CCDA

Tigard City Center Development Agency

Financial Impact Report

of the City of Tigard's Urban Renewal Plan

for the fiscal impact year ended
June 30, 2014

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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

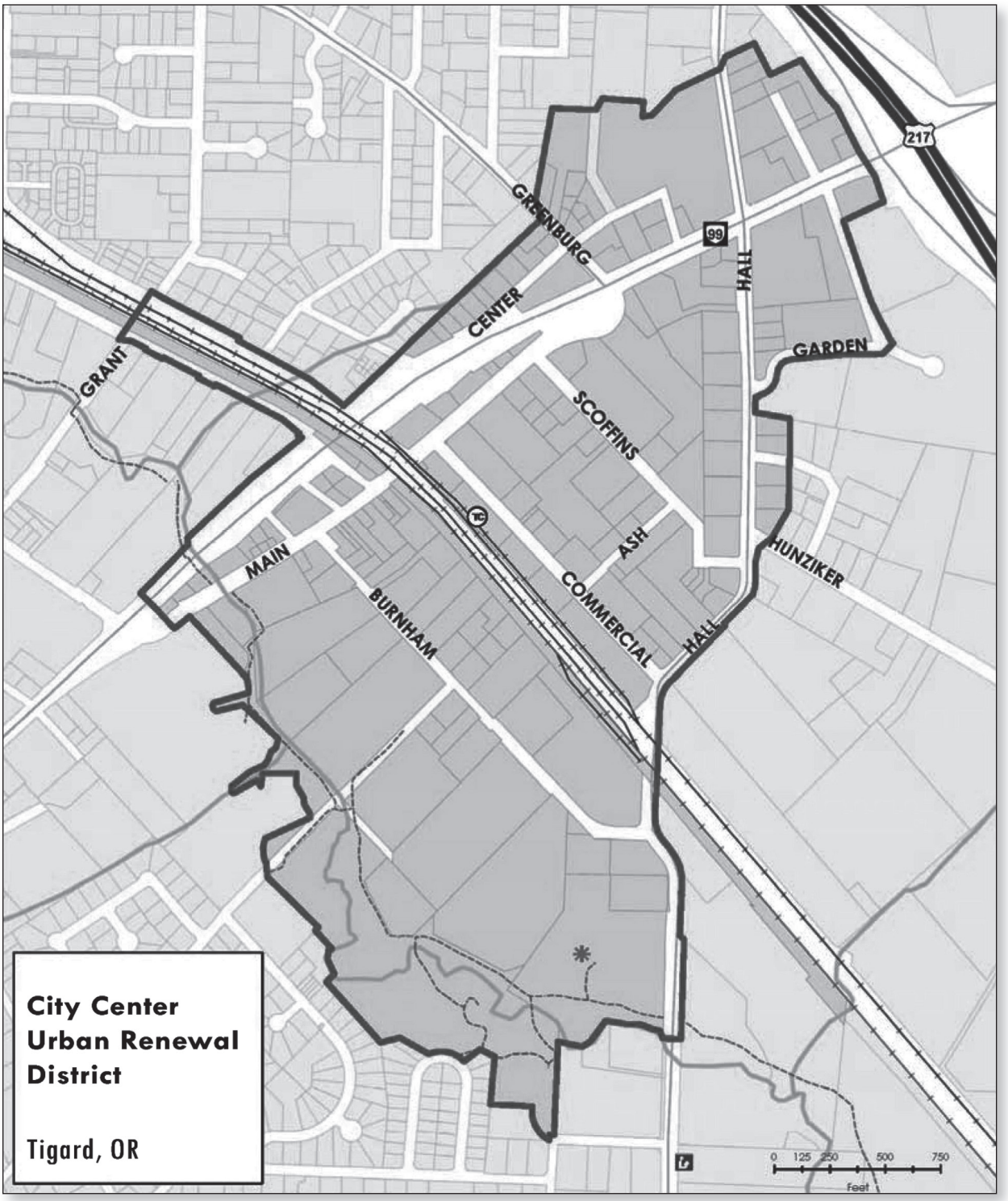
The purpose of urban renewal is to improve specific areas of a community that are poorly developed, under-utilized, or that have declined over time. These areas can have old, deteriorated buildings; streets and utilities in serious need of upgrades (or the areas can simply lack streets and utilities 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), interagency 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.


City Center
Urban Renewal
District
Tigard, OR
GRANT
GREENBURG
CENTER
HALL
GARDEN
SCOFFINS
ASH
MAIN
BURNHAM
COMMERCIAL
HALL
HUNZIKER
217
99
0 125 250 500 750
feet

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 online at: www.tigard-or.gov/document_center/CommunityDevelopment/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 6 of this report shows the financial impact by taxing district for Tigard's urban renewal agency.

Financial Reports

The financial reports on pages 5 and 6 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 January 31, so the information and figures contained herein are based upon audited financial statements. 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 January 31 at the Tigard Permit Center, 13125 SW Hall Blvd., Tigard, 97223.

