



# CITY OF FOREST GROVE

## URBAN RENEWAL FEASIBILITY STUDY

**JANUARY 2012**

Prepared For:  
CITY OF FOREST GROVE, OREGON

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## I. INTRODUCTION

The City of Forest Grove residents recently approved a charter amendment to streamline the process for establishing an Urban Renewal program in the City. The Forest Grove City Council is interested in establishing such a program in order to:

- Encourage private investment;
- Increase the taxable value of property in the City; and
- Improve the utilization of land within specific areas of the community; and
- Estimate blight and blighting influences.

Within the past decade, the City has commissioned several planning studies to clarify the needs and potential futures for major parts of the community. The studies included:

- Pacific Avenue/Oregon Highway 8 corridor more specifically identified as the Commercial Corridor Plan;
- Two studies for the Town Center, including a Downtown Resource Team report completed in 2006 and a Town Center Plan completed in the late 1990s;
- A Transit Oriented Development Plan for the northeastern part of the City completed in 2011 and designed to attract High Capacity Transit;
- And a Transportation System Plan for the entire community which identified the need for many improvements to streets and their intersection with each other, pedestrian walkways and bicycle paths.

All of these plans, as well as the additional analysis of specific sections of the community by City staff, have noted a list of potential projects which will make Forest Grove a better place to shop, recreate, work and reside. An Urban Renewal program is one tool to facilitate these types of projects.

## II. PURPOSE OF THE FEASIBILITY STUDY

The purpose of this feasibility study is to examine key elements and assumptions underlying an Urban Renewal District, and determine whether a district as proposed in this feasibility study would be:

- In compliance with the basic requirements of ORS 457, the Oregon statute governing formation of Urban Renewal areas, and
- Feasible from a financial and City policy view point.

The following is a list of legal issues which are addressed in determining the feasibility of an Urban Renewal program:

- Has a preliminary boundary for the area been established?
- Does the area within the boundary contain blighting conditions as defined in ORS 457?
- Does the area within the preliminary Urban Renewal District boundary meet the tests of the statutory 25% limitation on acreage and assessed value within the City?
- Are the proposed project activities eligible as Urban Renewal activities?
- Has an estimate been made of the renewal project costs and revenues?
- Does it appear that there will be sufficient revenues to carry out project activities?
- Has an estimate been made of a date for completion of all projected activities?
- What are the potential impacts to overlapping taxing districts?

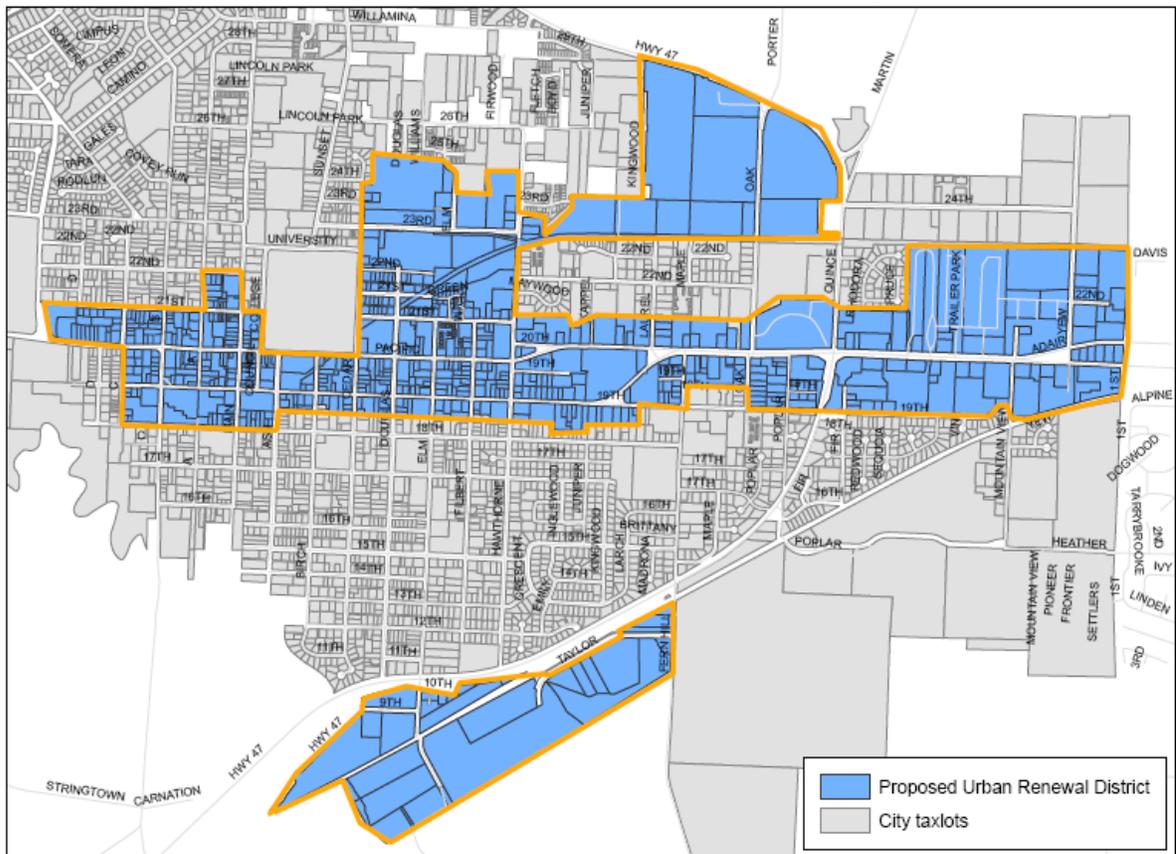
Note: This feasibility report has no legal status as an Urban Renewal plan as defined in ORS 457. It is prepared purely for information purposes. The City of Forest Grove will be required to take numerous procedural steps, all in conformance with ORS 457, in order to create a renewal agency, district and an Urban Renewal plan and report that meet all ORS 457 standards. Projects, goals and objectives, and impacts to overlapping taxing districts will be addressed further as part of preparing an Urban Renewal Plan and accompanying technical report.

