



# Downtown Hillsboro Urban Renewal Study

Financial, Technical, and Policy Feasibility

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Prepared by Communitas LLC

**CITY OF HILLSBORO, OREGON**





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# Acknowledgements

## DOWNTOWN ADVISORY COMMITTEE

Debbie Clarke, North-side Neighbor  
Kimberly Culbertson, Heart of Hillsboro Neighborhood Representative  
Tiffany Estes, Citizen At-Large  
Jim Feemster, Southwest Neighborhood Representative  
Sara Hopkins-Powell, Pacific University Health Professions Campus  
Gayle Hughes, Citizen At-Large  
Tom Hughes, Former Mayor  
Doug Johnson, Hillsboro Downtown Business Association  
Jose Lopez, Oregon Human Development Corporation  
Jeremy Lyon, Hillsboro School District  
Linda Mokler, North-side Neighbor  
Gil Munoz, Virginia Garcia Memorial Health Center  
Jeff & Sandie Nelson, Property Owner  
Cynthia O'Donnell, Main Street Neighbors  
Deanna Palm, Greater Hillsboro Chamber of Commerce  
Maria Quintero-Salazar, Southeast Subarea Resident  
Brian Roberts, Planning Commissioner  
Denzil Scheller, Property Owner  
Mike Scott, Hillsboro School District  
Karen Shawcross, Bienestar Executive Director  
Dick Stenson, Tuality Community Hospital  
Ramsay Weit, Community Housing Fund/Washington Co. Planning Commissioner  
Gene Zurbrugg, Property Owner

## CITY OF HILLSBORO

### Economic Development

John Southgate, Director  
Karla Antonini, Project Manager

### Planning

Patrick Ribellia, Director  
Alwin Turiel, Long Range Planning Supervisor

## CONSULTANT TEAM

### Communitas LLC

Deb Meihoff, Principal

### ECONorthwest

### Johnson Reid, LLC

Jeannette Launer, Attorney

### Parametrix



# Introduction

The purpose of this study is to determine the financial, technical, and policy feasibility of establishing an urban renewal area in Downtown Hillsboro. The key questions explored in the study:

1. Can a Downtown Hillsboro Urban Renewal Area (URA) boundary be configured to meet the statutory limits on land and assessed value, while also allowing future capacity for urban renewal in Hillsboro?
2. Is a Downtown Hillsboro URA likely to be financially feasible?
3. Would establishment of a Downtown Hillsboro URA lead to the betterment of the community, in accord with policy guidelines of City plans and stakeholders' needs?
4. Do conditions exist in Downtown Hillsboro which require the support of urban renewal?

This study sought to determine the likelihood that a Downtown Hillsboro area could meet these key questions of feasibility. After reviewing the document and based on the findings therein, the Hillsboro City Council will decide whether or not to proceed with development of an urban renewal plan and report and what boundary should be included in such a plan.

## SUMMARY OF PAST EFFORTS

For many years, stakeholders have been working to revitalize Downtown Hillsboro. Increased services and various public and private development projects have occurred, but not at the rate or as comprehensively as the community has envisioned. The City, with its partners, has developed plans to jump start redevelopment and rehabilitation of the area. These plans most recently include the Downtown Framework Plan, Hillsboro 2020 Vision, the Downtown Renaissance Project, and the Downtown Parking Solutions Study. The City is also currently engaged in a process of simplifying the downtown commercial zoning codes.

The Downtown Framework Plan brings together and expands on the past planning efforts, establishing a coordinated and comprehensive approach to revitalization. With the assistance of downtown stakeholders, the Downtown Framework Plan identified various projects and programs to assist with bettering the community.

One of the implementation tools identified through the Downtown Framework Plan is pursuit of an urban renewal area. With its tax increment financing capability, urban renewal could, for example, allow the city to speed the implementation of installing sidewalks in neighborhoods, provide assistance to

businesses to improve storefronts, and aid in improvements to the area's parks, open spaces, pedestrian, bike and trail system.

The community's vision for downtown as articulated in the Downtown Framework Plan:

*The revitalized downtown core and surrounding neighborhoods are the heart of Hillsboro—a “home town for the future.” Hillsboro’s downtown offers a unique atmosphere and mixture of lifestyles and choices. Residents, workers, students, retirees, and visitors feel safe in the neighborhoods, on the streets, and in public places. Gathering places foster meaningful connections and contribute to the community identity. Downtown Hillsboro is served by a transportation network that supports vehicular access, transit, walking, and bicycling. Access to parks, open spaces, schools, and the wider region is safe, efficient, and convenient. As the downtown community prospers over time with new private and public investments, the environmental, economic, and social assets of the downtown community are protected and enhanced for future generations.*

While a Downtown Hillsboro URA would not implement the entirety of the Downtown Framework Plan, it could assist with funding for capital projects. The City, its citizens, and partners will be required to engage in numerous activities, beyond urban renewal, to achieve an even more active, vibrant, and sustainable Downtown Hillsboro.

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## Feasibility Study Findings

Oregon Revised Statutes Chapter 457 prescribes the parameters a jurisdiction must abide in creating an urban renewal area. Four of the key items for consideration include:

- Boundary limitations
- Financial feasibility
- Compliance with established plans and policies
- Findings of need

### URA BOUNDARY

*Can a Downtown Hillsboro Urban Renewal Area (URA) boundary be configured to meet the statutory limits on land and assessed value, while also allowing future capacity for urban renewal in Hillsboro?*

**STUDY FINDING:** There currently are no other URAs established in the city. The URA Study Boundary, at 8.2% land area and 5.5% assessed value (AV), falls well within the 15% limit for area and AV. The City Council may consider further reducing the URA Study Boundary to allow greater capacity for potential future URAs in other parts of the city.

In establishing a boundary for an urban renewal area, a jurisdiction must consider not only the need and financial feasibility, but also the statute limitations. ORS 457 states that the total amount of land within the city's existing and proposed urban renewal areas constitutes no more than 15% of the total land area in the city and the total amount of assessed values within the city's existing and proposed urban renewal areas constitutes no more than 15% of the city's total assessed value.

To develop the boundary for consideration in this feasibility study, the project team originally proposed three options to the City Council, Planning Commission, Downtown Advisory Committee, and other downtown stakeholders.

