



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of March 13, 2023

Title/Subject

A presentation and discussion of the preliminary findings regarding a potential north Highway 395 urban renewal area

Summary and Background

The city council held a workshop in 2019 to consider future development of the north Highway 395 corridor. Specifically considered were off-highway circulation alternatives and how best to fund these future improvements. Subsequently, the city brought in a student team from Portland State University to further refine circulation improvements. The top recommendation of the refinement study recommended creating a new east/west street connection connecting Highway 395 at the Home Depot driveway and extending eastward to NE 4th Street at NE Aspen Drive.

The proposed redevelopment of the former Rogers Toyota/Campbell Motors site by Good Shepherd Hospital provides an opportunity for pursuing and constructing this alternative street connection. A new east/west street will relieve congestion and calm traffic in the busy north Highway 395 corridor between Theater Lane and Elm Avenue. Good Shepherd is a willing partner in the street planning process and sees benefit to their future development plans in having a new, signalized connection to Highway 395. Therefore, city staff seeks feedback from the city council in providing direction regarding the next steps in the transportation planning process.

When alternate circulation options were considered by the council in 2019, two funding paths were considered. The first was the formation of a local improvement district. The second was the formation of a new urban renewal area. The preferred option in the 2019 discussion was urban renewal because the up-front costs are lower and offers bonding options with a longer repayment time.

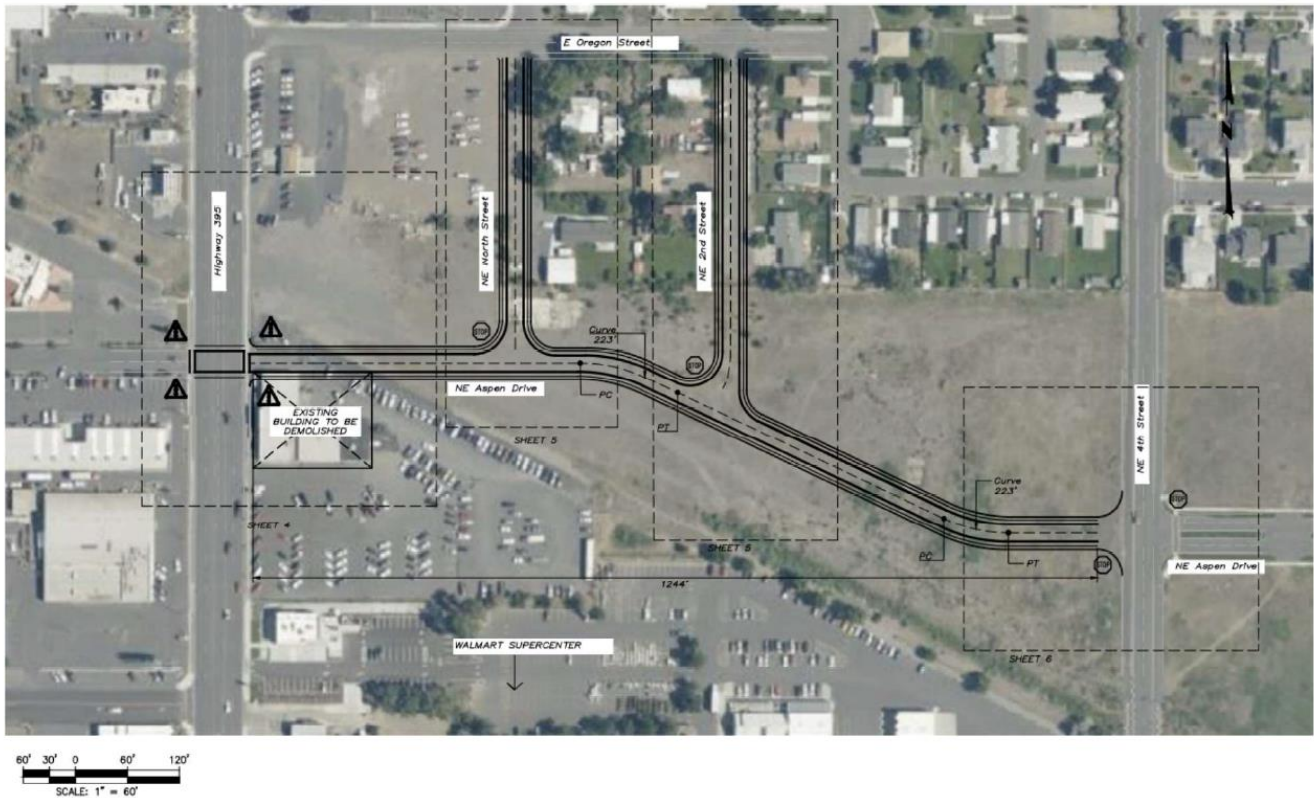


Figure 1 Draft Street Extension (Source PSU SCYP)

The final street layout is still to be determined, but the layout in Figure 1 above helps to visualize each terminus of the street. A signal would be proposed for the Highway 395 intersection. A two-way east/west stop is proposed for NE 4th Street with NE 4th Street remaining a free north/south movement.

Figure 2 below illustrates the extent of the proposed urban renewal area (URA). City staff have worked with Johnson Economics to prepare preliminary feasibility findings for the potential tax increment revenue generated within this urban renewal area. The area proposed for inclusion in the potential URA consists of the entire commercial area between Theater Lane and Elm Ave.

