

2014

City of Wilsonville, Oregon

Urban Renewal Agency



Annual Urban Renewal Report
For Fiscal Year Ending
June 30, 2014

Introduction

Each year an urban renewal agency must prepare a notice for the governing body and the general public in accordance with ORS 457.460. The notice is to include a financial recap of the preceding year and the budget for the current fiscal year. Additionally, it is to include an analysis of the impact of carrying out the urban renewal plan on the tax rate for each of the overlapping governmental units within the urban renewal district.

The following report expands upon these minimum requirements by providing the reader more detailed information about Wilsonville’s Urban Renewal Agency and its activities. The required notice for each Urban Renewal Area is incorporated at the end of each respective section.

The Urban Renewal Concept

Tax increment financing is used in areas where private development has stagnated or is not feasible without public sector investment and partnership. Public investment through urban renewal is one way to change those conditions. The types of urban renewal activities undertaken generally include land assembly and development of infrastructure and public amenities (i.e. streets, utility lines, lighting, public open spaces, parks).

As the result of the publicly funded efforts, investment becomes feasible for private developers. Developments consistent with the City’s urban renewal plan are then allowed to go forward.

How Tax Increment Financing Works

Urban renewal is a mechanism that freezes the assessed value in a designated geographical area at a point in time. As the assessed property value in the designated urban renewal area grows above that frozen base, the incremental revenue is distributed to the Urban Renewal Agency to pay for urban renewal projects intended to encourage private development. During the process of forming urban renewal areas, the desired projects, which may include public improvements like roadways, parks, and other amenities, are identified in an urban renewal plan. Urban renewal financing in the form of a bond is obtained to fund the projects, and the desired improvements are completed. Private development in the area then becomes more feasible. As property values rise with increased development, tax revenues increase, and that increase is used to pay off the urban renewal bonds.

Urban Renewal Value and Area Caps

Oregon state law allows cities to create urban renewal districts that do not exceed 25% of a given city’s total land area. As of June 30, 2014, the total land area dedicated to urban renewal in Wilsonville was approximately 1,026 acres or 22% of total land.

The law also limits the total assessed value within all urban renewal districts to 25% of the city’s total assessed value. The assessed values are measured at the time a district is created or subsequently adjusted. The table below presents the assessed value frozen base for fiscal year ended June 30, 2014 for each district.

District	Area Cap Test		Assessed Value Test	
	Acreage	% of City	Amount	% of City
Year 2000 Plan	570	12.0%	\$ 44,087,806	1.6%
West Side Plan	456	9.6%	16,526,288	0.6%
Combined	1,026	21.6%	60,614,094	2.2%
Total City	4,746	100.0%	\$ 2,757,989,248	100.0%

Tax Increment Calculations

Tax increment financing is used for the payment of debt for urban renewal activities described in the urban renewal plans adopted by the City of Wilsonville.

To determine the amount of the tax increment allocation, the total assessed value within each urban renewal area is segregated by the County Assessor into two parts: (a) the total taxable assessed value in the district at the time the Urban Renewal Plan was adopted (Frozen Base Value) adjusted by under-levying by the urban renewal area and by properties added or removed from the area, and (b) the difference between the Frozen Base Value and the current total assessed value (Incremental Value).

With the passage of measure 50, urban renewal property taxes are generated by two processes. First is a process called “division of tax,” referring to taxes levied by each overlapping government or special district on the Incremental Value. Second is a Special Levy on property within Wilsonville. This special tax rate protects bondholders and permits the Urban Renewal Agency to recover increment “lost” due to roll back of assessed values and tax rates. The Special Levy can only be assessed on a limited amount of indebtedness – explained in the Financing the Urban Renewal Projects section. Unlike the division of tax portion which cannot be reduced, the Urban Renewal Board may choose to set the Special Levy at less than the maximum allowed. The City has not assessed the Special Levy since 2002-03 and is precluded from doing so when it approved a substantial plan amendment in June 2007.