### III. DISTRICT BOUNDARY, ACREAGE AND ASSESSED VALUE LIMITATIONS

#### Preliminary Boundary

A map indicating a preliminary Urban Renewal District (URD) boundary is enclosed as **Exhibit 1**, reproduced below. It is expected that minor additions or deletions may occur, as the final Urban Renewal Plan and Report are prepared.

**FIGURE 3.1: PRELIMINARY URBAN RENEWAL DISTRICT BOUNDARIES, FOREST GROVE**



Source: Forest Grove GIS, Johnson Reid LLC

The principles employed in drawing the boundary were to ensure that infrastructure deficiencies, physical characteristics of blight and community redevelopment opportunities were included. The proposed preliminary Urban Renewal District includes five sub-areas: Town Center, Mid-Town Corridor, Quince Gateway, the Transit Oriented Development Area and the Taylor Way Industrial Area, as shown in **Exhibit 2**, at the end of this report.

#### District Acreage Limitations

Oregon Urban Renewal law limits the total acreage in Urban Renewal areas to 25% of the total acreage within a City. The consultant has calculated that Forest Grove contains approximately 3,741 acres within its City limits. The area in the preliminary Urban Renewal District boundary represents

673 Acres or 18% of the total acreage in Forest Grove. An Urban Renewal District cannot exceed 25% of the City according to ORS 457.420.

**Assessed Value Limitations**

Oregon Revised Statute (ORS 457.420) on Urban Renewal also limits the total assessed valuation within an Urban Renewal District to no more than 25% of the total municipal assessed value. To this end, a review of the Washington County 2011/12 Tax Rate and Valuation Summary Report and Washington County Assessor's records indicate the following:

- The City of Forest Grove comprised a total taxable assessed value (TAV)<sup>1</sup> of \$1,211,221,219.
- The proposed Urban Renewal District comprises a total TAV of \$165,498,920.
- The proposed Urban Renewal District's future share of City taxable assessed value would be 13.7%.

