



CITY OF OREGON CITY URBAN RENEWAL COMMISSION AGENDA

Virtual Meeting
Monday, April 19, 2021 at 7:00 PM

VIRTUAL MEETING OF THE URBAN RENEWAL COMMISSION

The public is strongly encouraged to relay concerns and comments to the Commission in one of three ways:

- *Email at any time up to 12 p.m. the day of the meeting to recorderteam@orcify.org.*
- *Phone call (Monday – Friday, 8 am – 5 pm) to 503-496-1505, all messages will be relayed and/or citizens can register to provide in meeting over-the-phone testimony.*
- *Mail to City of Oregon City, Attn: City Recorder, P.O. Box 3040, Oregon City, OR 97045.*

CALL TO ORDER

ROLL CALL

CITIZEN COMMENTS

DISCUSSION ITEM

1. Alternatives Analysis – Study of Urban Renewal

COMMUNICATIONS

ADJOURNMENT

PUBLIC COMMENT GUIDELINES

Complete a Comment Card prior to the meeting and submit it to the City Recorder. When the Mayor/Chair calls your name, proceed to the speaker table, and state your name and city of residence into the microphone. Each speaker is given three (3) minutes to speak. To assist in tracking your speaking time, refer to the timer on the table.

As a general practice, the City Commission does not engage in discussion with those making comments. Electronic presentations are permitted but shall be delivered to the City Recorder 48 hours in advance of the meeting.

ADA NOTICE

The location is ADA accessible. Hearing devices may be requested from the City Recorder prior to the meeting. Individuals requiring other assistance must make their request known 48 hours preceding the meeting by contacting the City Recorder's Office at 503-657-0891.

Agenda Posted at City Hall, Pioneer Community Center, Library, City Website.

Video Streaming & Broadcasts: The meeting is streamed live on the Oregon City's website at www.orcity.org and available on demand following the meeting. The meeting can be viewed on Willamette Falls Television channel 28 for Oregon City area residents as a rebroadcast. Please contact WFMC at 503-650-0275 for a programming schedule.



CITY OF OREGON CITY

Staff Report

625 Center Street
Oregon City, OR 97045
503-657-0891

To: Urban Renewal Commission
From: City Manager, Tony Konkol

Agenda Date: 04/14/2021

SUBJECT:

Alternatives Analysis – Study of Urban Renewal

STAFF RECOMMENDATION:

To accept the update from the Leland Consulting Group

EXECUTIVE SUMMARY:

Since the project began, in August 2020, the consultant team, led by Leland Consulting Group, has conducted a variety of engagement activities to review general information about urban renewal and the District, collect questions and concerns, and become familiar with the overall project.

These engagement activities provided an important baseline of information the consultant team used to solicit feedback from representatives of overlapping taxing districts, community members, and opponents to TIF. Engagement activities included stakeholder interviews with taxing districts, a community meeting, presentations to community groups, town hall drop-in sessions, and an online survey.

Key takeaways include:

- There is general support for the continued use of urban renewal in Oregon City, with some conditions.
- Most activity participants believe a greater return on public investment is a priority and suggest that future urban renewal funds should aid in development assistance programs and site-specific project support. There is also support for funds to focus on transportation infrastructure, including bicycle and pedestrian amenities and streetscape beautification projects.
- There is support to amend the boundary of the District if deemed necessary for specific projects.
- There is a desire for greater accountability and transparency from URA leadership regarding urban renewal processes, with support for further performance/evaluative measures of urban renewal fund recipients and projects.

BACKGROUND:

On August 5, 2020, the Urban Renewal Commission voted to approve the Leland Consulting Group Public Service Agreement ("PSA"). As part of the PSA's kickoff, the Agreement calls for the development of a public involvement plan and to present the plan to the Urban Renewal Commission.

The Leland Group initiated its first public engagement activity with the hosting of its first community meeting on October 29, 2020. In addition, a series of Town Halls hosted by each Urban Renewal Commissioner have been created. This phase collected questions and comments from the community at large, which helped refine key messages and informational materials, and gauge interest in key topics.

