



DATE: August 31, 2020
TO: Jonathan Taylor, City of Tualatin
FROM: Nick Popenuk, Ali Danko and Elaine Howard (Elaine Howard Consulting)
SUBJECT: TUALATIN NORTH DISTRICT URBAN RENEWAL FEASIBILITY STUDY - DRAFT

Summary

Background

In 2019, the City of Tualatin began a multi-phased process to consider the use of urban renewal as a potential financing tool to support community revitalization. Phase 1 was an urban renewal education series, including four presentations to City Council that covered: (1) an overview urban renewal and tax increment financing; (2) the history of Tualatin's urban renewal areas and how to close down an urban renewal area; (3) what to do with the remaining assets of Central Urban Renewal District and Leveton Tax Increment Finance District; and (4) an exploration of the feasibility of new districts based on Council-identified community and economic development goals.

In January 2020, in the second phase, *Urban Renewal Area Official Closure*, City Council and the Tualatin Development Commission closed the Central Urban Renewal District (CURD), transferring remaining assets to the City of Tualatin, and adopted the final report on CURD.

On February 24, 2020, City Council directed staff to begin Phase 3 with the technical feasibility study of two potential urban renewal areas: (1) Basalt Creek/Southwest Industrial Area (Basalt Creek) and (2) the I-5 Corridor and Tualatin-Sherwood Road (North District). The purpose of these studies was to understand if tax increment financing is an appropriate tool to help meet the needs of the community. The City of Tualatin hired Tiberius Solutions and Elaine Howard Consulting to conduct these two feasibility studies.

This report is the culmination of Phase 3, *Technical Feasibility Study of Urban Renewal Areas*. A separate report summarizes the results of the feasibility analysis for the North District Study Area. These reports are focused on financial analysis and do not discuss or address social and equity impacts of urban renewal. This report summarizes the results of the feasibility analysis for the North District Study Area. A separate report summarizes the results of the feasibility analysis for the Basalt Creek Study Area. These reports do not discuss or address social impacts of urban renewal, including impacts on diversity, equity, and inclusion.

Results

For the North District Study Area, the total potential tax increment finance (TIF) revenue over a 30-year period is estimated to be between \$248.2 million and 362.7 million, depending on the future growth in assessed value in the area. Three growth scenarios were analyzed as described later in this report. This would support a total maximum indebtedness (i.e., the total principal amount of projects to be funded) between \$210.0 million and \$308.3 million. When accounting for inflation and adjusting the maximum indebtedness to be reported in constant 2020 dollars, we forecast the true financial capacity of the URA to be between \$118.1 million and \$171.4 million.

These calculations reflect the technical financial capacity of the URA. The actual financial capacity and maximum indebtedness of any URA is typically determined, with input from an advisory committee, the stakeholders in Tualatin, and the public, by City Council during the adoption of a new Plan. While the North District Study Area has the potential for significant tax increment revenues, the actual urban renewal plan can be established to reduce the tax increment revenues, and therefore reduce the impacts on taxing districts, as indicated in the following section. If the City chooses to move forward with a URA for the North District Study Area, these strategies will be reviewed.

Implications and Next Steps

The results of the feasibility study have the following key implications:

- Urban renewal could generate significant financial capacity for the North District Study Area in the City of Tualatin, including funding for up to \$171.4 million of projects. This funding could pay for significant infrastructure improvements and other high-priority economic development projects in the area.
- The projected financial capacity for the North District Study Area is likely more than the City would choose to pursue for a URA in this area. There are multiple options that the City could pursue to implement urban renewal in the North District, while reducing the long-term financial capacity and impacts to taxing districts. These options include reducing the size of the boundary, reducing the duration of the urban renewal plan, and/or committing to a more generous formula for underlevying annual TIF revenue (i.e., revenue sharing).
- The North District Study Area could benefit from more significant public outreach, prior to adopting an urban renewal plan. The North District Study Area has significant financial capacity, and City Council has articulated desired outcomes for the North District Study Area. However, there is a lack of clarity around the specific projects that could best achieve the desired outcomes, and which of those projects are the highest priority for the public.
- Coordination with affected taxing districts will be key, if the City desires to move forward with a new URA. The use of urban renewal results in the loss of foregone tax revenue for overlapping taxing districts. Many of these taxing districts overlap multiple communities that are also considering new urban renewal areas at this time. Coordination with taxing districts is required by Oregon Revised Statutes, and is helpful to ensure that the URA funds meaningful projects for the community that help grow the tax base long-term, while having an acceptable level of foregone revenue for affected taxing districts.

If the City desires to move forward with one or more urban renewal plans, it would lead to the following next steps:

- Establish a vision for the North District Study Area that reflects public input on goals and projects
- Select a consultant with expertise in establishing urban renewal plans
- Establish an advisory committee and conduct public outreach
- Determine the final boundary and project list
- Complete blight and existing conditions analysis
- Conduct outreach to affected taxing districts in addition to their participation on the advisory committee

- Conduct the formal public review process of urban renewal plans including review by the urban renewal agency, planning commission and a public hearing and vote by the City Council

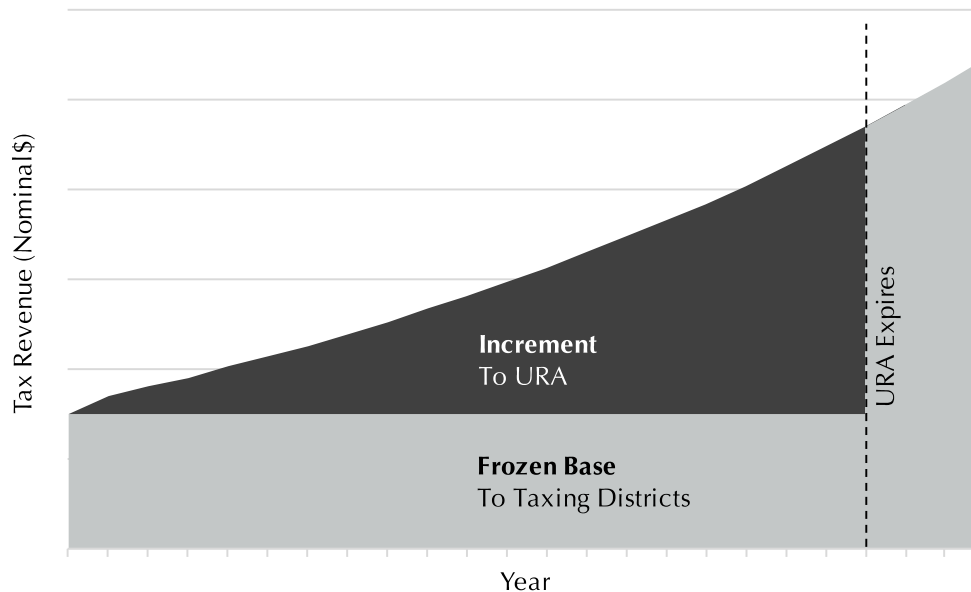
Background

How Urban Renewal Works

Urban renewal, permitted by Oregon Revised Statute (ORS) 457, is primarily used by cities and counties across Oregon as a revenue source for funding capital projects to help revitalize “blighted” areas.

When an URA is established, the assessed value within the URA boundary becomes the “frozen base” value. When assessed value in the URA grows over time, the difference between the total assessed value and the frozen base is considered “increment” value. Each year, property tax revenue from the frozen base in the URA is distributed normally to all overlapping taxing districts, and the URA receives all the property tax revenue generated from the increment, called “tax increment finance” (TIF) revenue. TIF revenue can only be spent on capital projects located in the URA. After the URA expires, all tax revenue is distributed to the overlapping taxing districts. Exhibit 1 illustrates the general tax revenue distribution within a URA boundary over the life of the URA.

Exhibit 1. Example Urban Renewal Revenue Distribution



Urban renewal is a division of taxes; it does not create a new tax or increase the existing tax rate. Therefore, the financial impacts of an URA are borne by overlapping taxing districts, and not by individual tax payers. TIF revenue collected by a URA results in revenue foregone by the overlapping taxing districts.