**Figure 1.** Preliminary URA Option 1



**Figure 2.** Preliminary URA Option 2



**Figure 3.** Preliminary URA Option 3

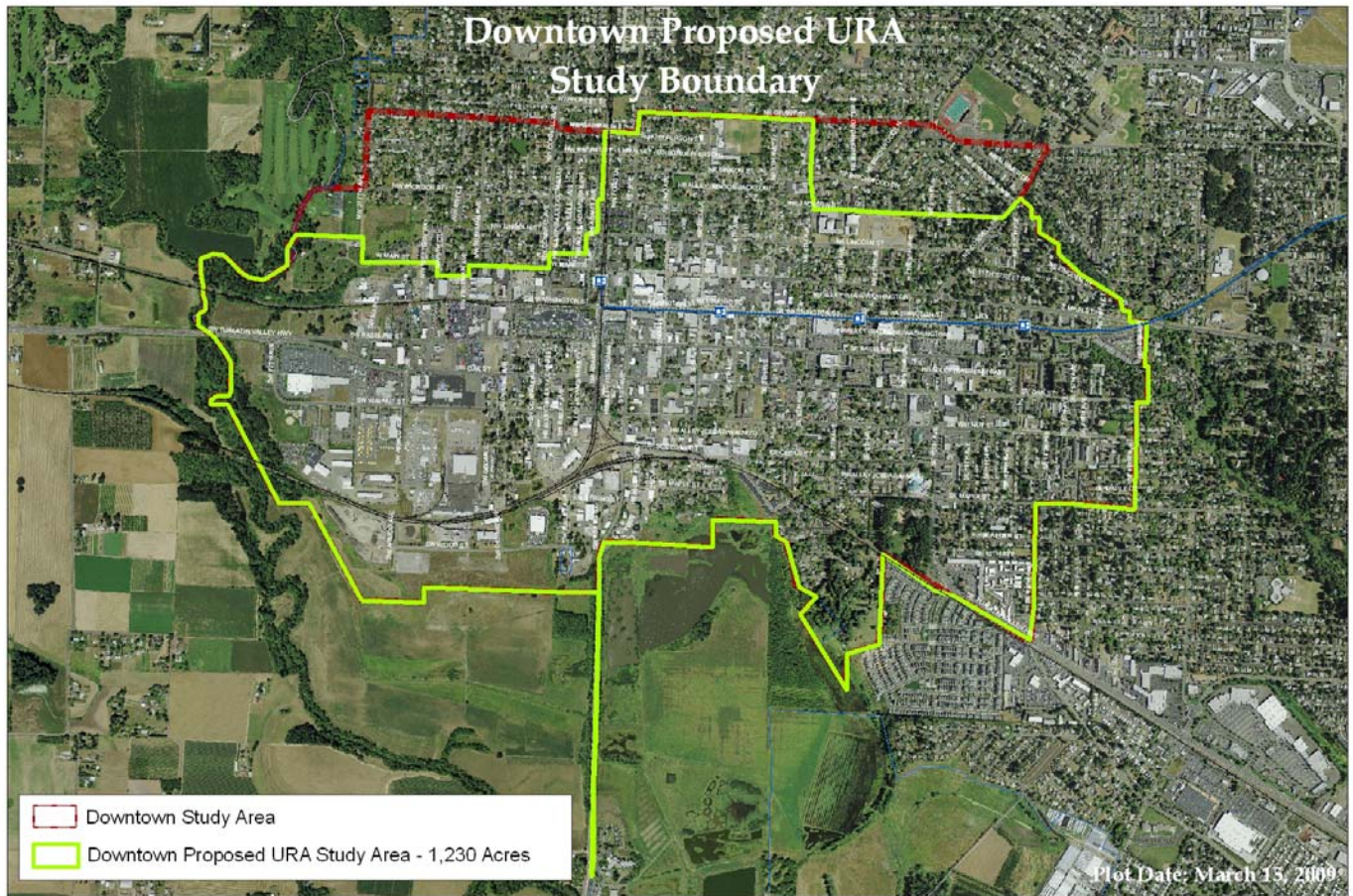


Through the review process, the City Council recommended proceeding with studying a fourth boundary proposed by the Downtown Advisory Committee – now titled ‘URA Study Boundary’.

The URA Study Boundary encompasses 1,230 acres, including public and private parcels, existing infrastructure and rights of way. The total assessed value of all property – real, personal, utility, and manufactured/mobile home property – in 2009 is \$439.4 M (utility property assumptions are based on countywide data). The feasibility information contained herein is based on the ‘URA Study Boundary’ (a full-size map image can be found in Appendix A).

**Figure 4. Study Boundary Map**

**Note:** As the name implies this is only a study boundary. Interested parties will be provided future opportunities at public workshops, advisory committee meetings, and City Council deliberations to recommend modifications to the proposed boundary.



## Potential Boundary Modifications

The City Council has noted a desire to ensure the URA boundary be large enough to achieve the Downtown Hillsboro goals, but not so large as to disallow establishment of future URAs in other parts of the city. In consideration of the statute limitations, Council directed this study include discussion about areas of the boundary to consider for modifications. What follows are areas for the City to consider for adjustments to the current URA Study Boundary map. The summary of impacts on acreage and AV for proposed modifications is summarized in Table 1 and Figure 5 and detailed in the following discussion. <sup>1</sup>

**Table 1. Summary of Potential Boundary Modifications**

Area	2009 Assessed Value	% of City AV	Mod Acreage	Total Acreage	% of City Acreage
<i>City of Hillsboro TOTAL</i>	\$7,963,200,000			14,923	
URA Study Boundary	\$439,400,000	5.5%		1,230	8.2%
Modification Area 1	\$0	0.00%	(28)	1,202	8.1%
Modification Area 2	(\$18,537,000)	-0.23%	(47)	1,183	7.9%
Modification Area 3	(\$6,111,000)	-0.08%	(13)	1,217	8.2%
Modification Area 4*	\$1,074,000	0.01%	4	1,234	8.3%
Modification Area 5	(\$35,518,000)	-0.45%	(100)	1,130	7.6%
<b>Net w/ Modifications</b>	<b>\$380,308,000</b>	<b>4.8%</b>	<b>(184)</b>	<b>1,046</b>	<b>7.0%</b>

2009 Assessed Value

Values for the Modification Areas include only real property; there is likely negligible AV for utility, personal or manufactured property in these areas

\* Represents the net total of the corridor already in the URA Study Boundary and the addition of area north of Garibaldi Street.

<sup>1</sup> The project team presented a preliminary summary of assessed value for the study boundary and City as a whole to the City Council in March 2009. Since that time, the data sets used to generate the information have been reviewed and, in some cases, corrected. The figures presented in Table 1 are the most up-to-date and accurate information gained from the Washington County Assessment and Taxation Department.

Figure 5. Summary Map of Modification Areas



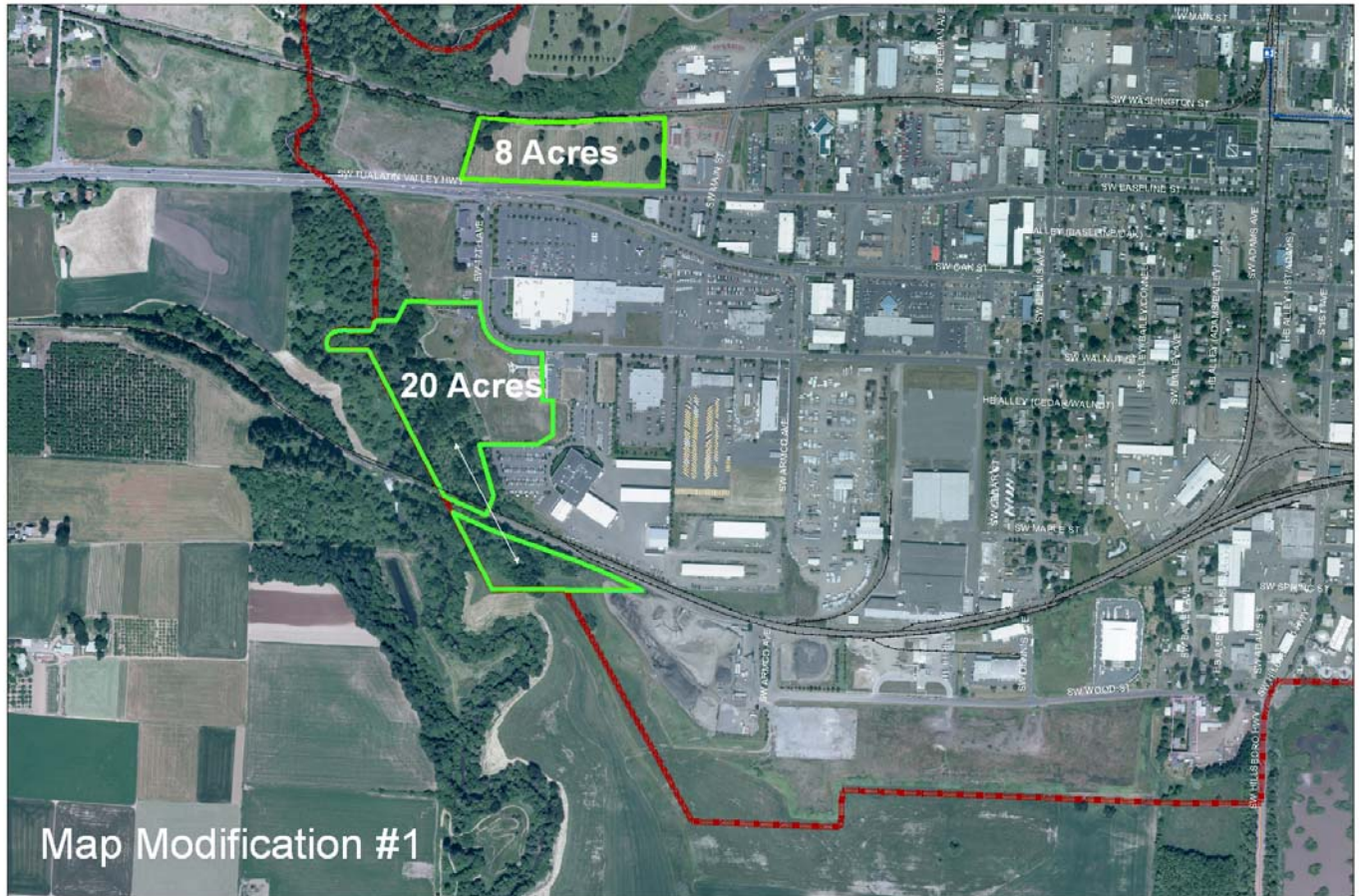
### Area 1 : Cemetery and Dairy Creek Park