Educating stakeholders and the public about Urban Renewal leads to the final phase of the study, reviewing options and a decision on the District which includes exploring various options for the District, and identifying a desired path forward.

Attached to this report is a separate memorandum that frames various alternatives for consideration along with the pros and cons for each.

OPTIONS:

1. Accept the report on the alternatives as presented by Leland Consulting Group
2. Do not accept the report on the alternatives as presented by Leland Consulting Group

BUDGET IMPACT:

Amount: \$82,911.00

FY(s): 2020-2021

Funding Source(s): Urban Renewal

Oregon City Urban Renewal Study

Alternatives Analysis

Date March 2021
To James Graham, Tony Konkol
 City of Oregon City
From Sam Brookham, Leland Consulting Group
CC Andy Parks, GEL Oregon
 Anaïs Mathez, Steve Faust, 3J Consulting

I. Introduction

Overview

The Oregon City Urban Renewal Study is an effort to help the City of Oregon City determine whether or not the use of Urban Renewal, i.e., tax increment financing (TIF) is supported by the community as a tool to address blight. The overall goal of the process is to educate and ascertain the public's perceptions of TIF within Oregon City and aggregate the findings to provide the City and Urban Renewal Commission options on how to proceed with the use of TIF for the Downtown/North End Urban Renewal District ("District").

Since the project began, in August 2020, the consultant team, led by Leland Consulting Group, has conducted a variety of engagement activities to review general information about urban renewal and the District, collect questions and concerns, and become familiar with the overall project.

These engagement activities provided an important baseline of information the consultant team used to solicit feedback from representatives of overlapping taxing districts, community members, and opponents to TIF. A summary of key takeaways from these activities is provided below. The full findings are provided in a separate memorandum.

Summary of Engagement Activities

Engagement activities included stakeholder interviews with taxing districts, a community meeting, presentations to community groups, town hall drop-in sessions, and an online survey. Key takeaways include:

- There is general support for the continued use of urban renewal in Oregon City, with some conditions.
- Most activity participants believe a greater return on public investment is a priority and suggest that future urban renewal funds should aid in development assistance programs and site-specific project support. There is also support for funds to focus on transportation infrastructure, including bicycle and pedestrian amenities and streetscape beautification projects.
- There is support to amend the boundary of the District if deemed necessary for specific projects.
- There is a desire for greater accountability and transparency from URA leadership regarding urban renewal processes, with support for further performance/evaluative measures of urban renewal fund recipients and projects.

Discussion of Alternatives

There are two primary alternatives available for the City and URA with respect to the use of TIF: close the district and not use TIF, or retain the district and utilize TIF. Below we explore the advantages and disadvantages of each, including a variation if retaining the district.

For simplicity, there are two primary choices for the Urban Renewal Commission regarding the future of the Oregon City Downtown/North End Urban Renewal District, with a second alternative a variation of a primary choice:

1. **Retain the District.** The City may choose to retain the Urban Renewal District in its current form or with amendments to projects, maximum indebtedness, timeline, and/or the boundary.
2. **Retain the District and Increase the Frozen Base.** The City may choose to retain the Urban Renewal District but return a portion of the recurring tax revenue to the overlapping taxing districts by increasing the amount of “frozen base” tax assessment.
3. **Close the District.** The City can close the Urban Renewal District and return all of the recurring tax revenue currently being collected for the Urban Renewal District to the overlapping taxing districts.

The remainder of this memorandum explores each of these alternatives in greater detail.

II. Alternatives Analysis

This section explores the pros and cons and financial implications of each of the three alternatives.

Option 1. Retain the District.

1.1. Overview.

Retaining the Urban Renewal District maintains the current frozen base, meaning each of the overlapping taxing districts impacted by the District continues to receive the existing allocation of tax revenue until the District’s closure. However, other elements of the plan, including projects, boundary, and other general text, can be amended through minor and or substantial amendments.

