Urban Renewal Task Force – Town Center Feasibility Study

June 14, 2023; 10am

Wilsonville City Hall

or via Zoom

Minutes

1. Introductions

Meeting Attendees:

1. Task Force: City Council President Kristin Akervall, Susan Myers (Capital Realty), Cassandra Ulven (TVF&R), name needed (TVF&R), Laura Edmonds (Clackamas County), John Wynton (ROIC). Dick Spence (resident), Jeff Schaffer (Clackamas Community College)
2. Staff: Matt Lorenzen, Chis Neamtzu, Miranda Bateschell, Kim Rybold, Zach Weigel, Keith Katko
3. Consultants: Elaine Howard (Elaine Howard Consulting)), Nick Popenuk (Tiberius Solutions)
4. Approval of Meeting 1 Minutes

Ad hoc committee so no requirement to adopt minutes.

Committee agreed unanimously to minutes with the following amendment:

Susan wanted added to her comments:

Page 2, Number 3, bottom of page - Her comment was intended to say she is in support of the bridge specifically to connect the transit center to the commercial developments in downtown.

1. PowerPoint presentation: Nick Popenuk, Tiberius Solutions

Boundary Option 1 was the boundary reviewed for the financial analysis.

Nick reviewed the preliminary scenarios of financial analysis. He reviewed tax rates, frozen base, future growth in area, how to measure financial capacity and scenarios reviewed.

New urban renewal areas impact only permanent rate levies. Jurisdictions impacted are: City of Wilsonville, Clackamas County, West Linn - Wilsonville School District (indirectly, as the state funding formula backfills for any funding losses from division of taxes under urban renewal) and other special districts whose taxing jurisdiction overlaps with the urban renewal area.

Not impacted: general obligation bonds, local option levies.

The total assessed value of the area is approximately $194,000,000 which is 6% of the total assessed value of the city of Wilsonville. The statutory limit of the Maximum Indebtedness of the Plan would be $175M. Maximum Indebtedness if the principal amount or spending limit on the plan for spending on projects, programs and administration.

Cassandra: In the past the interest rates of bonded debt of URAs is higher than for city backed bonds.

Nick: Yes, interest rates of URA bonds are higher if those bonds are not backed by the city. A lot of cities do choose to put the city’s full faith and credit behind the bonds to get lower interest rates. General Obligation bonds are the most secure bonds and urban renewal bonds backed by the city can achieve that same level of security.

Nick: Growth in assessed value slide. In Oregon, growth on assessed value is limited to 3% growth per year. New growth is needed for higher growth in the area. This is beneficial to getting projects funded earlier and also for closing down an area earlier because the area has reached its maximum indebtedness. In this area, there is a lot of potential for new development and a lot of existing development. The Infrastructure Funding Plan called for net new construction of 180,000 square feet (sf) of commercial/retail, 250,000 sf of office and over 1,550 residential units.

Those numbers have to be refined, these numbers are preliminary numbers which will be refined with staff.

This area is overlapped by a Vertical Housing Development Zone (VHDZ) which is a property tax abatement, limiting tax collections on new development participating in the VHDZ program. The tax collections are delayed for the first 10 years of the life of the building.

Matt: This is a partial tax abatement.

Nick: Yes, it varies, up to 80% of the value of the building.

Nick: This is the improvements value, land value is already in the frozen base of the URA. Nick’s team assumed ½ of the residential construction will qualify for the VHDZ abatement.

There is already office space in the area, so some of the new construction could just be replacing the existing development. Need to be nuanced in the analysis to see net impact of new development. Nick’s team will also need to go over the assumptions of the absorption and values.

Financial Capacity slide: Three different levels of capacity. Total tax increment revenue is equal to the amount of foregone revenues in “nominal” dollars (inflation-adjusted dollars). This includes the dollars allocated to projects but also the interest on debt.

The maximum indebtedness looks just at the amount of funding for the capital costs of projects. It is a smaller number that the total tax increment revenues because it does not include revenue spent on interest. This is also in nominal dollars.

The Capacity line shows spending capacity in on capital projects in today’s (2023) dollars.