In aligning with zoning districts to draft the URA Study Boundary, some open spaces were included that are not necessary to revitalize the downtown area. These areas include the cemetery and Dairy Creek Park on the western city limits. The parcels along the edges of Jackson Bottom, currently within the study boundary, are under private ownership. It is recommended the privately-held parcels remain.

*Recommendation:* Given that the areas noted will not redevelop, nor do they have any impact on revitalization of downtown, it is recommended the City Council consider omitting them from a URA boundary.

*Area 1 size:* 28 acres; \$0 assessed value

**Figure 6.** Map of Modification Area 1



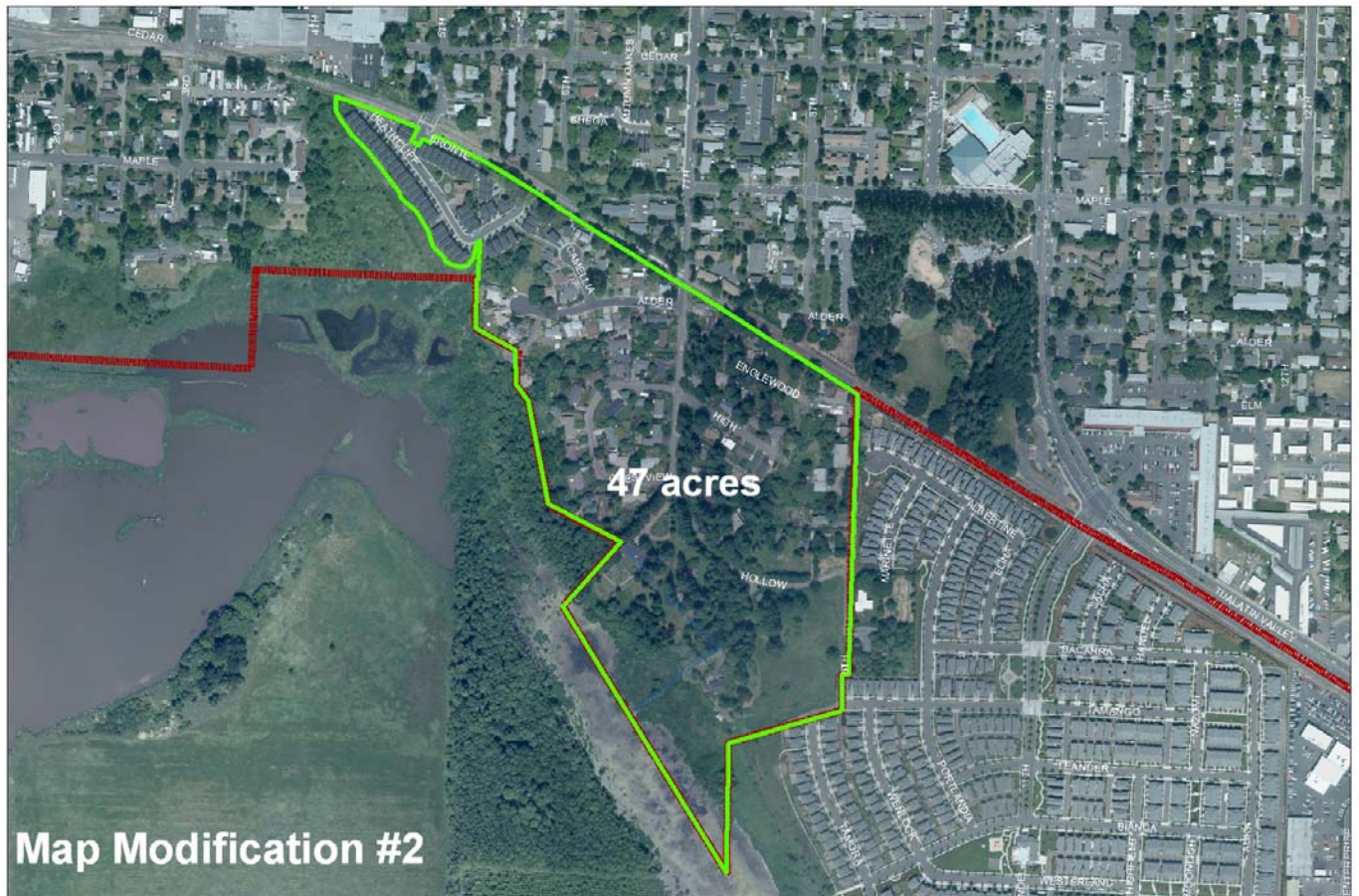
Area 2 : Highlands Addition and Smith's Grove

The URA Study Boundary originated from consideration of all the areas within the Downtown Framework Plan. The Framework Plan included the Highlands Addition and Smith's Grove neighborhoods, at the request of stakeholders as they feel connected to the downtown area. This residential area is healthy, established, and fully built-out and capital projects needed in the neighborhood are few.

*Recommendation:* For the reasons noted above, it is recommended the City Council consider omitting the Highlands Addition and Smith's Grove areas from a URA boundary.

Area 2 size: 47 acres; \$18,537,000 assessed value

**Figure 7.** Map of Modification Area 2



Area 3 : East Main Street Residential

Throughout the Downtown Framework Plan and the Feasibility Study processes, some residents along East Main Street have strongly advocated to not include several Main Street blocks in a URA. The street is developed and the historic structures are in good repair.

*Recommendation:* Due to the deep-seated concerns expressed by the East Main Street neighbors and the overall good condition of the area, it is recommended City Council consider omitting East Main Street from a URA boundary.