Statement of Resources and Requirements

As summarized below, City Center Development Agency's 2013–14 total requirements were $971,461 for expenditures charged to the district as of June 30, 2013. For fiscal year 2014–15, total budgeted resources were balanced with requirements of $2,154,639.

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 $329,931 in FY 2013–14 and are expected to increase slightly to $351,139 in FY 2014–15 per the Washington County assessment summary received after budget adoption.

	Debt Service Fund		Capital Projects Fund		Total	
	Actual 2013-14	Budget 2014-15	Actual 2013-14	Budget 2014-15	Actual 2013-14	Budget 2014-15
Resources:						
Beginning Fund Balance	837,511	789,500	200,462	-	1,037,973	789,500
Tax Increment Property Taxes	329,931	351,139	-	-	329,931	351,139
Interest Income	28,116	1,000	869	-	28,985	1,000
Other Financing Sources	-	84,000	461,000	929,000	461,000	1,013,000
Total Resources	1,195,558	1,225,639	662,331	929,000	1,857,889	2,154,639
Requirements:						
Debt Service	361,000	455,000	-	-	361,000	455,000
Capital Outlay	-	-	610,461	929,000	610,461	929,000
Ending Fund Balance	834,558	770,639	51,870	-	886,428	770,639
Total Requirements	1,195,558	1,225,639	662,331	929,000	1,857,889	2,154,639

Note: Figures are based upon audited financial statements.

Detail of Purpose

	Capital Projects Fund	
	Actual 2013-14	Budget 2014-15
Detail of Purpose:		
Capital Outlay:		
Professional and Technical Services	45,850	33,000
Planning and Development Assistance	318,150	121,000
Public Spaces	9,330	25,000
Streetscape Improvements	46,276	75,000
Land Acquisition	101,388	675,000
Bike/Pedestrian Facilities and Public Facilities	89,467	
	610,461	929,000

Note: Figures are based upon audited financial statements.

Financial Impact of Urban Renewal Plan on Tax Collections

Taxing District	FY 2013-14 Total Assessed Value	FY 2013-14 Permanent Tax Rate	FY 2013-14 Incremental Assessed Value	Base year FY 2005-06 Incremental Assessed Value	Change in Incremental Assessed Value	Impact on Taxes	Taxes levied on total Assessed Value	Percent of Taxes Divided for Urban Renewal
Education								
PCC	5,467,180,620	0.2828	95,335,863	69,207,378	26,128,485	7,389.14	1,546,119	1.74%
NW Regional ESD	5,467,180,620	0.1538	95,335,863	69,207,378	26,128,485	4,018.56	840,852	1.74%
Tigard/Tualatin School District	5,467,180,620	4.9892	95,335,863	69,207,378	26,128,485	130,360.24	27,276,858	1.74%
Beaverton School District	5,467,180,620	4.6930	95,335,863	69,207,378	26,128,485	122,620.98	25,657,479	1.74%
Local Government								
Washington County	5,467,180,620	2.2484	95,335,863	69,207,378	26,128,485	58,747.29	12,292,409	1.74%
Metro	5,467,180,620	0.0966	95,335,863	69,207,378	26,128,485	2,524.01	528,130	1.74%
Port of Portland	5,467,180,620	0.0701	95,335,863	69,207,378	26,128,485	1,831.61	383,249	1.74%
TV Fire & Rescue	5,467,180,620	1.5252	95,335,863	69,207,378	26,128,485	39,851.17	8,338,544	1.74%
City of Tigard	5,467,180,620	2.5131	95,335,863	69,207,378	26,128,485	65,663.50	13,739,572	1.74%
Tigard Tualatin Aquatic	5,467,180,620	0.0900	95,335,863	69,207,378	26,128,485	2,351.56	492,046	1.74%
Excluded from M-5 rate limitation								
Washington County bonds	5,467,180,620	0.1291	95,335,863	69,207,378	26,128,485	3,373.19	705,813	1.74%
Metro bonds	5,467,180,620	0.2745	95,335,863	69,207,378	26,128,485	7,172.27	1,500,741	1.74%
PCC bonds	5,467,180,620	0.4514	95,335,863	69,207,378	26,128,485	11,794.40	2,467,885	1.74%
Tigard/Tualatin School District	5,467,180,620	1.4165	95,335,863	69,207,378	26,128,485	37,011.00	7,744,261	1.74%
City of Tigard	5,467,180,620	0.4314	95,335,863	69,207,378	26,128,485	11,271.83	2,358,542	1.74%
TV Fire & Rescue	5,467,180,620	0.1309	95,335,863	69,207,378	26,128,485	3,420.22	715,654	1.74%
Beaverton School District	5,467,180,620	2.1107	95,335,863	69,207,378	26,128,485	55,149.39	11,539,578	1.74%

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.

Attachments

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