Tax Increment Available for Fiscal Year Ended June 30, 2014		
	<u>Year 2000 Plan</u>	<u>West Side Plan</u>
Total Assessed Value	\$396,154,818	\$264,441,504
Less: Frozen Base Value	<u>(44,087,806)</u>	<u>(16,526,288)</u>
Incremental Value	\$352,067,012	\$247,915,216
Tax Increment (Estimated)		
From Division of Taxes ¹	\$4,087,140	\$3,486,673
From Special Levy	<u>n/a</u>	<u>n/a</u>
	\$4,087,140	\$3,486,673

¹ Year 2000 Plan division of taxes limited to \$4.2 million

Property Tax Limitation and Tax Increment (Measure 5)

In November 1990, Oregon voters passed a property tax limitation measure (Measure 5) that has impacted urban renewal financing and established a \$10 limit per thousand of real market value for property tax collection for local governments. It is important to note that the \$10 limit is based on real market value rather than assessed value of a property. The impact of this measure is that repayment of urban renewal bond debt (past, present, or future) must now come within the \$10 limit for local governments that is traditionally used for services.

In a 2002 Oregon Supreme Court ruling, the limitations of Measure 5 were clarified so that urban renewal tax dollars related to the division of taxes from schools are to be included in the general government category when determining the \$10 limit. The effect of this ruling accelerates the likelihood of the general government category taxes hitting the \$10 ceiling. In 2013-14, the cumulative tax rate for all local governments within Wilsonville City

limits ranged between \$6.5643 and \$9.4847 per thousand depending upon which tax code area the property resides.

Effect of Urban Renewal on Tax Collections (Measure 50)

Carrying out the urban renewal plans has an effect on various taxing entities sharing (over-lapping) the property within the Wilsonville Urban Renewal districts. Measure 50 required a change from a levy-based system to a rate based system, resulting in a modification of the way the County Assessor computes the allocation of taxes from the overlapping districts.

The division of taxes process means that taxes associated with the incremental value is received by the Urban Renewal Agency instead of the various taxing districts (e.g. Clackamas County, City of Wilsonville, West Linn Wilsonville School District, Tualatin Valley Fire & Rescue, among others).

The following table shows the taxing districts that levy taxes within the city’s Urban Renewal Agency, the total amount of taxes levied, and the percent of those taxes that were received by the Wilsonville Urban Renewal Agency.

<u>Overlapping Tax Districts, Fiscal Year 2013-14</u>			
District	Taxes Levied in Clackamas County ¹	Year 2000 UR as %	West Side UR as %
City of Wilsonville	\$7,376,518	9.3%	7.6%
Clackamas County	\$97,065,948	0.8%	0.6%
Clackamas Extension & 4-H	\$2,018,199	0.7%	0.6%
Clackamas Library District	\$16,040,645	0.7%	0.6%
Clackamas Soil Conservation Distr.	\$1,978,301	0.7%	0.6%
West Linn/Wilsonville Schools	\$35,332,229	4.1%	3.3%
Tualatin Valley Fire & Rescue	\$11,930,780	3.5%	2.9%
Clackamas ESD	\$14,213,125	0.8%	1.0%
Clackamas Community College	\$21,174,033	0.8%	0.7%
Vector Control	\$262,428	0.7%	0.6%
Port of Portland	\$2,830,182	0.7%	0.5%
Metro Service District	\$11,074,974	0.2%	0.2%

¹City of Wilsonville includes Washington County Taxes.
 Amounts rounded to the nearest whole percent.

Financial Reports

The tables on the following pages contain financial information on the two funds used to account for the activities of the Urban Renewal Agency. The reports were prepared by the Finance Department of the City of Wilsonville using a modified accrual basis of accounting pursuant to ORS 457.460. The fiscal year is the period running July through June of the respective years indicated. Neither the reports nor the financial information have been audited and, accordingly, may be subject to correction and adjustment.

Financial Reports can be found at the end of each section: the Year 2000 Plan and West Side Plan.