Area 3 size: 13 acres; \$6,111,000 assessed value

**Figure 8.** Map of Modification Area 3





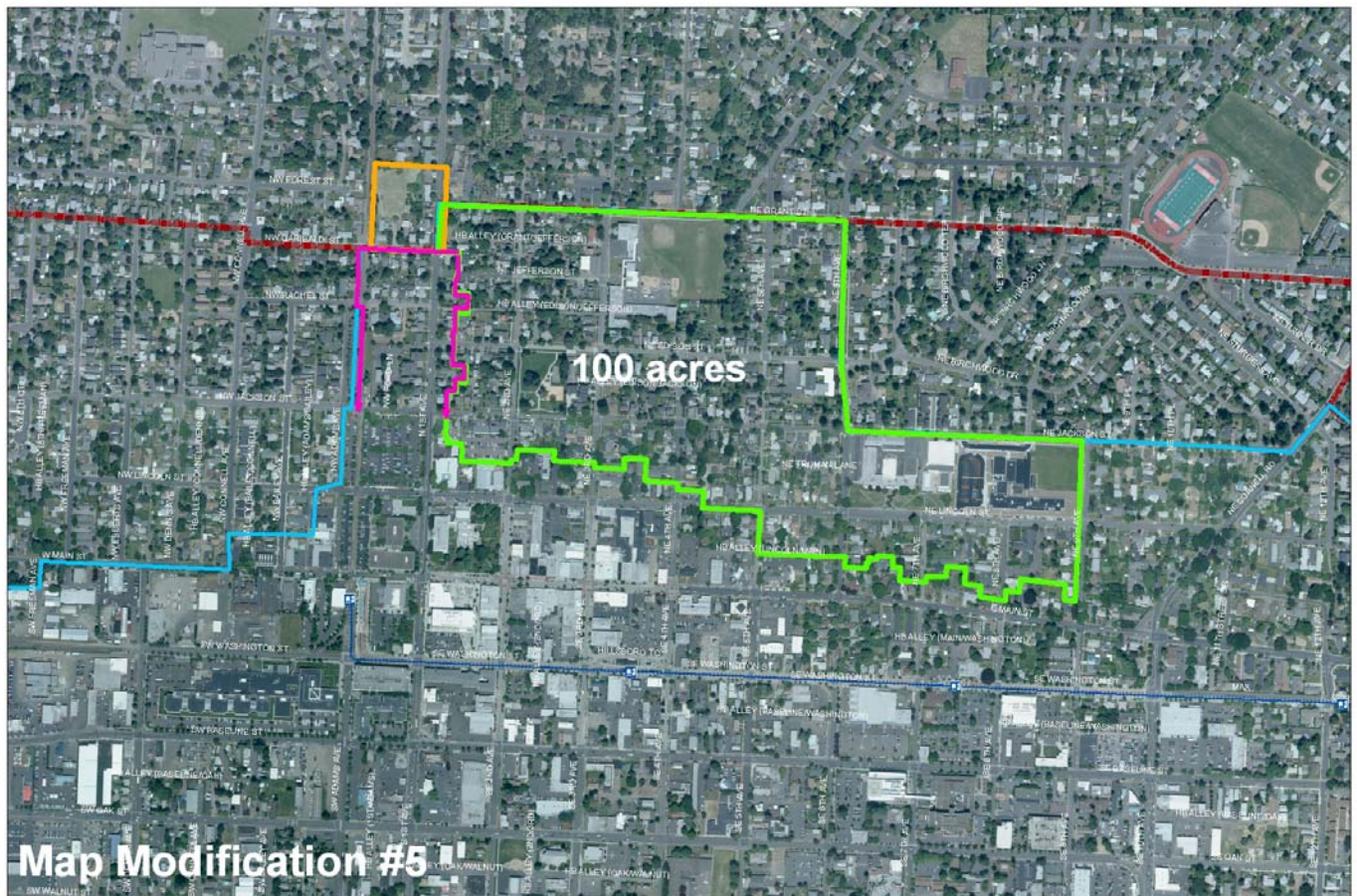
### Area 5 : Northern Residential Neighborhoods

Through the boundary consideration process, the Downtown Advisory Committee (DAC) recommended including in the study boundary the residentially zoned neighborhoods north of the light rail line. The recommendation was intended to offer the residential areas an opportunity to improve neighborhood streets and parks and to provide housing improvement funding that may come from a URA. The DAC also recommended inclusion of two public school properties to accommodate new open space options and other potential partnership opportunities for these built-out neighborhoods. The project team has heard strong concerns about urban renewal from the East Main Street residents (mentioned under Area 3 above) and from other northern neighborhood residents. At the same time, the project team has received supportive comments for including the 1st Avenue Corridor (Area 4).

*Recommendation:* Because the City Council has recommended paring down the URA boundary and in consideration of public feedback, it is recommended the City Council consider omitting the northern neighborhoods from a proposed URA.

*Area 5 size:* 100 acres; \$35,518,000 assessed value

Figure 10. Map of Modification Area 5



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## FINANCIAL FEASIBILITY

*Is a Downtown Hillsboro URA likely to be financially feasible?*

**STUDY FINDING:** The feasibility study estimates that \$30.8 M to \$63.9 M in TIF revenues could be generated from a Downtown Hillsboro URA – an amount sufficient to support establishment of urban renewal with a balanced approach to project investments.

This section analyzes the tax increment financing (TIF) revenue potential and the potential impacts to taxing jurisdictions, for the purposes of informing the City Council in its decision whether or not to move forward with development of an urban renewal plan.

The TIF revenue projections will inform City Council of the potential maximum indebtedness of a URA. This maximum indebtedness is the limit on the total amount that can be borrowed to finance projects in the URA. This financial analysis contains three sections:

- URA Study Boundary Statistics
- TIF Revenue Potential
- Potential Fiscal Implications

### URA Boundary Statistics

The URA Study Boundary encompasses 1,230 acres, including public and private parcels, existing infrastructure, and rights of way. The 2009 assessed value (AV) of the proposed area is \$439.4 M, which includes \$401.3 M of real property, \$24 M of personal and manufactured/mobile home property, and an estimated \$14.1 M of utility property. AV data for utility property is non-situs and only available at the County and tax code level. This study assumed the area has the same percentage of AV from utilities as the rest of the county.

The area includes 3,239 individual parcels. These properties include 16 different zone designations and two enterprise zones. Collectively, the real property parcels (not including utility, personal, or manufactured property) have an assessed value of \$401.3 M, 91% of the total AV. Table 2 shows the assessed value of real property in each land use zone designation in the study area.

**Table 2.** Assessed value of real property in study area by zone designation.

<b>Zone</b>	<b>Description</b>	<b>Assessed Value</b>
SCR-MD	Medium Density	\$ 70.67
SCC-HOD	Highway Oriented District	65.31
M-2	General Industrial	51.15
C-1	General Commercial	37.87
	Downtown Neighborhood	
SCR-DNC	Conservation	36.15
SCC-CBD	Central Business District	33.37
A-1	Duplex Residential	24.57
SCR-HD	High Density	20.23
SCC-SC	Station Commercial	18.86
A-2	Multi-Family Residential	14.45
R-7	Single-Family Residential	14.89
SCR-LD	Low Density	8.58
A-3	Multi-Family Residential	3.44
A-4	Multi-Family Residential	1.80
<b>Total</b>		<b>\$ 401.33</b>

Calculated by ECONorthwest with source data from City of Hillsboro and Washington County Assessment office.

## Tax Increment Financing Potential

In general, this study determines the financial benefit of including the URA Study Boundary properties, or portions thereof, in a new urban renewal area. It answers the question: How much tax increment financing (TIF) revenue might the study area generate over a 20-year period?

