

MONDAY, JULY 17, 2017

WORK SESSION ~ 6:00 PM

**URBAN RENEWAL DISTRICT DISCUSSION WITH CITY COUNCIL &
ECONOMIC DEVELOPMENT COMMITTEE**

Present ~

City Council: Mayor Scott Burge, Councilor Rich Riffle, Councilor Patrick Kessi, Councilor Megan Greisen, and Councilor Joel Haugen.

Economic Development Committee members: Len Waggoner, George Hafeman, Carmen Kulp, Brian Rosenthal, Christine Pro, Brady Preheim, and Libby Calnon.

Staff: City Manager Michael Sykes, City Recorder Susan Reeves, Assistant to City Manager Alexandra Rains, Legal Counsel Shelby Rihala.

Also Present: Dan Riordan, with Forest Grove, City Planner Laurie Oliver, and RARE AmeriCorps Participant Ben Tolles.

City Manager Sykes explained one of the Councils goals is to explore the viability of an urban renewal district and the Economic Development Committee has spent a number of meetings talking about the pros and the cons of creating a district in Scappoose and kind of exploring the merits. He explained we also have had the opportunity to have a number of communities come in and share ideas about urban renewal and how it has worked in their communities. He explained we have the great opportunity to listen to Dan who is the Senior Planner for Forest Grove. He explained before Dan was with Forest Grove he was successful in creating and helping to manage an Urban Renewal District in Salem and from there Forest Grove was fortunate enough to hire him to do their long-range planning, and part of that was to look at an urban renewal district. He explained after about three years of discussion they created one. He explained the Economic Development did a S.W.A.T. analysis to look at this as a tool and Len Waggoner might want to share some of those recommendations as well.

Dan Riordan stated as Michael mentioned the Forest Grove Urban Renewal was several years in the making. He explained the way he has the presentation set up this evening is just very briefly going over some general urban renewal principals just so we all have kind of the same language and understanding of the basis behind urban renewal as it is set up in Oregon and most other states. He also would like to touch on briefly why Forest Grove pursued Urban Renewal, as well considerations behind how they actually established a recommendation for a boundary. He also would like to briefly discuss Forest Grove's Urban Renewal Plan, and most importantly the lessons they learned going through the process.

Dan went over the power point presentation ~



Forest Grove Urban Renewal Plan

Presentation to City of Scappoose
Joint City Council & Economic Development Commission
Work Session
July 17, 2017

A place where businesses and families thrive.

Presentation Overview

- General urban renewal principles;
- Why Forest Grove Pursued Urban Renewal;
- Considerations for determining the City's urban renewal boundary;
- General overview Forest Grove's urban renewal plan; and
- Lessons learned during the process.

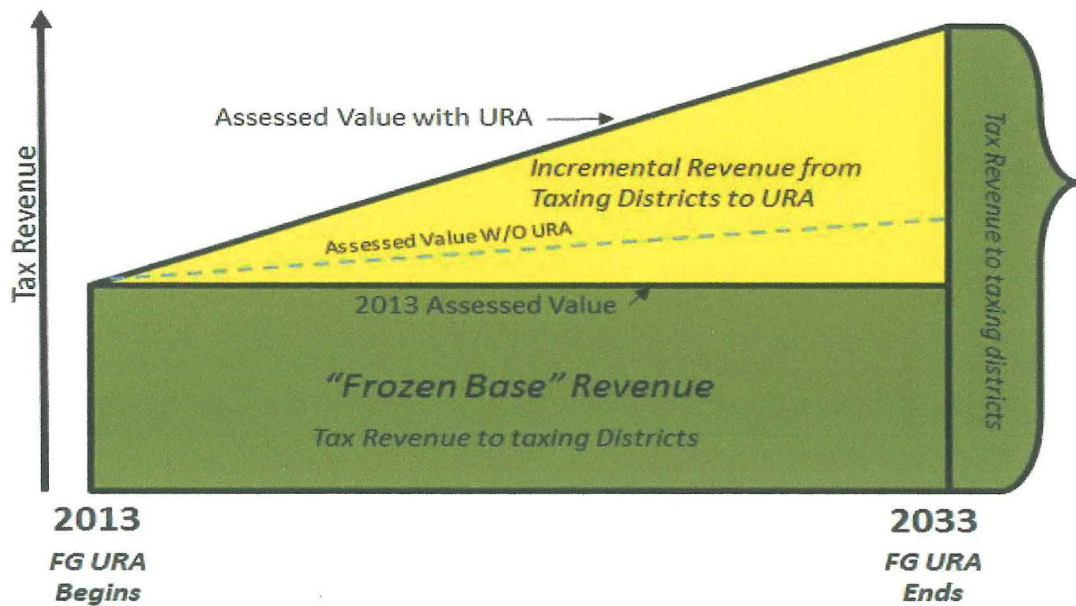
General Urban Renewal Principles

- A fundamental principle of an urban renewal plan is the requirement to address blight as defined by state statute (ORS 457).
- Examples of blight include underutilized land, existence of inadequate streets, open spaces and utilities, presence of depreciated property values, and obsolete or deteriorated buildings and structures.