Financial Restrictions and Limitations on Urban Renewal

TIF revenue can only be spent on capital projects, not operations. For example, TIF revenue could be used to pave a new road, but could not be used to pay for ongoing maintenance activities for that road. Additionally, TIF revenue can only be spent on projects located within the URA, and those projects must be to the benefit of the URA.

Urban renewal plans are required to have a “maximum indebtedness”, which functions as a limit on the cumulative amount of TIF that can be spent on projects in the URA. Maximum indebtedness does not function as a revolving credit limit. In other words, paying off debt for old projects, does

not free up maximum indebtedness to be used on future projects. Once a URA incurs the full amount of maximum indebtedness, it cannot incur additional debt to fund additional projects. ORS limits the maximum indebtedness of a URA based on the URA's frozen base:

- If the frozen base is \$50 million or less, maximum indebtedness cannot exceed \$50 million.
- If the frozen base is greater than \$50 million but no more than \$150 million, maximum indebtedness cannot exceed \$50 million plus 50% of the frozen base that exceeds \$50 million.
- If the frozen base is greater than \$150 million, maximum indebtedness cannot exceed \$100 million plus 35% of the frozen base that exceeds \$50 million.
- All maximum indebtedness limits listed above may be inflated from 2010 by the index used in the urban renewal report.

Urban renewal plans may also include sunset provisions that establish a final date for incurring debt and/or collecting TIF revenue. Sunset provisions are not required by statute.

Other Limitations on Urban Renewal

For cities with populations of less than 50,000, ORS limits the frozen base assessed value of urban renewal areas to no more than 25% of total citywide assessed value.¹ Similarly, ORS limits the acreage of urban renewal areas to no more than 25% of total citywide acreage.

Oregon's Property Tax System

To fully understand how urban renewal and tax increment financing work, it is important to also understand key elements of Oregon's property tax system.

Oregon's property tax system is largely defined by two property tax-related ballot measures that were approved by voters in the 1990s: Measure 5 passed in 1990 and Measure 50 passed in 1997.

Measure 5 limited the property taxes paid by individual property owners to \$10 per \$1,000 of real market value (RMV) for general government taxes and \$5 per \$1,000 of RMV for education taxes. Levies passed by voters to repay general obligation bonds were excluded from these limits.

Measure 50, passed in 1997, was a further overhaul of Oregon's property tax system, including the following key elements:

- Switching from a "levy-based" system to a "rate-based" system, including the establishment of permanent tax rates for each taxing district instead of variable levies. In addition to permanent tax rates, taxing districts may also impose local option levies and levies for general obligation bonds, both of which are temporary in nature and are subject to voter approval.
- Reducing assessed value. Assessed value is not equal to real market value. In fiscal year 1997-98, a maximum assessed value (MAV) for each property was established, which was equal to 90 percent of its assessed value from two years prior (fiscal year 1995-96).

¹ For the purposes of this calculation, ORS requires that the amount of increment value from any existing URAs that impose division of tax revenues be subtracted from the total citywide assessed value.

- Limiting assessed value growth. Growth in MAV was limited to three-percent annually. The actual assessed value used to calculate a property's tax bill is equal to the lesser of the property's MAV and RMV.

There are some exceptions to the three percent limit in MAV growth. The most common exceptions are new construction and significant improvements that did not exist in 1995-96 when the MAV was established. In these situations, to determine the assessed value (the "exception value"), a Changed Property Ratio (CPR) is used to establish the initial MAV. The CPR is calculated annually as the ratio between aggregate AV and aggregate RMV for each property class (residential, multifamily, commercial/industrial, etc.) in each county. The CPR is applied to the RMV of all new development to determine initial MAV, after which time, it grows at 3% per year like all other existing property.²

Methods

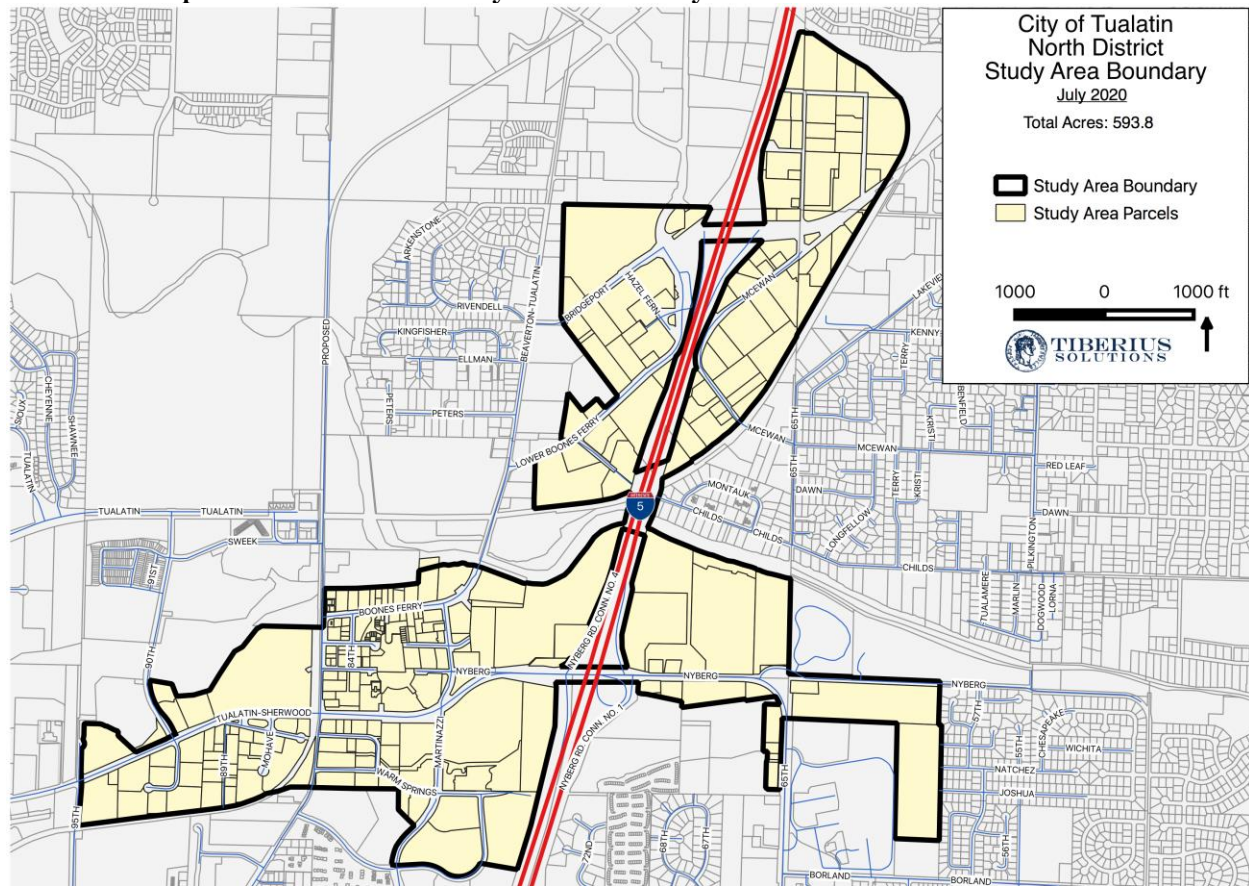
Study Area Boundary

City staff provided Tiberius Solutions with the preferred potential North District Study Area (Study Area) boundary used for this analysis, shown in Exhibit 2. Determining the Study Area boundary was an iterative process that took into account development potential, the existing URA, and statutory limits on assessed value and acreage. It encompasses 593.8 acres, which constitutes 11% of the city's total acreage.

For cities with a population less than 50,000, ORS limits the frozen base assessed value of urban renewal areas to no more than 25% of total citywide assessed value and total acreage of urban renewal areas to no more than 25% of total citywide acreage. The City of Tualatin intentionally defined the boundaries for North District and Basalt Creek Study Areas to equal 25% of citywide acreage. This allowed the feasibility studies to consider the maximum possible extent of urban renewal. If the City chooses to move forward with adopting one or more urban renewal plans, the City may choose to reduce the size of one or both boundaries. If property that is outside the city limits is included in a URA, then the County must also approve the adoption of the URA.