Matt: What is the inflation factor used?

Nick: In this analysis, which is for 25 to 30 years, inflation is assumed at 3% annually. We could change this if desired.

The scenarios were analyzed for two different durations, 25 and 30 years. Statutes do not require a duration provision. Duration is helpful to understand how long an urban renewal area might last. These are typical durations. There were also 3 different growth assumptions used for each duration. The medium scenario is the preliminary baseline forecast. We then looked at a low forecast which reduces construction values by 50% and a high forecast which increases construction values by 50%. This gives bookends for the forecast.

Nick reviewed the scenarios of low medium and high scenarios for the 25 and 30 year durations.

The most important row is the “Capacity in 2023$”. This ranges from $18.5 M in the 20-year lowest growth scenario to $79M of projects in the 30-year high growth scenario. That is the ballpark in which we are now working. We will be working to refine the assumptions to refine this information. Duration will be something for which the Task Force and City Council will provide input. The growth is lowest in the first five years, then grows over time.

Nick reviewed a chart showing the potential borrowings over time and the cash flow of tax increment revenues over time. The years when you occur debt have large funding capacity while the years in between have lower capacity for projects. At the end of the URA, the funding is usually spent on paying off debt for the area.

1. Questions:

Cassandra: Did you show the foregone revenue projections?

Nick: Yes, the information is available for impacts to taxing district. Nick will have Ali (Tiberius Solutions Staff) print that information to share.

Cassandra: Right now with the market, what are you seeing that will attract developers? What is the demand?

Nick: This area has a lot of things going for it. Proximity to I-5, a lot of the area is planned for MF construction and there is a lot of demand for that. Office construction is slower right now. There is retail space already in the area. Wil the new retail replace the existing or add new?

Susan: This area is ready to be redeveloped and the product type needs to be improved from big box and neighborhood shopping center feel to an area that was more of the heart of the town. To do that, we need to increase the density, get rid of excess parking, discourage big box, go more to redevelopment, something in line with what Lake Oswego and Bridgeport did. Getting a more healthy mix. Having the freeway helps, but when you draw demographic circles to assess development feasibility, the highway is a barrier to customers and a connection like the proposed bridge is needed. To attract new development in line with the Town Center Plan, the city’s involvement is needed. It will not happen on its own. The traffic pattern needs to be: Instead of circular, more Main Street, tie things in a more connected way, connect parks, more pedestrian and bike friendly and the city partner with some development to make it happen. Without the urban renewal district, this won’t happen, you will just have a nice plan. The freeway is helpful, but it also divides the town into two parts. The parts need to be connected.

Elaine: It helps to look at the aerial view and see all of the parking in it. If you do not change the transportation pattern, you will not change the development pattern.

Susan: It is hard to get retail without the demographic to support it. Make it a place of energy where people want to live.

Matt: The Town Center Plan is a community development exercise and also an economic development exercise. The tax revenue potential under the Town Center Plan is so much greater that what now exists.

Zach: Covered projects slides in preliminary prioritization. This slide has all of the projects envisioned for the Town Center Area. Priority 1 projects are the framework projects called out in the TC Plan. They are not in any particular order, but in numerical order as listed in the Town Center Plan.

I-5 Ped/Bike Project has been designed, sitting at 90% drawings. Only looking at construction funding. There are parks SDCs and transportation SDCs looking at the gap for project costs. There is some funding set aside.

Major transportation projects that will have little or no private cost participation are in the Priority 1 projects.

Promenade connects the pedestrian bridge to the Town Center pedestrian connections.

Priority 2 – The projects could be partially funded by development, using TIF revenue as gap financing.

Parking Structure is not called out in the Town Center Plan, but there is a possible need for this. Not sure if this should be city funded or if there is a developer incentive to build structure parking with development.

Nick: Structured parking is critical for many projects: Beaverton, Lake Oswego, Federal Way Washington have included the structured parking as a part of their urban renewal.

Susan: This may need to be moved up in the priority list. May need to happen when Fry’s develops because if you want to eliminate all of that parking, you will need structure parking. These costs plus the utility systems relocation costs may kill redevelopment of this site in the way that is envisioned in the Town Center Plan.