Specifically, if the Urban Renewal Commission determines that the continued use of TIF is an appropriate tool to implement projects in Oregon City, there are several additional options it may choose to consider, including but not limited to:

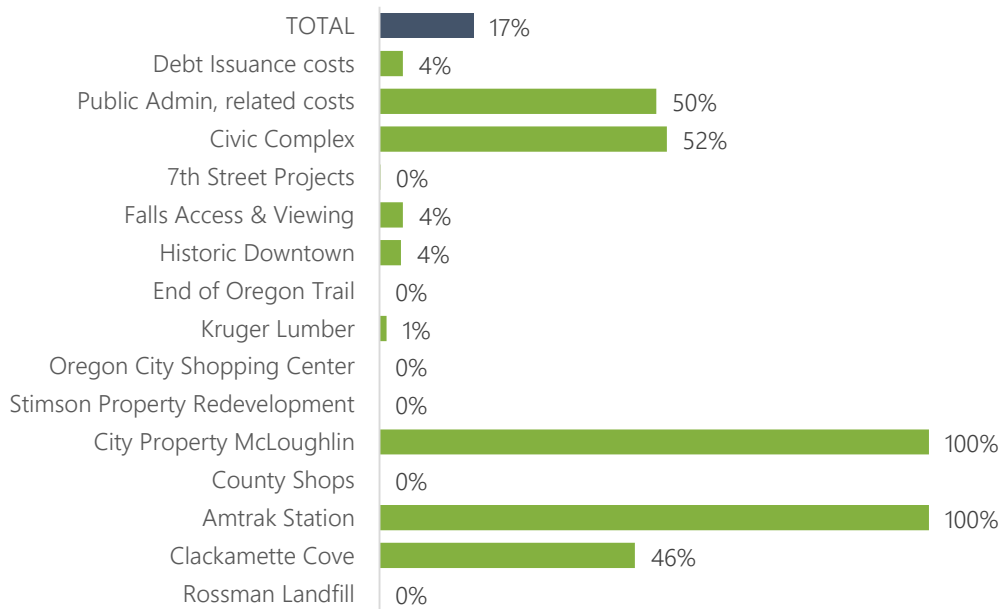
- a) Amend the project list.
- b) Adjust the district boundary.
- c) Implement a termination date.

Amending the Project List. As the below chart shows, the existing District has more than 80 percent of its total maximum indebtedness remaining. Most of the urban renewal spending since 2007 (the date of the substantial plan amendment that increased the maximum indebtedness to \$131.1 million) has been for public right-of-way projects, civic buildings, and administration.

Throughout this Urban Renewal Study, the consultant team has consistently heard a desire for projects that have a high return-on-investment (ROI); in other words, projects that result in new development and/or significant increases in taxable property value. Of the projects in the plan—shown below—most of the high ROI projects are not yet implemented, particularly the Rossman Landfill project, which accounts for \$30 million of the total \$131 million maximum indebtedness.

Generally speaking, there are greater increases to taxable assessed value (TAV), and therefore greater ROI, from development on bare land than incremental improvements to existing buildings. The ROI would be impacted by how much urban renewal investment was necessary to facilitate the development on bare land versus what may be needed to facilitate redevelopment of existing improvements. An analysis to consider is whether the investment for incremental improvements to existing building protects the value so that increment is not lost (i.e., the assessed value of the improvements declines or does not increase without the investment, thus resulting in a loss of property tax revenue to the District).

Figure 1. Percent Spent of Maximum Indebtedness and Projects, 2007-2020



Source: City of Oregon City

Amending the Project List and Adjusting the Boundary. If the City determines that there's a need for TIF-funded projects outside of the current Urban Renewal District boundary, the boundary will need to be adjusted accordingly, as TIF investment is generally limited to projects within its boundaries.

Any tax generation/other impacts would depend on the tax status of the property owner and the assessed value and use of the property. If the property owner and use are tax-exempt, there is no tax revenue generated; if taxable, the property will provide some tax revenue.

