



**CITY COUNCIL MEETING  
STAFF REPORT**

<b>Meeting Date:</b> September 18, 2023		<b>Subject:</b> Town Center Urban Renewal Feasibility Study	
		<b>Staff Member:</b> Matt Lorenzen, Economic Development Manager	
		<b>Department:</b> Community Development	
<b>Action Required</b>		<b>Advisory Board/Commission Recommendation</b>	
<input type="checkbox"/> Motion <input type="checkbox"/> Public Hearing Date: <input type="checkbox"/> Ordinance 1 <sup>st</sup> Reading Date: <input type="checkbox"/> Ordinance 2 <sup>nd</sup> 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	
		<b>Comments:</b> N/A	
<b>Staff Recommendation:</b> N/A			
<b>Recommended Language for Motion:</b> N/A			
<b>Project / Issue Relates To:</b>			
<input checked="" type="checkbox"/> Council Goals/Priorities: 8. Prioritize and implement recommendations of the Urban Renewal Strategic Plan		<input checked="" type="checkbox"/> Adopted Master Plan(s): <ul style="list-style-type: none"> <li>• Town Center Plan (2019)</li> <li>• Town Center Infrastructure Funding Plan (2022)</li> <li>• Urban Renewal Strategic Plan (2022)</li> </ul>	
		<input type="checkbox"/> Not Applicable	

**ISSUE BEFORE COUNCIL:**

Provide Council with an update on the Town Center Urban Renewal Feasibility Study.

## **EXECUTIVE SUMMARY:**

Urban Renewal (also known as Tax Increment Finance or “TIF”) is a public finance tool used by cities and counties to cure “blight” by supporting new development and redevelopment through the reinvestment of tax increment within a defined geographic area. When a new urban renewal area is established, a boundary is defined and the tax revenue derived from the assessed value of properties within that boundary is frozen in time. Taxing districts receive the same annual tax revenue from the properties within the boundary for the duration of the urban renewal plan that governs the urban renewal area—often 20-30+ years. As assessed value typically increases year to year, and as new development and redevelopment create new assessed value within the urban renewal area, those tax dollars (tax increment) are divided from the frozen base and set aside for Urban Renewal. The tax increment funds are used to pay for public projects and other programs that support new development and the overall revitalization of the urban renewal area.

### Urban Renewal Feasibility Study

#### Background

Several adopted plans of the City have recommended the study of urban renewal feasibility as a funding mechanism to support the construction of public infrastructure and several economic development strategies found in the Town Center Plan (2019), including most recently the Urban Renewal Strategic Plan (2022) and the Town Center Infrastructure Funding Plan (2022).

Staff has procured the services of qualified consultants, Elaine Howard Consulting and Tiberius Solutions, to complete technical work and analysis as part of the feasibility study.

Staff briefed the Council on June 19, 2023 and again on July 17, 2023. The Urban Renewal Task Force (URTF) is acting as the technical advisory committee for this study. At the previous briefings we had only preliminary analysis to share. The initial project calendar was built around a target end date of August 7, 2023, when the Council would potentially approve ballot language for an advisory vote on November 7, 2023. At the July 17 briefing, staff informed Council this ambitious timeline was *too* ambitious. The project timeline now targets an advisory vote on May 21, 2024. The modified timeline does not impact tax increment collections so long as an urban renewal plan is adopted by the end of September 2024, if the Council does elect to move forward with a plan after the advisory vote.

#### Updated Financial Projections

Since the July 17 briefing, staff have worked internally and with our consultants to refine development assumptions and projections in order to forecast tax increment revenues with greater accuracy. After careful analysis of allowable land-uses, market trends and values, and input from real estate professionals we have arrived at a defensible model that shows a maximum indebtedness (MI) that exceeds our previous projections: ± \$181 Million with a plan duration of roughly 28 years. Previous projections showed a maximum indebtedness of ± \$ 114 Million. Maximum indebtedness of \$181 Million is stated in dollars that are not adjusted for

inflation. If adjusted for inflation the MI can be stated as roughly \$101 Million in 2023 dollars. Staff and/or Consultants will review the assumptions that informed this forecast using the attached slides during the meeting.

### Documentation of Blight

Per statute, any urban renewal plan must demonstrate and document that a proposed urban renewal area qualifies as “blighted.” Blight is specifically defined in ORS 457.010 and the blighting conditions are outlined below according to the specific definitions in statute. Our consultant team has reviewed statute and the existing conditions within Town Center and found the area to be blighted. The following conditions exist in the area:

- economic dislocation, deterioration or disuse of property
- division or subdivision and sale of property or lots of irregular form and shape and inadequate size or dimensions for property usefulness and development
- inadequate streets and other rights of way, open spaces and utilities
- prevalence of depreciated values, impaired investments and social and economic maladjustments to such an extent that the capacity to pay taxes is reduced
- growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare

It should be noted that only one of these conditions must be met in order for an area to qualify as blighted. Our consultants have documented at least five (5) blighted conditions.

