



DATE: August 31, 2020
TO: Jonathan Taylor, City of Tualatin
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SUBJECT: TUALATIN BASALT CREEK 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*. This report summarizes the results of the feasibility analysis for the Basalt Creek Study Area. 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 impacts of urban renewal, including impacts on diversity, equity, and inclusion.

Results

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 later in this 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, we forecast the true financial capacity of the URA to be between \$13.6 million and \$26.2 million.

Implications and Next Steps

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 .
- 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:

- 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

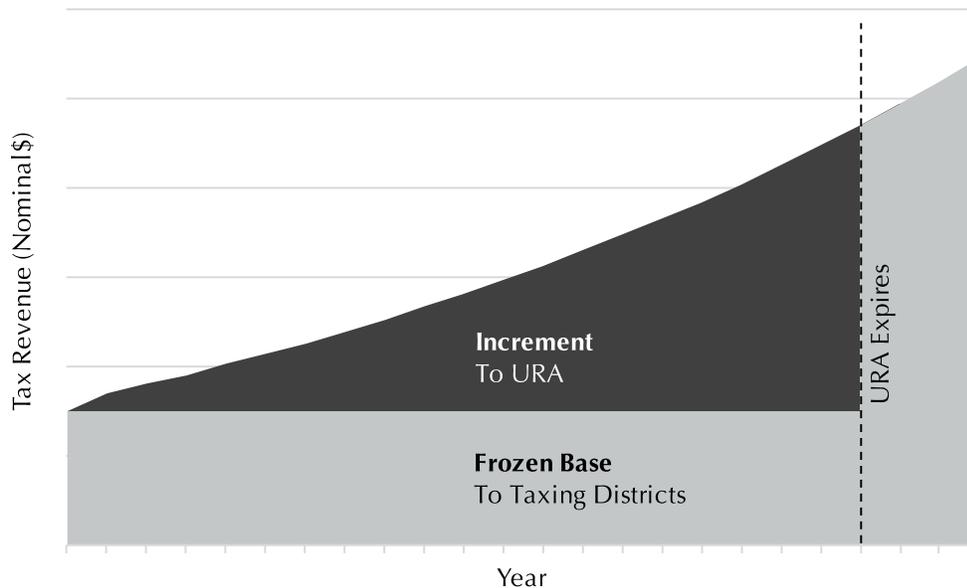
Background

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

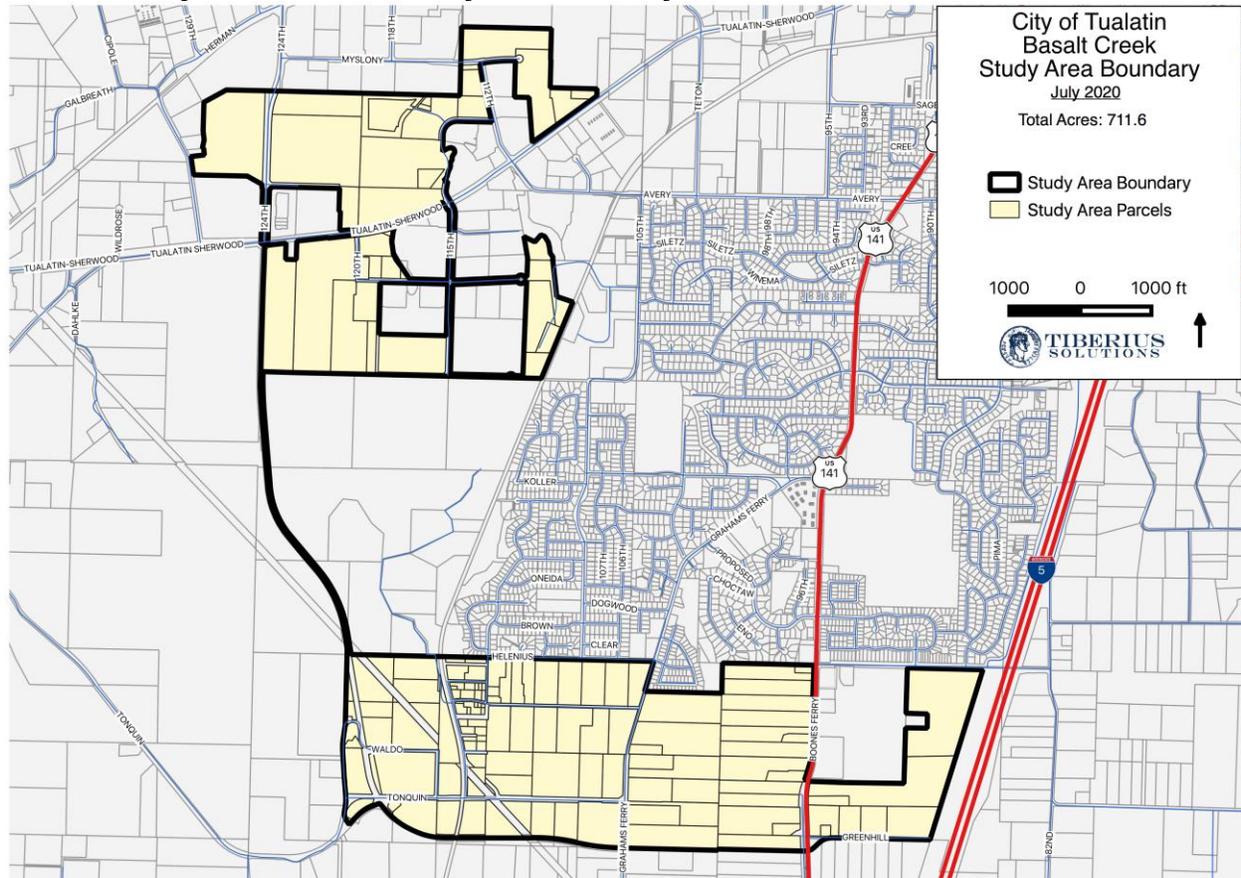
Study Area Boundary

City staff provided Tiberius Solutions with the preferred potential Basalt Creek 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 711.6 acres, which constitutes 14% 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 Basalt Creek 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 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 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

This 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): 23.76, 88.09, 88.13, 88.15, and 88.28. Because most of 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, Basalt Creek Study Area, FYE 2020

Jurisdiction Name	Tax Code Area				
	23.76	88.09	88.13	88.15	88.28
General Government					