For example, expanding the boundary to include the Willamette Falls property—owned by the Grand Ronde Tribe, a tax-exempt entity—would not generate tax increment revenue for the District. However, the City and Grand Ronde Tribe may be able to negotiate an agreement for payment-in-lieu-of-taxes.

The Plan can be amended to expand the urban renewal area by up to 20 percent. A substantial amendment is required for any adjustment that increases the total area in the district by more than one percent (1%). The City can add up to 1.0% (8.55 acres) to the total existing area (855 acres) without triggering the need for a substantial amendment. There is no need to remove areas from the existing district unless the City wants to include an area greater than 1.0% without triggering the substantial amendment. In this scenario, the City would remove area(s) from the existing areas roughly equal to the new area(s) less 8.55 acres.

The assessed value of any new area at the time of addition to the District will be added to the frozen tax base. For example, the addition of a property with a TAV of \$100 will add \$100 to the existing frozen base. All growth beyond \$100 will be captured as tax increment revenue.

Implementing a termination date. One of the concerns about urban renewal in Oregon City has been the lack of a clear end date. A minor adjustment would be needed to add an expiration, termination, or sunset date to the Plan.

The presence of a termination or expiration date in the urban renewal plans would address the concern that the urban renewal plan should have a finite duration. Though termination dates commonly exist in older urban renewal plans, the specific meaning of the termination or expiration date (i.e., what exactly ends on the termination date?) would be up to the City to decide.

A termination date could refer to:

- The retirement of debt and corresponding termination of collection of tax increment funds,
- The completion of all projects, and/or
- The expiration of other provisions in the plan.

For the Downtown/North End Urban Renewal Plan, a concern expressed has been the continuation of foregone tax revenue for the overlapping taxing districts. To address this concern, the City/URA could consider a termination date of the Plan and or increasing the “frozen base” of the Plan. If a termination date were implemented, the most common date relates to no further projects or use of TIF, and upon the retirement of debt, property taxes due to tax value increment would return to the relevant taxing districts.¹

Districts utilize excess property tax collections—i.e., property taxes over the amount of debt service—to either prepay outstanding debt or do not levy the full amount authorized, resulting in a portion of incremental property taxes returning to overlapping taxing districts. Any projects not completed before the termination date would remain incomplete unless funded by alternative sources.

1.2. Financial and Economic Impacts.

Tax Increment Generation. In fiscal year 2020-21, the URA will receive approximately \$3.2 million in incremental property tax revenue, providing the District approximately \$33 million in debt capacity.

As the taxable assessed value of property in the District grows, more incremental property tax revenue will become available and thus increased TIF (debt capacity) to fund projects. New development projects—especially those on underutilized land—will increase the annual tax increment revenue at a greater rate than the growth of the assessed value of existing property (capped at three percent annually on a property-by-property basis) because the entirety of value of the new development can be captured.

For example, a planned 99-room Hampton Inn and Suites is expected to open in 2021 at 415 17th Street in Oregon City (within the District). The estimated tax increment property taxes, in fiscal year 2021 dollars, is approximately \$168,000 per year (assuming \$180,000 valuation per room with 60 percent TAV/RMV ratio and \$15.7748 tax rate).