General Urban Renewal Principles

- Tax Increment Financing (TIF) is the principal method used for funding urban renewal projects. There are two parts to TIF (frozen base and incremental value):
 - **Frozen Base** is the taxable value of property at time of plan adoption.
 - Tax revenue from the frozen base goes to all taxing districts in the urban renewal plan area with or without the urban renewal plan.
 - **Incremental Value** is the taxable value of property above the frozen base
 - Tax revenue from the incremental value is reallocated from overlapping taxing districts to the urban renewal agency to finance urban renewal projects identified in the urban renewal plan.
 - Incremental value is achieved through new investment and general increases in property values (up to 3% per year). Urban renewal projects are intended to spur private investment so the tax revenue in the urban renewal area exceeds 3% per year.
 - Local option levies and bonds are exempt from the reallocation of tax revenue and continue to go to overlapping taxing districts just as if the urban renewal plan didn't exist.
- This is shown graphically on the next slide.

General Urban Renewal Principles



Why urban renewal?

- **In part, Forest Grove pursued urban renewal to:**
- **Implement Economic Development Objectives in the City's Vision Statement:**
 - Revitalize downtown leading to stronger sales, increased activity and reduced vacancies;
 - Attract investment and development to the Oregon Highway 8 and Oregon Highway 47 area; and
 - Expand Forest Grove's existing economy and create expanded job opportunities, tax base and business wealth.
- **Implement a recommendation from the City's Vision Statement Action Plan:**
 - Establish urban renewal district to encourage commercial investment in downtown.
- **Implement Recommendations from Prior Studies**
 - Forest Grove Town Center Plan;
 - Forest Grove Commercial Corridor Plan.

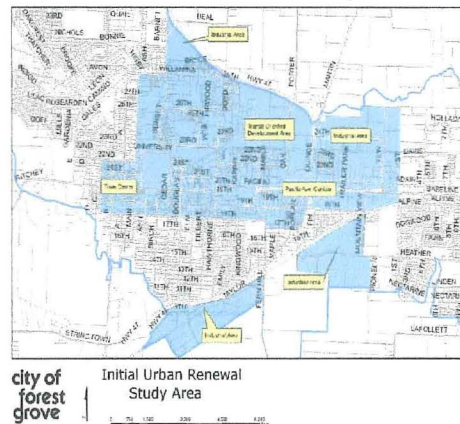
Why urban renewal?

- Urban renewal was also pursued, in part, to promote redevelopment in downtown Forest Grove.



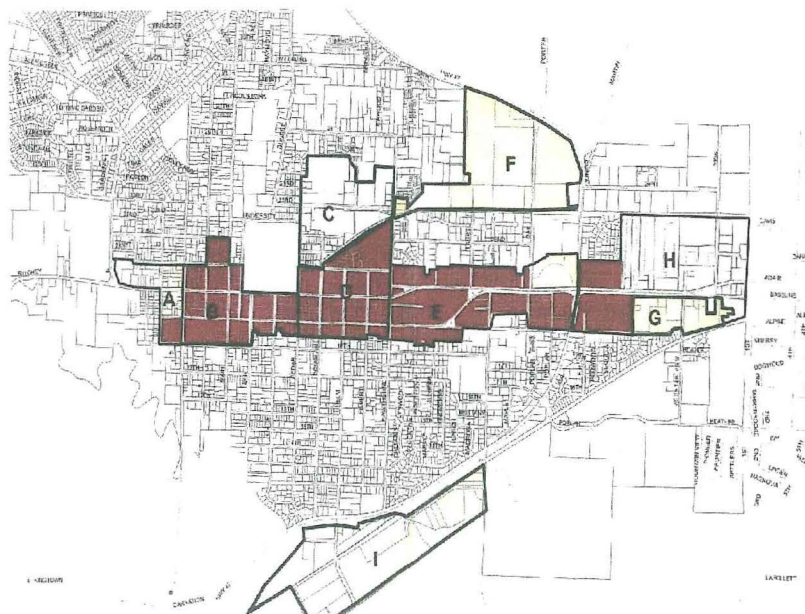
Determination of Boundary

- Considerable discussion about the area to include in the district.
- State law limits urban renewal areas to 25% of city land value and 25% of city taxable value.
- Several Iterations to:
 - Balance amount of land in urban renewal area with impact on General Fund.
 - Ensure sufficient tax increment revenue to repay urban renewal debt.
 - Minimize tax exempt properties in boundary.