Washington County	\$ 2.2484	\$ 2.2484	\$ 2.2484	\$ 2.2484	\$ 2.2484
City of Tualatin	\$ 2.2665	\$ -	\$ -	\$ 2.2665	\$ 2.2665
Clean Water Services	\$ -	\$ -	\$ -	\$ -	\$ -
Metro	\$ 0.0966	\$ 0.0966	\$ 0.0966	\$ 0.0966	\$ 0.0966
Port of Portland	\$ 0.0701	\$ 0.0701	\$ 0.0701	\$ 0.0701	\$ 0.0701
Tri-Met	\$ -	\$ -	\$ -	\$ -	\$ -
Tualatin Soil & Water District	\$ 0.0825	\$ 0.0825	\$ 0.0825	\$ 0.0825	\$ 0.0825
Tualatin Valley Fire & Rescue	\$ 1.5252	\$ 1.5252	\$ 1.5252	\$ 1.5252	\$ 1.5252
Tigard/Tualatin Aquatic District	\$ 0.0900	\$ -	\$ -	\$ -	\$ -
Urban Road Maintenance	\$ -	\$ 0.2456	\$ -	\$ -	\$ -
Enhanced Sheriff Patrol	\$ -	\$ 0.6365	\$ -	\$ -	\$ -
<i>Subtotal</i>	\$ 6.3793	\$ 4.9049	\$ 4.0228	\$ 6.2893	\$ 6.2893
Education					
Tigard/Tualatin School District	\$ 4.9892	\$ -	\$ -	\$ -	\$ -
NW Regional ESD	\$ 0.1538	\$ 0.1538	\$ 0.1538	\$ 0.1538	\$ 0.1538
Portland Community College	\$ 0.2828	\$ 0.2828	\$ 0.2828	\$ 0.2828	\$ 0.2828
Sherwood School District	\$ -	\$ 4.8123	\$ 4.8123	\$ 4.8123	\$ 4.8123
<i>Subtotal</i>	\$ 5.4258	\$ 5.2489	\$ 5.2489	\$ 5.2489	\$ 5.2489
Total	\$ 11.8051	\$ 10.1538	\$ 9.2717	\$ 11.5382	\$ 11.5382

Source: Tiberius Solutions using data from Washington County Assessor, 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 1.8% of the citywide assessed value of \$4.7 billion. Real property includes land and buildings, and is the predominant type of property, accounting for 81% 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 the largest share (39%) of the total assessed value in the URA, with TCAs 88.15 and 23.76 comprising 34% and 36% of total assessed value in the URA respectively.³

³ Although the potential URA overlaps a portion of TCA 88.28, that area of overlap includes no taxable assessed value.

