

CCDA

Tigard City Center Development Agency



Financial Impact Report

of the City's Urban Renewal Plan

for the fiscal impact year ended
June 30, 2009



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Introduction

URBAN RENEWAL AGENCIES must prepare an annual financial report for the governing body and public in accordance with Oregon Revised Statutes 457.460. The report includes a financial summary of the preceding year and the budget for the new fiscal year. It also includes an analysis of the financial impact of carrying out the urban plan on the tax collections for all taxing districts.

Urban Renewal – An Overview

The purpose of urban renewal is to improve specific areas of a community that are poorly developed, under-utilized, or that have declined over time. These areas can have old, deteriorated buildings; streets and utilities in serious need of upgrades (or the areas can simply lack streets and utilities altogether), weak business activity, and few or aging parks and public facilities. Urban renewal is a process authorized by Oregon law (ORS 457) to finance improvements in these areas using “tax increment financing.” A portion (the increment) of property tax revenues from properties within the urban renewal district are designated to support financing for improvements to the urban renewal area. While urban renewal provides for unique funding of improvements to a district, it is not intended that tax increment financing be the only source of funding. Other sources including ones typically used for capital improvements such as the gas tax, Traffic Impact Fee (TIF), System Development Charges (SDC), inter-agency funding, or state grants are programmed to support downtown projects.

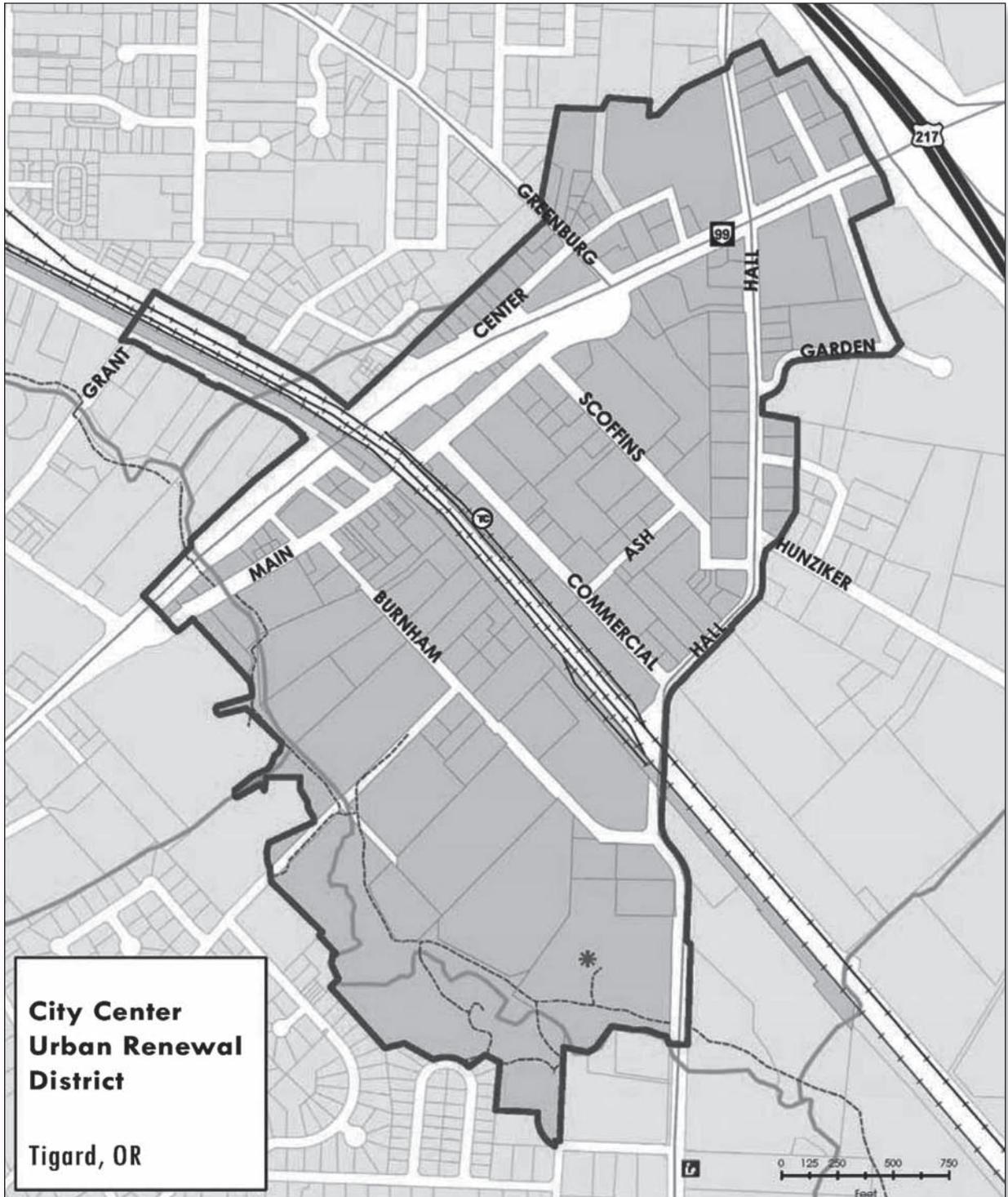
For a city government to utilize urban renewal as a funding mechanism, it must establish an urban renewal agency, and it must adopt an urban renewal plan. The Tigard City Council approved the City Center Urban Renewal Plan for Downtown in December of 2005. In May 2006, a special ballot measure was passed by the voters, authorizing the use of tax increment financing (urban renewal) in downtown.