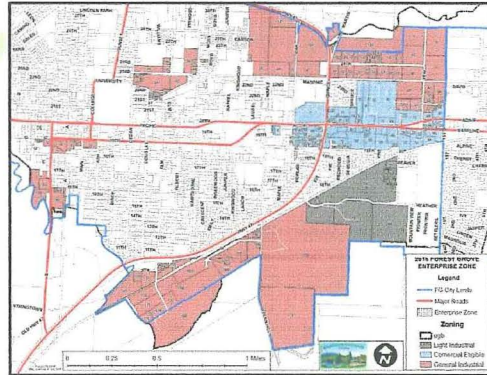
Determination of Boundary

- Subareas identified to narrow area



Determination of Boundary

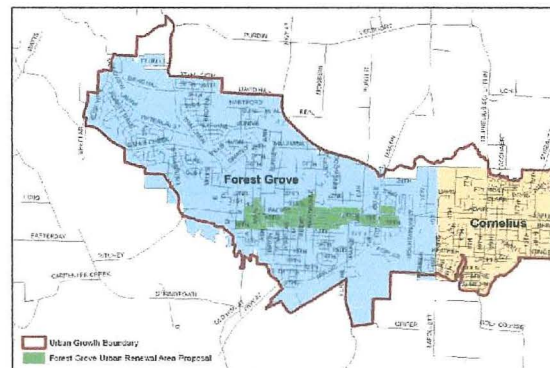
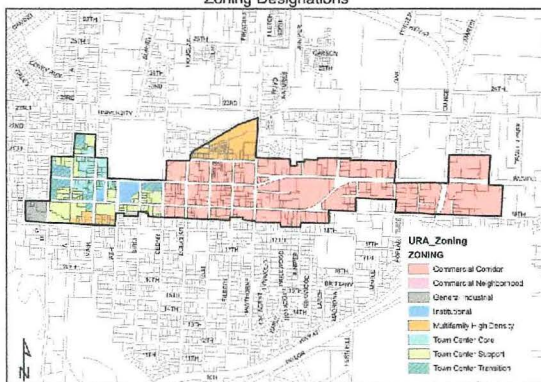
- Industrial Areas Were Removed:
 - All industrially zoned properties are within the City's Enterprise Zone boundary.
 - The Enterprise Zone
 - Delays tax increment collections due to the three to five year property tax exemption on qualifying investments.
 - Much of the industrial taxable property within the Enterprise Zone is machinery and equipment which depreciates quickly unlike land and improvements.



Determination of Boundary

- Ultimately narrowed to:
 - 6% of the City's land area.
 - 9% of City's tax base.

Forest Grove Urban Renewal Area
Zoning Designations



Forest Grove Urban Renewal Area Proposal

Overview of Forest Grove Urban Renewal Plan

- Urban Renewal Plan adopted in 2014.
- Maximum indebtedness: \$15 million.
- Project Categories:
 - Acquisition of redevelopment sites from willing sellers;
 - Redevelopment project assistance;
 - Exterior building improvement program;
 - Interior building improvement program;
 - Sustainability Incentive program;
 - Funds for matching grant opportunities; and
 - Program administration.
- FY 17-18 budget \$199,000
 - Loan repayment for property acquisition and redevelopment project assistance and storefront improvement grants.

ORDINANCE NO. 2014-07

ORDINANCE MAKING CERTAIN DETERMINATIONS AND ADOPTING THE FOREST GROVE URBAN RENEWAL PLAN

WHEREAS, the Urban Renewal Agency of the City of Forest Grove ("Agency"), as the duly authorized and acting urban renewal agency of the City of Forest Grove, is proposing to undertake certain redevelopment activities in a designated area of the City of Forest Grove pursuant to ORS Chapter 457 (Urban Renewal); and

WHEREAS, the Agency, pursuant to ORS Chapter 457, prepared an urban renewal plan ("Plan") which is attached to this Ordinance as Exhibit 1, and incorporated herein by this reference; and

WHEREAS, the Plan authorizes urban renewal projects to be undertaken by the Agency within the Forest Grove Urban Renewal Area as described therein and by Exhibit 2; and

WHEREAS, the Plan provides an outline for accomplishing the urban renewal projects described in the Plan pursuant to ORS Chapter 457.085; and