Exhibit 5. Assessed Value by Tax Code Area, Basalt Creek Study Area, FYE 2020

Tax Code Area	Assessed Value				Total
	Real	Personal	Manufactured	Utility	
23.76	\$ 14,493,777	\$ 7,618,379	\$ -	\$ 413,278	\$ 22,525,433
88.09	\$ 204,700	\$ -	\$ -	\$ 36,305	\$ 241,005
88.13	\$ 27,433,550	\$ 3,704,858	\$ 160,630	\$ 2,457,829	\$ 33,756,867
88.15	\$ 27,900,120	\$ 1,541,637	\$ -	\$ 299,218	\$ 29,740,975
88.28	\$ -	\$ -	\$ -	\$ -	\$ -
Total	\$ 70,032,147	\$ 12,864,874	\$ 160,630	\$ 3,206,629	\$ 86,264,279

Source: Estimated by Tiberius Solutions using data from Washington County Assessor, 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 \$89,714,850 to \$91,440,135, 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: 4%. Equal to 3% maximum annual appreciation for existing property plus 1% exception value from new development. This would equate to experiencing an average of \$1.0 million of assessed value growth from new construction each year.
- Medium Growth: 5%. Equal to 3% maximum annual appreciation for existing property plus 2% exception value from new development. This would equate to experiencing an average of \$2.3 million of assessed value growth from new construction each year.
- High Growth: 6%. Equal to 3% maximum annual appreciation for existing property plus 3% exception value from new development. This would equate to experiencing an average of \$4.2 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 advice of the advisory committee, input from city staff, and preferences of City Council regarding maximum indebtedness and duration.

