, the acreage of Coffee Creek is 216 acres. This analysis assumes that the Coffee Creek urban renewal area would comprise 216 acres.
2. **Maximum acreage allowed in Wilsonville urban renewal areas.** Oregon Revised Statute (ORS) limits the total amount of acreage a city may have in urban renewal to 25% of a city’s total acreage.¹ Including the Year 2000 Plan, West Side, and TIF Zone urban renewal areas, 24.12% of Wilsonville is currently in urban renewal areas. The remaining area allowed under the cap is about 41 acres.

However, Wilsonville must annex Coffee Creek before an urban renewal area could be created. The annexation would increase Wilsonville’s total acreage, which increases the acreage allowed in urban renewal areas under the 25% ORS cap. If Coffee Creek is annexed but no other changes are made to Wilsonville’s urban renewal areas, the remaining area allowed under the cap is about 95 acres.

Comparing these two numbers (Table I-1) shows that about 121 acres must be released from Wilsonville’s existing urban renewal areas to allow for the creation of a Coffee Creek urban renewal area. Figure I-1 shows how existing and proposed urban renewal acreage is distributed among urban renewal areas.

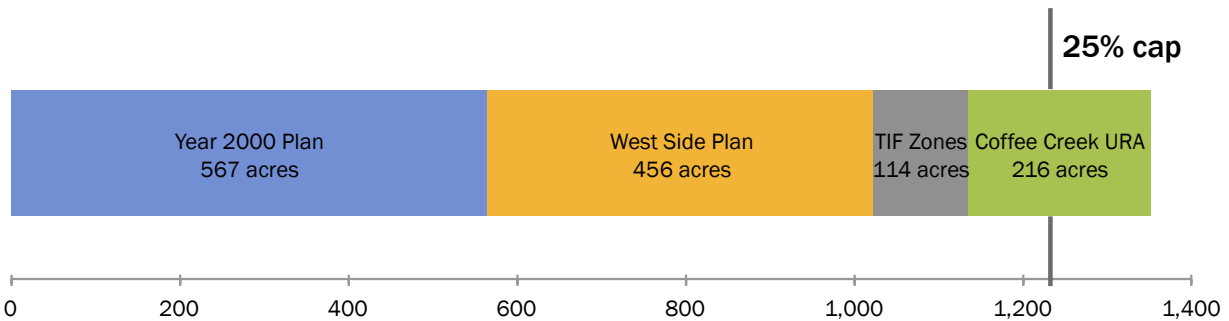
¹ ORS also limits urban renewal frozen base value to 25% of Wilsonville’s total AV. This limit does not present a constraint for Wilsonville. Currently, urban renewal frozen base (in West Side Plan, Year 2000 Plan, and TIF Zones) accounts for less than 5% of Wilsonville’s AV.

Table I-1. Wilsonville urban renewal areas and ORS acreage limits

	City of Wilsonville (current boundaries)		City of Wilsonville + Coffee Creek Annexation	
	Acres	% of City total	Acres	% of City total
City Total	4,712	100%	4,928	100%
Existing and planned URAs:	1,137	24.1%	1,137	23.1%
Year 2000 Plan	567	12.0%	567	11.5%
West Side Plan	456	9.7%	456	9.3%
TIF Zones	114	2.4%	114	2.3%
Proposed Coffee Creek URA	--	--	216	4.4%
Existing and proposed URAs	1,137	24.1%	1,353	27.4%
Maximum allowed in all URAs	1,178	25%	1,232	25%
Surplus / Deficit	41	0.9%	-121	-2.4%

Source: ECONorthwest and Elaine Howard, data from City of Wilsonville

Figure I-1. Acreage of Wilsonville’s existing, planned, and proposal urban renewal areas



Source: ECONorthwest and Elaine Howard, data from City of Wilsonville. 25% cap assumes that Wilsonville has annexed Coffee Creek and that total City acreage is 4,928 acres.

Step 2: Assessment of Financial Capacity to Remove Acreage from Existing Urban Renewal Areas

Any release of acreage must not compromise each urban renewal area’s ability to meet its outstanding financial obligations. This step of the analysis considered the financial capacity to remove acreage from the Year 2000 and West Side plans.