WHEREAS, the Agency prepared a report ("Report") accompanying the Plan as required by ORS 457.085, attached to this Ordinance as Exhibit 3 and incorporated herein by this reference; and

WHEREAS, opportunities for public involvement were provided during development of the Plan through community open houses in September 2012 and May 2014, and a stakeholder advisory committee that included property owners, business owners and other interested persons; and

WHEREAS, the City Council forwarded the Plan and Report to the governing body of each overlapping taxing district potentially affected by the plan on May 2, 2014, and the City provided opportunities for consultation and comment with the taxing districts pursuant to ORS Chapter 457.085(5); and

WHEREAS, the City Council and Agency received written comments from Portland Community College and Metro; and

WHEREAS, Portland Community College requested clarification regarding the Plan adoption process and proposed maximum amount of indebtedness; and

WHEREAS, staff responded to Portland Community College's request for clarification on May 15, 2014; and

WHEREAS, Metro provided a letter dated May 20, 2014 supporting adoption of the proposed Forest Grove Urban Renewal Plan; and

WHEREAS, On May 5, 2014, the City Council forwarded the Plan and Report to City of Forest Grove Planning Commission for recommendation and determination of

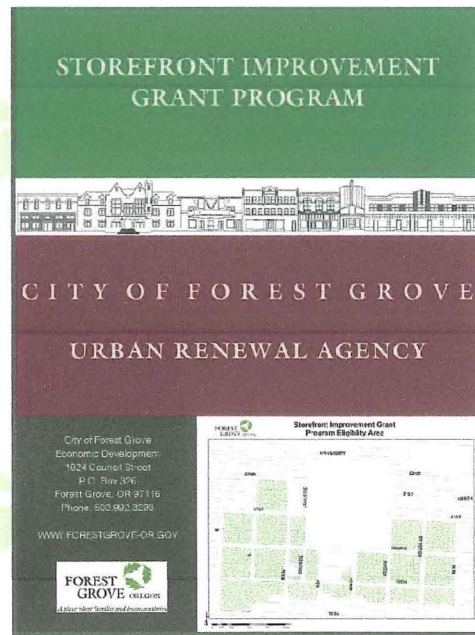
First Redevelopment Project

- Mixed-Use Development in Town Center
 - 1.5 acre site.
 - Urban Renewal Agency purchased site from City for \$1.1 million.
 - Redevelopment Project:
 - 78 market-rate apartments;
 - 2,500 square feet of retail space;
 - 2,900 square foot open plaza area; and
 - 94 off-street parking spaces.
 - \$15.5 million private investment.
 - \$963,000 in direct urban renewal project assistance (pre-development, SDCs, public improvements).



Storefront Improvement Grant Program

- Rolled out July 2017;
- \$7,500 matching grant;
- \$20,000 allocated in budget;
- 10 applications received to date.



Brady Preheim asked if in Forest Grove the Urban Renewal Agency is the City Council?

Dan Riordan replied in Forest Grove's case yes, they chose that the City Council is also the Urban Renewal Agencies Board of Directors.

Brady Preheim asked about the list of goals, were they established prior to the urban renewal zone or was that created after you decided you wanted the urban renewal.

Dan Riordan replied that was created after the City decided they wanted to pursue urban renewal. He stated there were basically two phases to the project, one was doing a feasibility study to see if urban renewal made sense from a financial perspective, and it was during that phase that the project categories were sort of flushed out.

Brian Rosenthal asked did Forest Grove do any type of analysis on the services needed by this property, as to what would the cost be over that twenty year period to the tax payers?

Dan Riordan replied not directly because it was assumed that development, maybe not at the scale of this block, would occur in some fashion, so identifying what the increment would be between just natural development versus trying to incentivize a little bit higher density on this block, that wasn't really conducted to any large extent.

City Manager Sykes explained they felt if they added another 80 units, with possibly 160 people downtown it would help all the restaurants survive, and that was really an important component.

Dan Riordan explained in Forest Grove rental vacancies are very low and they did kind of an informal study, and they have a separate project right now to address affordable housing in the City. They found that the vacancy rate is probably somewhere around 1% and they are starting to see much interest in multiple family development, which is something new to Forest Grove. So those units will help to address some of that need for more apartment units in town.

Len Waggoner stated he doesn't understand giving assistance to something that is already going to be a goldmine.

Dan Riordan explained part of the rationale was likely something would have happened over time on this site, how long no one really knew. He explained the building on the site was deteriorating and becoming an eye sore. He said over time you might get typically a garden apartment complex, maybe two or three stories with a lot of surface parking and he thinks the City Council was looking at something more than that. He explained what is proposed to go on the site is a four story building, which will be more costly to construct, the materials are probably higher quality than you might see in other projects, there is a community space, and there is also interest in having some retail. He stated there were some objectives that the City Council had that increased the desirability of this site so they felt comfortable with allocating urban renewal assistance to help see some of those objectives realized.