The analysis is a starting point for a decision-making process. Using the evaluation results, maps, and data herein, the City will be able to identify areas with the greatest TIF revenue potential and the areas most in need of TIF funding for projects that will help to achieve community revitalization.

Following is a description of the technical approach - methods and other elements necessary for understanding the results of the analysis. Detailed descriptions of methods can be found in Appendix B.

### Framework

Tax increment financing revenue is generated from property taxes collected on the increment value of all taxable property in a URA. TIF revenue is collected from all taxable property types, including:

- Real property: land and improvements
- Utility property: properties that are utilities
- Personal property: business equipment
- Manufactured property: manufactured and mobile homes

To estimate future TIF revenue potential of the study area, historical assessed value (AV) information for property was examined. For real, personal, and manufactured property, the City of Hillsboro obtained data from the Washington County Assessment office for every parcel in the study area, including:<sup>2</sup>

- Owner name and address
- Site address
- Tax code area
- Property use
- Zone designation
- Enterprise zone
- Assessed value and real market value (RMV)

The City obtained historical information on the AV and real market value (RMV) for all parcels, dating back to 1998. The historical AV data were used to calculate how different property types changed over time. Table 3 shows the growth in assessed value for each property type from 1998 to 2008.

**Table 3.** Assessed value by property type in study area (1998-2008)

Year	Property Type				Total
	Real	Personal	Mobile	Utility	
1998	\$249,107,150	\$10,772,568	\$505,380	N/A	\$260,385,098
1999	\$264,741,490	\$13,137,375	\$518,940	N/A	\$278,397,805
2000	\$271,981,630	\$14,535,741	\$497,080	N/A	\$287,014,451
2001	\$284,363,400	\$15,279,966	\$456,850	N/A	\$300,100,216
2002	\$295,269,230	\$15,759,837	\$420,390	N/A	\$311,449,457
2003	\$306,616,290	\$17,385,835	\$505,380	N/A	\$324,507,505
2004	\$328,696,920	\$17,757,428	\$416,400	N/A	\$346,870,748
2005	\$350,559,160	\$18,739,237	\$345,610	N/A	\$369,644,007
2006	\$366,798,340	\$20,357,551	\$349,500	N/A	\$387,505,391
2007	\$387,043,370	\$22,047,355	\$313,190	N/A	\$409,403,915
2008	\$401,331,650	\$23,705,165	\$315,940	N/A	\$425,352,755

Source: Calculated by ECONorthwest, with source data from Washington County Assessment office and City of Hillsboro.

Note: Assessed value data on utility property is not available at this geographic level.

### Future growth scenarios

Using the historical rates, the average annual growth rate (AAGR) for AV was calculated for each property type, shown in Table 4. The AAGR shows the general trend in property values over the past decade. Collectively, the AV of parcels in the study area grew at an average rate of 5.03% annually. This rate is very close to the average growth rate for real property, 4.88%, because roughly 90% of the total AV in the study area is comprised of real property. The

<sup>2</sup> Utility property is centrally assessed by the State Department of Revenue. This data is non-situs, and is only available at the tax code or county level. For our analysis, we calculated the percentage of total assessed value comprised of utility property at the County level, and assumed the same percentage of total assessed value would be applicable for the study area.

negative growth rate observed for manufactured property/mobile homes is expected, as these units depreciate in value over time. Personal property typically depreciates over time as well; however, a high level of reinvestment in the study area is probably responsible for the observed positive 8.21% growth rate for personal property.

**Table 4.** Average annual growth rate of assessed value in study area, by property type (1998-2008)

Property Type	AAGR
Real	4.88%
Personal	8.21%
Manufactured	-4.59%
Utility	N/A
<b>Total</b>	<b>5.03%</b>

Source: Calculated by ECONorthwest, with source data from Washington County Assessment office and City of Hillsboro.

Note: Utility property is centrally assessed, and is not available for the study area boundary.

Three probable scenarios for future growth in AV were determined using the average annual growth rates. The high scenario is greater than the observed average growth for the past 10 years, but could reasonably be achieved if TIF revenues were used on public- and private-sector projects that stimulate more aggressive and substantial private investment. The medium scenario is slightly lower than the observed average growth for the past 10 years, representing little change in future development patterns, along with a future appreciation of property values at rates similar to those in the past. Growth rates for the low scenario are similar to the lowest-growth years observed in the past decade. The observed growth rate for recent years at the County level was used to develop assumptions for utility property. The three growth scenarios are presented in Table 5.

**Table 5.** Future assessed value annual growth rate assumptions for study area, by property type.

	Low	Medium	High
Real	3.0%	4.5%	5.5%
Utilities	1.0%	2.0%	3.0%
Personal	3.0%	8.0%	10.0%
Manufactured	-13.0%	-5.0%	0.0%

Source: ECONorthwest, based on historical AV data from Washington County Assessment office and discussions with City of Hillsboro staff.

### Calculating the frozen base

The frozen base is equal to the assessed value of all property in an urban renewal boundary when the area is formed. Based on discussions with City staff and knowledge of the time required to form a new URA, it is assumed that a new Downtown Hillsboro urban renewal area would be formed in 2010 (the 'frozen base' year). Low-growth assumptions were applied to the current AV for each property type, to calculate the AV in 2010. The low-growth assumptions are used for all scenarios until 2012, because of the current economic downturn. After 2012 the model uses the growth assumptions described above, but does not account for market cycles.

The projected total AV for the URA Study Boundary in 2010 (the frozen base) is \$452.3 million.

### Calculating TIF revenue

For the purposes of this study, a 20-year URA was assumed. To forecast TIF revenue generation of the study boundary, the tax rates were applied to the increment value over the 20 years. The increment value is equal to the difference in total assessed value in a given year and the initial frozen base value. The applicable tax rates include all permanent tax rates for education, general government and special taxing districts such as ports. For the study area, the total applicable permanent tax rate is \$13.8031 per \$1,000 of assessed value.

Calculation of TIF revenue also includes local option levies and general obligation bonds approved *prior* to October 6, 2001. Any local levies or general obligation bonds approved after October 6, 2001, will not be divided for the purposes of urban renewal, and therefore, are not calculated in the TIF revenue projections. The TIF revenue calculations in this study include bonds issued prior to October 6, 2001, by Portland Community College, Hillsboro School District, Washington County, Metro, and TriMet.

### Results

Table 6 shows the estimated TIF revenue that would be generated in the study URA, by year for each scenario (low, medium, and high). The values are adjusted for inflation and presented in constant 2009 dollars. The cumulative total TIF revenue that could be generated by the URA study area over a 20-year period ranges from \$30.4 M in the low scenario to \$63.2 M in the high scenario.

**Table 6.** TIF revenue potential of study area for three scenarios, 2010-2030 (millions of \$, 2009)

Year	TIF Revenue		
	High	Medium	Low
2010	\$ -	\$ -	\$ -
2011	0.20	0.20	0.20
2012	0.39	0.39	0.39
2013	0.75	0.68	0.57
2014	1.09	0.95	0.73
2015	1.42	1.21	0.88
2016	1.76	1.47	1.03
2017	2.10	1.74	1.19
2018	2.45	2.00	1.34
2019	2.61	2.11	1.38
2020	2.94	2.36	1.51
2021	3.27	2.60	1.64
2022	3.61	2.84	1.77
2023	3.94	3.08	1.89
2024	4.29	3.32	2.00
2025	4.63	3.56	2.12
2026	4.98	3.80	2.23
2027	5.33	4.04	2.34
2028	5.69	4.28	2.44
2029	6.06	4.51	2.54
2030	6.43	4.75	2.64
<b>Total</b>	<b>\$ 63.93</b>	<b>\$ 49.91</b>	<b>\$ 30.83</b>

Source: ECONorthwest

Note: All values are adjusted for inflation and presented in constant 2009 dollars.