Urban Renewal Finance – A Summary

Urban renewal is a process authorized by Oregon law to finance improvements in those neighborhoods and districts that need special attention and revitalization. Once a district is established, the tax valuation for the district is “frozen.” As properties appreciate in value, the increase in taxes (the “increment”) generated above the frozen base are used to pay for debt on specific projects within the urban renewal plan.

These tax increments are used to repay municipal bonds. Bond proceeds are used to finance improvements that will revitalize the district. New taxes are not imposed to fund urban renewal. Bonds and tax increment financing will be used to fund projects in the urban renewal plan. Under this system, the increment portion of property taxes generated within the urban renewal area is temporarily shifted to repay the bonds used to finance projects in the City Center.

Tigard City Center Urban Renewal District



Under tax increment financing, when the value of a property within the urban renewal district increases, the proceeds from property taxes on the *increased* value (the “tax increment”) go to the urban renewal district. These proceeds fund further urban renewal projects, either directly or by providing for the repayment of municipal bonds that fund improvements. The tax increment is unique as a source of funding, because it is usable only for projects identified in the urban renewal plan.

How Does Urban Renewal Affect Taxes?

With urban renewal and the use of tax increment financing, there is no net change on Tigard property tax bills. New property taxes are not created as a result of urban renewal. Under today's Oregon law, property tax rates are fixed. Tigard's City Center Urban Renewal Plan also does not authorize any “local option” tax levies or special assessments. Tax revenues are generated from the increase in property values multiplied by *current* tax rates. These revenues pay for urban renewal under Oregon law.

History of Tax Increment Financing

In less than two decades, three Ballot Measures – Measure 5 (1990), and Measure 50 (1997) – have made significant changes to Oregon's system of property taxation. Those changes have influenced urban renewal programs and tax increment revenue calculations. The provisions of these changes to the property tax system, Ballot Measures 5 and 50, now are incorporated into Oregon's Constitution, and into Oregon Urban Renewal Statutes. Those provisions provide the basic framework for revenue calculations in this report.

Tax Increment Calculations

To determine the amount of the taxes levied, 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 (the base or “frozen” value); and (b) the difference between the frozen base value and the current total assessed value (the incremental value or “excess”). Revenues derived from the application of the tax rate for each affected taxing district to the amount of the incremental value may be collected by the urban renewal agency and deposited in its debt service fund. This revenue is used to repay indebtedness incurred in carrying out the projects.