² Other exceptions include: partitioning or subdividing a property, rezoning a property and change of use consistent with that zone, and the disqualification or termination of property tax exemptions (e.g., property transferring from public to private ownership).

Exhibit 2. Map of North District Study Area Boundary



Source: Tiberius Solutions

Growth Scenarios

We evaluated three scenarios using different assumptions for the future rate of growth of assessed value. These scenarios are intended to model a range of realistic possible outcomes, including both conservative and aggressive scenarios that reflect the inherent uncertainty in long-range forecasts of future changes in property values.

As described earlier in this report, in most situations, Oregon's property tax system allows individual properties to appreciate a maximum amount of 3.0% per year. Most properties achieve that maximum growth rate of 3.0% each year. To experience additional growth beyond 3% an area must experience new construction activity.

Steps Used in the Analysis

The forecast of TIF revenue is a five-step process:

- Step 1. Determine the consolidated tax rate
- Step 2. Determine the assessed value of the frozen base
- Step 3. Forecast future growth in assessed value
- Step 4. Calculate tax increment finance revenue
- Step 5. Estimate borrowing capacity

Step 1. Determine the Consolidated Tax Rate

All new urban renewal plans are “permanent rate” plans. The consolidated tax rate is equal to the sum of all permanent tax rates. Local option levies and general obligation bond levies are not impacted by new urban renewal plans.

Step 2. Determine the Assessed Value of the Frozen Base

Using Washington County and Clackamas County assessment data, we identified all tax accounts (or fractions thereof) located within the boundary. For non-situs utility property, we estimated the value within the boundary based upon ratios of utility property to real property in each tax code area.

Step 3. Forecast Future Growth in Assessed Value

As described above, three growth scenarios were evaluated for the study area boundary, informed by historical trends in the City and county and conversations with City staff about future development opportunities in the area.

Step 4. Calculate Tax Increment Finance Revenue

Gross TIF revenue is calculated as the product of the increment assessed value and the consolidated tax rate each year. However, actual TIF received (i.e., net revenue) in a given year tends to be lower, due to discounts (from paying early), delinquencies (unpaid taxes), truncation loss (lost revenue due to rounding of tax bills), and compression loss (for properties where the taxes imposed would exceed constitutional limits). Our forecast of net TIF revenue assumes a 5.0% adjustment factor to convert from gross to net revenue, based on advice of the advisory committee, input from city staff, and our experience with other jurisdictions across the State.

Step 5. Estimate Borrowing Capacity

Net TIF revenue (calculated in Step 4) gives a general idea of the revenue generated by the URA each year. However, those numbers are insufficient to understand the total funding available for projects over the life of the URA. Typically, the majority of project funding comes from incurring formal indebtedness, which allows capital projects to be built sooner, but obligates future TIF revenue for payments of principal and interest on that debt.

To estimate borrowing capacity, we created a hypothetical finance plan for each growth scenario: showing how much funding could become available for projects over time, based on generic assumptions for debt, including the amount, timing, and terms of future bonds or loans. This finance plan provides a better estimate of total funding available for urban renewal projects.

Analysis and Results

The section describes the analysis of borrowing capacity, the potential projects that could be funded with that borrowing capacity, and the impacts to taxing districts from the potential URA.

Estimate of Borrowing Capacity

This section describes the key results of the analysis for each of the steps described above in the “methods” section of this report.

Determine Consolidated Tax Rate

The Study Area is located in the following tax code areas (TCAs): 17.02 and 23.76 in Washington County and 7074 and 304004 in Clackamas County. Because these TCAs have unique combinations of overlapping taxing districts, we forecast tax increment revenue separately for each TCA, before combining the results to determine the financial capacity of the potential URA. Exhibit 4 shows the consolidated tax rate for each TCA in the Study Area in FYE 2020. As stated earlier, local option levies and general obligation bond levies are not impacted by new urban renewal plans.

Exhibit 4. Consolidated Tax Rate by Tax Code Area, North District Study Area, FYE 2020

Jurisdiction Name	Tax Code Area			
	Washington County		Clackamas County	
	17.02	23.76	7074	304004
General Government				
Washington County	\$ 2.2484	\$ 2.2484	\$ -	\$ -
City of Tualatin	\$ 2.2665	\$ 2.2665	\$ 2.2665	\$ 2.2665
Clean Water Services	\$ -	\$ -	\$ -	\$ -
Metro	\$ 0.0966	\$ 0.0966	\$ 0.0966	\$ 0.0966
Port of Portland	\$ 0.0701	\$ 0.0701	\$ 0.0701	\$ 0.0701
Tri-Met	\$ -	\$ -	\$ -	\$ -
Tualatin Soil & Water District	\$ 0.0825	\$ 0.0825	\$ -	\$ -
Tualatin Valley Fire & Rescue	\$ 1.5252	\$ 1.5252	\$ -	\$ 1.5252
Tigard/Tualatin Aquatic District	\$ -	\$ 0.0900	\$ -	\$ 0.0900
Clackamas County City	\$ -	\$ -	\$ 2.4042	\$ 2.4042
Clackamas County Extension & 4H	\$ -	\$ -	\$ 0.0500	\$ 0.0500
Clackamas County Library	\$ -	\$ -	\$ 0.3974	\$ 0.3974
Clackamas County Soil Conservatio	\$ -	\$ -	\$ 0.0500	\$ 0.0500
Park Lake Grove	\$ -	\$ -	\$ 0.0420	\$ -
Vector Control	\$ -	\$ -	\$ 0.0065	\$ 0.0065
<i>Subtotal</i>	\$ 6.2893	\$ 6.3793	\$ 5.3833	\$ 6.9565
Education				
Clackamas ESD	\$ 0.3687	\$ -	\$ 0.3687	\$ -
Lake Oswego School District	\$ 4.4707	\$ -	\$ 4.4707	\$ -
Portland Community College	\$ 0.2828	\$ 0.2828	\$ 0.2828	\$ -
Tigard/Tualatin School District	\$ -	\$ 4.9892	\$ -	\$ 4.9892
NW Regional ESD	\$ -	\$ 0.1538	\$ -	\$ 0.1538
Clackamas Community College	\$ -	\$ -	\$ -	\$ 0.5582
<i>Subtotal</i>	\$ 5.1222	\$ 5.4258	\$ 5.1222	\$ 5.7012
Total	\$ 11.4115	\$ 11.8051	\$ 10.5055	\$ 12.6577

Source: Tiberius Solutions using data from Washington County and Clackamas County Assessors, FYE 2020

Determine the Assessed Value of the Frozen Base

Exhibit 5 shows the estimated total assessed value of properties in the Study Area for FYE 2020. The total value of property in the Study Area is 17.8% of the citywide assessed value of \$4.7 billion. Real property includes land and buildings, and is the predominant type of property, accounting for 88% of the total value of the potential URA. Personal property (e.g., machinery and equipment), manufactured property, and utility property are smaller components. TCA 23.76 comprises 83% of the total assessed value in the URA.

Exhibit 5. Assessed Value by Tax Code Area, North District Study Area, FYE 2020

Tax Code Area	Assessed Value				Total
	Real	Personal	Manufactured	Utility	
17.02	\$ 39,333,780	\$ 2,041,741	\$ -	\$ 1,900,457	\$ 43,275,978
23.76	\$ 609,826,671	\$ 74,030,209	\$ -	\$ 17,388,705	\$ 701,245,585
7074	\$ 72,641,142	\$ 6,487,294	\$ -	\$ 864,000	\$ 79,992,436
304004	\$ 17,104,939	\$ 424,691	\$ -	\$ 389,922	\$ 17,919,552
Total	\$ 738,914,172	\$ 82,983,935	\$ -	\$ 20,543,217	\$ 842,441,325

Source: Estimated by Tiberius Solutions using data from Washington and Clackamas County Assessors, FYE 2020

When a new URA is created, the assessor sets the frozen base using the most recently published tax roll data. We assume that if the City adopts a new urban renewal plan, it would do so after the release of the FYE 2021 tax roll data in October 2020. Under this assumption, the frozen base would be established using FYE 2021 assessment data. Thus, to determine the frozen base for our analysis, we use the FYE 2020 shown in Exhibit 5 and increase it to account for one year of assumed growth in assessed value. This results in an estimated frozen base value of \$871,918,725 to \$880,343,060, depending on growth scenario. The following section describes how we determined the assumptions for annual growth in assessed value.