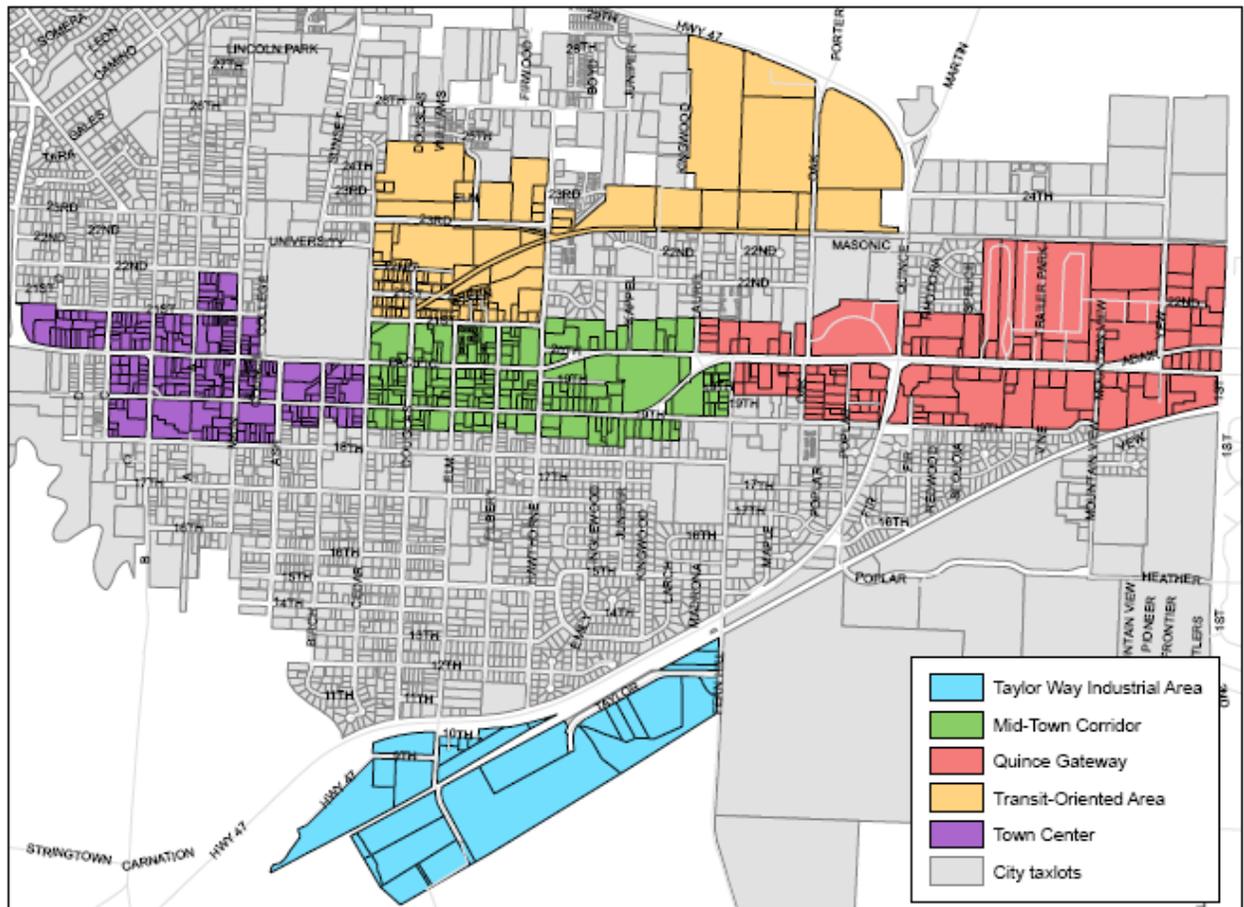
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<sup>1</sup> Taxable Assessed Value (TAV) may be lower than Real Market Value (RMV) due to Oregon property taxation law (Measure 50). The TAV number above includes both land and improvements for non tax-exempt properties.

#### IV. PRELIMINARY GOALS AND OBJECTIVES

A preliminary set of goals and objectives have been formulated for the proposed Urban Renewal District. The goals and objectives at the start of this section are intended to apply to the entire district. The Pacific Avenue/Highway 8 Corridor is divided in to 3 sub-areas – Town Center, Mid-Town Corridor, and Quince Gateway. The other two sub areas are the Transit Oriented Development Area and the Taylor Way Industrial Area. **Exhibit 2** (reproduced below) shows the proposed boundaries for each of the subareas.

**FIGURE 4.1: PRELIMINARY URBAN RENEWAL DISTRICT SUB-AREAS, FOREST GROVE**



Source: Forest Grove GIS, Johnson Reid LLC

The following table of goals and objectives are presented in the following order:

- District wide Goals and Objectives
- Town Center West
- Town Center
- Mid-Town Corridor
- Quince Node/Gateway
- Transit Oriented Development Area
- Taylor Way Industrial Area

