

URBAN RENEWAL AGENCY

of the City of Wilsonville, Oregon

ANNUAL URBAN RENEWAL REPORT
for Fiscal Year Ending
June 30, 2012



On the cover: In partnership with the West Linn-Wilsonville School District, the City completed large scale, artistic enhancements to the I-5/Wilsonville Road Interchange. The “Beauty & the Bridge” project was funded through the City’s East Side (Year 2000) Urban Renewal District and marked the completion of massive ramp and turn lane enhancements to one of the City’s main connections to the freeway. While the City was planning these improvements, Council was mindful that the process needed to not only address the needs of cars and trucks, but also for people who walk or bike.

Beauty & the Bridge became more than just a public works project. It served as an excellent, hands-on opportunity for more than 1,000 local students to leave a lasting mark on their community. Their art work involving more than 5,000 glazed tiles depicting local flora and fauna is on display for each car, pedestrian and bicyclist that lives, works or travels through Wilsonville.

Introduction

Each year an urban renewal agency must prepare a report for the governing body and the general public in accordance with ORS 457.460. The report is to include a financial recap of the preceding year and the budget for the current fiscal year. Additionally, it is to include an analysis of the impact of carrying out the urban renewal plan on the tax rate for each of the overlapping governmental units within the urban renewal district.

The following report meets these minimum requirements and additionally provides the reader with other information about Wilsonville's Urban Renewal Agency and its activities.

Urban Renewal Concept

Tax increment financing is used in areas where private development has stagnated or is not feasible. Public funds are needed to change those conditions. The types of urban renewal activities undertaken generally include land assembly and development of infrastructure and public amenities (i.e. streets, utility lines, lighting, public open spaces, parks).

As the result of the publicly funded efforts, investment becomes feasible for private developers. Developments consistent with the City's urban renewal plan are then allowed to go forward.

Tax Increment Financing

The major source of funding for urban renewal projects has been tax increment financing. This type of financing works by identifying an area where property values are not rising as rapidly as the rest of the community and drawing a line around it (the urban renewal boundary). Identify desired public improvements like roadways, parks, and other amenities (urban renewal plan). Sell urban renewal bonds to finance these costs. Construct the desired improvements. Encourage private investment in the area. Then, as property values rise and bring an increase in tax revenues, that increase is used to pay off the urban renewal bonds.

Value and Area Caps

Oregon state law allows Wilsonville to create urban renewal districts with up to 25% of the city's total land area. As of June 30, 2012, the total land area for the city was approximately 4,712 acres and 1,085 or 23% of the total was within our urban renewal districts.

The law also limits the total assessed value within all urban renewal districts to 25% of the city's total assessed value. The assessed values are measured at the time a district is created or subsequently adjusted. The table below presents the assessed value frozen base for fiscal year ended June 30, 2012 for each district.

District	Area Cap Test		Assessed Value Test	
	Acreage	% of City	Amount	% of City
Year 2000 Plan	629	13.3%	\$ 44,087,806	1.7%
West Side Plan	456	9.7%	16,526,288	0.6%
Combined	1,085	23.0%	60,614,094	2.4%
Total City	4,712	100.0%	\$ 2,550,754,301	100.0%

Tax Increment Calculations

Tax increment is used for the payment of debt for urban renewal activities described in the urban renewal plans adopted by the City of Wilsonville.

To determine the amount of the tax increment allocation, 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 (Frozen Base Value), and (b) the difference between the Frozen Base Value and the current total assessed value (Incremental Value).

With the passage of measure 50, urban renewal property taxes are generated by two processes. First is a process called "division of tax," referring to taxes levied by each overlapping government on the Incremental Value. Second is a Special Levy on property within Wilsonville. This special tax rate protects bondholders and permits the Urban Renewal Agency to recover increment "lost" due to roll back of assessed values and tax rates. The Special Levy can only be assessed on a limited amount of indebtedness – explained in the Financing the Urban Renewal Projects section. Unlike the division of tax portion which cannot be reduced, the Urban Renewal Board may choose to set the Special Levy at less than the maximum allowed. The City has not assessed the Special Levy since 2002-03 and is precluded from doing so when it approved a substantial plan amendment in June 2007.

