



City of Tualatin

## CITY OF TUALATIN Staff Report

**TO:** Honorable Mayor and Members of the City Council  
**THROUGH:** Sherilyn Lombos, City Manager  
**FROM:** Jonathan Taylor, Economic Development Manager  
**DATE:** September 28<sup>th</sup>, 2020

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**SUBJECT:**

Presentation of the Final Report on the Feasibility of Urban Renewal Districts in Tualatin, Oregon

**RECOMMENDATION:**

None.

**EXECUTIVE 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 of 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.

The attached reports are the culmination of Phase 3, *Technical Feasibility Study of Urban Renewal Areas*. The reports summarize the results of the feasibility analysis for the North District Study Area and the Basalt Creek Study Area. These reports are focused on financial analysis and do not discuss or address social and equity impacts of urban renewal.

## **RESULTS AND IMPLICATIONS**

### **North District**

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 in the attached 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, the forecast of 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. If the City chooses to move forward with a URA for the North District Study Area, these strategies will be reviewed.

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.

### **Basalt Creek**

For the Basalt Creek Study Area, the total potential TIF revenue over a 30-year period is estimated to be between \$28.4 million and \$55.5 million, depending on the future growth in assessed value in the area. Three growth scenarios were analyzed as described in the attached report. This would support a total maximum indebtedness (i.e., the total principal amount of projects to be funded) between \$24.5 million and \$48.7 million. When accounting for inflation and adjusting the maximum indebtedness to be reported in constant 2020 dollars, the forecast for the true financial capacity of the URA to be between \$13.6 million and \$26.2 million.

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

- Urban renewal could generate significant financial capacity for the Basalt Creek area and Southwest Industrial Area in the City of Tualatin, including funding for up to \$26.2 million of

projects. This funding could pay for significant infrastructure improvements and other high-priority economic development projects in the Area.

- This financial capacity would not be available immediately, but would build slowly over time. As an example, the soonest the City could adopt an urban renewal plan would be in calendar year 2021, which would result in the URA first receiving TIF revenue in FYE 2023. Over the first five years of the URA (from FYE 2023 through FYE 2027), annual TIF revenue is projected to grow to \$400,000. This revenue stream (when combined with financing options, and adjusting for inflation) is projected to support funding for less than \$2 million of projects during this time period. Thus, long-term financial capacity does not necessarily translate into substantial short-term financial capacity.
- Past planning efforts for the Basalt Creek and Southwest Industrial Area have identified key infrastructure projects that are needed in the area. Because of these past planning efforts, there is a clear vision and specific list of projects that could be funded with urban renewal. An urban renewal plan for the Basalt Creek and Southwest Industrial Area could likely gather sufficient public input through the typical urban renewal planning process, which includes input from an advisory committee.

**OUTCOMES OF DECISION:**

If no objections to the final reports, and based on the decision of City Council to move forward with urban renewal at the August 10<sup>th</sup>, City Council Meeting, the next steps are as follows:

North District - Staff will draft an outline and proposal on how to proceed with moving into the next phase. *In process.*

Basalt Creek – Staff will draft an outline and proposal on how to proceed with moving into the next phase. *In process.*

Staff anticipates these draft proposals to be presented before the end of this calendar year, 2020.

**ALTERNATIVES TO RECOMMENDATION:**

None

**FINANCIAL IMPLICATIONS:**

None

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**ATTACHMENTS:**

- Attachment A: North District Feasibility Study
- Attachment B: Basalt Creek Feasibility Study