SUB-AREA	GOALS AND OBJECTIVES
<p><b>Urban Renewal District-Wide Goals and Objectives</b></p>	<p><b><i>Goal 1: Encourage and provide opportunities for public participation in the preparation and adoption of Urban Renewal plans and policies.</i></b></p> <p>Objective 1: Establish an Urban Renewal policy advisory committee comprised of persons representing varying interests within the Urban Renewal District and the community at large to assist the Urban Renewal agency board of directors.</p>
	<p><b><i>Goal 2: Promote sustainability and sustainable development practices through Urban Renewal activities.</i></b></p> <p>Objective 1: Encourage the efficient use of land within the Urban Renewal area including redevelopment of surface parking lots.</p> <p>Objective 2: Implement incentives to encourage Leadership in Energy and Environmental Design (LEED) or similar certification of new buildings constructed in the Urban Renewal area.</p> <p>Objective 3: Promote low impact design techniques as part of the design and construction of infrastructure and development projects.</p> <p>Objective 4: Support the preservation of historic buildings within the Urban Renewal District to encourage the adaptive reuse of obsolete buildings.</p> <p>Objective 5: Assist projects that meet sustainability principles and practices such as resource conservation, energy conservation, water efficiency, and improved air quality.</p> <p>Objective 6: Fund studies and plans for URA areas: Town Center West 1, Town Center 2, Mid-Town Corridor 3 and Quince Node/Gateway 4.</p> <ul style="list-style-type: none"> <li>-Market analysis to determine potential commercial tenancy and development economics;</li> <li>-Transportation and engineering plans to determine site specific access, circulation and parking improvements;</li> <li>- Identification and improvement of substandard infrastructure,;</li> <li>-Detailed site design plans consistent with the intent of the proposed objectives in the Sub-Areas, such as: Primary Town Center and smaller public plazas, streetscapes, public art locations, gateway treatments, etc.</li> </ul>

SUB-AREA	GOALS AND OBJECTIVES
	<p><b>Goal 3: Reinforce the job creation programs currently being implemented by the city, county, state and other economic development agencies in the region.</b></p> <hr/> <p><b>Goal 4: Promote housing choice through Urban Renewal activities.</b></p> <p>Objective 1: Encourage new housing units and diverse housing options throughout the Urban Renewal area.</p> <p>Objective 2: Establish programs to ensure a no net loss of housing units within the Urban Renewal area through actions undertaken by the Urban Renewal agency including avoiding the taking of existing housing stock.</p> <p>Objective 3: Promote a mix of market rate and assisted affordable housing units within the Urban Renewal District.</p> <hr/> <p><b>Goal 5: Promote an active pedestrian environment</b></p> <p>Objective 1: Encourage the placement of buildings near sidewalks to minimize distances between sidewalks and building entrances.</p> <p>Objective 2: Encourage amenities such as improved transit stops and bicycle lockers.</p> <p>Objective 3: Through redevelopment encourage the consolidation of driveways to reduce congestion, pedestrian/vehicle conflicts and auto accidents.</p> <hr/> <p><b>Goal 6: Promote the upgrading of inadequate infrastructure such as streets, water and sewer lines serving the needs of businesses, residents and visitors.</b></p> <p>Objective 1: Provide gap funding for the construction of infrastructure improvements supporting development and redevelopment within the Urban Renewal District. The amount of Urban Renewal financial participation in such projects should be based on an analysis of direct benefit to the Urban Renewal District and available funds.</p> <p>Objective 2: Create programs to promote redevelopment which may include tools such as SDC reductions, land write-downs and revising building codes, where possible, to encourage re-use of underutilized buildings.</p>
<p><b>Town Center West</b></p>	<p><b>Goal 1: Reinforce the Western Entry as a predominantly residential area.</b></p> <p>Objective 1: Adopt a Small Scale Commercial Zone to preserve the area’s small town character, including: zero lot line, cluster housing, town homes, garden style apartments with alley access and small shops and service oriented businesses.</p> <p>Objective 2: Encourage the efficient use of on- and off-street parking through parking management techniques such as time restrictions, parking permit program, pricing and revising minimum and maximum parking ratios.</p> <p>Objective 3: Improve pedestrian connectivity within and to the Town</p>

