



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, 2015



Tigard City Center Development Agency
Financial Impact Report of the City's Urban Renewal Plan
For the fiscal impact year ended June 30, 2015

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.

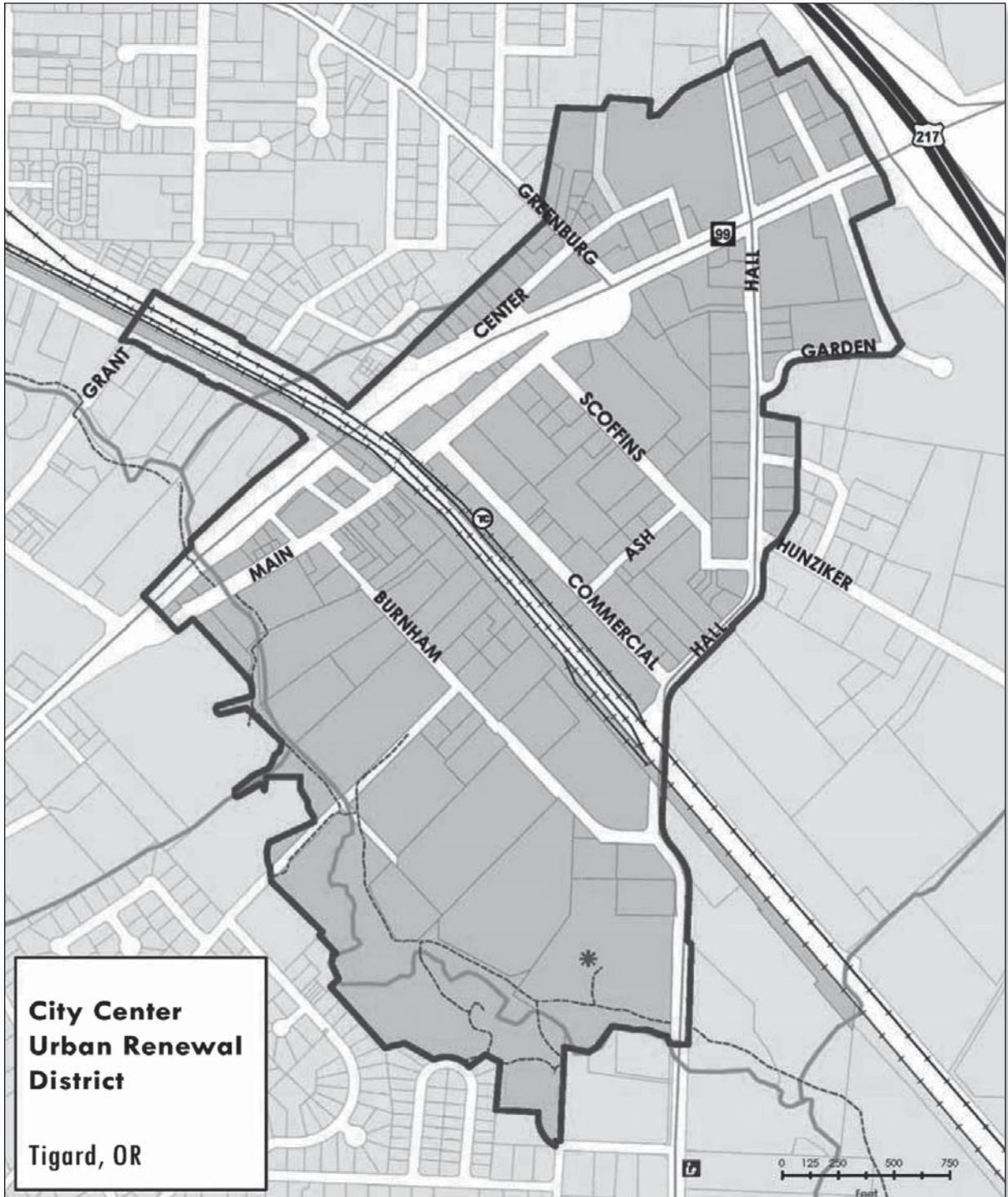
For a city government to utilize urban renewal as a funding mechanism, it must establish an urban renewal agency, and it must adopt an urban renewal plan. The Tigard City Council approved the City Center Urban Renewal Plan for Downtown in December of 2005. In May 2006, a special ballot measure was passed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

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 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 and, due to an audit extension for FY 2014-15, the information and figures contained herein are based upon draft 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 2014-15 total requirements were \$3,412,397 for expenditures charged to the district as of June 30, 2015. For fiscal year 2015-16, total budgeted resources were balanced with requirements of \$769,489.