To calculate the amount of assessed value that can be removed from the existing urban renewal areas, we figured out how much assessed value is needed to generate enough tax revenue to make the debt service payment and fund projects. The difference between the amount of assessed value that is needed and the total AV in the area is the amount that can be removed from the district.

- \$208 million of AV can be removed from the Year 2000 Plan without compromising the urban renewal area’s ability to meet outstanding financial obligations.
- \$42 million of AV can be removed from the West Side Plan without compromising the urban renewal area’s ability to meet outstanding financial obligations.

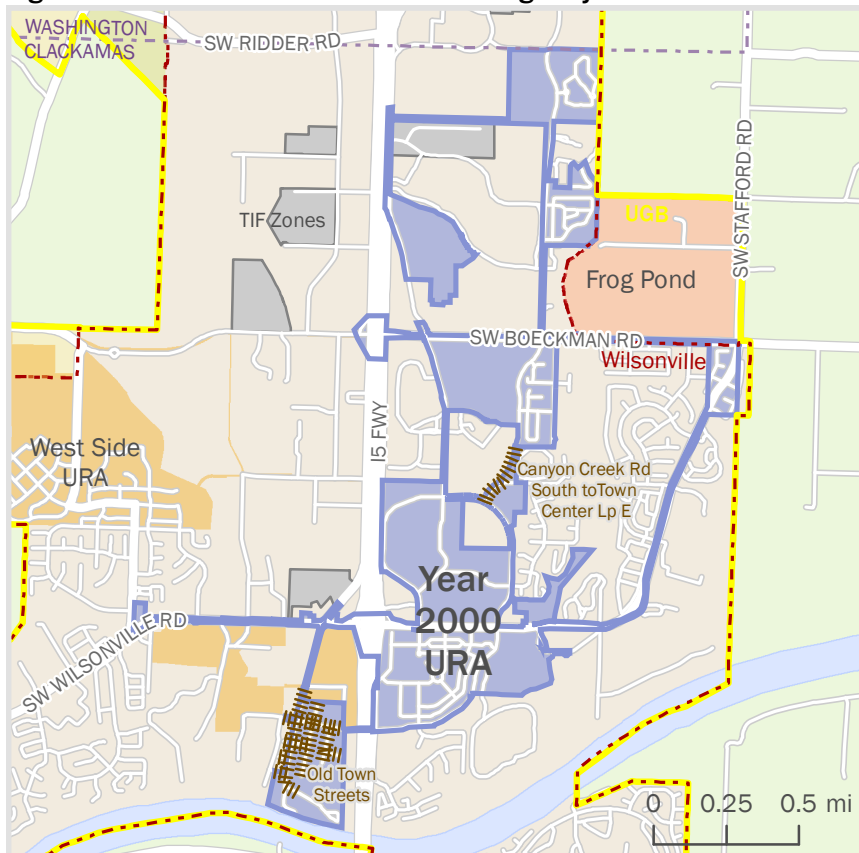
Step 3: Evaluation of low-AV parcels and acreage.

The previous step shows that of Wilsonville’s two existing urban renewal areas, Year 2000 Plan has the fewest outstanding financial obligations and so is the best candidate for release of acreage. This step examines parcels and acreage of the Year 2000 Plan to determine if 121 acres can be released that contain less than \$208 million in AV.

Any acreage released from the Year 2000 Plan must meet three criteria:

1. As discussed in Step 2, no more than \$208 million in AV can be removed.
2. Outstanding urban renewal projects must remain inside the urban renewal area. Figure I-2 shows the locations of projects in the Year 2000 Plan.²
3. An urban renewal area must be a single, contiguous area. Acreage cannot be released if it results in a non-contiguous urban renewal area.