## Fiscal Implications for Taxing Jurisdictions

Tax increment financing diverts property tax revenue to an urban renewal agency from local taxing jurisdictions to support redevelopment in a fixed area for a defined period of time. The amount of tax revenue foregone by a jurisdiction is proportional to the size of that jurisdiction's tax rate and any local option levies or general obligation bonds issued *prior* to October 6, 2001.

Table 7 shows the amount of tax revenue that each jurisdiction affected by the proposed URA could forego if the URA is formed. Three jurisdictions - the Hillsboro School District, Washington County, and the City of Hillsboro - account for 95% of the tax revenue that would be diverted to the URA.

Hillsboro School District's permanent tax rate is subject to the frozen base, but the district's budget would not be directly affected by the permanent rate division, as it is with other taxing districts. The State of Oregon manages the State School Fund (SSF) for all K-12 public schools in the state and allocates monies to districts based on a per pupil basis, not on the collection rate. Property taxes collected on behalf of HSD and all other Oregon school districts are included as a factor in the

SSF formula, increasing the amount of the statewide per pupil allocation. A URA would collect tax increment revenues off the HSD permanent rate, and could have a marginal impact on statewide funds.

**Table 7.** Cumulative tax revenue deferred to URA from 2010-2030<sup>3</sup>

Jurisdiction	Deferred tax revenue		
	High	Medium	Low
City of Hillsboro	\$ 24,600,000	\$ 19,200,000	\$ 11,800,000
Hillsboro School District	\$ 23,500,000	\$ 18,300,000	\$ 11,400,000
Washington County	\$ 13,000,000	\$ 10,100,000	\$ 6,250,000
Portland Community College	\$ 1,330,000	\$ 1,040,000	\$ 646,000
NW Regional ESD	\$ 703,000	\$ 548,000	\$ 338,000
Metro	\$ 486,000	\$ 383,000	\$ 243,000
Port of Portland	\$ 321,000	\$ 250,000	\$ 154,000
TriMet	\$ 4,400	\$ 4,400	\$ 4,400
<b>Total</b>	<b>\$ 63,900,000</b>	<b>\$ 49,900,000</b>	<b>\$ 30,800,000</b>

Source: ECONorthwest

Note: All values in constant 2009 dollars

Note: Tax revenue deferred from Hillsboro School District's permanent rate would be covered by State School Fund. See table 8.

The values presented in the table above do not represent the total fiscal outcomes to these jurisdictions. The proposed URA would fund projects that stimulate private development in the URA. This development would be unlikely without tax increment financing provided by the URA. New investments would cause an increase in assessed values and tax revenues. Some of the foregone revenue (perhaps even most, if the URA is successful) would be mitigated by an increase in tax base available to the taxing jurisdictions once the renewal agency has fulfilled its mission in the URA.

Hillsboro School District has general obligation bonds issued prior to October 6, 2001. Therefore, the increment revenues from these GO Bonds will be divided to the urban renewal area (see Table 8). Unlike the permanent rate which is forwarded directly to the State School Fund, the special levies go directly to the school district. The first of the applicable GO bonds expires in 2011 and all other applicable bonds expire by 2018. The school district services this bond debt through a variety of sources, (such as, property tax revenue and interest on investments), including the GO bond special levy. The projections provided herein assume a similar breakdown of resources as are in place today, but the sources are adjusted on an annual basis. The impact of the school district could be less than projected if sources are obtained elsewhere and/or if the URA does not grow at the same pace as projected.

<sup>3</sup> See Appendix C for detailed projections.

**Table 8.** Projected deferred revenue from HSD by GO Bond and Permanent Rates

Year	GO/ Special Rate	Deferred tax revenue					
		High		Medium		Low	
		GO Bonds & Levies	Permanent Rate	GO Bonds & Levies	Permanent Rate	GO Bonds & Levies	Permanent Rate
2009	-	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2010	1.4322	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2011	1.4218	\$ 17,744	\$ 62,086	\$ 17,744	\$ 62,086	\$ 17,744	\$ 62,086
2012	1.3215	\$ 32,506	\$ 122,377	\$ 32,506	\$ 122,377	\$ 32,506	\$ 122,377
2013	1.3010	\$ 62,446	\$ 238,797	\$ 56,599	\$ 216,437	\$ 47,312	\$ 180,922
2014	1.2851	\$ 91,754	\$ 355,192	\$ 79,941	\$ 309,463	\$ 61,420	\$ 237,767
2015	0.9862	\$ 93,502	\$ 471,679	\$ 79,596	\$ 401,525	\$ 58,074	\$ 292,960
2016	0.9817	\$ 116,099	\$ 588,375	\$ 97,219	\$ 492,694	\$ 68,381	\$ 346,547
2017	0.9767	\$ 138,487	\$ 705,400	\$ 114,464	\$ 583,037	\$ 78,249	\$ 398,572
2018	0.9716	\$ 160,711	\$ 822,878	\$ 131,366	\$ 672,622	\$ 87,707	\$ 449,080
2019	-	\$ -	\$ 940,932	\$ -	\$ 761,518	\$ -	\$ 498,114
2020	-	\$ -	\$ 1,059,690	\$ -	\$ 849,792	\$ -	\$ 545,715
2021	-	\$ -	\$ 1,179,283	\$ -	\$ 937,510	\$ -	\$ 591,925
2022	-	\$ -	\$ 1,299,845	\$ -	\$ 1,024,740	\$ -	\$ 636,783
2023	-	\$ -	\$ 1,421,512	\$ -	\$ 1,111,547	\$ -	\$ 680,328
2024	-	\$ -	\$ 1,544,427	\$ -	\$ 1,197,999	\$ -	\$ 722,597
2025	-	\$ -	\$ 1,668,734	\$ -	\$ 1,284,161	\$ -	\$ 763,629
2026	-	\$ -	\$ 1,794,584	\$ -	\$ 1,370,100	\$ -	\$ 803,458
2027	-	\$ -	\$ 1,922,132	\$ -	\$ 1,455,883	\$ -	\$ 842,120
2028	-	\$ -	\$ 2,051,538	\$ -	\$ 1,541,576	\$ -	\$ 879,648
2029	-	\$ -	\$ 2,182,970	\$ -	\$ 1,627,247	\$ -	\$ 916,074
2030	-	\$ -	\$ 2,316,601	\$ -	\$ 1,712,963	\$ -	\$ 951,433
<b>Total</b>	<b>-</b>	<b>\$ 713,250</b>	<b>\$ 22,749,031</b>	<b>\$ 609,435</b>	<b>\$ 17,735,277</b>	<b>\$ 451,394</b>	<b>\$ 10,922,133</b>

Source: Calculated by ECONorthwest with bond information provided by the Hillsboro School District

Note: All values in constant 2009 dollars

Note: Includes only GO Bonds approved prior to October 6, 2001. Tax revenue diverted from GO Bonds would have a direct impact on the Hillsboro School District. Tax revenue diverted from the permanent rate would be covered by the State School Fund.

In general terms, it can be concluded that the proposed URA would have a negative financial impact on affected jurisdictions during the life of the URA and a positive financial impact on these jurisdictions after the URA expires. Because the State would cover any reduction in permanent rate tax revenue to the Hillsboro School District, they are not impacted the same way as other taxing jurisdictions. However, the School District and its students would enjoy the benefits from increased investments in the area.