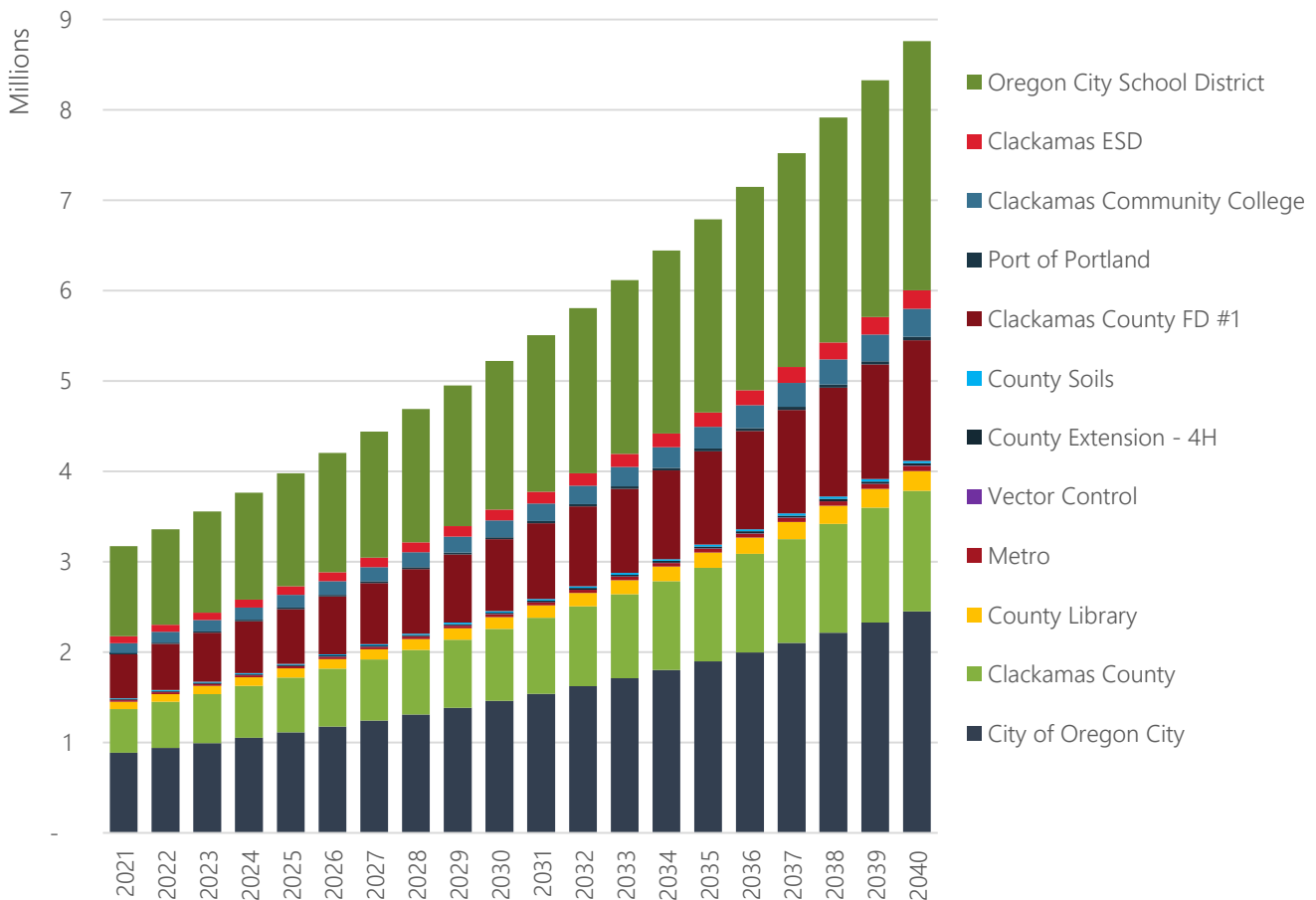
Comparatively, with no new development, the maximum three percent (3%) annual increase in assessed value would provide an additional \$145 per year (increasing by three percent per year) in annual tax increment property taxes.

¹ The reason most plans use a termination date for no further investment of TIF is that it is challenging to issue debt with an uncertainty of payment, i.e., the amount of property taxes available to repay debt.

Projects. With an average annual increase in tax increment of under five percent (4.715%), the Downtown/North End Urban Renewal District has performed below other urban renewal districts in Oregon. An average annual increase of more than six percent (6.0%) is possible and desired by other taxing districts to justify the use of TIF. With this information, the URA can evaluate investment in potential projects to help with their investment and timing decisions.