FY Ended June 30, 2012

	<u>Year 2000 Plan</u>	<u>West Side Plan</u>
Total Assessed Value	\$396,778,254	\$183,826,693
Less: Frozen Base Value	<u>(44,087,806)</u>	<u>(16,526,288)</u>
Incremental Value	\$352,690,448	\$167,300,405
Tax Increment (Estimated)		
From Division of Taxes ¹	\$4,200,000	\$2,299,423
From Special Levy	<u>n/a</u>	<u>n/a</u>
	\$4,200,000	\$2,299,423

¹ Year 2000 Plan division of taxes limited to \$4.2 million

In November 1990, Oregon voters passed a property tax limitation measure (Measure 5) that has impacted urban renewal financing and established a \$10 limit per thousands of real market value for property tax collection for local governments. It is important to note that the \$10 limit is based on real market value rather than assessed value of a property. The impact of this measure is that repayment of urban renewal bond debt (past, present, or future) must now come within the \$10 limit for local governments that is traditionally used for services.

In a 2002 Oregon Supreme Court ruling, the limitations of Measure 5 were clarified so that urban renewal tax dollars related to the division of taxes from schools are to be included in the general government category when determining the \$10 limit. The effect of this ruling accelerates the likelihood of the general government category taxes hitting the \$10 ceiling. However, this should not pose an immediate problem for Wilsonville because the assessed value of properties within the district is less than its real market value, and there is no compression loss to urban renewal or local governments. Less than 15% of the assessed value within the district (essentially industrial properties) is assessed anywhere close to real market value.

In 2011-12, the cumulative tax rate for all local governments ranged between \$7.9555 and \$9.3842 per thousand depending upon which tax code area the property resides.

Carrying out the urban renewal plans has an effect on various taxing entities sharing (over-lapping) the property within the Wilsonville Urban Renewal districts. Measure 50 required a change from a levy-based system to a rate based system, resulting in a modification of the way the County Assessor computes the allocation of taxes from the overlapping districts.

The division of taxes process means that taxes associated with the incremental value is received by the Urban Renewal Agency instead of the various taxing districts (e.g. Clackamas County, City of Wilsonville, West Linn Wilsonville School District).

The following table shows the taxing districts that levy taxes within the city's Urban Renewal Agency, the total amount of taxes levied, and the percent of those taxes that were received by the Wilsonville Urban Renewal Agency.

<u>Overlapping Tax Districts, Fiscal Year 2011-12</u>			
District	Taxes Levied in Clackamas County ¹	Year 2000 UR as %	West Side UR as %
City of Wilsonville	\$6,857,703	12%	7%
Clackamas County	\$91,418,544	<1%	<1%
Clackamas Extension & 4-H	\$1,900,773	<1%	<1%
Clackamas Library District	\$15,107,342	<1%	<1%
Clackamas Soil Conservation Distr.	\$1,711,104	<1%	<1%
West Linn/Wilsonville Schools	\$34,252,241	5%	3%
Tualatin Valley Fire & Rescue	\$11,172,829	4%	2%
Clackamas ESD	\$13,387,186	<1%	1%
Clackamas Community College	\$19,622,861	1%	<1%
Vector Control	\$1,197,773	<1%	<1%
Port of Portland	\$2,665,520	<1%	<1%
Metro Service District	\$6,380,843	1%	<1%

¹City of Wilsonville includes Washington County Taxes.
Amounts rounded to the nearest whole percent.

Tax Increment Calculations

Property Tax Limitation and Tax Increment

Effects of Urban Renewal on Tax Collections

Financial Reports

The tables on the following pages contain financial information on the two funds used to account for the activities of the Urban Renewal Agency. The reports were prepared by the Finance Department of the City of Wilsonville using a modified accrual basis of accounting pursuant to ORS 457.460. The fiscal year is the period running July through June of the respective years indicated. Neither the reports nor the financial information have been audited and, accordingly, may be subject to correction and adjustment.

Financial Reports can be found at the end of each section: the Year 2000 Plan and West Side Plan.