### Other Potential Fiscal Implications

To fully understand the financial feasibility of an urban renewal area, one must know the total cost of projects and renewal agency operations to be funded and the projected TIF revenue available to pay the debt service on funds borrowed by the URA. Quantifying the expected cost of projects and operations in the URA is performed as part of creating a full urban renewal plan. Without understanding the total expected project and operational costs at this preliminary stage, it is difficult to make final conclusions on the financial feasibility of the URA with certainty. However, there are other fiscal implications that can be drawn.

## Impacts of Enterprise Zones

Portions of the study area overlap with two existing enterprise zones (Southwest Enterprise Zone and Central Business District Enterprise Zone). Enterprise zones provide tax abatement incentives for new developments that meet certain criteria for job creation and other factors. Enterprise zone tax abatements are for a period of three to five years following the initial improvement. During this time, the property would not pay taxes on new improvements. However, the value of improvements should increase after the enterprise zone abatements expire. The enterprise zones sunset in 2017, but may be extended (subject to re-application to the State).

As of May 2009, only one property owner had submitted an application for enterprise zone benefits within the URA Study Boundary. If more property owners seek enterprise zone tax abatements in the future, it could impact the TIF revenue potential of a Downtown Hillsboro URA depending on the size, phasing, and value of the improvement to be abated. A jump in participation in the enterprise zones could mean that the URA achieves TIF revenue generation that is closer to the "low" end of the range provided in this feasibility study. If the City were to experience a significant increase in the number of enterprise zone applications, the City may want to consider modifying the program to diminish its affect on urban renewal revenue.

## Impacts of Potential Zone Changes

Changes in zoning in the study area could affect TIF revenue capacity of the potential URA. Approximately 90% of the assessed value of the estimated frozen base consists of real property. Oregon property tax law limits the increase in AV for real property to 3% per year, except for properties that are significantly redeveloped. Rezoning alone does not automatically trigger reassessment. A property must be developed or redeveloped in accordance with the new zoning to impact TIF revenue generation. More intense zoning leading to an increase in development activity could generate a significant increase in TIF. The City is in the midst of a "zoning code audit" process to modify the zoning regulations for the station community zones which encompass a large portion of the proposed urban renewal study area. At this point it is too early to ascertain whether these new regulations will dramatically affect the zoning "capacity" of the area.

## Bonding Capacity and Maximum Indebtedness

Revenues available to directly invest in urban renewal projects are limited not just by the increment revenue streams projected in this feasibility study, but also by the 'maximum indebtedness' established for a URA and by the URA's ability to cover the cost of acquiring debt. Urban renewal agencies do not spend TIF revenues as cash. To invest in projects, the agency must borrow money, in the form of urban renewal bonds. These bonds are paid back with TIF revenues. Bonding also allows a URA to obtain money up front for large projects, paid off with the increased tax revenues realized from the investment. The borrowing costs associated with urban renewal investments (interest, issuance costs, etc.) are paid back with TIF revenues.

Based on the results of detailed financial analysis, an urban renewal plan will set the 'maximum indebtedness' - the maximum amount that a URA can borrow to pay for projects. The limit does not guarantee that amount of TIF revenue will be available at any one time. The calculations used to determine the borrowing capacity that could be supported from a given revenue stream are complex and shift with the market. Calculating the bonding capacity is beyond the scope of this analysis, but will be a requirement for more detailed URA planning.

In order to make investments in projects, the urban renewal agency must show that the URA has capacity to pay back the bond debt within a defined timeframe at a defined rate (similar to the underwriting requirement to support a home mortgage). The agency must also ensure its cumulative bond debt does not exceed the maximum indebtedness limit. In a URA, a portion of TIF/bond revenues goes to project investment and a portion goes to servicing the bonded debt. Therefore, if the total cost of desired projects exceeds the bonding capacity, then the City will need to consider options, such as:

- Reducing the number and cost of projects included in the URA,
- Increasing the pace and value of development in the URA,
- Expanding the size of the URA to generate more TIF revenue,
- Extending the life of the URA to collect more TIF revenue over a longer period of time, or
- Obtaining other funding sources to implement the projects.

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## POLICY CONSIDERATIONS

*Would establishment of a Downtown Hillsboro URA lead to the betterment of the community, in accord with policy guidelines of City plans and stakeholders' needs?*

**STUDY FINDING:** Many revitalization projects are identified in existing City policy and plans that could be implemented through urban renewal. Taxing districts and area stakeholders are generally supportive of the use of urban renewal, with emphasis on a desire to ensure only areas which truly require public investment are included in a future URA.

A major goal of the Hillsboro 2020 Vision is the revitalization of Downtown Hillsboro. For years, individuals and organizations have been aspiring to grow jobs, expand housing options, and improve overall image and livability in the downtown area. The public's goals are reflected in the plans and policies of the city and continue to be expressed through engagement in public processes.

## City Plans and Policies

This feasibility study assumes implementation of existing policies, including zoning and plans for new investment. The study considered revitalization goals embodied in the City's capital improvements program, transportation plan, Hillsboro Comprehensive Plan, and the recommendations contained in the Downtown Framework Plan, currently in the adoption process. The project team has also been coordinating the URA feasibility study process with the downtown commercial zoning code audit.

## Urban Renewal Size Limitations

As mentioned in the URA boundary discussion, a jurisdiction the size of Hillsboro must limit the total area and assessed values within urban renewal areas to 15%. Currently, there are no existing URAs in Hillsboro. However, through the feasibility study process, City Council and other stakeholders have noted other parts of the city for which a URA may be considered, specifically the Amberglen area. While urban renewal planning has not begun for Amberglen, this feasibility study was analyzed with considerations for leaving capacity under the 15% thresholds for future urban renewal plans.

## Stakeholder Sentiment

The City Council and staff have been discussing the potential for Downtown urban renewal for at least the past two years. In that time, many residents, businesses, non-profit organizations, and local governments have had the opportunity to weigh in on the idea and to express their visions for revitalization.

### Taxing Districts

Creation of a URA would have a direct impact to jurisdictions with taxing authority. Therefore, it is critical the City reach out to the taxing districts to inform them of the urban renewal plans and to solicit ideas on how to make downtown an even better place. The downtown area has eight taxing authorities including the City of Hillsboro. Tax increment revenues generated from the City, Washington County and Hillsboro School District<sup>4</sup> represent 95% of the total. Therefore, extra outreach was pursued for these three districts.

City staff will be briefing the School Board in late August, 2009 to discuss both the opportunities that urban renewal represents for School District properties that fall within the boundary, along with the potential fiscal ramifications to the District. The URA boundaries include David Hill Elementary School, Lincoln Street Elementary, Miller Education East and Miller Education West. Per the boundary discussion of this report, those schools may or may not fall within the boundary ultimately decided.

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<sup>4</sup> State statutes require that any property tax revenues that a school district forfeits to an urban renewal area be replaced by an equal amount of funding from the State schools fund. In this case, any negative financial impact caused by a URA would be transferred from the Hillsboro School District to the State.

The Washington County Board of Commissioners received a briefing on a potential Downtown URA at their board meeting of April 28, 2009. The Board was well informed on urban renewal and supportive of the direction toward economic revitalization of downtown. They were complimentary of the City's management of the last URA (Ronler Acres) and they look forward to continuing the conversation as the City moves forward with a Downtown Hillsboro URA.

Project staff have been meeting with the City's executive management throughout the feasibility study to ensure coordination and understanding of the potential fiscal impacts. The project team also contacted the smaller five taxing districts (Port of Portland, Portland Community College, Metro, TriMet, and NW Regional Education Service District).