Foregone Tax Revenue. The following chart shows foregone property taxes to each overlapping taxing district assuming a historic growth rate of 4.7 percent annually in assessed value growth. An effective Urban Renewal District would see assessed value growth increase to more than six percent (6.0%), which would increase the annual property tax revenue and result in the earlier completion of the Plan, repayment of debt, and substantially greater revenue to the overlapping taxing districts upon the District's closure.

Figure 2. Foregone Property Taxes, Overlapping Taxing Districts, Fiscal Years 2021-2040



Source: GEL Oregon, Inc.

1.3. Other Impacts and Considerations.

Going forward, in order to retain the ability to use urban renewal tax increment financing, a city-wide vote may be appropriate. A concern raised by opponents of TIF in Oregon City is that to issue debt, the City must first secure voter approval. Presently, a voter-passed initiative effectively eliminating the URA from issuing debt has been found invalid as the URA is a separate entity from the City. Several other communities in Oregon have charters that require voter approval of urban renewal plans. Seeking voter approval of the urban renewal plan may be the ultimate confirmation of

Oregon City citizens' support of the use of TIF and would remove uncertainty for developers and the URA with respect to participation in TIF-funded projects.

To successfully receive voter approval of an urban renewal plan, the formation of a political action committee (PAC) may be necessary. The PAC will need organization and dollars to be successful and will need to overcome misinformation that has been and continues to be communicated in the City regarding urban renewal. For example, one piece of misinformation is that overlapping taxing districts oppose the City's urban renewal district. The LCG team's meetings with the OTDs show support for the City to use tools at their disposal—including urban renewal tax increment financing—and suggested ways to mitigate the impacts of such tools over the long-term.

Option 2. Retain the District and Increase the Frozen Base.

2.1. Overview.

The Urban Renewal District collects property tax revenue on any taxes resulting from the growth on the District area's assessed value that was "frozen" in 2007 upon the adoption of the Plan. Typically, all overlapping taxing districts continue to receive the tax revenue from the "frozen" assessed value throughout the life of the Plan. Sometimes, a Plan includes triggers that allow the City to return a portion of taxes to the taxing districts. Increasing the frozen base for the Downtown/North End Urban Renewal District would be similar.

While increasing the frozen base involves retaining the Urban Renewal District and can be combined with any of the other elements of Option 1, the annual funding stream (i.e., tax increment property taxes) will be reduced potentially. This impacts the funding for and timing of projects and, therefore, necessitates a separate look as an alternative.

2.2. Financial and Economic Impacts.

In our forecasts, increasing the frozen assessed value by approximately one-half of the existing incremental value (approximately \$102 million) reduces the forecast levy by approximately \$1.59 million, and extends the District's closure by approximately three fiscal years (from FY 2042 to FY 2045). The \$1.59 million not levied by the URA is returned to all overlapping taxing districts in proportion to their tax rate to the total tax rate. Increasing the frozen base may be a reasonable option to increase property tax funding to overlapping taxing districts while limiting the timing impact to the URA to complete projects, without increasing taxes on taxpayers.

Option 3. Close the District.

3.1. Overview.

If the City determines that neither of the previous two options is appropriate, a third option is to close the District. For an urban renewal district to close, any debt must first be paid off. For the Downtown Oregon City/North End Urban Renewal District, the URA paid off outstanding debt in December 2020. Therefore, the URA can close at this time.

3.2. Financial and Economic Impacts.

Taxing Districts. Closing the District would halt the ability of the URA to fund projects with TIF. At this time, closing the District would result in the loss of approximately \$40+/- million to the Oregon City community from the State between fiscal years 2022 and 2042. The lost dollars are the result of the State not "backfilling" dollars that were redirected from the Oregon City School District to the URA. Those dollars could also be leveraged for additional State and Federal dollars.