Exhibit 6. TIF Forecast, Low Growth Scenario, Basalt Creek Study Area

FYE	Assessed Value			Tax Rate	Tax Increment Finance Revenue			
	Total	Frozen Base	Increment		Gross	Adjustment	Prior Year	Net
2020	\$ 86,264,279	\$ 86,264,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ 89,714,850	\$ 89,714,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	\$ 93,303,444	\$ 89,714,850	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 97,035,582	\$ 89,714,850	\$ 7,320,732	\$ 10.7171	\$ 78,457	\$ (3,923)	\$ -	\$ 74,534
2024	\$ 100,917,005	\$ 89,714,850	\$ 11,202,155	\$ 10.7171	\$ 120,055	\$ (6,003)	\$ 1,118	\$ 115,170
2025	\$ 104,953,687	\$ 89,714,850	\$ 15,238,837	\$ 10.7171	\$ 163,316	\$ (8,166)	\$ 1,711	\$ 156,861
2026	\$ 109,151,835	\$ 89,714,850	\$ 19,436,985	\$ 10.7171	\$ 208,308	\$ (10,415)	\$ 2,327	\$ 200,220
2027	\$ 113,517,908	\$ 89,714,850	\$ 23,803,058	\$ 10.7171	\$ 255,100	\$ (12,755)	\$ 2,968	\$ 245,313
2028	\$ 118,058,624	\$ 89,714,850	\$ 28,343,774	\$ 10.7171	\$ 303,763	\$ (15,188)	\$ 3,635	\$ 292,210
2029	\$ 122,780,967	\$ 89,714,850	\$ 33,066,117	\$ 10.7171	\$ 354,373	\$ (17,719)	\$ 4,329	\$ 340,983
2030	\$ 127,692,206	\$ 89,714,850	\$ 37,977,356	\$ 10.7171	\$ 407,007	\$ (20,350)	\$ 5,050	\$ 391,707
2031	\$ 132,799,896	\$ 89,714,850	\$ 43,085,046	\$ 10.7171	\$ 461,747	\$ (23,087)	\$ 5,800	\$ 444,459
2032	\$ 138,111,892	\$ 89,714,850	\$ 48,397,042	\$ 10.7171	\$ 518,676	\$ (25,934)	\$ 6,580	\$ 499,322
2033	\$ 143,636,368	\$ 89,714,850	\$ 53,921,518	\$ 10.7171	\$ 577,882	\$ (28,894)	\$ 7,391	\$ 556,379
2034	\$ 149,381,823	\$ 89,714,850	\$ 59,666,973	\$ 10.7171	\$ 639,457	\$ (31,973)	\$ 8,235	\$ 615,719
2035	\$ 155,357,096	\$ 89,714,850	\$ 65,642,246	\$ 10.7171	\$ 703,495	\$ (35,175)	\$ 9,112	\$ 677,432
2036	\$ 161,571,381	\$ 89,714,850	\$ 71,856,531	\$ 10.7171	\$ 770,094	\$ (38,505)	\$ 10,025	\$ 741,614
2037	\$ 168,034,236	\$ 89,714,850	\$ 78,319,386	\$ 10.7171	\$ 839,357	\$ (41,968)	\$ 10,974	\$ 808,363
2038	\$ 174,755,605	\$ 89,714,850	\$ 85,040,755	\$ 10.7171	\$ 911,390	\$ (45,570)	\$ 11,961	\$ 877,782
2039	\$ 181,745,829	\$ 89,714,850	\$ 92,030,979	\$ 10.7171	\$ 986,305	\$ (49,315)	\$ 12,987	\$ 949,977
2040	\$ 189,015,663	\$ 89,714,850	\$ 99,300,813	\$ 10.7171	\$ 1,064,217	\$ (53,211)	\$ 14,055	\$ 1,025,061
2041	\$ 196,576,288	\$ 89,714,850	\$ 106,861,438	\$ 10.7171	\$ 1,145,245	\$ (57,262)	\$ 15,165	\$ 1,103,148
2042	\$ 204,439,339	\$ 89,714,850	\$ 114,724,489	\$ 10.7171	\$ 1,229,514	\$ (61,476)	\$ 16,320	\$ 1,184,358
2043	\$ 212,616,913	\$ 89,714,850	\$ 122,902,063	\$ 10.7171	\$ 1,317,154	\$ (65,858)	\$ 17,521	\$ 1,268,817
2044	\$ 221,121,589	\$ 89,714,850	\$ 131,406,739	\$ 10.7171	\$ 1,408,299	\$ (70,415)	\$ 18,769	\$ 1,356,654
2045	\$ 229,966,452	\$ 89,714,850	\$ 140,251,602	\$ 10.7171	\$ 1,503,091	\$ (75,155)	\$ 20,068	\$ 1,448,004
2046	\$ 239,165,109	\$ 89,714,850	\$ 149,450,259	\$ 10.7171	\$ 1,601,673	\$ (80,084)	\$ 21,419	\$ 1,543,009
2047	\$ 248,731,712	\$ 89,714,850	\$ 159,016,862	\$ 10.7171	\$ 1,704,200	\$ (85,210)	\$ 22,824	\$ 1,641,814
2048	\$ 258,680,979	\$ 89,714,850	\$ 168,966,129	\$ 10.7171	\$ 1,810,827	\$ (90,541)	\$ 24,285	\$ 1,744,571
2049	\$ 269,028,218	\$ 89,714,850	\$ 179,313,368	\$ 10.7171	\$ 1,921,719	\$ (96,086)	\$ 25,804	\$ 1,851,438
2050	\$ 279,789,346	\$ 89,714,850	\$ 190,074,496	\$ 10.7171	\$ 2,037,048	\$ (101,852)	\$ 27,385	\$ 1,962,580
2051	\$ 290,980,918	\$ 89,714,850	\$ 201,266,068	\$ 10.7171	\$ 2,156,989	\$ (107,849)	\$ 29,028	\$ 2,078,167
2052	\$ 302,620,157	\$ 89,714,850	\$ 212,905,307	\$ 10.7171	\$ 2,281,728	\$ (114,086)	\$ 30,737	\$ 2,198,378
Total					\$ 29,480,484	\$(1,474,024)	\$ 387,582	\$ 28,394,042