The above picture shows the current Wastewater Treatment Plant (center). The plant is flanked by Interstate-5 and Old Town, which contains a mix of homes and a growing number of commercial enterprises. Across the highway, there are several large housing developments and businesses to the north and south of the plant.

Construction is currently underway on a \$48 million upgrade to the Wastewater Treatment Plant with a \$2 million contribution from the Year 2000 Plan District. Initially identified in a 2004 Plant Facility Master Plan, the upgrade will address noise and odor concerns from homeowners and businesses. Plant capacity will greatly increase allowing the City to meet the demands of future development in the short and long-term.

Year 2000 Plan

The Year 2000 Plan was adopted August 29, 1990. Substantial Plan Amendment to increase maximum indebtedness approved in June 2007.

Plan Mission Statement: To eliminate blight in areas within the Agency’s jurisdiction, and in the process, attract aesthetically pleasing, job producing private investments that will improve and stabilize property values and protect the area’s residential livability and its environmental values.

To pay for urban renewal projects, the Agency must issue debt. A substantial plan amendment passed in June 2007 increased the maximum debt limit to \$92,687,423. Through June 30, 2012 \$71,885,000 of debt has been issued leaving a balance of \$20,802,423 for future projects. With the passage of the substantial plan amendment, the district is no longer eligible to assess a special levy. As stated earlier, a special levy has not been levied since 2002-03.

When the district was formed it encompassed 755 acres and had a frozen tax base of \$61,401,520 (restated for measure 50 impacts). Since then, the district has changed significantly. Beginning in 2003 the Board began a practice of removing parcels from the district so as to limit tax increment collections to approximately \$4 million per year. In June 2007 the Board formalized the practice and passed a Resolution directing staff to periodically remove parcels to limit tax increment collections to \$4 million per year. After FY 2010 the law changed and allowed the Agency to certify to less than 100% of the available taxes. The table below presents the properties removed and the effect of under-levying for FYE 2012.

Fiscal Year Ending	Acreage	Assessed Value in Millions	Key Properties	Annual Tax Reduction
2005	80.8	\$30.0	Mentor Graphics	\$450,000
2006	27.5	\$15.7	Sysco Foods	\$240,000
2009	17.7	\$10.2	Residential	\$150,000
2010	29.0	\$14.0	Fred Meyer	\$215,000
Subtotal	155.0	\$69.9		\$1,055,000
2011	Certify to less than 100% of available increment			\$735,000
2012	Certify to less than 100% of available increment			\$95,000
Total annual taxes released to jurisdictions in FY 2011-12				<u>\$1,885,000</u>

The Agency has certain debt covenants that restrict how much assessed value can be removed. Staff is careful to assure that these covenants are met. \$4 million per year is sufficient to meet current debt service coverage requirements.

The table above discloses the annual taxes not collected by the District. The cumulative effect on certain jurisdictions is shown below. This reflects taxes that each entity received instead of being divided to the District.

Adoption

Mission Statement

Project Financing

District Reduction

Assessed Value Removals

Impact of
Removals

	Estimate for 2011-12	Cumulative 2005-2012
City of Wilsonville	\$315,000	\$1,225,000
Clackamas County	\$300,000	\$1,170,000
Tualatin Valley Fire & Rescue	\$195,000	\$755,000
West Linn/Wilsonville School District	\$870,000	\$3,380,000
Other jurisdictions	\$205,000	\$785,000
UR tax reduction total	\$1,885,000	\$7,315,000

Projects

Completed:

- Land acquisition of Boozier Property at Wilsonville Road and Memorial Drive. Acquired in 1993, \$1.5 million.
- Memorial Drive road construction also referred to as Day Dream Ranch escape. Constructed in 1994, \$1.2 million.
- Interagency agreement with Wilsonville High School for joint use of facility for city and public purposes. Agreement signed in 1995, \$2.2 million.
- I-5/Wilsonville Road interchange. A joint project with Oregon Department of Transportation and City of Wilsonville. Included demolition of existing interchange, widening from two lanes to six, widening of access and egress ramps, landscaping, walkways, and right of way. Construction began 1996 with completion in 1999, \$3.8 million.
- Wilsonville Road reconstruction. Widening of road and related streetscape improvements from west of the interchange to the railroad tracks. Costs to date \$4.5 million.
- Main Street acquisition of right of way for street improvements. Acquired in 2000, \$0.4 million.
- Canyon Creek South acquisition of right of way for street improvements. Acquired in 1999, \$.3 million.
- Wilsonville Road west from railroad tracks to city limits (phases 3 & 4). Improvements include widening, sidewalks, bike paths, etc., \$9.2 million.
- Town Center Park construction. Landscaping, walkways, picnic area, water feature and parking. Completed 2005, \$2 million.
- Wilsonville High School public facilities. Completed 2005, \$1.1 million.
- Murase Plaza and park design and construction. Substantially completed June 2006, \$6.1 million.
- Kaiser and Town Center Loop East right of way land acquisition. Completed 2006, \$1.8 million
- City Hall land acquisition and construction. Completed October 2006, \$10 million.
- Acquisition of Wesleyan Church property, October 2007, \$4.1 million.
- Senior housing, Creekside Woods, completion November 2010, \$1.3 million.

Scheduled for 2012-13:

- I-5 and Wilsonville Road interchange improvements. Completed 2011.
- Interchange turn lanes at I-5 and Wilsonville Road.
- Art amenities at I-5 underpass.
- Boeckman Road bike and pedestrian improvements
- Sewer Plant upgrades.

Statement of Resources and Expenditures

Capital
Projects Fund

	2011-12 Actual Budgetary Basis	2012-13 Budget Budgetary Basis
REVENUES		
Investment revenue	\$ 31,358	\$ 20,000
EXPENDITURES		
Wilsonville Road Interchange Improvements	2,683,456	50,000
Boeckman Bike/Ped Improvements	38,944	245,000
Other Projects	-	-
Sewer Plant Upgrades	-	2,000,000
WV interchange Turn Lanes	-	520,554
Planning, Financing, and Administration	511,089	1,515,200
Contingency	-	3,329,312
Total Expenditures	<u>3,233,489</u>	<u>7,660,066</u>
Excess (deficiency) of revenues over (under) expenditures	(3,202,131)	(7,640,066)
OTHER FINANCING SOURCES		
Issuance of long-term debt	-	3,500,000
Net change in fund balances	<u>(3,202,131)</u>	<u>(4,140,066)</u>
Fund balances - beginning	<u>7,122,595</u>	<u>4,140,066</u>
Fund balances - ending	<u>\$ 3,920,464</u>	<u>\$ -</u>

Statement of Resources and Expenditures

Debt
Service
Fund

	2011-12 Actual Budgetary Basis	2012-13 Budget Budgetary Basis
REVENUES		
Tax Increment	\$ 4,107,097	\$ 4,150,000
Interest Income	49,501	35,000
Total Revenues	<u>4,156,598</u>	<u>4,185,000</u>
EXPENDITURES		
Payment of Bond Principal	2,441,000	2,543,000
Short Term Debt	-	3,500,000
Interest Expense	631,412	532,000
Total Expenditures	<u>3,072,412</u>	<u>6,575,000</u>
Excess (deficiency) of revenues over (under) expenditures	1,084,186	(2,390,000)
Fund balances - beginning	<u>6,041,658</u>	<u>7,145,245</u>
Fund balances - ending	<u>\$ 7,125,844</u>	<u>\$ 4,755,245</u>

West Side Plan

Adoption

The West Side Plan was adopted November 3, 2003 and a substantial plan amendment was adopted September 15, 2008.

Mission Statement

Plan Mission Statement: To eliminate blight in areas within the Agency's jurisdiction, and in the process, attract aesthetically pleasing, job producing private investments that will improve and stabilize property values and protect the area's residential livability and its environmental values.

At creation, the district encompassed 394 acres and had a frozen tax base of \$3,605,856 (restated for Measure 50 impact). The September 2008 plan amendment added 62 acres and \$12,920,432 to the frozen base.

Project Financing

To pay the cost of urban renewal projects, the Agency must issue debt.