Tigard City Center Urban Renewal Plan – Purpose

The stated purpose of the City Center Urban Renewal Plan is to provide improvements in the downtown area so that it will be economically healthy while maintaining its “uniquely Tigard” character. The establishment of the Urban Renewal district provides a funding mechanism for projects in downtown Tigard. For more information, you may review the City Center Urban

Renewal Plan and the Report Accompanying the City Center Urban Renewal Plan on line at: www.tigard-or.gov/downtown/urban_renewal/about/docs/urban_renewal_plan.pdf or request a copy from the City of Tigard.

How was the Urban Renewal Plan developed?

In late 2005, the same citizen-business-City partnership that worked on the Tigard Downtown Improvement Plan collaborated to find financing for the “catalyst” projects identified in the Downtown Improvement Plan. Urban renewal and tax increment financing was identified as a potential source of financing and an urban renewal plan was prepared. The voter-approved Tigard City Center Urban Renewal Plan provides the special financing for the public improvement projects identified in the Tigard Downtown Improvement Plan.

What are Tigard’s Specific Plans for Urban Renewal?

Under Oregon law, urban renewal can provide special funding for a wide variety of projects and programs. Tigard’s approved City Center Urban Renewal Plan authorizes funding for up to 35 different projects in the City Center over twenty years. Most of the proposed projects in Tigard’s plan are for public improvements and facilities, although some assistance for private businesses and property owners is provided. The intent of the projects such as new streets, parks, plazas, is to stimulate new investment in Downtown and create a vibrant, new Town Center with public spaces that the community can use. As property values rise in the downtown urban renewal district, the increase in tax revenues generated supports the payment of bonds used to improve the area. Over time, it is expected that the value of property and taxes generated will be higher through the use of urban renewal than if left alone.

The Tigard City Council, working closely with dozens of citizens (and after numerous hearings and meetings) included the following categories of projects in the urban renewal plan: Street Improvements, Streetscape Improvements, Bicycle and Pedestrian Facilities, Parks, Public Spaces, Public Facilities, Planning and Development Assistance (for privately owned properties).

Effect of Urban Renewal on Taxing Districts

Carrying out an urban renewal plan has an effect on the County Assessor’s calculation for each taxing district that shares values with Tigard’s urban renewal agency. Some property taxes that may have been received by the taxing bodies that levy property taxes within Tigard’s urban renewal area are being paid to Tigard’s urban renewal agency.

Passage of Ballot Measure 50 (Article XI, Section 11 of the Oregon Constitution) resulted in converting most property taxes from a levy-based system to a rate-based system. Page 8 of this report shows the financial impact by taxing district for Tigard’s urban renewal agency.

Financial Reports

The financial reports on page 7 and 8 below account for the activities of Tigard's urban renewal agency. In accordance with ORS 457.460 (1), these reports were prepared by the Finance Department of the City of Tigard using the same basis of accounting it uses to prepare its financial statements — modified accrual basis of accounting. These reports are due annually by August 1, so the information and figures contained in them have not been audited and are subject to correction and adjustment once the audit is completed. At the end of each fiscal year, June 30, this financial impact report is prepared which shows the urban renewal tax impact by taxing district. Copies are available by August 1 at the Tigard Permit Center, 13125 SW Hall Blvd., Tigard, 97223.

Statement of Resources and Requirements

As summarized below, City Center Development Agency's 2008–09 total requirements were \$102,710 for expenditures charged to the District as of June 30, 2009. For fiscal year 2009–10, total budgeted resources were balanced with requirements of \$515,551.

The District uses the funds it receives from the division-of-taxes method of calculating property taxes to finance various urban renewal projects and activities. These property taxes totaled \$113,613 (unaudited) in FY 2008–09 and are expected to increase to \$177,004 in FY 2009–10.