Source: Tiberius Solutions

Exhibit 7. TIF Forecast, Medium Growth Scenario, Basalt Creek Study Area

FYE	Assessed Value			Tax Rate	Tax Increment Finance Revenue			
	Total	Frozen Base	Increment		Gross	Adjustment	Prior Year	Net
2020	\$ 86,264,279	\$ 86,264,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ 90,577,494	\$ 90,577,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	\$ 95,106,368	\$ 90,577,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 99,861,685	\$ 90,577,494	\$ 9,284,191	\$ 10.7171	\$ 99,500	\$ (4,975)	\$ -	\$ 94,525
2024	\$ 104,854,769	\$ 90,577,494	\$ 14,277,275	\$ 10.7171	\$ 153,011	\$ (7,651)	\$ 1,418	\$ 146,778
2025	\$ 110,097,508	\$ 90,577,494	\$ 19,520,014	\$ 10.7171	\$ 209,198	\$ (10,460)	\$ 2,180	\$ 200,918
2026	\$ 115,602,384	\$ 90,577,494	\$ 25,024,890	\$ 10.7171	\$ 268,194	\$ (13,410)	\$ 2,981	\$ 257,766
2027	\$ 121,382,503	\$ 90,577,494	\$ 30,805,009	\$ 10.7171	\$ 330,140	\$ (16,507)	\$ 3,822	\$ 317,455
2028	\$ 127,451,628	\$ 90,577,494	\$ 36,874,134	\$ 10.7171	\$ 395,184	\$ (19,759)	\$ 4,705	\$ 380,129
2029	\$ 133,824,209	\$ 90,577,494	\$ 43,246,715	\$ 10.7171	\$ 463,479	\$ (23,174)	\$ 5,631	\$ 445,937
2030	\$ 140,515,420	\$ 90,577,494	\$ 49,937,926	\$ 10.7171	\$ 535,190	\$ (26,759)	\$ 6,605	\$ 515,035
2031	\$ 147,541,192	\$ 90,577,494	\$ 56,963,698	\$ 10.7171	\$ 610,486	\$ (30,524)	\$ 7,626	\$ 587,588
2032	\$ 154,918,252	\$ 90,577,494	\$ 64,340,758	\$ 10.7171	\$ 689,546	\$ (34,477)	\$ 8,699	\$ 663,768
2033	\$ 162,664,166	\$ 90,577,494	\$ 72,086,672	\$ 10.7171	\$ 772,560	\$ (38,628)	\$ 9,826	\$ 743,758
2034	\$ 170,797,376	\$ 90,577,494	\$ 80,219,882	\$ 10.7171	\$ 859,725	\$ (42,986)	\$ 11,009	\$ 827,747
2035	\$ 179,337,245	\$ 90,577,494	\$ 88,759,751	\$ 10.7171	\$ 951,247	\$ (47,562)	\$ 12,251	\$ 915,936
2036	\$ 188,304,108	\$ 90,577,494	\$ 97,726,614	\$ 10.7171	\$ 1,047,346	\$ (52,367)	\$ 13,555	\$ 1,008,534
2037	\$ 197,719,314	\$ 90,577,494	\$ 107,141,820	\$ 10.7171	\$ 1,148,250	\$ (57,412)	\$ 14,925	\$ 1,105,762
2038	\$ 207,605,280	\$ 90,577,494	\$ 117,027,786	\$ 10.7171	\$ 1,254,199	\$ (62,710)	\$ 16,363	\$ 1,207,851
2039	\$ 217,985,545	\$ 90,577,494	\$ 127,408,051	\$ 10.7171	\$ 1,365,445	\$ (68,272)	\$ 17,872	\$ 1,315,045
2040	\$ 228,884,824	\$ 90,577,494	\$ 138,307,330	\$ 10.7171	\$ 1,482,254	\$ (74,113)	\$ 19,458	\$ 1,427,598
2041	\$ 240,329,066	\$ 90,577,494	\$ 149,751,572	\$ 10.7171	\$ 1,604,903	\$ (80,245)	\$ 21,122	\$ 1,545,780
2042	\$ 252,345,519	\$ 90,577,494	\$ 161,768,025	\$ 10.7171	\$ 1,733,684	\$ (86,684)	\$ 22,870	\$ 1,669,870
2043	\$ 264,962,795	\$ 90,577,494	\$ 174,385,301	\$ 10.7171	\$ 1,868,905	\$ (93,445)	\$ 24,705	\$ 1,800,165
2044	\$ 278,210,936	\$ 90,577,494	\$ 187,633,442	\$ 10.7171	\$ 2,010,886	\$ (100,544)	\$ 26,632	\$ 1,936,974
2045	\$ 292,121,483	\$ 90,577,494	\$ 201,543,989	\$ 10.7171	\$ 2,159,967	\$ (107,998)	\$ 28,655	\$ 2,080,624
2046	\$ 306,727,558	\$ 90,577,494	\$ 216,150,064	\$ 10.7171	\$ 2,316,502	\$ (115,825)	\$ 30,780	\$ 2,231,456
2047	\$ 322,063,936	\$ 90,577,494	\$ 231,486,442	\$ 10.7171	\$ 2,480,863	\$ (124,043)	\$ 33,010	\$ 2,389,830
2048	\$ 338,167,133	\$ 90,577,494	\$ 247,589,639	\$ 10.7171	\$ 2,653,443	\$ (132,672)	\$ 35,352	\$ 2,556,123
2049	\$ 355,075,491	\$ 90,577,494	\$ 264,497,997	\$ 10.7171	\$ 2,834,652	\$ (141,733)	\$ 37,812	\$ 2,730,731
2050	\$ 372,829,266	\$ 90,577,494	\$ 282,251,772	\$ 10.7171	\$ 3,024,921	\$ (151,246)	\$ 40,394	\$ 2,914,068
2051	\$ 391,470,728	\$ 90,577,494	\$ 300,893,234	\$ 10.7171	\$ 3,224,703	\$ (161,235)	\$ 43,105	\$ 3,106,573
2052	\$ 411,044,265	\$ 90,577,494	\$ 320,466,771	\$ 10.7171	\$ 3,434,475	\$ (171,724)	\$ 45,952	\$ 3,308,703
Total					\$ 41,982,856	\$(2,099,143)	\$ 549,314	\$ 40,433,028