Forecast Future Growth in Assessed Value

To forecast growth in assessed value in the future, we considered past growth in assessed value citywide and countywide, and the amount of development potential available for property in the Area. We use the following assumptions for average annual growth in assessed value for each scenario:

- Low Growth: 3.5%. Equal to 3% maximum annual appreciation for existing property plus 0.5% exception value from new development. This would equate to experiencing an average of \$4.4 million of assessed value growth from new construction each year.
- Medium Growth: 4.0%. Equal to 3% maximum annual appreciation for existing property plus 1% exception value from new development. This would equate to experiencing an average of \$9.6 million of assessed value growth from new construction each year.
- High Growth: 4.5%. Equal to 3% maximum annual appreciation for existing property plus 1.5% exception value from new development. This would equate to experiencing an average of \$15.7 million of assessed value growth from new construction each year.

Calculate Tax Increment Finance Revenue

Exhibit 6, Exhibit 7, and Exhibit 8 show the forecasts of TIF revenue for each growth scenario. We assume that if the City adopts a new urban renewal plan, the URA would be adopted between January 1, 2021 and October 1, 2021. Therefore, the base would be frozen in FYE 2021, and the first year that the URA would collect TIF is FYE 2023. These tables show annual TIF projections through FYE 2052, which represents a 30-year period of TIF collection. While a 30-year duration is fairly typical for urban renewal areas in Oregon, the actual duration of the URA could be shorter or longer, based on the preferences of City Council regarding maximum indebtedness and duration.

Exhibit 6. TIF Forecast, Low Growth Scenario, North District Study Area

FYE	Assessed Value			Tax Rate	Tax Increment Finance Revenue			
	Total	Frozen Base	Increment		Gross	Adjustment	Prior Year	Net
2020	\$ 842,433,551	\$ 842,433,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ 871,918,725	\$ 871,918,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	\$ 902,435,878	\$ 871,918,725	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 934,021,133	\$ 871,918,725	\$ 62,102,408	\$ 11.6796	\$ 725,332	\$ (36,267)	\$ -	\$ 689,066
2024	\$ 966,711,873	\$ 871,918,725	\$ 94,793,148	\$ 11.6796	\$ 1,107,147	\$ (55,357)	\$ 10,336	\$ 1,062,126
2025	\$ 1,000,546,790	\$ 871,918,725	\$ 128,628,065	\$ 11.6796	\$ 1,502,326	\$ (75,116)	\$ 15,777	\$ 1,442,987
2026	\$ 1,035,565,928	\$ 871,918,725	\$ 163,647,203	\$ 11.6796	\$ 1,911,336	\$ (95,567)	\$ 21,408	\$ 1,837,178
2027	\$ 1,071,810,737	\$ 871,918,725	\$ 199,892,012	\$ 11.6796	\$ 2,334,662	\$ (116,733)	\$ 27,237	\$ 2,245,165
2028	\$ 1,109,324,112	\$ 871,918,725	\$ 237,405,387	\$ 11.6796	\$ 2,772,803	\$ (138,640)	\$ 33,269	\$ 2,667,432
2029	\$ 1,148,150,456	\$ 871,918,725	\$ 276,231,731	\$ 11.6796	\$ 3,226,280	\$ (161,314)	\$ 39,512	\$ 3,104,479
2030	\$ 1,188,335,723	\$ 871,918,725	\$ 316,416,998	\$ 11.6796	\$ 3,695,628	\$ (184,781)	\$ 45,974	\$ 3,556,822
2031	\$ 1,229,927,473	\$ 871,918,725	\$ 358,008,748	\$ 11.6796	\$ 4,181,404	\$ (209,070)	\$ 52,663	\$ 4,024,997
2032	\$ 1,272,974,934	\$ 871,918,725	\$ 401,056,209	\$ 11.6796	\$ 4,684,182	\$ (234,209)	\$ 59,585	\$ 4,509,558
2033	\$ 1,317,529,055	\$ 871,918,725	\$ 445,610,330	\$ 11.6796	\$ 5,204,557	\$ (260,228)	\$ 66,750	\$ 5,011,079
2034	\$ 1,363,642,572	\$ 871,918,725	\$ 491,723,847	\$ 11.6796	\$ 5,743,145	\$ (287,157)	\$ 74,165	\$ 5,530,153
2035	\$ 1,411,370,061	\$ 871,918,725	\$ 539,451,336	\$ 11.6796	\$ 6,300,584	\$ (315,029)	\$ 81,840	\$ 6,067,394
2036	\$ 1,460,768,014	\$ 871,918,725	\$ 588,849,289	\$ 11.6796	\$ 6,877,533	\$ (343,877)	\$ 89,783	\$ 6,623,439
2037	\$ 1,511,894,894	\$ 871,918,725	\$ 639,976,169	\$ 11.6796	\$ 7,474,675	\$ (373,734)	\$ 98,005	\$ 7,198,946
2038	\$ 1,564,811,216	\$ 871,918,725	\$ 692,892,491	\$ 11.6796	\$ 8,092,717	\$ (404,636)	\$ 106,514	\$ 7,794,595
2039	\$ 1,619,579,610	\$ 871,918,725	\$ 747,660,885	\$ 11.6796	\$ 8,732,391	\$ (436,620)	\$ 115,321	\$ 8,411,092
2040	\$ 1,676,264,895	\$ 871,918,725	\$ 804,346,170	\$ 11.6796	\$ 9,394,453	\$ (469,723)	\$ 124,437	\$ 9,049,167
2041	\$ 1,734,934,167	\$ 871,918,725	\$ 863,015,442	\$ 11.6796	\$ 10,079,687	\$ (503,984)	\$ 133,871	\$ 9,709,574
2042	\$ 1,795,656,865	\$ 871,918,725	\$ 923,738,140	\$ 11.6796	\$ 10,788,905	\$ (539,445)	\$ 143,636	\$ 10,393,095
2043	\$ 1,858,504,855	\$ 871,918,725	\$ 986,586,130	\$ 11.6796	\$ 11,522,945	\$ (576,147)	\$ 153,742	\$ 11,100,540
2044	\$ 1,923,552,526	\$ 871,918,725	\$ 1,051,633,801	\$ 11.6796	\$ 12,282,677	\$ (614,134)	\$ 164,202	\$ 11,832,745
2045	\$ 1,990,876,865	\$ 871,918,725	\$ 1,118,958,140	\$ 11.6796	\$ 13,068,999	\$ (653,450)	\$ 175,028	\$ 12,590,578
2046	\$ 2,060,557,557	\$ 871,918,725	\$ 1,188,638,832	\$ 11.6796	\$ 13,882,843	\$ (694,142)	\$ 186,233	\$ 13,374,934
2047	\$ 2,132,677,072	\$ 871,918,725	\$ 1,260,758,347	\$ 11.6796	\$ 14,725,171	\$ (736,259)	\$ 197,831	\$ 14,186,743
2048	\$ 2,207,320,771	\$ 871,918,725	\$ 1,335,402,046	\$ 11.6796	\$ 15,596,981	\$ (779,849)	\$ 209,834	\$ 15,026,965
2049	\$ 2,284,576,998	\$ 871,918,725	\$ 1,412,658,273	\$ 11.6796	\$ 16,499,304	\$ (824,965)	\$ 222,257	\$ 15,896,596
2050	\$ 2,364,537,192	\$ 871,918,725	\$ 1,492,618,467	\$ 11.6796	\$ 17,433,208	\$ (871,660)	\$ 235,115	\$ 16,796,663
2051	\$ 2,447,295,994	\$ 871,918,725	\$ 1,575,377,269	\$ 11.6796	\$ 18,399,799	\$ (919,990)	\$ 248,423	\$ 17,728,232
2052	\$ 2,532,951,354	\$ 871,918,725	\$ 1,661,032,629	\$ 11.6796	\$ 19,400,220	\$ (970,011)	\$ 262,197	\$ 18,692,407
Total					\$ 257,641,895	\$ (12,882,095)	\$ 3,394,944	\$ 248,154,744