SUB-AREA	GOALS AND OBJECTIVES
	<p>Center via alleyways, small plazas and safe, clearly delineated street crossings.</p> <p>Objective 4: Develop a Primary Gateway to the Town Center at the western end of the district.</p>
<p><b>Town Center</b></p>	<p><b><i>Goal 1: Distinguish the Town Center as the focal point for the Forest Grove community.</i></b></p> <p>Objective 1: Through redevelopment activities and Urban Renewal policy encourage the provision of urban living infrastructure such as services, shops, open space and other amenities in the Town Center that meet the daily needs of residents, workers, students and visitors.</p> <p>Objective 2: Establish financial and regulatory incentives to encourage the renovation of existing buildings to promote viable ground level retail and upper story residential or office uses.</p> <p>Objective 3: Provide technical support to property owners in the form of code, market and design assistance to encourage the development of vertical mixed-use buildings.</p> <p>Objective 4: Strategically acquire and re-develop vacant or under-utilized parcels and buildings consistent with the Downtown Resource Team report or other adopted long-term visions for the Town Center</p> <p>Objective 5: Establish a package of financial incentive programs to assist existing businesses and property owners with building improvements necessary to meet current building codes and improve the aesthetics of the Town Center.</p> <p>Objective 6: Create a major public plaza/gathering space with pedestrian connectivity to the nearby retail, residences and the university.</p> <p>Objective 7: Implement specific projects in the Town Center area that will complement private investments made by businesses and building/landowners to create an inviting and attractive shopping, dining and living experience.</p> <p>Objective 8: Establish a parking management program to encourage the efficient use of on- and off-street parking spaces.</p> <p>Objective 9: Retain governmental offices and services in the Town Center including post office, city hall, library, police department administration, and fire department administration.</p> <p>Objective 10: Complement investments made by Pacific University that promote the continued viability of the Town Center.</p> <p>Objective 11: Improve the connectivity to the Pacific University campus from the adjacent Forest Grove community.</p>
<p><b>Mid-Town Corridor</b></p>	<p><b><i>Goal 1: Reinforce the character of the community by retaining existing buildings for smaller scale retail and office uses.</i></b></p> <p>Objective 1: Apply the Small Scale Commercial zoning to western portions</p>

SUB-AREA	GOALS AND OBJECTIVES
	<p>of the Corridor to retain the small town character.</p> <p>Objective 2: Encourage a vertical mix of uses including convenience retail, loft style rental housing, townhomes with alley access and office.</p> <p>Objective 3: Retain current character of the area and develop programs to better utilize interiors of blocks for parking and landscaping.</p> <p>Objective 4: Provide for pedestrian connectivity via alleys, small plazas, and dedicated street crossings.</p>
<b>Quince Node/Gateway</b>	<p><b><i>Goal 1: Improve the intersection of Highways 47 and 8 as the eastside Primary Gateway to the City and utilize these improvements to foster redevelopment of vacant and underutilized properties in the area.</i></b></p> <p>Objective 1: Through redevelopment actions, encourage primary auto access at signalized intersections and, and where feasible, from Maple and Oak Streets.</p> <p>Objective 2 Promote boulevard improvements along the corridor including wide sidewalks, pedestrian crossing refuges, pedestrian scale lighting, bike lanes, street trees and other pedestrian amenities.</p> <p>Objective 3: Provide incentives for residential infill at key locations consistent with the Commercial Corridor Study.</p>
<b>Transit-Oriented Area</b>	<p><b><i>Goal 1: Continue to build local and regional partnerships to support High Capacity Transit (HCT) service to Forest Grove.</i></b></p> <p>Objective 1: Initiate and complete a corridor study for Metro Corridor #12.</p> <p>Objective 2: Utilize the Urban Renewal Program, where appropriate, to advance the HCT as a Metropolitan transit priority.</p>
<b>Taylor Way Industrial</b>	<p><b><i>Goal 1: Promote a variety of employment opportunities for current and future residents.</i></b></p> <p>Objective 1: Provide financial incentives to encourage the expansion of existing industrial activities resulting in additional employment.</p> <p>Objective 2: Encourage the creation of small industrial parcels to encourage investments by smaller businesses and new start-ups.</p> <p>Objective 3: Encourage infrastructure improvements including street connections within the Urban Renewal area and the efficient extension of public services to the adjacent urban reserve area.</p>

## V. ASSESSMENT OF EXISTING CONDITIONS

### A. City of Forest Grove Demographics

Forest Grove is a community of roughly 21,275 people which has grown over time around Pacific University and supported by the surrounding Washington County agricultural businesses. The city is an important retirement, educational, and bedroom community on the western edge of the Portland Metro area.

#### Demographics

The City had an estimated population of 21,275 residents in July 2011 (PSU Population Research Center), residing in roughly 7,500 households. Figure 5.1 displays the past trends and projected trends for population and income in Forest Grove.