Source: Tiberius Solutions

Exhibit 8. TIF Forecast, High Growth Scenario, Basalt Creek Study Area

FYE	Assessed Value			Tax Rate	Tax Increment Finance Revenue			
	Total	Frozen Base	Increment		Gross	Adjustment	Prior Year	Net
2020	\$ 86,264,279	\$ 86,264,279	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ 91,440,135	\$ 91,440,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2022	\$ 96,926,544	\$ 91,440,135	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2023	\$ 102,742,138	\$ 91,440,135	\$ 11,302,003	\$ 10.7171	\$ 121,125	\$ (6,056)	\$ -	\$ 115,068
2024	\$ 108,906,666	\$ 91,440,135	\$ 17,466,531	\$ 10.7171	\$ 187,191	\$ (9,360)	\$ 1,726	\$ 179,557
2025	\$ 115,441,067	\$ 91,440,135	\$ 24,000,932	\$ 10.7171	\$ 257,220	\$ (12,861)	\$ 2,667	\$ 247,027
2026	\$ 122,367,531	\$ 91,440,135	\$ 30,927,396	\$ 10.7171	\$ 331,452	\$ (16,573)	\$ 3,665	\$ 318,545
2027	\$ 129,709,583	\$ 91,440,135	\$ 38,269,448	\$ 10.7171	\$ 410,138	\$ (20,507)	\$ 4,723	\$ 394,354
2028	\$ 137,492,159	\$ 91,440,135	\$ 46,052,024	\$ 10.7171	\$ 493,544	\$ (24,677)	\$ 5,844	\$ 474,711
2029	\$ 145,741,688	\$ 91,440,135	\$ 54,301,553	\$ 10.7171	\$ 581,955	\$ (29,098)	\$ 7,033	\$ 559,890
2030	\$ 154,486,190	\$ 91,440,135	\$ 63,046,055	\$ 10.7171	\$ 675,671	\$ (33,784)	\$ 8,293	\$ 650,180
2031	\$ 163,755,361	\$ 91,440,135	\$ 72,315,226	\$ 10.7171	\$ 775,010	\$ (38,750)	\$ 9,628	\$ 745,887
2032	\$ 173,580,684	\$ 91,440,135	\$ 82,140,549	\$ 10.7171	\$ 880,309	\$ (44,015)	\$ 11,044	\$ 847,337
2033	\$ 183,995,526	\$ 91,440,135	\$ 92,555,391	\$ 10.7171	\$ 991,925	\$ (49,596)	\$ 12,544	\$ 954,874
2034	\$ 195,035,257	\$ 91,440,135	\$ 103,595,122	\$ 10.7171	\$ 1,110,239	\$ (55,512)	\$ 14,135	\$ 1,068,862
2035	\$ 206,737,372	\$ 91,440,135	\$ 115,297,237	\$ 10.7171	\$ 1,235,652	\$ (61,783)	\$ 15,821	\$ 1,189,690
2036	\$ 219,141,615	\$ 91,440,135	\$ 127,701,480	\$ 10.7171	\$ 1,368,590	\$ (68,429)	\$ 17,608	\$ 1,317,768