Source: Tiberius Solutions

Exhibit 7. TIF Forecast, Medium Growth Scenario, North District Study Area

FYE	Total	Frozen Base	Increment	Tax Rate	Gross	Adjustment	Prior Year	Net
2020	\$ 842,433,551	\$ 842,433,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ 876,130,893	\$ 876,130,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	\$ 911,176,128	\$ 876,130,893	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 947,623,173	\$ 876,130,893	\$ 71,492,280	\$ 11.6796	\$ 835,002	\$ (41,750)	\$ -	\$ 793,252
2024	\$ 985,528,099	\$ 876,130,893	\$ 109,397,206	\$ 11.6796	\$ 1,277,717	\$ (63,886)	\$ 11,899	\$ 1,225,730
2025	\$1,024,949,222	\$ 876,130,893	\$ 148,818,329	\$ 11.6796	\$ 1,738,141	\$ (86,907)	\$ 18,207	\$ 1,669,441
2026	\$1,065,947,191	\$ 876,130,893	\$ 189,816,298	\$ 11.6796	\$ 2,216,981	\$ (110,849)	\$ 24,769	\$ 2,130,901
2027	\$1,108,585,077	\$ 876,130,893	\$ 232,454,184	\$ 11.6796	\$ 2,714,975	\$ (135,749)	\$ 31,592	\$ 2,610,818
2028	\$1,152,928,480	\$ 876,130,893	\$ 276,797,587	\$ 11.6796	\$ 3,232,889	\$ (161,644)	\$ 38,688	\$ 3,109,933
2029	\$1,199,045,620	\$ 876,130,893	\$ 322,914,727	\$ 11.6796	\$ 3,771,519	\$ (188,576)	\$ 46,069	\$ 3,629,012
2030	\$1,247,007,445	\$ 876,130,893	\$ 370,876,552	\$ 11.6796	\$ 4,331,695	\$ (216,585)	\$ 53,744	\$ 4,168,854
2031	\$1,296,887,742	\$ 876,130,893	\$ 420,756,849	\$ 11.6796	\$ 4,914,278	\$ (245,714)	\$ 61,727	\$ 4,730,290
2032	\$1,348,763,253	\$ 876,130,893	\$ 472,632,360	\$ 11.6796	\$ 5,520,164	\$ (276,008)	\$ 70,028	\$ 5,314,184
2033	\$1,402,713,784	\$ 876,130,893	\$ 526,582,891	\$ 11.6796	\$ 6,150,285	\$ (307,514)	\$ 78,662	\$ 5,921,433
2034	\$1,458,822,336	\$ 876,130,893	\$ 582,691,443	\$ 11.6796	\$ 6,805,611	\$ (340,281)	\$ 87,642	\$ 6,552,972
2035	\$1,517,175,229	\$ 876,130,893	\$ 641,044,336	\$ 11.6796	\$ 7,487,151	\$ (374,358)	\$ 96,980	\$ 7,209,773
2036	\$1,577,862,239	\$ 876,130,893	\$ 701,731,346	\$ 11.6796	\$ 8,195,951	\$ (409,798)	\$ 106,692	\$ 7,892,846
2037	\$1,640,976,730	\$ 876,130,893	\$ 764,845,837	\$ 11.6796	\$ 8,933,104	\$ (446,655)	\$ 116,792	\$ 8,603,241
2038	\$1,706,615,799	\$ 876,130,893	\$ 830,484,906	\$ 11.6796	\$ 9,699,743	\$ (484,987)	\$ 127,297	\$ 9,342,053
2039	\$1,774,880,432	\$ 876,130,893	\$ 898,749,539	\$ 11.6796	\$ 10,497,048	\$ (524,852)	\$ 138,221	\$ 10,110,417
2040	\$1,845,875,650	\$ 876,130,893	\$ 969,744,757	\$ 11.6796	\$ 11,326,245	\$ (566,312)	\$ 149,583	\$ 10,909,515
2041	\$1,919,710,674	\$ 876,130,893	\$ 1,043,579,781	\$ 11.6796	\$ 12,188,609	\$ (609,430)	\$ 161,399	\$ 11,740,578
2042	\$1,996,499,101	\$ 876,130,893	\$ 1,120,368,208	\$ 11.6796	\$ 13,085,469	\$ (654,273)	\$ 173,688	\$ 12,604,883
2043	\$2,076,359,064	\$ 876,130,893	\$ 1,200,228,171	\$ 11.6796	\$ 14,018,202	\$ (700,910)	\$ 186,468	\$ 13,503,760
2044	\$2,159,413,424	\$ 876,130,893	\$ 1,283,282,531	\$ 11.6796	\$ 14,988,245	\$ (749,412)	\$ 199,759	\$ 14,438,592
2045	\$2,245,789,962	\$ 876,130,893	\$ 1,369,659,069	\$ 11.6796	\$ 15,997,090	\$ (799,854)	\$ 213,582	\$ 15,410,818
2046	\$2,335,621,562	\$ 876,130,893	\$ 1,459,490,669	\$ 11.6796	\$ 17,046,288	\$ (852,314)	\$ 227,959	\$ 16,421,932
2047	\$2,429,046,425	\$ 876,130,893	\$ 1,552,915,532	\$ 11.6796	\$ 18,137,454	\$ (906,873)	\$ 242,910	\$ 17,473,491
2048	\$2,526,208,281	\$ 876,130,893	\$ 1,650,077,388	\$ 11.6796	\$ 19,272,267	\$ (963,613)	\$ 258,459	\$ 18,567,113
2049	\$2,627,256,611	\$ 876,130,893	\$ 1,751,125,718	\$ 11.6796	\$ 20,452,473	\$ (1,022,624)	\$ 274,630	\$ 19,704,479
2050	\$2,732,346,874	\$ 876,130,893	\$ 1,856,215,981	\$ 11.6796	\$ 21,679,887	\$ (1,083,994)	\$ 291,448	\$ 20,887,340
2051	\$2,841,640,749	\$ 876,130,893	\$ 1,965,509,856	\$ 11.6796	\$ 22,956,397	\$ (1,147,820)	\$ 308,938	\$ 22,117,516
2052	\$2,955,306,379	\$ 876,130,893	\$ 2,079,175,486	\$ 11.6796	\$ 24,283,968	\$ (1,214,198)	\$ 327,129	\$ 23,396,898
Total					\$ 313,754,849	\$(15,687,742)	\$ 4,124,960	\$ 302,192,066