TIF Zone Urban Renewal District Sites

On March 12, 2013, the citizens of Wilsonville voted in favor of creating up to six single-property Urban Renewal Districts to incentivize capital investment and job creation by manufacturers. These Urban Renewal Districts, which will be referred to as Tax Increment Financing Zones (TIF Zones) may provide incentives to qualifying companies by rebating up to 75% of the property tax increment in each TIF Zone. This rebate will only occur for businesses that meet the TIF Zone program’s qualifying criteria. Unless a business applies for the program and meets the TIF Zone’s criteria, tax increment revenue for the TIF Zone will be under-levied and will continue to flow to all of the affected taxing districts. Once a TIF Zone is activated by a qualifying business, then the Agency will begin to collect tax increment revenue for that TIF Zone, of which 75% will be rebated to the qualifying business. Approximately 1% of the increment will be collected by the Wilsonville Urban Renewal Agency for administrative costs, and the remaining increment (approximately 24%) will be under-levied and shared by the overlapping taxing districts. By 2014, three of the TIF Zones had been leased or purchased by businesses who would not benefit from the TIF Zone program within the program’s time frame. Consequently, the City Council eliminated these three TIF Zones in the fall of 2014, leaving the three remaining TIF Zones.

TIF Zone Urban Renewal District Sites



1 26755 SW 95th Ave URD



2 27255 SW 95th Ave URD



3 26440 SW Parkway Ave URD

Year 2000 Plan

Plan Adopted

The Year 2000 Plan was adopted August 29, 1990. A Substantial Plan Amendment to increase maximum indebtedness was approved in June 2007.

Plan Mission Statement: To eliminate blight in areas within the Agency’s jurisdiction, and in the process, attract aesthetically pleasing, job producing private investments that will improve and stabilize property values and protect the area’s residential livability and its environmental values.

Financing the Urban Renewal Projects

To pay for urban renewal projects, the Agency must issue debt. A substantial plan amendment passed in June, 2007, that increased the maximum debt limit to \$92,687,423. Through June 30, 2014, \$75,385,000 of debt has been issued, leaving a balance of \$17,302,423 available for future projects. The following table summarizes the debt outstanding as of June 30, 2014.

Outstanding Debt	
Long Term Debt:	
Series 2005 Note Payable	\$ 1,230,000
Series 2010 Note Payable	6,810,000
Total Outstanding Debt	8,040,000

With the passage of the substantial plan amendment, the district is no longer eligible to assess a special levy. As stated earlier, a special levy has not been levied since 2002-03.

When the district was formed, it encompassed 755 acres and had a frozen tax base of \$61,401,520 (restated for measure 50 impacts). Since then, the district has changed significantly. Beginning in 2003, the Board began a practice of removing parcels from the district so as to limit tax increment collections to the annual debt service obligation of approximately \$4 million per year, anticipating the project list would remain fixed. In June 2007, the Board formalized the practice and passed a Resolution directing staff to periodically remove parcels to limit tax increment collections to \$4 million per year. After Fiscal Year (FY) 2010, the law changed and allowed the Agency to certify to less than 100% of the available taxes, known as “under-levying”. The table on the following page presents the properties removed and the effect of under-levying for FY 2014.

Assessed Value of Properties Removed and Under-levied

Fiscal Year Ending	Acreage	Assessed Value in Millions	Key Properties	Revenue Reverted to Overlapping Districts
Properties Removed From the District (Value based on the year removed):				
2005	80.8	\$30.0	Mentor Graphics	\$450,000
2006	27.5	\$15.7	Sysco Foods	240,000
2009	17.7	\$10.2	Residential	150,000
2010	29.0	\$14.0	Fred Meyer	215,000
2014	58.8	\$34.8	Wilsonville High School	-
Total	213.8	\$104.7		\$1,055,000

Fiscal Year		Annual Increment Reverted to Overlapping District
Effect of Under-Levying:		
2011	Certify to less than 100% of available increment	\$735,000
2012	Certify to less than 100% of available increment	747,256
2013	Certify to less than 100% of available increment	618,899
2014	Certify to less than 100% of available increment	695,868
Total		\$2,537,256

*Note - Impact of underlevying calculated using adjustment to AV, will not match amount calculated using frozen revenue of \$4.2 million on the Released AV Impact spreadsheet.