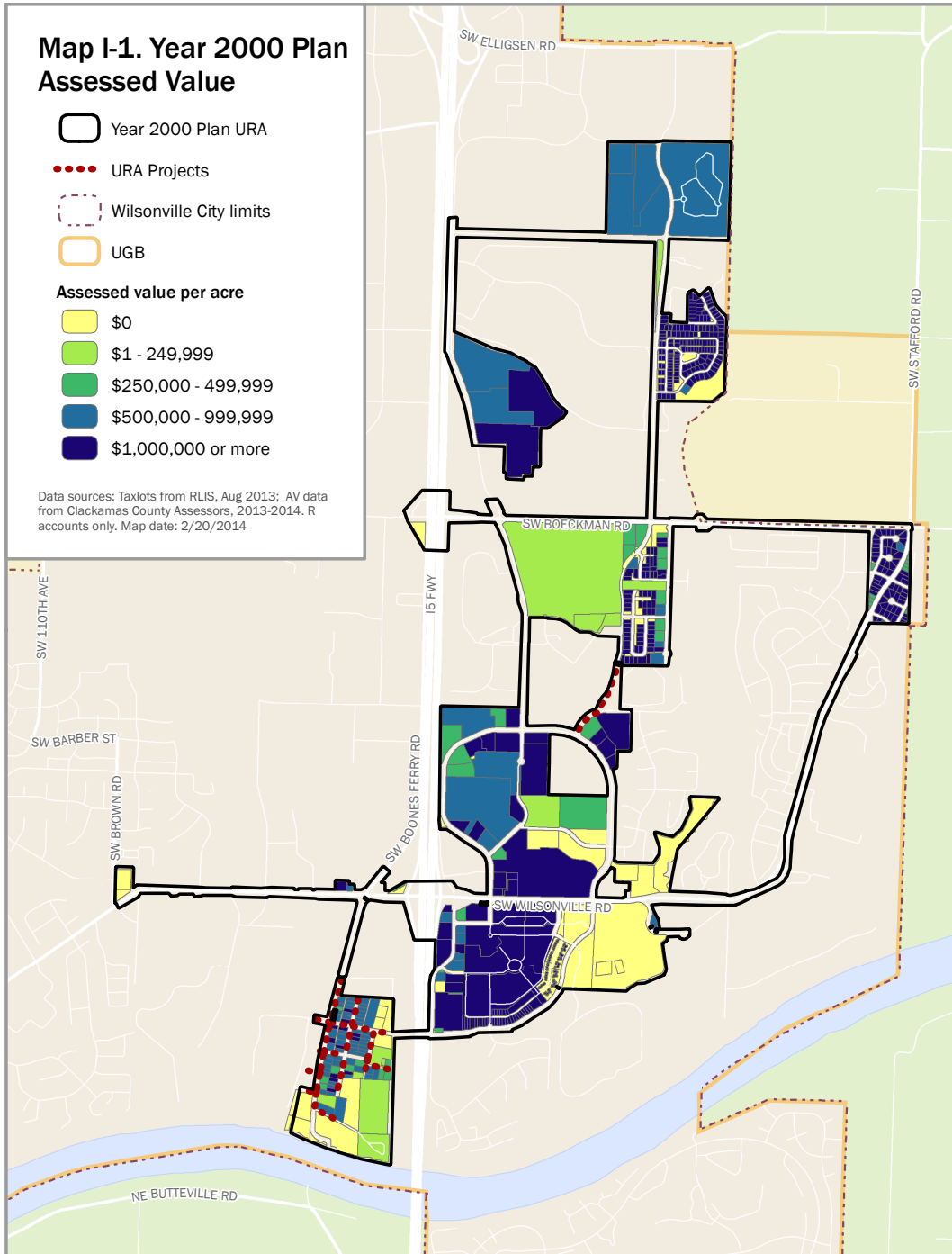
Figure I-2. Year 2000 Plan and Remaining Projects



Source: ECONorthwest. Data from City of Wilsonville GIS and Metro RLIS

² The analysis assumes that the projects shown in Figure I-2 are the only projects that need to be avoided. Several other projects plan to be completed in this area, but their exact locations are not yet identified.

In order to consider all three criteria, we joined real property AV data from Clackamas County Assessors 2013-2014 tax roll with RLIS August 2013 parcel data in GIS. For parcels with multiple tax accounts, AV was summed into one record. Map I-1 shows AV per acre for parcels in the Year 2000 Plan. Parcels with lower assessed value per acre are better candidates for removal from the urban renewal area.