### Other Stakeholders

The Downtown Hillsboro area is large and contains many different stakeholders. The project team has worked to include as many voices in the process as possible. Through the Downtown Framework Plan, hundreds of residents and representatives of businesses and non-profit organizations were reached. The URA process, which began in earnest in March 2009, has also allowed the project team to contact local stakeholders to discuss capital projects and to inform them about TIF, the urban renewal financing mechanism. The feasibility study included three meetings with the Downtown Advisory Committee and a public open house specific to urban renewal.

The interactions about urban renewal have been generally positive in the community. The strongest concerns have come from residents along East Main Street and in the northern residential areas. These neighbors are longstanding members of the community, who are very concerned about applying urban renewal to their properties. Just the same, most are supportive of the potential for urban renewal to revitalize the commercial portions of the Downtown area (west Main Street, 10<sup>th</sup> Avenue, and Baseline/Oak) and the neighborhoods south of the light rail line. Their concerns have also been summarized in the URA Boundary section of this study.

Attendees to the public open house on April 16 were invited to provide written comments on the proposed boundary maps. A full-size map image of the comments can be found in Appendix D.

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## URBAN RENEWAL NEED AND ELIGIBILITY

*Do conditions exist in Downtown Hillsboro which require the support of urban renewal?*

STUDY FINDING: The feasibility study demonstrates that the physical and economic conditions of the Downtown Hillsboro area could be lessened or eliminated through the use of urban renewal tools. There are numerous capital projects identified for Downtown Hillsboro that would qualify for expenditures of TIF revenues and would lead to economic revitalization of the area.

### Eligibility

Oregon law (Oregon Revised Statutes Chapter 457) describes the conditions needed to determine the eligibility for establishing an urban renewal district. The conditions are outlined as a definition of 'blight' and include the following:

- Inadequate, obsolete, or poorly maintained structures
- Economic disuse of property due to faulty planning
- Irregular or inadequate lot sizes and shapes, necessary for economic usefulness
- Inadequate streets, open spaces, public facilities, or utilities
- Areas with environmental impacts or issues
- Land that is not meeting its full value potential and underutilization of land

Using the existing conditions analysis developed for the Downtown Framework Plan (see Appendix E - Downtown Hillsboro Existing Conditions Report), the conditions for the Downtown Hillsboro area were compared to the requirements contained in the statutes. The area has many characteristics that meet the statutory definition of blight. Below are the initial findings of blight for the study boundary.

#### Land use patterns

- There are structures inadequate or obsolete for modern commerce and living due to faulty interior arrangement, inadequate quality of construction, or inadequate common facilities. (Example: southwest industrial area)
- There are areas where the condition of the title, the diverse land ownership, the street and lot layouts, and other conditions prevent proper development of the land.
- There are properties that, if redeveloped, would stimulate more desirable neighborhood and community development. (Example: city-owned properties at 4<sup>th</sup> & Main and 2<sup>nd</sup> & Washington)

### Inadequate Facilities

- There are inadequate streets, rights of way, open spaces, and utilities necessary to develop the land in such a way to meet public benefit and add value.
- There are properties that disregard contours, drainage and other physical characteristics of the terrain and surrounding conditions.

### Economic Value

- There is a lack of utilization of the area, resulting in unproductive condition of land potentially useful and valuable for public benefit.
- There exist properties for which the value of the land is greater than the value of the improvements on the land.
- There are properties un- or under- developed to an extent that tax receipts are inadequate for the cost of public services needed for revitalization.
- The area has experienced a very small amount of private, tax-revenue generating investment over the last several decades, particularly in relation to other parts of the City.

## Potential Projects

At this point, specific projects for an urban renewal plan in Downtown have not been determined. However, if a full plan is developed the projects will be derived from the many existing plans and policies, including the recently-prioritized actions listed in the Downtown Framework Plan. An urban renewal plan will also take into consideration the potential private redevelopment sites in the area.

In general, it is likely there will be many more projects desired than the amount of TIF revenue that will be available. The urban renewal plan process will explore ways to achieve the capital project needs while balancing the financial capacity of the URA.

The types of projects incorporated in the Downtown Framework Plan and likely to be pursued through a URA include:

#### Commercial, Mixed Use, and Industrial Development

- Assistance for adaptive reuse of older structures
- Assistance with storefront improvements
- Assistance with development of vacant parcels or redevelopment of underutilized properties
- Technical and/or financial pre-development assistance to help jumpstart redevelopment of key sites
- Economic development assistance for the Southwest Industrial area

#### Public facilities

- Downtown branch library
- Public parking facilities

- Public art
- Undergrounding utilities and development of stormwater retention facilities

#### Parks, plazas, trails, open space

- Development of plazas at key sites in the area, including the 10th Avenue corridor
- Development of new or improvement of existing parks facilities
- Pedestrian and bicycle trail improvements linking downtown neighborhoods to Jackson Bottom Wetland Preserve, transit, and other nearby destinations

#### Streets and streetscapes

- Improved safety for collectors and arterials through improved streetscapes and enhanced crossings (especially Baseline and Oak Streets and the 10<sup>th</sup> Avenue corridor)
- Installation and repair of neighborhood sidewalks, street lighting, and traffic calming/streetscaping
- Enhanced bicycle and pedestrian safety improvements throughout the area
- Improved gateways to the area through architectural or landscaping features
- Enhanced streetscape improvements along commercial corridors including public art, street trees, street lighting, and landscaping
- Installation of 'green street' improvements throughout the area

#### Housing

- Support for a range of new housing opportunities, especially within walking distance of light rail stations; including lofts, live-work spaces for artists and small businesses, townhouses, and other types of housing that provide a range of ownership and rental
- Financial and technical support to rehabilitate, improve energy efficiency, and sustain existing stock of housing affordable to a range of incomes

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## Conclusions

This feasibility study shows urban renewal is a financially viable alternative for financing capital projects in the Downtown Hillsboro area that would lead to economic revitalization. If the City chooses to move forward with development of an urban renewal plan, it must seek to balance the significant needs of the area with the area's ability to generate TIF revenues. When establishing a boundary the City should also consider some stakeholders' concerns about including stable

residential neighborhoods in a URA. Finally, the City should consider its ambitions for other redevelopment areas in the city and how they can work in concert with revitalization of Downtown Hillsboro.

The key study findings of the study include:

- The URA Study Boundary, at 8.2% land area and 5.5% assessed value, falls well within the 15% statute limits for area and AV that may be within URAs. The City Council may consider further reducing the URA Study Boundary to allow greater capacity for potential future URAs in other parts of the city.
- The feasibility study estimates that \$30.8 M to \$63.9 M in TIF revenues could be generated from a Downtown Hillsboro URA – an amount sufficient to support establishment of urban renewal with a balanced approach to project investments.
- There exist many revitalization projects in existing City policy and plans that could be implemented through urban renewal. Taxing districts and area stakeholders are generally supportive of the use of urban renewal, with emphasis on a desire to ensure only areas which truly require public investment are included in a future URA.
- The feasibility study demonstrates that the physical and economic conditions of the Downtown Hillsboro area could be improved through the use of urban renewal tools. There are numerous capital projects identified for Downtown Hillsboro that would qualify for expenditures of TIF revenues and would lead to economic revitalization and neighborhood stabilization.

# Appendices

- A** URA Study Boundary
- B** TIF Revenue Projections Methods and Assumptions
- C** Detailed TIF Revenue Projections
- D** Map of Public Open House Comments
- E** Downtown Hillsboro Existing Conditions Report