Source: Tiberius Solutions

Exhibit 8. TIF Forecast, High Growth Scenario, North District Study Area

FYE	Total	Frozen Base	Increment	Tax Rate	Gross	Adjustment	Prior Year	Net
2020	\$ 842,433,551	\$ 842,433,551	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ 880,343,060	\$ 880,343,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	\$ 919,958,499	\$ 880,343,060	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 961,356,632	\$ 880,343,060	\$ 81,013,572	\$ 11.6796	\$ 946,207	\$ (47,310)	\$ -	\$ 898,897
2024	\$ 1,004,617,680	\$ 880,343,060	\$ 124,274,620	\$ 11.6796	\$ 1,451,480	\$ (72,574)	\$ 13,483	\$ 1,392,389
2025	\$ 1,049,825,475	\$ 880,343,060	\$ 169,482,415	\$ 11.6796	\$ 1,979,489	\$ (98,974)	\$ 20,684	\$ 1,901,198
2026	\$ 1,097,067,622	\$ 880,343,060	\$ 216,724,562	\$ 11.6796	\$ 2,531,259	\$ (126,563)	\$ 28,208	\$ 2,432,904
2027	\$ 1,146,435,667	\$ 880,343,060	\$ 266,092,607	\$ 11.6796	\$ 3,107,859	\$ (155,393)	\$ 36,070	\$ 2,988,537
2028	\$ 1,198,025,273	\$ 880,343,060	\$ 317,682,213	\$ 11.6796	\$ 3,710,406	\$ (185,520)	\$ 44,287	\$ 3,569,172
2029	\$ 1,251,936,411	\$ 880,343,060	\$ 371,593,351	\$ 11.6796	\$ 4,340,067	\$ (217,003)	\$ 52,873	\$ 4,175,937
2030	\$ 1,308,273,549	\$ 880,343,060	\$ 427,930,489	\$ 11.6796	\$ 4,998,063	\$ (249,903)	\$ 61,846	\$ 4,810,006
2031	\$ 1,367,145,858	\$ 880,343,060	\$ 486,802,798	\$ 11.6796	\$ 5,685,669	\$ (284,283)	\$ 71,222	\$ 5,472,608
2032	\$ 1,428,667,422	\$ 880,343,060	\$ 548,324,362	\$ 11.6796	\$ 6,404,217	\$ (320,211)	\$ 81,021	\$ 6,165,027
2033	\$ 1,492,957,457	\$ 880,343,060	\$ 612,614,397	\$ 11.6796	\$ 7,155,100	\$ (357,755)	\$ 91,260	\$ 6,888,605
2034	\$ 1,560,140,543	\$ 880,343,060	\$ 679,797,483	\$ 11.6796	\$ 7,939,772	\$ (396,989)	\$ 101,960	\$ 7,644,744
2035	\$ 1,630,346,868	\$ 880,343,060	\$ 750,003,808	\$ 11.6796	\$ 8,759,755	\$ (437,988)	\$ 113,142	\$ 8,434,909
2036	\$ 1,703,712,476	\$ 880,343,060	\$ 823,369,416	\$ 11.6796	\$ 9,616,637	\$ (480,832)	\$ 124,827	\$ 9,260,632
2037	\$ 1,780,379,537	\$ 880,343,060	\$ 900,036,477	\$ 11.6796	\$ 10,512,079	\$ (525,604)	\$ 137,037	\$ 10,123,512
2038	\$ 1,860,496,616	\$ 880,343,060	\$ 980,153,556	\$ 11.6796	\$ 11,447,815	\$ (572,391)	\$ 149,797	\$ 11,025,222
2039	\$ 1,944,218,963	\$ 880,343,060	\$ 1,063,875,903	\$ 11.6796	\$ 12,425,660	\$ (621,283)	\$ 163,131	\$ 11,967,509
2040	\$ 2,031,708,817	\$ 880,343,060	\$ 1,151,365,757	\$ 11.6796	\$ 13,447,508	\$ (672,375)	\$ 177,066	\$ 12,952,198
2041	\$ 2,123,135,714	\$ 880,343,060	\$ 1,242,792,654	\$ 11.6796	\$ 14,515,339	\$ (725,767)	\$ 191,627	\$ 13,981,199
2042	\$ 2,218,676,821	\$ 880,343,060	\$ 1,338,333,761	\$ 11.6796	\$ 15,631,222	\$ (781,561)	\$ 206,844	\$ 15,056,505
2043	\$ 2,318,517,278	\$ 880,343,060	\$ 1,438,174,218	\$ 11.6796	\$ 16,797,320	\$ (839,866)	\$ 222,745	\$ 16,180,199
2044	\$ 2,422,850,555	\$ 880,343,060	\$ 1,542,507,495	\$ 11.6796	\$ 18,015,893	\$ (900,795)	\$ 239,362	\$ 17,354,460
2045	\$ 2,531,878,830	\$ 880,343,060	\$ 1,651,535,770	\$ 11.6796	\$ 19,289,301	\$ (964,465)	\$ 256,726	\$ 18,581,562
2046	\$ 2,645,813,377	\$ 880,343,060	\$ 1,765,470,317	\$ 11.6796	\$ 20,620,012	\$ (1,031,001)	\$ 274,873	\$ 19,863,884
2047	\$ 2,764,874,980	\$ 880,343,060	\$ 1,884,531,920	\$ 11.6796	\$ 22,010,606	\$ (1,100,530)	\$ 293,835	\$ 21,203,911
2048	\$ 2,889,294,353	\$ 880,343,060	\$ 2,008,951,293	\$ 11.6796	\$ 23,463,776	\$ (1,173,189)	\$ 313,651	\$ 22,604,239
2049	\$ 3,019,312,600	\$ 880,343,060	\$ 2,138,969,540	\$ 11.6796	\$ 24,982,339	\$ (1,249,117)	\$ 334,359	\$ 24,067,581
2050	\$ 3,155,181,669	\$ 880,343,060	\$ 2,274,838,609	\$ 11.6796	\$ 26,569,237	\$ (1,328,462)	\$ 355,998	\$ 25,596,774
2051	\$ 3,297,164,844	\$ 880,343,060	\$ 2,416,821,784	\$ 11.6796	\$ 28,227,546	\$ (1,411,377)	\$ 378,612	\$ 27,194,781
2052	\$ 3,445,537,261	\$ 880,343,060	\$ 2,565,194,201	\$ 11.6796	\$ 29,960,479	\$ (1,498,024)	\$ 402,243	\$ 28,864,697
Total					\$ 376,542,114	\$ (18,827,106)	\$ 4,938,788	\$ 362,653,796

Source: Tiberius Solutions

Estimate Borrowing Capacity

To estimate borrowing capacity, we created a finance plan with periodic hypothetical borrowings, incurring a principal amount of indebtedness as large as possible based on the following assumptions, informed by our experience with similar jurisdictions in Oregon:

- Inflation rate: 3.0%
- Minimum debt service coverage ratio: 1.5 times annual TIF revenue
- Interest rate on loans: 5.0%
- Duration of loans: As long as possible, not to exceed 20 years, and no less than 10 years.
- Timing of loans:
 - First loan in FYE 2024
 - Additional loans at five-year intervals
 - Last loan in FYE 2043 (ten years before URA is estimated to terminate)

There are infinite versions of financing assumptions that could have been modeled. Ultimately, if the City adopts an urban renewal plan, the financing assumptions will be tailored to meet the specific needs of the URA.

Exhibit 9 shows funding available for projects in both year-of-expenditure dollars and constant 2020 dollars (i.e. “real” dollars adjusted for inflation). Total TIF revenue over a 30-year period is estimated to be between \$248.2 million and \$362.7 million, depending on the future growth in assessed value in the area. This would support a total maximum indebtedness (i.e., the total principal amount of projects to be funded) between \$210.0 million and \$308.3 million. When accounting for inflation and adjusting the maximum indebtedness to be reported in constant 2020 dollars, we forecast the true financial capacity of the potential URA to be between \$118.1 million and \$171.4 million. Exhibit 9 breaks this estimate of financial capacity down into five-year intervals, to better illustrate the timing of when that capacity would be available over the life of the URA.

Exhibit 9. Estimated Borrowing Capacity by Growth Scenario, North District Study Area

Growth Rate	3.5%	4.0%	4.5%
Average AV from New Construction	\$ 4,400,000	\$ 9,600,000	\$ 15,700,000
Total Net TIF	\$ 248,200,000	\$ 302,200,000	\$ 362,700,000
Maximum Indebtedness	\$ 210,000,000	\$ 256,300,000	\$ 308,300,000
Capacity (2020\$)	\$ 118,100,000	\$ 143,300,000	\$ 171,400,000
Years 1-5	\$ 11,500,000	\$ 13,300,000	\$ 15,200,000
Years 6-10	\$ 19,500,000	\$ 23,000,000	\$ 26,600,000
Years 11-15	\$ 21,600,000	\$ 25,900,000	\$ 30,700,000
Years 16-20	\$ 21,500,000	\$ 26,400,000	\$ 31,700,000
Years 21-25	\$ 20,800,000	\$ 25,800,000	\$ 31,500,000
Years 26-30	\$ 23,200,000	\$ 28,900,000	\$ 35,700,000

Source: Tiberius Solutions

Desired Outcomes

A specific list of potential urban renewal projects and corresponding cost estimates have not been identified for the Study Area, but the desired outcomes for projects and programs in the Study Area are listed below:

- Provide additional housing options
- Improve transportation systems
- Prepare for increased density
- Address long-term vacant buildings
- Provide redevelopment opportunities
- Property acquisition

Should the City decide to pursue the adoption of an urban renewal plan for the Study Area, the project list, based on these desired community outcomes, would be compiled through stakeholder input.