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 \$350,653 in FY 2014-15 and are expected to increase slightly to \$397,792 in FY 2015-16 per the Washington County assessment summary received after budget adoption.

	Debt Service Fund		Capital Projects Fund		Total	
	Actual 2014-15	Budget 2015-16	Actual 2014-15	Budget 2015-16	Actual 2014-15	Budget 2015-16
Resources:						
Beginning Fund Balance	834,558	170,697	51,870	-	886,428	170,697
Tax Increment Property Taxes	350,653	397,792	-	-	350,653	397,792
Rental Income	-	-	-	84,000	-	84,000
Interest Income	1,768	1,000	-	-	1,768	1,000
Other Financing Sources	-	-	2,173,548	116,000	2,173,548	116,000
Total Resources	1,186,979	569,489	2,225,418	200,000	3,412,397	769,489
Requirements:						
Debt Service	273,151	278,498	-	-	273,151	278,498
Transfers Out	516,391	116,000	-	-	516,391	116,000
Capital Outlay	-	-	1,770,924	200,000	1,770,924	200,000
Ending Fund Balance	397,437	174,991	454,494	-	851,931	174,991
Total Requirements	1,186,979	569,489	2,225,418	200,000	3,412,397	769,489

Note: Figures are based upon draft financial statements.

Detail of Purpose

	Capital Projects Fund	
	Actual 2014-15	Budget 2015-16
Detail of Purpose:		
Capital Outlay:		
Professional and Technical Services	29,185	35,000
Planning and Development Assistance	319,956	135,000
Public Spaces		30,000
Streetscape Improvements	74,659	
Land Acquisition	1,347,124	
Bike/Pedestrian Facilities and Public Facilities		
	<u>1,770,924</u>	<u>200,000</u>

Note: Figures are based upon draft financial statements.

Financial Impact of Urban Renewal Plan on Tax Collections

Taxing District	FY 2014-15			Base year FY 2005-06	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	Incremental Assessed Value				
Education								
PCC	5,710,010,309	0.2828	98,217,709	69,207,378	29,010,331	8,204.12	1,614,791	1.72%
NW Regional ESD	5,710,010,309	0.1538	98,217,709	69,207,378	29,010,331	4,461.79	878,200	1.72%
Tigard/Tualatin School District	5,710,010,309	4.9892	98,217,709	69,207,378	29,010,331	144,738.34	28,488,383	1.72%
Beaverton School District	5,710,010,309	4.6930	98,217,709	69,207,378	29,010,331	136,145.48	26,797,078	1.72%
Local Government								
Washington County	5,710,010,309	2.2484	98,217,709	69,207,378	29,010,331	65,226.83	12,838,387	1.72%
Metro	5,710,010,309	0.0966	98,217,709	69,207,378	29,010,331	2,802.40	551,587	1.72%
Port of Portland	5,710,010,309	0.0701	98,217,709	69,207,378	29,010,331	2,033.62	400,272	1.72%
TV Fire & Rescue	5,710,010,309	1.5252	98,217,709	69,207,378	29,010,331	44,246.56	8,708,908	1.72%
City of Tigard	5,710,010,309	2.5131	98,217,709	69,207,378	29,010,331	72,905.86	14,349,827	1.72%
Tigard Tualatin Aquatic	5,710,010,309	0.0900	98,217,709	69,207,378	29,010,331	2,610.93	513,901	1.72%
Excluded from M-5 rate limitation								
Metro bonds	5,710,010,309	0.2659	98,217,709	69,207,378	29,010,331	7,713.85	1,518,292	1.72%
PCC bonds	5,710,010,309	0.4394	98,217,709	69,207,378	29,010,331	12,747.14	2,508,979	1.72%
Tigard/Tualatin School District	5,710,010,309	1.4752	98,217,709	69,207,378	29,010,331	42,796.04	8,423,407	1.72%
City of Tigard	5,710,010,309	0.4179	98,217,709	69,207,378	29,010,331	12,123.42	2,386,213	1.72%
TV Fire & Rescue	5,710,010,309	0.1159	98,217,709	69,207,378	29,010,331	3,362.30	661,790	1.72%
Beaverton School District	5,710,010,309	2.0938	98,217,709	69,207,378	29,010,331	60,741.83	11,955,620	1.72%

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.