The Agency has certain debt covenants that restrict how much assessed value can be removed. Staff is careful to assure that these covenants are met. \$4 million per year is sufficient to meet current debt service coverage requirements.

The table above discloses the annual taxes not collected by the District. The cumulative effect on certain jurisdictions is shown below. This reflects taxes that each entity received instead of being divided to the District.

Annual and Cumulative Impact of Assessed Value Removals

	Estimate for 2013-14	Cumulative 2005-2013
City of Wilsonville	\$303,810	\$1,647,989
Clackamas County	\$289,780	\$1,570,739
Tualatin Valley Fire & Rescue	\$188,378	\$1,020,822
West Linn/Wilsonville School District	\$835,025	\$4,529,964
Other jurisdictions	\$197,004	\$1,057,931
UR tax reduction total	\$1,813,997	\$9,827,445

Projects

Projects completed within the Year 2000 Plan include:

- Land acquisition of Boozier Property at Wilsonville Road and Memorial Drive. Acquired in 1993, \$1.3 million.
- Memorial Drive road construction also referred to as Day Dream Ranch escape. Constructed in 1994, \$1.2 million.
- Interagency agreement with Wilsonville High School for joint use of facility for city and public purposes. Agreement signed in 1995, \$2.2 million.
- I-5/Wilsonville Road interchange. A joint project with Oregon Department of Transportation and City of Wilsonville. Included demolition of existing interchange, widening from two lanes to six, widening of access and egress ramps, landscaping, walkways, and right of way. Construction began 1996 with completion in 1999, \$3.3 million.
- Wilsonville Road west from railroad tracks to city limits (phases 3 & 4). Improvements include widening, sidewalks, bike paths, etc., \$9.2 million.
- I-5 and Wilsonville Road interchange improvements and Wilsonville Road reconstruction. Planning, widening of road and related streetscape improvements from west of the interchange to the railroad tracks. Completed in 2013, \$12.2 million.
- Boones Ferry Road widening and reconstruction, \$.7 million.
- Main Street acquisition of right of way for street improvements. Acquired in 2000, \$0.4 million.
- Canyon Creek South acquisition of right of way for street improvements. Acquired in 1999, \$.3 million.
- Town Center Park construction. Landscaping, walkways, picnic area, water feature and parking. Completed 2005, \$2.2 million.
- Wilsonville High School public facilities. Completed 2005, \$1.1 million.
- Wilsonville High School Field Improvements, \$.4 million.
- Murase Plaza and park design and construction. Substantially completed June 2006, \$6.6 million.
- Kaiser and Town Center Loop East right of way land acquisition, \$1.8 million.
- City Hall land acquisition and construction. Completed October 2006, \$10.8 million.
- Acquisition of Wesleyan Church property, October 2007, \$4.2 million.
- Senior housing, Creekside Woods, completion November 2010, \$1.3 million.
- Wilsonville Road Interchange Art Project (Beauty/Bridge), \$.9 million.
- Boeckman Bike/Pedestrian Improvements, \$.4 million.
- Waste Water Treatment Plant, \$2.0 million.
- Boeckman Bike/Pedestrian Improvements, \$.4 million.
- Canyon Creek Road Extension

Planned For Future:

- Old Town Escape
- Town Center Concept Planning
- Old Town Streets and Streetscape
- Projects to be determined through the Urban Renewal planning process.

One example of a project within the Year 2000 Plan area includes the completion of Canyon Creek Road. Below is a picture of the completed project.