Closing the District would release all remaining funds to be returned to the overlapping taxing districts. The table below shows several financial impacts. For the Oregon City School District, the property tax revenue redirected to the URA and made up by the State of Oregon will be retained by the School District, and the State will reduce its funding by the amount of property taxes returned. Total funding for the Oregon City School District is unchanged regardless of whether the District is retained or closed. Note that the School District receives no additional funds upon the District's termination. This is due to the equalization formula used by the State, which provides funding on a per-student basis to schools. Any local shortfall in property taxes and other funding sources to meet the per capita funding is fulfilled by the State.

The financial impact, in percentage terms, to the Fire District of the OCURA is less than one percent (0.79%) of the District's full levy authority. The most significant financial impact, in percentage terms, of the OCURA is to the City of Oregon City of nearly six percent (5.65%) of its full levy authority.

Table 1. Closure of Downtown Urban Renewal District, Impacts on Selected Taxing Districts (Amounts in Thousands)

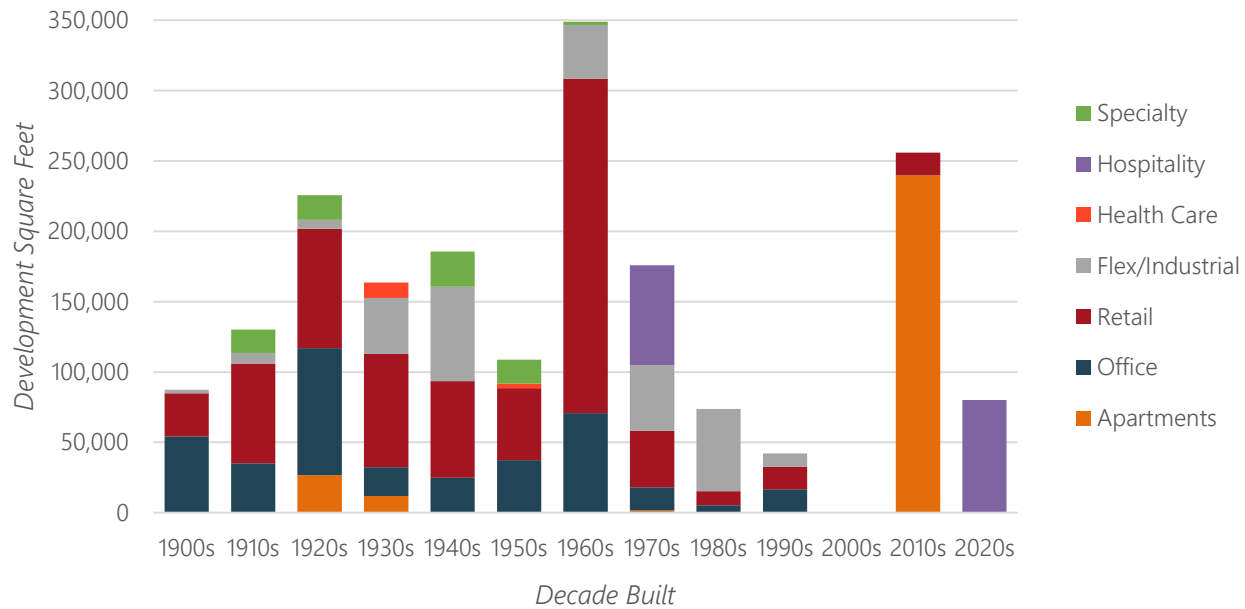
Taxing District	Fiscal Year 2022	Fiscal Year 2042	2119-year Total	% of Levy FY 2021
City of Oregon City	\$982	\$3,594	\$32,906	5.65%
Clackamas County Fire District	\$535	\$1,957	\$17,921	0.79%
Oregon City School District	\$0	\$0	\$0	0%
Oregon City Community	(\$1,057)	(\$3,048)	(\$40,088)	(1.69%)
Cost to Oregon City Taxpayer	\$0	\$0	\$0	

Source: GEL Oregon, Inc.; Based on historical 4.7% annual increase in TAV for the 21-year forecast period (FY 2022-2042)

Alternative Funding Sources. While urban renewal TIF is an effective tool available to Oregon cities to fund capital projects and programs, closing the District would mean the City will need to explore alternative funding sources in order to complete the projects and or forego those projects.