At plan adoption, a debt limit of \$40,000,000 was created. The district has issued debt totaling \$30,000,000. Some of the debt has been converted to long-term amortizing debt. The following tables summaries the debt outstanding as of June 30, 2012. Because the district was created after the passage of Measure 50, no special levy may be assessed.

Credit lines and Draws

Original short-term issuances	\$ 30,000,000
Conversions to long-term:	
February 26, 2009	\$ (10,000,000)
June 10, 2011	\$ (5,000,000)
June 7, 2012	\$ (8,000,000)
Net, short-term outstanding	<u>\$ 7,000,000</u>

Projects

Completed:

- Land acquisition for school site, park and park improvement. Land acquired September 2006, \$4.2 million.
- Boeckman Road extension from 95th west to Grahams Ferry. Completed June 2008, \$13.4 million.
- Barber Street improvements from Boberg to Kinsman. Widening, curbs, gutters, sidewalks, and rail road crossing. Completed October 2008, \$5.5 million.
- Land acquisition for elementary school site, December 2010, \$3.4 million

Underway:

- Park improvements in Villebois.

Planned for Future

- Payment of deferred water system development charges.
- Kinsman Road Extension, north to Boeckman. Total cost estimated at \$15 million, urban renewal portion not yet determined. No start date determined.
- Barber Street-Kinsman to Coffee Lake Dr. Total cost estimated to be \$10 million, which includes approximately \$5 million funded from federal funds.

Statement of Resources and Expenditures

Capital
Projects Fund

	2011-12 Actual Budgetary Basis	2012-13 Budget Budgetary Basis
REVENUES		
Intergovernmental	\$ 304,960	\$ -
Investment revenue	1,122	2,000
Total Revenue	306,082	2,000
EXPENDITURES		
Boeckman Road Geotechnical Investigation	26,057	-
Boeckman Road - Bridge Dip Repair	-	250,000
Villebois park - promenade	-	149,901
Villebois park - Piazza	-	60,000
Planning, Financing, and Administration	439,530	1,578,354
Contingency	-	124,998
Total Expenditures	465,587	2,163,253
Excess (deficiency) of revenues over (under) expenditures	(159,505)	(2,161,253)
OTHER FINANCING SOURCES		
Transfer In	400,000	-
Issuance of long-term debt	-	2,000,000
Total Other Financing Sources	400,000	2,000,000
Net change in fund balances	240,495	(161,253)
Fund balances - beginning	260,073	161,253
Fund balances - ending	500,568	\$ -
Adjustment from budgetary basis to generally accepted accounting basis:		
Development charge payable	(1,402,624)	
Fund balances - generally accepted accounting principles basis	(902,056)	

The deficit ending balance arises from a \$1,402,624 liability due to the City Water SDC fund for fire sprinkler credits. The Agency does not need to repay this liability until the district is financially able.