This project included the design and construction of improvements on Canyon Creek Road, both widening to full street width adjacent to Renaissance at Canyon Creek, and extending full-street improvements approximately 800 feet south from the existing half street to intersect with Vlahos Drive. Vlahos Drive was reconfigured to a T-intersection with Canyon Creek Road. The project also included installation of a traffic signal at Town Center Loop East and Canyon Creek Road (the current Vlahos Dr. intersection). Property acquisition began in FY 13/14 and construction occurred in the summer of 2014 and was funded from the Year 2000 Urban Renewal tax increment.

Year 2000 Plan
Statement of Resources and Expenditures

CAPITAL PROJECTS FUND

	2013-14 Actual Budgetary Basis	2014-15 Budget Budgetary Basis
	<hr/>	<hr/>
REVENUES		
Investment revenue	\$ 8,745	\$ 17,300
Other	-	-
Total Revenues	<hr/> 8,745	<hr/> 17,300
EXPENDITURES		
Wilsonville Road Interchange Improvements	172,651	-
BPA Schield Wires - Canyon Creek	96,217	-
Canyon Creek Road Extension	380,843	4,500,000
Murase Playground Retrofit		210,000
Murase Mound Re-grade		210,000
Other Projects	-	-
Planning, Financing, and Administration	594,527	520,825
Contingency	-	856,559
Total Expenditures	<hr/> 1,244,238	<hr/> 6,297,384
Excess (deficiency) of revenues over (under) expenditures	(1,235,493)	(6,280,084)
OTHER FINANCING SOURCES		
Issuance of debt	<hr/> 2,500,000	<hr/> 3,000,000
Net change in fund balances	1,264,507	(3,280,084)
Fund balances - beginning	2,308,920	3,280,084
Fund balances - ending	<u>\$ 3,573,427</u>	<u>\$ -</u>

All figures are based upon preliminary financial information and are subject to correction and audit.

Year 2000 Plan
Statement of Resources and Expenditures

Debt Service Fund

	2013-14 Actual Budgetary Basis	2014-15 Budget Budgetary Basis
REVENUES		
Tax Increment	\$ 4,190,946	\$ 4,120,000
Interest Income	38,170	35,900
Total Revenues	4,229,116	4,155,900
EXPENDITURES		
Payment of Bond Principal	5,147,000	4,535,000
Interest Expense	426,935	341,700
Total Expenditures	5,573,935	4,876,700
Excess (deficiency) of revenues over (under) expenditures	(1,344,819)	(720,800)
Fund balances - beginning	4,785,864	3,362,364
Fund balances - ending	\$ 3,441,045	\$ 2,641,564

All figures are based upon preliminary financial information and are subject to correction and audit.

West Side Plan

Plan Adopted

The West Side Plan was adopted November 3, 2003. A substantial plan amendment was adopted September 15, 2008 to add acreage.

Plan Mission Statement: To eliminate blight in areas within the Agency’s jurisdiction, and in the process, attract aesthetically pleasing, job producing private investments that will improve and stabilize property values and protect the area’s residential livability and its environmental values.

At creation, the district encompassed 394 acres and had a frozen tax base of \$3,605,856 (restated for Measure 50 impact). The September, 2008, plan amendment added 62 acres and \$12,920,432 to the frozen base.

Financing the Urban Renewal Projects

To pay the cost of urban renewal projects, the Agency must issue debt. At plan adoption, a debt limit of \$40,000,000 was created. Through June 30, 2014, \$32,000,000 of debt has been issued leaving a balance of \$8,000,000 available for future projects. In addition, the district owns ten acres of land purchased for a school site that is available to be sold to fund capital projects. The following tables summaries the debt outstanding as of June 30, 2014.

Outstanding Debt	
Long Term Debt:	
Series 2009 Note Payable	\$ 8,180,000
Series 2011 Note Payable	4,490,000
Series 2012 Note Payable	7,415,000
Series 2013 Note Payable	6,775,000
Total Outstanding Debt	\$ 26,860,000

Because the district was created after the passage of Measure 50, no special levy may be assessed.