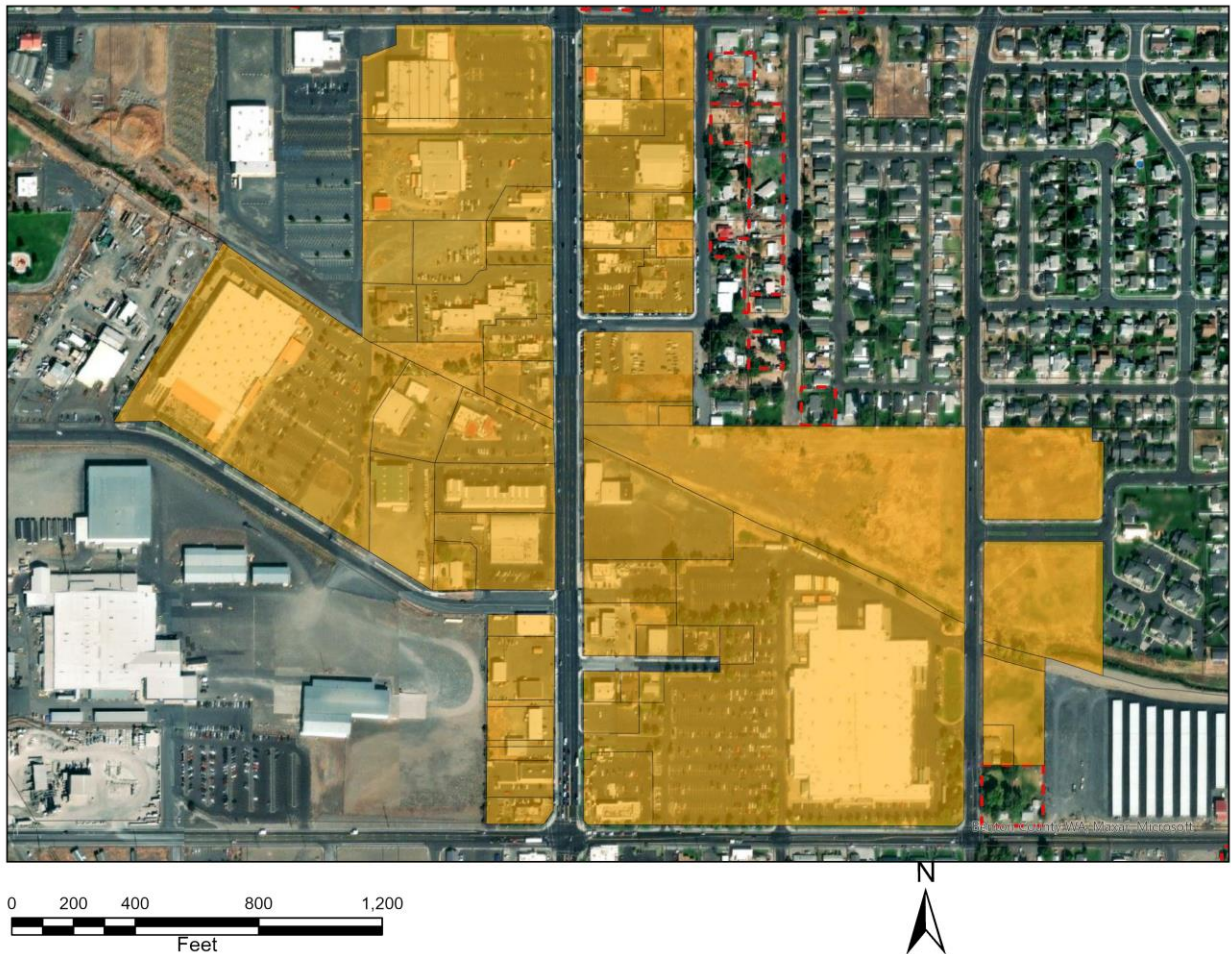


Figure 2 Draft Urban Renewal Area (Source City of Hermiston)

The area proposed for urban renewal has several potential high value vacant properties both on Highway 395 and on NE 4th Street. There are also off-highway parcels and under-utilized sites within the area that provide opportunities for additional development or redevelopment. However, many of the remaining parcels are fully developed. Wal-Mart and Home Depot are within the boundary and provide little to no opportunity for tax increment revenue generation beyond the 3% annual increase in assessed value permitted under state law.

Preliminary analysis indicates that tax increment revenue generation will be sufficient to cover the costs of the proposed improvements but will not be sufficient to create an extensive project list. The proposal contemplated within this urban renewal area is a highly targeted connectivity and congestion relief project. It is conservatively estimated that revenue will be in the range of \$5 to \$6 million over the life of district. This is adequate to cover street, signalization, and utility construction cost, as well as right of way acquisition. Since part of the goal of the improvements is to spur additional commercial development on the high value vacant parcels in the area, revenue could inch slightly higher if the street incentivizes growth.

Tie-In to Council Goals

The proposal ties into overall transportation planning and economic development.

Fiscal Information

Should the council choose to pursue formation of an urban renewal area, approximately \$40,000 is needed to prepare the necessary documentation and hold the necessary hearings and meetings. The street construction project, including a signal, is estimated to cost \$4,004,000 in 2024. Right of way acquisition will also be required and will be based on real estate value.

Alternatives and Recommendation

Alternatives

The city council may direct staff to pursue formation of a new urban renewal area in this area or to not pursue this proposal. If the council elects to expend funding for the preparation of urban renewal documents, the city is still not obligated to form the urban renewal area and may choose to not form a district after hearings are held.

Recommended Action/Motion

Staff recommends that the city council direct staff to begin preparation of the relevant urban renewal planning documents.

Submitted By:

Clinton Spencer, Urban Renewal Director