Lessons Learned

- **Involve Key Stakeholders.**
 - Property Owners;
 - Budget Committee;
 - Economic Development Commission;
 - Planning Commission; and
 - City Council
- **Hold Urban Renewal 101 Presentations as needed.**
- **Educate, Educate, Educate.**
 - **There are many misconceptions about urban renewal:**
 - Increase property taxes – No!
 - More land use regulation – No!
 - Property will be taken for redevelopment – No!

Lessons Learned

- Be clear.
 - An urban renewal plan is foremost a financing strategy not a land use plan.
- One size does not fit all.
 - Tailor the program for local context and needs.
 - Focus on infrastructure to spur private investment?
 - Focus on redevelopment project assistance?
 - Forest Grove chose the redevelopment project assistance.
- Balance
 - Consider the impact to the City's General Fund and overlapping taxing districts while establishing a large enough urban renewal area to generate sufficient tax increment revenue.

Lessons Learned

- Be creative.
 - Don't be afraid to innovate in your approach.
- Always think "But For"
 - But for the urban renewal plan would desired redevelopment occur? This helps to make the case for why the plan is needed.
- Work with stakeholders.
 - Be transparent;
 - Involve stakeholders early and often;
 - Be willing to meet with stakeholders one-on-one;
- Adopt the urban renewal plan before the tax rolls are updated.
 - If adopted before the tax rolls are updated the frozen base will be the prior year.

For More Information

- Association of Oregon Redevelopment Agencies
 - www.oregonurbanrenewal.org
- Oregon Department of Revenue
 - How Does Urban Renewal Work Circular (504-623)

Brian Rosenthal asked how much does it cost to set up an urban renewal district?

Dan Riordan replied they received a grant from Metro for \$85,000 and that helped to retain a consultant to do the initial feasibility study and then help draft the plan. He stated it is kind of tough to say with staff in-kind assistance, probably close to \$200,000.

Len Waggoner asked, do you within your process consult with the State of Oregon Department of Revenue to know what the tax number and that base is going to do.

Dan Riordan replied the short answer is no, they did not consult with the State, but the County Tax Assessor is one area where it makes sense to consult. He explained at Washington County for new investments depending on the type of investment they calculate what the taxable value is based on what the real market value is, considering what the investment might be and so they did use some of that information to identify what the potential tax increment revenue is.

Len Waggoner gave an overview of what the Scappoose Economic Development Committee has discussed in regards to urban renewal districts. He explained the Committee discussed if they did one, where would it be, and that is part of the issue is we have a little town front that is pretty small and consumes ten to fifteen acres of frontage on Columbia Avenue and Highway 30, so is that something we are going to expand and create a whole use for. He explained one of the problems is we don't have the right accommodations.

Brian Rosenthal stated he thinks the EDC came to a couple of agreements that enterprise zones and urban renewal districts should never be overlaid. He explained they also felt that any urban renewal district would not be done on industrial land and they felt that an enterprise zone is a better tool for industrial land.

Brady Preheim stated Forest Grove obviously came to that same conclusion since you excluded all of your industrial enterprises.

Carmen Kulp stated Dan mentioned be creative, so would it be better for us to explore further and with more creativity?

Dan Riordan replied in terms of being creative, looking at something like a lease hold, if there is some way you can do that it might generate more revenue, in addition to the tax increments.

City Manager Sykes asked how many renewal districts are there in the State?

Dan Riordan replied he believes 75 to 78.

Councilor Greisen stated they were in Bend last week and there are amenities everywhere. She thinks there are a lot of opportunities here for us.

Brady Preheim asked does the urban renewal have to be on contiguous land.

Dan Riordan replied no.

George Hafeman would like to see the downtown corridor improve.

Dan Riordan explained what the direct cost was for the consultant assistants, above the \$85,000. The remainder was for staff costs over a three year period of time.

Councilor Kessi stated if it is for development he thinks it is needed.

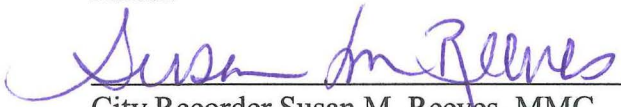
City Manager Sykes and Mayor Burge thanked Dan for his time.

Work Session adjourned at 6:58 p.m.



Mayor Scott Burge

Attest:



City Recorder Susan M. Reeves, MMC