Projects

Projects completed within the West Side Plan include:

- Land acquisition for school site, park and park improvement. Land acquired, \$4.15 million.
- Boeckman Road extension from 95th west to Grahams Ferry. Completed June 2008, \$13.4 million.
- Barber Street improvements from Boberg to Kinsman. Widening, curbs, gutters, sidewalks, and rail road crossing. Completed October 2008, \$5.5 million.
- Barber Street improvements from Boberg to Boones Ferry, \$.6 million
- Land acquisition for elementary school site, December 2010, \$3.4 million
- Villebois Piazza, \$.7 million

Underway:

- Park improvements in Villebois, \$.7 million through 6/30/14.
- Payment of deferred water system development charges, \$1.8 million through 6/30/14.
- Barber Street Extension to Coffee Lake Drive. Improvements westerly from Kinsman to the Villebois neighborhood.

Planned for Future

- Tooze Road Improvements, 110th to Grahams Ferry Road
- Brown Road Improvements

Below is a picture of the Barber Street Extension Project, currently underway.



The Barber Street Extension Project from Kinsman to Coffee Lake Drive is currently underway. This project received \$3.8 million in federal funding with the remaining funding, including a match for the federal funds, paid for through the West Side Urban Renewal Fund. This project is critical to connect the growing Villebois housing development with other west side subdivisions, commercial districts, mass transit and the rest of the Wilsonville street system. Key features of the project are a 410-foot bridge crossing the Coffee Lake Creek wetlands. *(Lowrie Primary School and a portion of the Villebois Development are in the background)*

West Side Plan

Statement of Resources and Expenditures

Capital Projects Fund

	2013-14 Actual Budgetary Basis	2014-15 Budget Budgetary Basis
	<hr/>	<hr/>
REVENUES		
Intergovernmental	\$ -	\$ -
Investment revenue	1,479	3,100
Total Revenues	<hr/> 1,479	<hr/> 3,100
EXPENDITURES		
Barber Street Extension	-	2,145,800
Villebois Park Piccadilly		209,926
Villebois Park Imp Montague		1,000,000
Planning, Financing, and Administration	493,048	512,859
Water System Development Charges	665,670	448,250
Contingency	-	2,997,177
Total Expenditures	<hr/> 1,158,718	<hr/> 7,314,012
Excess (deficiency) of revenues over (under) expenditures	(1,157,239)	(7,310,912)
OTHER FINANCING SOURCES		
Issuance of debt	2,000,000	6,000,000
Net change in fund balances	842,761	(1,310,912)
Fund balances - beginning	414,906	1,310,912
Fund balances - ending	1,257,667	\$ -
Adjustment from budgetary basis to generally accepted accounting basis:		
Development charge payable	(419,041)	
Fund balances - generally accepted accounting principles basis	<hr/> 838,626	