The GIS analysis considered only AV from real property (R) accounts. Personal property (P), manufactured structures (M), and utility (U) accounts also include AV but were not joined to GIS parcel boundaries. In 2013-2014 in the Year 2000 Plan, AV from personal property, manufactured structures, and public utility accounts was \$38,437,331 — about 10% of total AV. To account for AV from personal property, manufactured structures, and public utility accounts, the consultant team assumed that AV from these accounts would comprise 15% of total AV.³

Using Map I-1, the consultant team identified areas of low AV that could be candidates for release from the Year 2000 Plan. Map I-2 and Table I-2 show four areas where large amounts of acreage could be removed from relatively low-AV parcels and ROW. As Table I-2 shows, releasing Areas 1 and 2 provides sufficient acreage to allow for a Coffee Creek urban renewal area while remaining well below AV limits. Areas 3 and 4 provide additional options for removing acreage. Releasing all four areas would free up 192 acres while removing less than \$5 million in AV from the Year 2000 Plan.


Table I-2. Potential areas to release from Year 2000 Plan

Area	Description	Acres	AV (R accounts, 2013-2014)	Estimate of AV (non-R accounts)	Estimate of total AV
1	Murase Park, City Hall, Town Center Park, Boeckman Creek Natural Area, SW Wilsonville Rd ROW	77.1	\$325,419	\$48,813	\$374,232
2	Mentor Graphics, low AV parcels, ROW along SW Boeckman Rd and I-5	65.3	\$390,872	\$58,631	\$449,503
3	ROW and low AV parcels in Old Town (south of project area)	25.1	\$1,472,471	\$220,871	\$1,693,342
4	ROW along SW Wilsonville Rd, SW Boones Ferry Rd, and I-5	24.4	\$2,070,340	\$310,551	\$2,380,891
All Areas		191.9	\$4,259,102	\$638,865	\$4,897,967

Source: ECONorthwest. Data from City of Wilsonville GIS and Metro RLIS


³ Even if we assume that 100% of the P, U, and M values in the URA are in the parcels that are removed, the AV removed is still well below \$208 million.