2037	\$ 232,290,114	\$ 91,440,135	\$ 140,849,979	\$ 10.7171	\$ 1,509,503	\$ (75,475)	\$ 19,502	\$ 1,453,531
2038	\$ 246,227,523	\$ 91,440,135	\$ 154,787,388	\$ 10.7171	\$ 1,658,872	\$ (82,944)	\$ 21,510	\$ 1,597,439
2039	\$ 261,001,173	\$ 91,440,135	\$ 169,561,038	\$ 10.7171	\$ 1,817,203	\$ (90,860)	\$ 23,639	\$ 1,749,981
2040	\$ 276,661,244	\$ 91,440,135	\$ 185,221,109	\$ 10.7171	\$ 1,985,033	\$ (99,252)	\$ 25,895	\$ 1,911,677
2041	\$ 293,260,919	\$ 91,440,135	\$ 201,820,784	\$ 10.7171	\$ 2,162,934	\$ (108,147)	\$ 28,287	\$ 2,083,074
2042	\$ 310,856,575	\$ 91,440,135	\$ 219,416,440	\$ 10.7171	\$ 2,351,508	\$ (117,575)	\$ 30,822	\$ 2,264,754
2043	\$ 329,507,971	\$ 91,440,135	\$ 238,067,836	\$ 10.7171	\$ 2,551,397	\$ (127,570)	\$ 33,509	\$ 2,457,336
2044	\$ 349,278,449	\$ 91,440,135	\$ 257,838,314	\$ 10.7171	\$ 2,763,279	\$ (138,164)	\$ 36,357	\$ 2,661,473
2045	\$ 370,235,154	\$ 91,440,135	\$ 278,795,019	\$ 10.7171	\$ 2,987,874	\$ (149,394)	\$ 39,377	\$ 2,877,857
2046	\$ 392,449,262	\$ 91,440,135	\$ 301,009,127	\$ 10.7171	\$ 3,225,945	\$ (161,297)	\$ 42,577	\$ 3,107,225
2047	\$ 415,996,218	\$ 91,440,135	\$ 324,556,083	\$ 10.7171	\$ 3,478,300	\$ (173,915)	\$ 45,970	\$ 3,350,355
2048	\$ 440,955,992	\$ 91,440,135	\$ 349,515,857	\$ 10.7171	\$ 3,745,797	\$ (187,290)	\$ 49,566	\$ 3,608,073
2049	\$ 467,413,352	\$ 91,440,135	\$ 375,973,217	\$ 10.7171	\$ 4,029,343	\$ (201,467)	\$ 53,378	\$ 3,881,253
2050	\$ 495,458,152	\$ 91,440,135	\$ 404,018,017	\$ 10.7171	\$ 4,329,902	\$ (216,495)	\$ 57,418	\$ 4,170,825
2051	\$ 525,185,642	\$ 91,440,135	\$ 433,745,507	\$ 10.7171	\$ 4,648,494	\$ (232,425)	\$ 61,701	\$ 4,477,771
2052	\$ 556,696,780	\$ 91,440,135	\$ 465,256,645	\$ 10.7171	\$ 4,986,202	\$ (249,310)	\$ 66,241	\$ 4,803,133
Total					\$ 57,651,606	\$ (2,882,580)	\$ 750,482	\$ 55,519,508

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 2025
 - Additional loans at five-year intervals
 - Last loan in FYE 2040