### Next Steps

With the technical financial forecasting work essentially complete, we now look to determine if this financial capacity is sufficient to fund those projects identified by the Town Center Plan and the Town Center Infrastructure Funding Plan, in addition to potential non-infrastructure programs or projects such as real estate acquisition and funds to attract and support small businesses in Town Center. Furthermore, we will need to evaluate potential projects through a lens that acknowledges we will be seeking both resident and affected taxing district support for any new Town Center urban renewal plan. More specifically, as we evaluate projects we will need to demonstrate:

- The private development envisioned for the area will not occur (or will not occur as quickly and with as much value) without public intervention from the City.
- The projects on the proposed list are all necessary to stimulate or support private development feasibility in the area.
- The City is planning to commit significant other resources to fund these projects, without relying exclusively on tax increment/urban renewal.
- The duration of the proposed Urban Renewal Plan is limited and appropriate.

Staff and consultants alike feel this can be readily demonstrated. Moreover, all affected taxing districts, including the City itself, stand to benefit through the realization of significantly increased tax collections in the Town Center area after the projects are completed and the plan is retired. Our consultant’s forecast shows assessed values in the area increasing from today, roughly \$200 Million, to a future assessed value that approaches \$2 Billion.

At our next Task Force meeting, the group will be discussing and prioritizing projects. Staff will return to brief Council again after the Task Force has been again. Input, regarding projects or the feasibility study generally, is welcome at this time as well.

**EXPECTED RESULTS:**

The Feasibility Study will provide Council, staff, and residents with the information needed in order to make an informed decision regarding the creation and scope of a new urban renewal area in Town Center.

If a new urban renewal plan is adopted for Town Center before October 2024, the Urban Renewal Agency (URA) will collect its first deposit of tax increment in 2026, based on a January 2024 tax roll.

**PROJECT TIMELINE:**

- May 30: Urban Renewal Task Force (URTF) - Meeting 1 (complete)
- June 14: URTF Meeting 2 – Review Preliminary Analysis (complete)
- June 19: Brief City Council (complete)
- July 17: Brief City Council (re: revised timeline) (complete)
- (Appx.) Aug 21: URTF Mtg. 3 – Development assumptions & documentation of blight (complete)
- September 18: Council Briefing 2 (this meeting)
- Mid-late October: URTF Meeting 4 – Project refinement, timing, prioritization
- Late fall: URTF Meeting 5 – Communications Plan & DRAFT Ballot Language
- December: Council Briefing 3
- January-May 2024: Execute Communications Plan
- February 5, 2024: Council consideration of FINAL ballot language and advisory vote
- March 1, 2024: Last day to submit ballot title to Clackamas County elections
- May 21, 2024: Advisory Vote on Ballot (if so directed by Council)
- June-August 2024: Prepare and adopt formal Urban Renewal Plan and accompanying Report (if so directed by Council)

**CURRENT YEAR BUDGET IMPACTS:**

The total cost of this study is \$51,348. The cost has been budgeted for and split between FY '23 and FY '24. Similarly, costs will be divided between the CD Admin budget for technical services, and the Capital Improvement Project (CIP) for Town Center Plan implementation.

**COMMUNITY INVOLVEMENT PROCESS:**

This feasibility study is guided by the Urban Renewal Task Force (URTF), an ad hoc task force of the City, convened on an as-needed basis to act as the technical advisory committee for all matters pertinent to the use of urban renewal in the City.

The URTF is chaired by Council President Kristin Akervall and is comprised of roughly 15 members that represent several interest groups including residents, affected taxing districts, planning commission, real estate development experts, land/property owners, and business owners within Town Center.

The URTF plays a critical role in defining the boundary to be studied, identifying projects and programs to be funded by urban renewal, and ensuring the study is aligned with the values and priorities of the community and affected stakeholders.

**POTENTIAL IMPACTS OR BENEFIT TO THE COMMUNITY:**

The Town Center Plan is broadly supported in the community and by Council. Many anxiously await the realization of the Plan’s vision, goals, and projects. In order for this to occur, a flexible, substantive, and targeted funding source is needed to augment other funding sources. The Town Center Infrastructure Funding Plan has identified several funding sources, but ultimately finds that tax increment finance is needed in order to fill forecasted funding gaps. If an urban renewal plan is feasible and adopted in Town Center, the community benefits are many—a walkable, vibrant cultural and commercial district, hundreds of new residences, greater connectivity and safety for cyclists and pedestrians at Wilsonville Road and across I-5 (proposed bike/ped bridge), and a stronger, more efficient tax base that increases tax revenues per acre by making new use of underutilized land already within the City.

**ALTERNATIVES:**

When the Feasibility Study is complete, the Council may choose to adopt or reject the findings. Furthermore, the Council may choose to direct staff at the conclusion of the study to refer the creation of a new urban renewal area in Town Center to the electorate for an *advisory* vote on the May 21, 2024 ballot. An advisory vote has been the tradition (but not required by City charter) in Wilsonville when the City has considered the use of urban renewal in other areas of the City previously.

**CITY MANAGER COMMENT:**

N/A

**ATTACHMENT:**

1. Development assumptions, financial projections and blighted conditions (Slides)