Map I-2. Year 2000 Plan Potential Areas for Release

 Potential areas for release

 Year 2000 Plan URA


 URA Projects


 Wilsonville City limits


 UGB

Assessed value per acre

 \$0

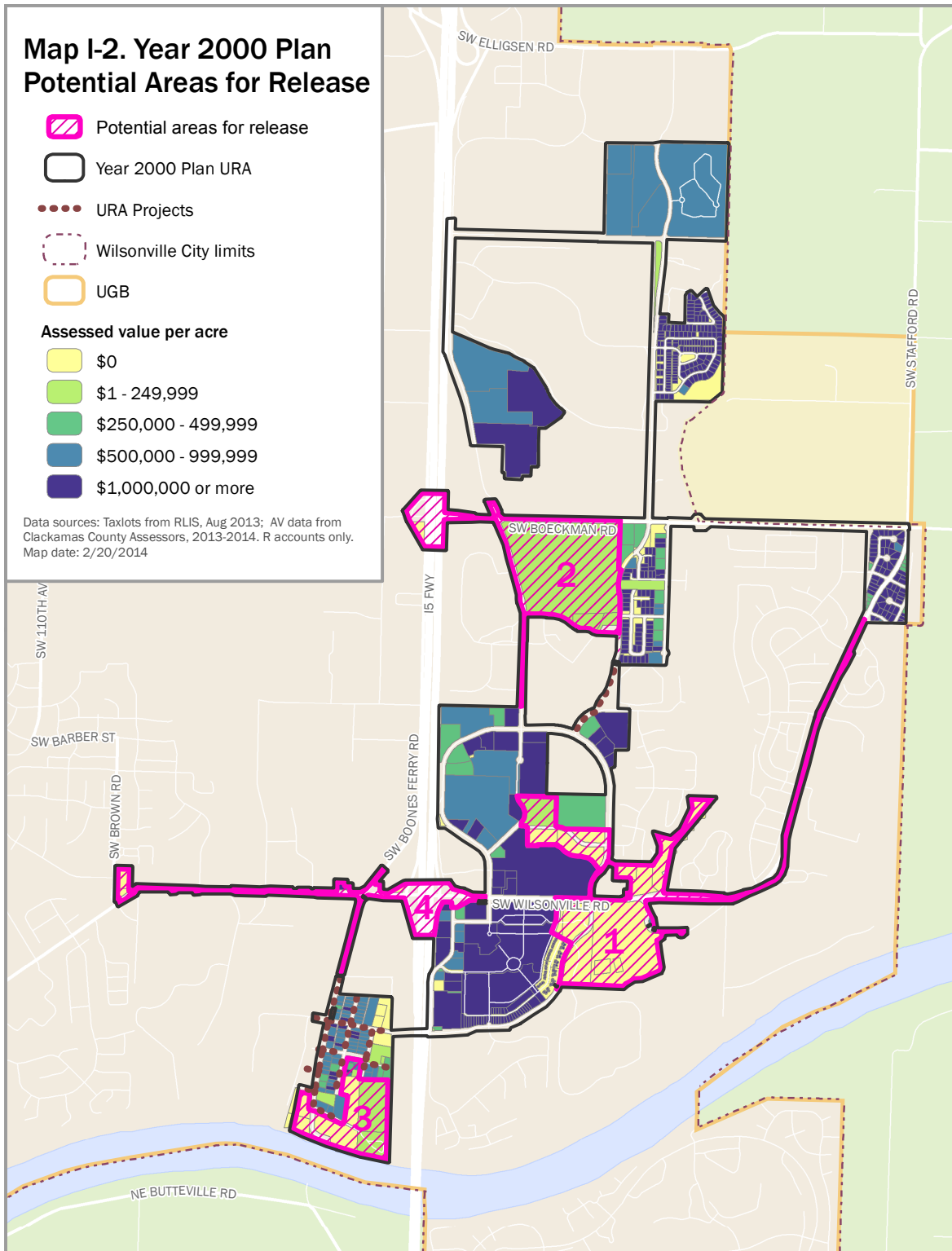
 \$1 - 249,999

 \$250,000 - 499,999

 \$500,000 - 999,999

 \$1,000,000 or more

Data sources: Taxlots from RLIS, Aug 2013; AV data from Clackamas County Assessors, 2013-2014. R accounts only.
Map date: 2/20/2014



Conclusion

As Table I-2 shows, it is possible to remove more than 121 acres (the amount required for a Coffee Creek urban renewal area) with less than \$208 million in AV (the maximum that can be removed without compromising the Year 2000 Plan's ability to meet financial obligations).

Appendix E. Compression Impacts to the School District

Compression impacts to the West Linn-Wilsonville School District

Compression occurs as a result of the property tax rate limits enacted by Measure 5. Measure 5 limited the tax rate for any single property to \$5 per \$1,000 of real market value for education and \$10 per \$1,000 of real market value for general government. If taxes to be raised on an individual property exceed the Measure 5 limits on real market value, then the tax bill for that property is reduced or “compressed” by the assessor until the taxes equal the legal limits. When compression occurs for a property, all taxing districts get proportionately less revenue from that property than what the uncompressed rate would generate.

Urban renewal takes a portion of the tax rate for education, and re-categorizes it as general government, potentially reducing compression losses for education taxing districts in some situations. Wilsonville’s urban renewal districts positively impact the West Linn-Wilsonville school district (District) in this way; by re-categorizing a portion of the tax rate for education to general government and reducing compression losses.

Closure of the Year 2000 Urban Renewal Area (URA) in 2013 or 2014 would have a substantial impact on the school district’s local option tax revenue. We are continuing to evaluate these impacts and will be presenting the amount of estimated impact at the December 11th task force meeting. Estimates of compression impacts are based on current property tax data and based on growth or decrease in real market value, the impact could vary significantly in the future.

Regardless, certain steps can be taken to mitigate whatever financial impacts closing the URA might have on the District.

The issue of compression and its impact to local option levies can be addressed legislatively. The City, the Urban Renewal Agency, the District, and other taxing agencies could advocate for legislative changes that would nullify these impacts.

Secondly, closure of the URA could occur over a period of years. For example, twenty percent of the URA could be removed each year over a five year period so that the impact to the District is spread out over time.

Under Scenario A, this phase out would begin in 2019, under Scenario B it would begin in 2022 and under Scenario C it would begin in 2034. However, under any of these scenarios, legislative changes could occur that would nullify the impacts of compression and eliminate the need for phasing. If legislative changes do not occur, the passage of time could see increasing real market values that could relieve some compression pressure. The Urban Renewal Agency and the District would work together to accelerate closure as real market values increase.