Note that 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 \$28.4 million and \$55.5 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 \$24.5 million and \$48.7 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 \$13.6 million and \$26.2 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, Basalt Creek Study Area

Growth Rate	4.0%	5.0%	6.0%
Average AV from New Construction	\$ 1,000,000	\$ 2,300,000	\$ 4,200,000
Total Net TIF	\$ 28,400,000	\$ 40,400,000	\$ 55,500,000
Maximum Indebtedness	\$ 24,500,000	\$ 35,100,000	\$ 48,700,000
Capacity (2020\$)	\$ 13,600,000	\$ 19,200,000	\$ 26,200,000
Years 1-5	\$ 1,500,000	\$ 1,600,000	\$ 1,900,000
Years 6-10	\$ 2,200,000	\$ 3,300,000	\$ 3,600,000
Years 11-15	\$ 2,400,000	\$ 3,400,000	\$ 4,500,000
Years 16-20	\$ 2,400,000	\$ 3,500,000	\$ 4,900,000
Years 21-25	\$ 2,000,000	\$ 2,900,000	\$ 4,400,000
Years 26-30	\$ 3,100,000	\$ 4,600,000	\$ 6,900,000

Source: Tiberius Solutions

Project List

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:

- Improve infrastructure systems of all types (transportation, water, sewer, etc.)
- Prepare for increased density
- Facilitate greenfield development
- Acquire property for future economic development
- Mimic the great success of the past Leveton URA

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 Study Area. Total foregone revenue for all taxing districts is estimated to range from \$28,394,042 to \$55,519,508, 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.

Sherwood School District is forecast to have the largest amount of foregone revenue. However, Sherwood School District, Tigard/Tualatin School District, and NW Regional Education Service District (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 Sherwood School District, Tigard/Tualatin School District, 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		
	4%	5%	6%
General Government			
Washington County	\$ 5,956,944	\$ 8,482,669	\$ 11,647,746
City of Tualatin	\$ 3,638,290	\$ 5,180,913	\$ 7,114,029
Clean Water Services	\$ -	\$ -	\$ -
Metro	\$ 255,933	\$ 364,448	\$ 500,432
Port of Portland	\$ 185,724	\$ 264,470	\$ 363,150
Tri-Met	\$ -	\$ -	\$ -
Tualatin Soil & Water District	\$ 218,577	\$ 311,253	\$ 427,388
Tualatin Valley Fire & Rescue	\$ 4,040,887	\$ 5,754,211	\$ 7,901,237
Tigard/Tualatin Aquatic District	\$ 62,264	\$ 88,663	\$ 121,746
Urban Road Maintenance	\$ 1,818	\$ 2,589	\$ 3,555
Enhanced Sheriff Patrol	\$ 4,711	\$ 6,709	\$ 9,212
<i>Subtotal</i>	\$ 14,365,147	\$ 20,455,925	\$ 28,088,495
Education			
Tigard/Tualatin School District	\$ 3,451,621	\$ 4,915,096	\$ 6,749,031
NW Regional ESD	\$ 407,480	\$ 580,250	\$ 796,755
Portland Community College	\$ 749,254	\$ 1,066,936	\$ 1,465,034
<i>Subtotal</i>	\$ 14,028,895	\$ 19,977,103	\$ 27,431,013
Total	\$ 28,394,042	\$ 40,433,028	\$ 55,519,508

Source: Tiberius Solutions

Implications and Next Steps

Implications

Significant Financial Capacity

Urban renewal could generate significant financial capacity for the Basalt Creek and Southwest Industrial Area in the City of Tualatin, including funding for up to \$26.2 million of projects. Total 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. 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, we forecast the true financial capacity of the URA to be between \$13.6 million and \$26.2 million.

Limited Capacity in Early Years

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 in projects during this time period. Thus, long-term financial capacity does not necessarily translate into substantial short-term financial capacity.

Public Involvement

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. When compared to the potential North District Study Area, an urban renewal plan for the Basalt Creek Study Area could be prepared with less need for a significant new public involvement effort.

Coordination with 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 Tualatin is interested in pursuing the adoption of a URA, we recommend the following next steps:

- 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 helpful.
- 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.
- 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 a 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. If property is included that is outside the city limits, close coordination with Washington County will be necessary as they will also have to approve the formation of the URA.

- 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 finally 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.