



CITY COUNCIL MEETING STAFF REPORT

Meeting Date: October 17, 2022		Subject: Town Center Infrastructure Funding Plan	
		Staff Member: Kimberly Rybold, AICP, Senior Planner	
		Department: Community Development	
Action Required		Advisory Board/Commission Recommendation	
<input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 st Reading Date: <input type="checkbox"/> Ordinance 2 nd Reading Date: <input type="checkbox"/> Resolution <input checked="" type="checkbox"/> Information or Direction <input type="checkbox"/> Information Only <input type="checkbox"/> Council Direction <input type="checkbox"/> Consent Agenda		<input type="checkbox"/> Approval <input type="checkbox"/> Denial <input type="checkbox"/> None Forwarded <input checked="" type="checkbox"/> Not Applicable	
		Comments: N/A	
Staff Recommendation: Staff recommends Council review findings from an assessment of potential infrastructure funding tools to be used in Town Center and provide direction on inclusion of these tools in the Town Center Infrastructure Funding Plan.			
Recommended Language for Motion: N/A			
Project / Issue Relates To:			
<input checked="" type="checkbox"/> Council Goals/Priorities: Goal 5: Align infrastructure plans with sustainable financing sources	<input checked="" type="checkbox"/> Adopted Master Plan(s): Town Center Plan	<input type="checkbox"/> Not Applicable	

ISSUE BEFORE COUNCIL:

Staff will introduce the Town Center Infrastructure Funding Plan project, share findings from an assessment of different potential funding tools, and seek direction on which tools to include in the Town Center Infrastructure Funding Plan.

EXECUTIVE SUMMARY:

In 2019, the Wilsonville City Council adopted the Wilsonville Town Center Plan (Plan), establishing a vision for a vibrant, walkable community hub that inspires people to come together and socialize, shop, live, and work. The Plan envisions a mixed-use development pattern with enhanced connectivity that will result in a walkable and vibrant Town Center, home to active parks, civic spaces, and amenities that provide year-round, compelling experiences. To achieve this, the Town Center Plan contains several goals and implementation strategies to guide future development. Goal 4 of the Town Center Plan is Safe Access and Connectivity, which aims to provide transportation infrastructure designed to create a safe, accessible environment for all modes of travel in Town Center, foster multimodal access between buildings and land uses in Town Center, connect to surrounding neighborhoods, and provide local and regional accessibility.

The implementation chapter of the Town Center Plan calls for a study of how to fund the infrastructure projects identified in the Town Center Plan, which funding tools are most appropriate to support development, and an assessment of the feasibility of urban renewal (also known as tax increment financing) as a tool to provide some of this funding. In early 2022, the City contracted with FCS Group, a firm with experience in developing funding strategies for targeted areas like Town Center, to lead development of the Town Center Infrastructure Funding Plan.

The Draft Findings and Recommendations Memorandum (Attachment 1) provides a summary of work completed to date on development of the Funding Plan. As a first step in the project, the project team confirmed assumptions that would be used in developing this strategy. This included review of both the Town Center Plan and Streetscape Plan to update the infrastructure project cost estimates. The project team also refined development scenarios included within the Town Center Plan to forecast anticipated revenues that will be generated from existing funding sources for transportation, water, sewer, storm, and parks facilities, including system development charges (SDCs), connection fees, rates, and taxes. This assessment determined that, based on the current SDCs on new development, significant funding gaps are expected for transportation, sanitary sewer and stormwater facilities. These funding gaps would be particularly acute during the first 25 years as new development begins to occur within Town Center. Some form of advance financing is likely required because public facility investments would be needed in the short term, before SDC fund balances accumulate.

To address this, the project team reviewed a variety of funding tools to determine which are best suited to close these gaps. As part of this review, the project team completed a preliminary and hypothetical forecast of tax increment revenue to determine the suitability of urban renewal as a tool to fund infrastructure improvements in Town Center. The review considered factors such as the amount of potential funds raised, flexibility of the funding source, ease of implementation, administration cost, market acceptance, and impact on housing costs (Attachment 1, pages 9-12). Based on this review, four funding tools are recommended for consideration in the Funding Plan:

- **Urban Renewal.** The City can create an Urban Renewal District within the Town Center area that generates Tax Increment Financing (TIF) revenue derived from net new assessed property value that occurs over time. TIF revenue can be utilized for public facility capital improvements identified as Projects in an adopted Urban Renewal Plan. Based on the preliminary revenue forecast, it appears this tool could fill the majority of the anticipated funding gaps. It is important to note that adoption of this tool requires additional work, including a more detailed Feasibility Analysis, the subsequent development of an Urban Renewal Plan and Report coordinated with affected taxing districts, and adoption of the Plan and Report through a public hearing process. Creation of a new Urban Renewal District cannot occur until two existing districts (Year 2000 and West Side) are closed out, which is anticipated to occur over the next two fiscal years. Construction of the planned Town Center infrastructure projects without adoption of an Urban Renewal District is unlikely. The flexibility and power of tax increment financing is unmatched by other options. The tool can efficiently generate more funding to support necessary infrastructure improvements than anything else. It should be considered the primary funding mechanism in the Funding Plan.
- **Citywide SDC Updates.** These SDC updates would focus primarily on transportation and parks systems. Given the community-wide benefits generated from the implementation of the Town Center Plan, the City could consider including all or portions of major infrastructure projects in a citywide SDC update. Significant growth and planning of new urban areas has occurred since the City last updated these SDCs, making this an important step in ensuring that Citywide SDCs reflect the City's future infrastructure needs resulting from new development.
- **Stormwater Utility Fee Surcharge.** Considering the costs associated with retrofitting and maintaining stormwater infrastructure, a utility surcharge could generate a dedicated source of funding and could be utilized to finance inter-fund loans for advanced financing of initial catalyst infrastructure improvements. However, this surcharge will generate only a small fraction of the overall amount of money needed to fill the anticipated funding gaps, and the costs from this surcharge could be passed on to businesses. Additional study would be required to determine if the benefits of this surcharge are worth the potential impacts.
- **City Bond or Debt Issuance.** In order to advance construction of major transportation improvements and sewer/water/storm systems, the City and/or the Urban Renewal Agency could consider combining various existing and new sources of funding and dedicating that revenue to related debt principal and interest. The findings of the memorandum (Attachment 1, page 13) indicate that this should only be considered after other funding tools are established. Limited general obligation bonds (also known as councilmatic bonds) or full faith and credit bonds do not require voter approval and they are not subject to debt service coverage requirements. However, like revenue bonds, an ongoing source of revenue would need to be pledged to protect the City's general fund from added risk.

To prepare the Town Center Infrastructure Funding Plan for adoption, the project team seeks feedback on the following questions:

- Does the Council concur with the finding that an Urban Renewal Area for Town Center should be pursued as the primary funding tool to support the infrastructure projects identified by the Town Center Plan and studied as part of the Town Center Infrastructure Funding Plan?

Note: The next step would be a full Feasibility Analysis, conducted by a qualified consulting firm, in order to refine a tax increment revenue forecast, identify projects from the Town Center Plan and associated costs, consult and confer with affected taxing districts, and identify the maximum indebtedness allowed under an adopted Urban Renewal Plan for Town Center. Creation of a new Urban Renewal Area in Town Center would not occur without further input and consideration from both the Urban Renewal Task Force and City Council, after completion of a Feasibility Analysis.

- Should the other identified tools (Citywide SDC Updates, Stormwater Utility Fee Surcharge, City Bond or Debt Issuance) be included within the Town Center Infrastructure Funding Plan for future study/consideration? If so, which?

EXPECTED RESULTS:

Provide direction on recommended funding tools for inclusion in the Town Center Infrastructure Funding Plan.

TIMELINE:

Work to identify funding gaps for Town Center infrastructure projects and assess financing tools to fill the gaps, including urban renewal, took place throughout spring and summer 2022. After gathering City Council input on the preferred approach to infrastructure funding, the project team will finalize the Town Center Infrastructure Funding Plan, with adoption anticipated in late 2022 or early 2023.

CURRENT YEAR BUDGET IMPACTS:

Total project scope for the Infrastructure Funding Plan and Urban Renewal Analysis is approximately \$90,000, with approximately \$35,000 to be spent in FY 2022-23. Funding for consultant services will be funded by CIP project #3004. The adopted budget for FY2022-23 includes approximately \$140,000 for Town Center Implementation.

COMMUNITY INVOLVEMENT PROCESS:

The Town Center Plan included a robust and inclusive public outreach process where an infrastructure funding plan and urban renewal analysis were identified as implementation actions.

POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:

As a result of undertaking the Town Center Plan's implementation activities, including the Infrastructure Funding Plan, the City will begin to realize the community's vision for a more commercially vibrant, walkable, mixed-use Town Center.

ALTERNATIVES:

City Council may suggest the addition or removal of funding tools for consideration in the Town Center Infrastructure Funding Plan.

CITY MANAGER COMMENT:

N/A

ATTACHMENT:

1. Town Center Infrastructure Funding Plan: Draft Findings and Recommendations Memo – October 4, 2022