	Debt Service Fund		Capital Projects Fund		Total	
	Actual 2008-09	Budget 2009-10	Actual 2008-09	Budget 2009-10	Actual 2008-09	Budget 2009-10
Resources:						
Beginning Fund Balance	39,662	159,862	-	27,967	39,662	187,829
Tax Increment Property Taxes	113,613	177,004	-	-	113,613	177,004
Interest Income	2,947	718	-	-	2,947	718
Other Financing Sources	-	-	323,616	150,000	323,616	150,000
Total Resources	156,223	337,584	323,616	177,967	479,839	515,551
Requirements:						
Debt Service	-	-	-	-	-	-
Capital Outlay	-	-	295,649	177,967	295,649	177,967
Ending Fund Balance	156,223	337,584	-	-	156,223	337,584
Total Requirements	156,223	337,584	295,649	177,967	451,872	515,551

Note: Figures are unaudited as of August 1st and are subject to adjustment once the audit is completed.

Detail of Purpose

Capital Outlay:

Burnham Street Reconstruction	240,000	-
Main St./Green St. Retrofit		-
Downtown Pre-Design	55,649	177,967
	<u>295,649</u>	<u>177,967</u>

Note: Figures are unaudited as of August 1st and are subject to adjustment once the audit is completed.

Financial Impact of Urban Renewal Plan on Tax Collections

Taxing District	FY 2008-09			Base year	Change in Incremental Assessed Value	Impact on Taxes	Taxes levied on total Assessed Value	Percent of Taxes Divided for Urban Renewal
	Total Assessed Value	Permanent Tax Rate	Incremental Assessed Value	FY 2005-06 Incremental Assessed Value				
Education								
PCC	4,741,943,700	0.2828	78,530,005	69,207,378	9,322,627	2,636.44	1,341,022	1.66%
NW Regional ESD	4,741,943,700	0.1538	78,530,005	69,207,378	9,322,627	1,433.82	729,311	1.66%
Tigard/Tualatin School District	3,997,793,337	4.9892	78,530,005	69,207,378	9,322,627	46,512.45	19,945,791	1.96%
Local Government								
Washington County	4,741,943,700	2.2484	78,530,005	69,207,378	9,322,627	20,960.99	10,661,786	1.66%
Metro	4,741,943,700	0.0966	78,530,005	69,207,378	9,322,627	900.57	458,072	1.66%
Port of Portland	4,741,943,700	0.0701	78,530,005	69,207,378	9,322,627	653.52	332,410	1.66%
TV Fire & Rescue	4,741,780,700	1.5252	78,530,005	69,207,378	9,322,627	14,218.87	7,232,164	1.66%
City of Tigard	4,741,943,700	2.5131	78,530,005	69,207,378	9,322,627	23,428.69	11,916,979	1.66%
Excluded from M-5 rate limitation								
Washington County bonds	4,741,943,700	0.1947	78,530,005	69,207,378	9,322,627	1,357.37	923,256	1.66%
Metro bonds	4,572,357,820	0.1717	78,530,005	69,207,378	9,322,627	1,455.26	785,074	1.72%
PCC bonds	4,572,357,820	0.2223	78,530,005	69,207,378	9,322,627	2,053.77	1,016,435	1.72%
Tri-Met bonds	4,741,943,700	0.0856	78,530,005	69,207,378	9,322,627	748.61	405,910	1.66%

Note: The division-of-taxes process results in some property taxes that may have been received by the "taxing districts" that levy property taxes within the urban renewal area (for example, Washington County, NW Regional ESD) being paid over to Tigard's urban renewal agency. The taxing districts forgo a share of the property tax income during the life of an urban renewal plan so that the urban renewal agencies can carry out activities that increase property values in the long term. The above table shows the urban renewal tax impact by taxing district using permanent rates established pursuant to Measure 50.

Attachment: Notice of Report Availability – published twice in the Tigard Times.