Statement of Resources and Expenditures

Debt
Service Fund

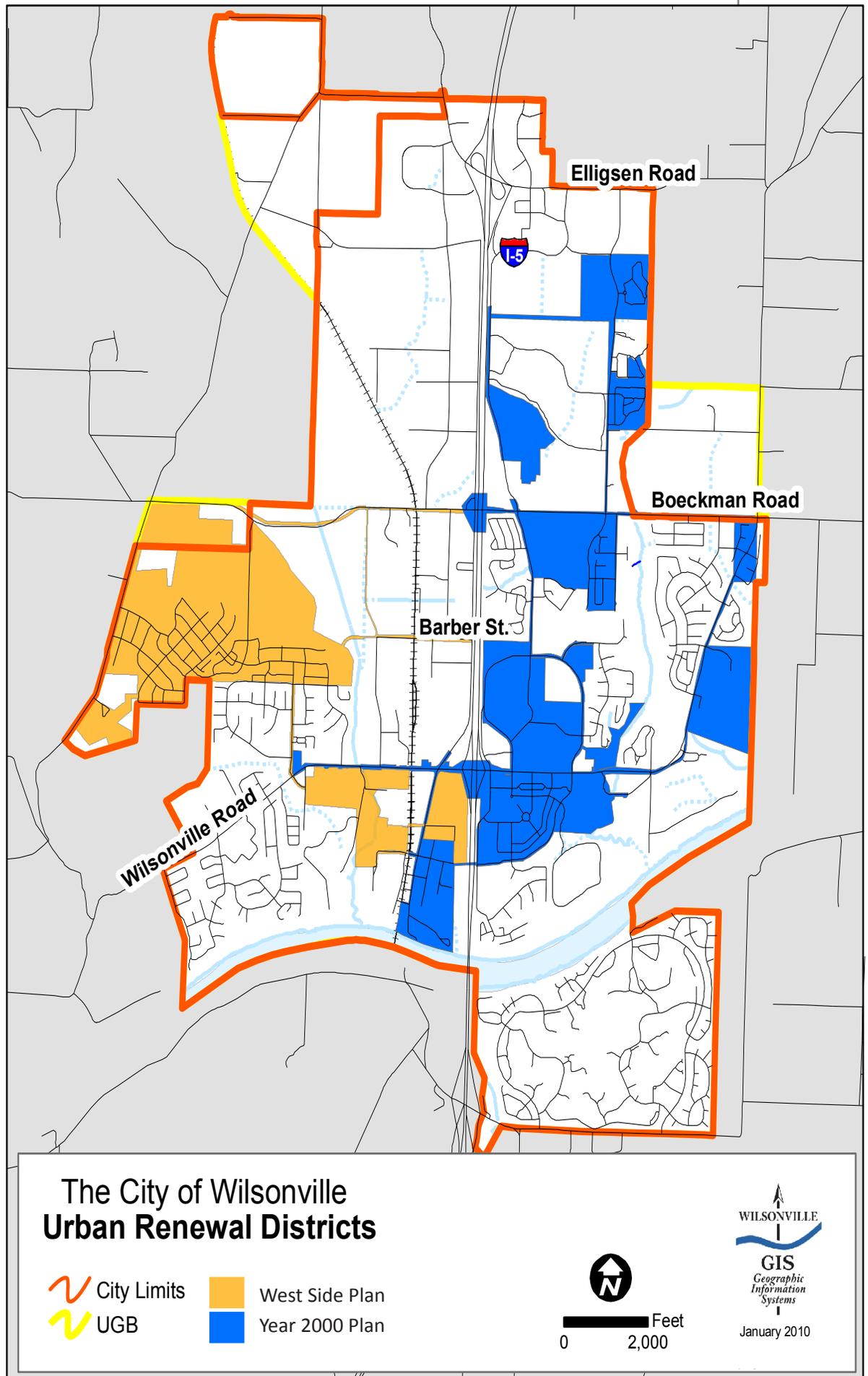
	2011-12 Actual Budgetary Basis	2012-13 Budget Budgetary Basis
REVENUES		
Tax Increment	\$ 2,260,814	\$ 3,020,000
Interest Income	32,684	20,000
Total Revenues	2,293,498	3,040,000
EXPENDITURES		
Payment of Bond Principal	8,505,000	832,000
Short Term Debt	-	9,000,000
Interest Expense	938,168	1,241,000
Total Expenditures	9,443,168	11,073,000
Excess (deficiency) of revenues over (under) expenditures	(7,149,670)	(8,033,000)
OTHER FINANCING SOURCES		
Issuance of long-term debt	8,000,000	7,000,000
Net change in fund balance	850,330	(1,033,000)
Fund balances - beginning	4,370,567	5,228,567
Fund balances - ending	\$ 5,220,897	\$ 4,195,567



The photos above show a portion of the Boeckman Bike and Ped Improvements between Canyon Creek and Wilsonville Road.

This stretch of road was identified in the 2006 Bicycle and Pedestrian Master Plan as a high priority project for bike lane and sidewalk improvements. Initially, City Council approved forward movement on this project during the June 2011 budget adoption. During a December 2011 Urban Renewal meeting, the Board gave direction to distribute \$280,000 in urban renewal funds to fast-track the improvements.

Map of Urban
Renewal Districts



Urban Renewal Agency

City of Wilsonville

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