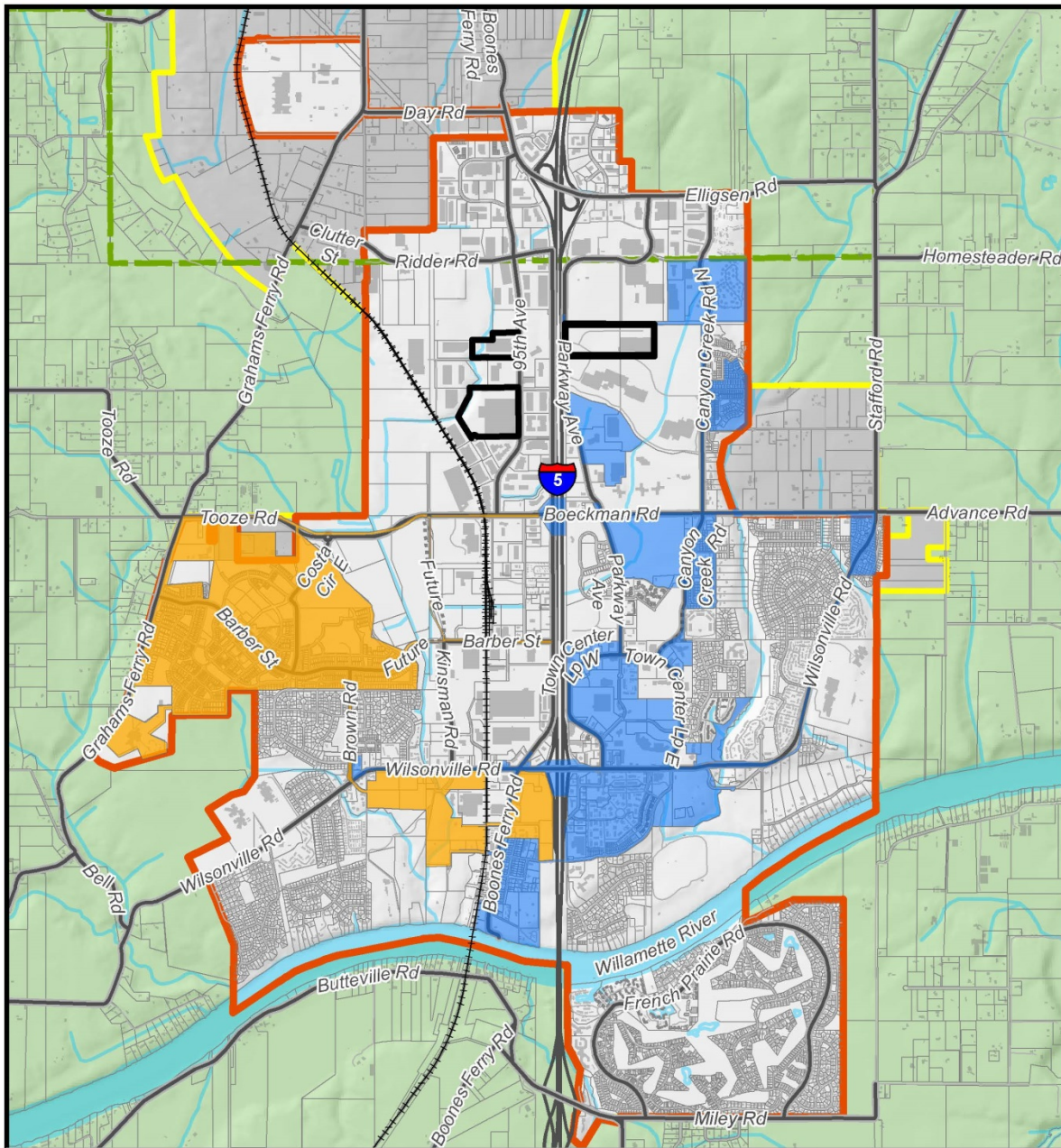
The deficit ending balance arises from a \$419,041 liability due to the City Water SDC fund for fire sprinkler credits.

West Side Plan

Statement of Resources and Expenditures

Debt Service Fund

	2013-14 Actual Budgetary Basis	2014-15 Budget Budgetary Basis
REVENUES		
Tax Increment	\$ 3,361,188	\$ 3,680,100
Interest Income	28,624	23,550
Total Revenues	3,389,812	3,703,650
EXPENDITURES		
Payment of Bond Principal	3,070,000	2,415,000
Interest Expense	1,139,280	1,275,523
Total Expenditures	4,209,280	3,690,523
Excess (deficiency) of revenues over (under) expenditures	(819,468)	13,127
OTHER FINANCING SOURCES		
Issuance of debt	-	-
Net change in fund balance	(819,468)	13,127
Fund balances - beginning	4,381,847	2,897,847
Fund balances - ending	\$ 3,562,379	\$ 2,910,974



The City of Wilsonville, Oregon
 Clackamas and Washington Counties

**Urban Renewal Areas &
 Tax Increment
 Finance Zones**

- TIF Taxlots
- County Boundary
- URA - East Side
- City Limits
- URA - West Side
- UGB



0 Miles 0.5