Impacts to Taxing Districts

As stated previously, urban renewal is a division of taxes; it does not create a new tax or increase the existing tax rate. Therefore, the financial impacts of an URA are borne by overlapping taxing districts, and not by individual tax payers. TIF revenue collected by a URA results in revenue foregone by the overlapping taxing districts.

Exhibit 10 shows the total estimated foregone revenue for all affected taxing districts, if the City were to adopt a new URA based on the North District Study Area. Total foregone revenue for all taxing districts is estimated to range from \$248,154,744 to \$362,653,796 depending on the future rate of growth of assessed value in the area. Taxing districts that would be most impacted by a new URA include Washington County, the City of Tualatin, and Tualatin Valley Fire & Rescue.

The Tigard/Tualatin School District is forecast to have the largest amount of foregone revenue. However, the Tigard Tualatin School District as well as the Lake Oswego School District, Clackamas Education Service District (ESD), and NW Regional ESD are not directly affected by urban renewal like other taxing districts. The State of Oregon equalizes education funding statewide for all school districts. This is achieved by the State Legislature adopting biennial budgets that establish per-pupil funding targets. The State then provides each school district with funding from the State School fund to augment local property tax collections to ensure each school district achieves the desired amount of funding per student. Thus, any reduction in local property tax revenue for the Tigard/Tualatin School District, Lake Oswego School District, Clackamas Education Service District (ESD), and NW Regional ESD, including foregone revenue caused by urban renewal, would not lead to a direct loss of overall school funding, but instead would result in an increase in the amount of State School Fund revenues allocated to these districts.

Exhibit 10. Total Estimated Foregone Tax Revenues, North District Study Area, FYE 2023 – FYE 2052 (Year-of-Expenditure Dollars)

	Growth Rate		
	3.5%	4.0%	4.5%
General Government			
Washington County	\$ 42,219,130	\$ 51,412,623	\$ 61,699,114
City of Tualatin	\$ 48,155,933	\$ 58,642,204	\$ 70,375,169
Clean Water Services	\$ -	\$ -	\$ -
Metro	\$ 2,052,443	\$ 2,499,377	\$ 2,999,445
Port of Portland	\$ 1,489,403	\$ 1,813,730	\$ 2,176,616
Tri-Met	\$ -	\$ -	\$ -
Tualatin Soil & Water District	\$ 1,549,136	\$ 1,886,471	\$ 2,263,911
Tualatin Valley Fire & Rescue	\$ 29,328,613	\$ 35,715,111	\$ 42,860,889
Tigard/Tualatin Aquatic District	\$ 1,632,411	\$ 1,987,879	\$ 2,385,609
Clackamas County City	\$ 5,936,970	\$ 7,229,784	\$ 8,676,300
Clackamas County Extension & 4H	\$ 123,471	\$ 150,357	\$ 180,440
Clackamas County Library	\$ 981,346	\$ 1,195,041	\$ 1,434,141
Clackamas County Soil Conservation	\$ 123,471	\$ 150,357	\$ 180,440
Park Lake Grove	\$ 84,734	\$ 103,185	\$ 123,830
Vector Control	\$ 16,051	\$ 19,546	\$ 23,457
<i>Subtotal</i>	<i>\$ 133,693,114</i>	<i>\$ 162,805,666</i>	<i>\$ 195,379,361</i>
Education			
Clackamas ESD	\$ 1,146,261	\$ 1,395,866	\$ 1,675,147
Lake Oswego School District	\$ 13,899,071	\$ 16,925,684	\$ 20,312,128
Portland Community College	\$ 5,880,793	\$ 7,161,374	\$ 8,594,201
Tigard/Tualatin School District	\$ 90,493,621	\$ 110,199,201	\$ 132,247,543
NW Regional ESD	\$ 2,789,609	\$ 3,397,065	\$ 4,076,740
Clackamas Community College	\$ 252,276	\$ 307,210	\$ 368,676
<i>Subtotal</i>	<i>\$ 114,461,630</i>	<i>\$ 139,386,400</i>	<i>\$ 167,274,435</i>
Total	\$ 248,154,744	\$ 302,192,067	\$ 362,653,796

Source: Tiberius Solutions

The following section discusses three ways to reduce the impact to these taxing districts.

Options to Reduce Impact to Taxing Districts

The estimates of financial capacity shown throughout this report are technical in nature. They show the maximum amount of financial capacity that could be generated, given the proposed boundary, frozen base, and assumptions for future growth in assessed value. When compared to other urban renewal areas in similarly-sized cities across Oregon, the amount of financial capacity projected for this area (and the resulting negative fiscal impact to overlapping taxing districts) is exceptionally large. If the City moves forward with an urban renewal plan for the North District Study Area, it is likely that the City Council would choose to reduce the financial capacity of the area, below the levels forecast in this report. This section discusses how the City of Tualatin could reduce the financial capacity of the proposed URA, thereby reducing the impact to overlapping taxing districts shown in Exhibit 10. Input from stakeholders regarding this issue would be important.

Reduce Duration

This analysis shows the financial feasibility of a 30-year URA (collecting TIF from FYE 2023 through FYE 2052). The City could choose to reduce the estimated duration of the URA, which would return

revenue to overlapping taxing districts sooner. As an example, shortening the estimated duration from 30 years to 25 years would reduce the total TIF revenue (and impacts to taxing districts) by \$84.1 to \$128.3 million, and would reduce the financial capacity in constant 2020 dollars by \$23.2 to \$35.7 million.