Priority 3 projects: Courtside Drive is probably a developer project with some UR assistance. There are storm system, sanitary system and water system relocations that are needed. These will be both developer and UR projects.

Jeff Schaffer: CCC is considering a partnership building on their site. When they go out for a GO bond renewal this development may happen. This would take a lot of partnership dollars. A partnership building might be able to establish and support an apprenticeship program that would support the classes that students are taking.

Susan: there are a lot of aerospace businesses in town and bioscience.

Jeff: these discussions are just beginning.

Dick: There needs to be a lot of coordinating with developers in deciding where a parking structure might go.

Susan: Fry’s is more imminent. Need to have a conversation about the parking structure with the development of Fry’s.

Matt: for purposes of this exercise (the feasibility study), we want to understand what the projects are with associated costs. At this point we are less concerned about *where* the parking structure will go.

Dick: the first project (I-5 ped/bike bridge) needs to be done first

Nick: At the next meeting we will come back with a “sources and uses” table that shows projects and the potential funding sources and identify the gap and couple this with a refined version of the financial analysis. This will provide more technical information for the group to make some decisions.

Matt: And also look at the timing of the projects.

Nick: Yes, look at the pinch points

Cassandra: Their (TVF&R) point of view would be that the I-5 pedestrian bridge should not be the number one project. Streets, infrastructure, parking structure would be more important. Spur development that would not otherwise occur should be where TIF funds are spent.

Nick: Vision includes economic development and amenities that residents enjoy. A bridge may not cause more development where a parking garage might. Understands taxing district perspective that spurring development might cause development might occur sooner and district to be shorter.

Matt: Will pushing this project out make it cost a lot more?

Nick: The uses and sources table for projects will help clarify this.

CCC: May also want to consider leveraging SDC dollars in the near term before they are allocated to other projects. If bridge was using all TIF funds, then may be a different matter. But it is largely funded with other sources, so getting it done sooner might make sense.

Susan: The I-5 ped bridge will impact the traffic studies of businesses that want to develop. The bridge will be important for the feasibility.

Zach: The bridge is critical to the implementation of the Town Center Plan in getting private investment by getting people between Villebois and the Transit Center into Town Center.

Cassandra: Have you considered asking the voters to approve a bond for the ped bridge project.

Kristin: Let’s talk about this next time when we have more information. If the feel is to have a lively walk and play area, but don’t have the ability to get people there, how do we sell this vision? What are the methods to bring people to the Town Center? Nobody wants to walk through large parking lots. At some point we need to make the switch to make the area walkable.

Kim: We had a pre-app a few weeks ago with developer and they specifically asked about the I-5 ped/bridge project.

Susan: We have a need for our employees to get from the transit center to their buildings. Theirs and other businesses like Mentor Graphics (now Siemens EDA). It makes sense for the employers. Many multifamily residents want the option to not have a car and use transit instead; the I-5 ped/bike bridge makes that possible.

Next steps: Refine the financial analysis.

Elaine: Timeline. We are now at TF meeting 2. The City Council will be briefed on June 19th. TF meeting 3 will cover updated financial analysis and refinement. There will be another CC update on July 17th. The final TF meeting will be at the end of July with a recommendation for the CC at their August 7th meeting. This would allow the issue to go on the ballot for an advisory vote in November of 2023. The August 7th date is critical for getting the issue on the November ballot. If the voters approve and the plan is created the adoption would be in 2024 with first TIF available in FY 2026.

Chat Notes on the zoom call:

Laura Edmonds: Will we be sent these slides?

Also, I'd like it on record that I am engaging to hear and be part of this conversation but am not taking any position on behalf of Clackamas County. I do not have that authority. The Board of Commissioners will also need to be presented to directly regarding any Urban Renewal Project.

Have we determined when the impacted taxing authorities will be contacted and presented to on these project findings? Will they have opportunity to weigh in?

Matt: Responded verbally. Taxing districts will have the opportunity to weigh in if or when City Council decides to move forward with the development of an urban renewal plan for this area, which would take place after the November 2023 advisory vote.

1. Adjourn