The City can increase property taxes via local option levies, gas taxes, other taxes, and/or charges for services and fees. They can also reduce levels of service or redirect dollars from existing revenues, or simply rely on the private sector. For affordable housing, Low Income Housing Tax Credits (LIHTC) are one of the most popular mechanisms available. For economic development and new jobs, several state and federal programs are available to assist in significant building improvements or new development that are focused on job creation, including New Market Tax Credits, Opportunity Zones, and Enterprise Zones.

Impacts on Development Prospects. While market conditions have considerably improved both regionally and locally over the past 20 years, new development in the District has been limited. The primary new development since the Plan's adoption is the Edgewater at The Cove apartments, which account for the 239,788 square feet of apartment development in the 2010s. The Edgewater apartments received urban renewal funding assistance and a sixty percent (60%) tax abatement on the building through the Vertical Housing Tax Abatement program.

Figure 3. New Development Square Feet by Decade and Type, Downtown/North End Urban Renewal District

Source: Costar, LCG

The District may continue to attract new development regardless of whether urban renewal funds are available in the future. However, more challenging sites that require additional costs to develop are likely to remain vacant without public funding assistance for site preparation and other predevelopment costs. These sites include the Rossman Landfill site and the Clackamette Cove area, which are both brownfield sites.

Cleaning up those sites and redeveloping them will change the visual appearance/entry from and off of I-205, drive real estate value increases for adjoining properties and other properties throughout the area, and provide employment opportunities. If not, the brownfields will remain as they are for decades and decades, which will negatively impact Oregon City for generations.

While data is more limited for rehabilitation and renovation projects, it is important to show the trends in order to understand the potential intersection with the Plan's adoption in 2007. Generally, renovations look to have been limited relative to new construction. Most renovations have been office-related. There is no information about the role that urban renewal played in these investments.

Table 2. Major Renovations (per Costar) by Land Use, Urban Renewal District

	Multifamily	Office	Retail	Total
Pre 2007	8,950	21,526	245,026	275,502
2008-2020	5,535	46,562	7,000	59,097
	38%	68%	3%	18%

Source: Costar

3.3. Other Impacts and Considerations.

Upon the termination of a district, assets of the urban renewal authority are generally transferred to the City if not sold. In the future, if the City desires to create a new targeted Urban Renewal District, it will need to consider the time and budget requirements for doing so. For planning purposes, setting up a new district may take approximately 12 to 18

months and \$75,000 to \$200,000 or more (plus staff, elected officials, and other's time and cost), depending on the complexities of the district and the public process utilized.

III. Summary and Conclusions

Table 3: Summary Table: Primary Alternatives for Urban Renewal in Oregon City

Alternatives/ Options	Advantages	Disadvantages
Retain the District	• Retain the ability to address blight • Retain state funding of \$40+/- million • No loss of school funding • Close district ~2042 • Funding to clean up brownfield sites remains	• May need to secure voter approval for the district and Plan • OTDs receive reallocation of taxes in approximately FY 2043
Increase the Frozen Base	• Redirected taxes to OTD (\$1.3+/- million, \$500k+/- to City) • No change to school funding • Retain the ability to address blight • Funding to clean up brownfields remains	• May need to secure voter approval • Defer funding to address blight • Defers funding from State • No additional funding to schools • Extends Urban Renewal by 3 years (2045)
Close the District	• Redirected taxes to OTD -\$1.0+/- million to City • Reduce controversy	• Lose \$40+/- million State funding for community • No additional funding to schools • Options to address blight in Oregon City reduced • Brownfield property near I-205 remain

Source: GEL, Leland Consulting

Next Steps

A decision on the future of urban renewal in Oregon City is necessary. This memorandum provides a summary of the financial implications and pros and cons of several alternatives to consider.

The remaining engagement activities provide opportunities to present this information to Oregon City community stakeholders and ask specific questions about their priorities under each alternative.