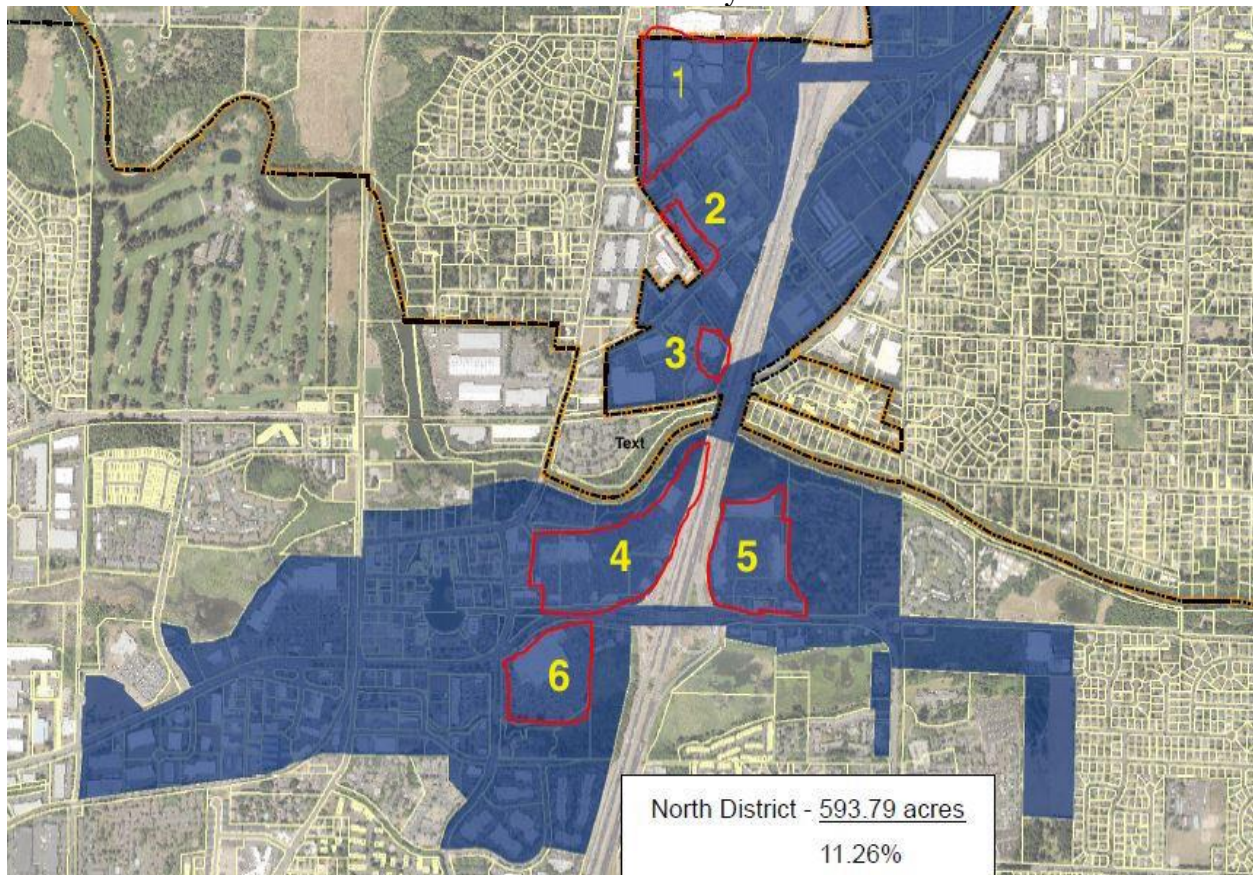
Voluntary Revenue Sharing

This analysis shows the total TIF revenue that the City could collect. However, some cities choose to collect less TIF revenue for the URA and return the remaining TIF revenue to overlapping taxing districts. A number of different approaches could be used to establish a program of voluntary revenue sharing. As an example, some jurisdictions choose to cap the annual amount of TIF revenue at a specified level (for example, no more than \$10 million per year). Any TIF revenue above that amount would then be shared with overlapping taxing districts. Another approach would be to share a percentage of annual TIF revenue each year.

Reduce Boundary Size

Reducing the size of the Study Area will reduce the beginning frozen base and the potential for future development in the Area. This would in turn reduce the amount of TIF revenue generated, and the amount of foregone revenue to the overlapping taxing districts. City staff identified six subareas within the Study Area that could be removed together or individually from the Study Area for the purpose of reducing the overall financial capacity. These subareas are shown in Exhibit 11.

Exhibit 11. Potential Reductions to North District Study Area



Source: City of Tualatin

Exhibit 12 shows the impact of reducing the Study Area boundary. If all six areas were removed from the Study Area, the impact to overlapping taxing districts would be reduced by \$88.8 million to \$129.6 million, depending on growth scenario. This is a reduction of 36%. When accounting for inflation, the true reduction in financial capacity of the Study Area would be between \$42.2 million and \$61.2 million in constant 2020 dollars. Maximum indebtedness would be reduced by \$75.0 million to \$110.2 million, depending on growth scenario.

Exhibit 12. Impact of Study Area Reduction

	Growth Rate		
	3.5%	4.0%	4.5%
Decrease in Net TIF & Impact to Taxing Districts	\$(88,700,000)	\$(108,000,000)	\$(129,600,000)
Decrease in Maximum Indebtedness	\$(75,000,000)	\$(91,500,000)	\$(110,200,000)
Decreased Capacity (2020\$)	\$(42,200,000)	\$(51,200,000)	\$(61,200,000)
Area 1	\$ (20,000,000)	\$ (24,300,000)	\$ (29,000,000)
Area 2	\$ (2,400,000)	\$ (2,900,000)	\$ (3,500,000)
Area 3	\$ (1,100,000)	\$ (1,400,000)	\$ (1,700,000)
Area 4	\$ (7,400,000)	\$ (9,000,000)	\$ (10,800,000)
Area 5	\$ (8,100,000)	\$ (9,800,000)	\$ (11,700,000)
Area 6	\$ (3,200,000)	\$ (3,800,000)	\$ (4,600,000)

Implications and Next Steps

Implications

Significant Financial Capacity

Urban renewal could generate significant financial capacity for the North District Study Area in the City of Tualatin, including funding for up to \$171.4 million of projects. This funding could pay for significant infrastructure improvements and other high-priority economic development projects in the Area. Total TIF revenue over a 30-year period is estimated to be between 248.2 million and 362.7 million, depending on the future growth in assessed value in the area. Three growth scenarios were analyzed as described later in this report. This would support a total maximum indebtedness (i.e., the total principal amount of projects to be funded) between \$210.0 million and \$308.3 million. When accounting for inflation and adjusting the maximum indebtedness to be reported in constant 2020 dollars, we forecast the true financial capacity of the URA to be between \$118.1 million and \$171.4 million.

Options for Reducing Impacts to Taxing Districts

The projected financial capacity for the Study Area is likely more than the City would choose to pursue for a URA in this Area. There are multiple options that the City could pursue to implement urban renewal in the Study Area, while reducing the long-term financial capacity and impacts to taxing districts. These options include reducing the duration of the boundary, committing to a more generous formula for underlevying annual TIF revenue (i.e., revenue sharing), and/or reducing the size of the boundary.

Benefits of Additional Public Involvement

The Study Area could benefit from more significant public outreach prior to adopting an urban renewal plan for the Area. The Study Area has significant financial capacity, and City Council has articulated desired outcomes for the Study Area. However, there is a lack of clarity around the

specific projects that could best achieve the desired outcomes, and which of those projects are the highest priority for the public.

Coordination with Affected Taxing Districts

Coordination with affected taxing districts will be key if the City desires to move forward with a new URA. The use of urban renewal results in the loss of foregone tax revenue for overlapping taxing districts. Many of these taxing districts overlap multiple communities that are also considering new urban renewal areas at this time. Coordination with taxing districts is required by Oregon Revised Statutes, and is helpful to ensure that the URA funds meaningful projects for the community that help grow the tax base long-term, while having an acceptable level of foregone revenue for affected taxing districts.

Next Steps

If the City of Sherwood is interested in pursuing the adoption of a URA, we recommend the following next steps:

- Establish a vision for the North District Study Area that reflects public input on goals and projects. Urban renewal areas are most successful when they have clearly defined goals and objectives and projects tied to those goals and objectives that reflect public priorities and are communicated in a clear vision for the area. The North District Study Area lacks that clarity of vision. If the City were to conduct additional public involvement efforts to clarify the vision for the Area, it would lead to the creation of a better urban renewal plan with greater support from the public and affected taxing districts.
- Select a consultant with expertise in establishing urban renewal plans. The statutes governing urban renewal are complex. The plan and report documents necessary to establish a URA are detailed technical documents. The process for adoption includes multiple public meetings and hearings, as well as coordination with affected taxing districts. For these reasons, the vast majority of communities that create URAs do so with the help of a consultant experienced in this field.
- Establish an advisory committee and conduct public outreach. It is important for URAs to reflect the goals of the broader community. Establishing a committee to oversee the creation of an urban renewal plan can be helpful to vet key decisions, such as the project list, the prioritization and timing of projects, the exact boundary of the URA, and the maximum indebtedness. In addition to input from key stakeholders on an advisory committee, outreach to the general public through newsletters, open house events, and public meetings is also critical.
- Determine the boundary and project list. These are the fundamental components of an urban renewal plan. The draft boundary used in this analysis may need to be refined to encompass high priority urban renewal projects, blighted areas, and properties with the most development potential. A fiscally-constrained list of projects will also need to be developed, to establish clear expectations for what the URA is expected to be able to fund. The boundary decision is complicated by the need to reduce acreage from the existing URA. The variables in this decision are complex and will take additional time to resolve.
- Conduct outreach to affected taxing districts. These taxing districts are partners for the City, all looking out for the best interests of the public. Although affected taxing districts do not have an official vote on approval of an urban renewal plan (with the exception of the County, in situations where the URA includes property that is outside of city limits), ORS requires municipalities to “consult and confer” with affected taxing districts as part of this

process. In other words, they should be treated as partners and be involved throughout the process. This is especially true because of the nature of urban renewal and the division of taxes.

- Make a final decision on the plan. For a URA to be established, it must first be approved by the Urban Renewal Agency, then the Planning Commission, and then the City Council at a public hearing. This adoption process allows ample time for public comment, and for decision-makers and elected officials to consider all aspects of the plan, to ensure that it is right for the community, and a sound investment of tax dollars.