**FIGURE 5.1: HOUSEHOLD & INCOME TRENDS, FOREST GROVE**

<b>POPULATION, HOUSEHOLDS, FAMILIES, AND YEAR-ROUND HOUSING UNITS</b>					
	<b>2000</b>	<b>2011</b>	<b>Growth Rate</b>	<b>2016</b>	<b>Growth Rate</b>
	<b>(Census)</b>	<b>(Est.)</b>	<b>00-11</b>	<b>(Projection)</b>	<b>11-16</b>
Population	17,708	21,275	1.7%	23,032	1.6%
Households	6,336	7,452	1.5%	8,028	1.5%
Families	4,128	4,915	1.6%	5,295	1.5%
Housing Units	6,702	7,845	1.4%	8,327	1.2%
Group Quarters Populatio	958	1,002	0.4%	1,017	0.3%
Household Size	2.64	2.71	0.2%	2.72	0.1%
<b>PER CAPITA AND AVERAGE HOUSEHOLD INCOME</b>					
	<b>2000</b>	<b>2011</b>	<b>Growth Rate</b>	<b>2016</b>	<b>Growth Rate</b>
	<b>(Census)</b>	<b>(Est.)</b>	<b>00-11</b>	<b>(Proj.)</b>	<b>11-16</b>
Per Capita (\$)	16,816	21,632	2.3%	23,847	2.0%
Average HH (\$)	46,226	59,820	2.4%	66,097	2.0%
Median HH (\$)	40,038	47,120	1.5%	50,184	1.3%

Source: US Census, Claritas Inc., PSU Population Research Center, Johnson Reid

- Since 2000, the City has grown by over 3,500 people, or 20%. This was an average annual rate of 1.7%, a similar growth rate to Washington County.
- Forest Grove experienced growing household sizes during this decade, in contrast to the state and regional trend of falling household size. This means that Forest Grove is attracting family households in greater proportion than some locales.
- Average income levels in Forest Grove are low compared to Washington County as a whole. The per-capita income of \$21,600 is roughly 2/3 the county average. The median household income is roughly 25% lower than the county average. This trend is not unexpected, given

the community’s size, position on the edge of the Metro area and the continuing importance of the agricultural economy.

- Roughly 55% of households in Forest Grove are home owners, and 45% renters (US Census).

**Employment**

The following table presents employment estimates and projections for Forest Grove from the 2009 Economic Opportunities Analysis (EOA). The profile of employment in 2008 shows the relative importance of various sectors in the local economy. The most employment (32%) is found in the “Education and Health” sector, while “Manufacturing” including food processing represents 24% of employment.

**FIGURE 5.2: EMPLOYMENT BY INDUSTRY SECTOR, FOREST GROVE**

Baseline Growth Scenario NAICS	Base Year	Employment Forecast				2008-2028 Growth	
	2008	2013	2018	2023	2028	Jobs	AAGR
Natural Resources	937	937	937	937	937	0	0.0%
Construction	420	475	528	595	656	236	2.3%
Manufacturing	2,197	2,572	2,945	3,426	3,888	1,691	2.9%
Wholesale Trade	67	73	79	87	93	26	1.7%
Retail Trade	600	680	757	854	944	343	2.3%
T.W.U.	155	176	195	220	243	89	2.3%
Information	30	33	35	38	41	10	1.5%
Financial Activities	240	264	286	313	337	97	1.7%
Professional & Business	266	344	428	546	670	404	4.7%
Education & Health	2,979	3,460	3,933	4,540	5,118	2,139	2.7%
Leisure & Hospitality	670	783	896	1,041	1,180	510	2.9%
Other Services	348	380	410	446	479	131	1.6%
Public Administration	182	199	216	235	253	72	1.7%
<b>TOTAL</b>	<b>9,092</b>	<b>10,377</b>	<b>11,646</b>	<b>13,278</b>	<b>14,840</b>	<b>5,748</b>	<b>2.5%</b>

Source: 2009 EOA (Oregon Employment Department, local interviews, Johnson Reid)

The EOA forecasts growth of 5,750 jobs between 2008 and 2028. Professional services, manufacturing, tourism, education and health care are all projected to grow at faster than average rates.

The Oregon Employment Department does not regularly update employment on the city level, but does track employment on the county level. Washington County experienced an estimated 7.1% drop in employment between 2007 and 2009, with the hardest hit sectors being Construction (-21%), Transportation (trucking) and Warehousing (-10%), Manufacturing (-9%), and Retail (-8%).

Between 2009 and the end of 2011, employment growth was once again positive, with total employment growing by 4% over those two years.

The conservative estimate is that Forest Grove has followed roughly the Washington County trend, with significant job loss and an increase in unemployment in 2009. While employment has since stabilized, it is still below pre-recession levels. However, the key “Education and Health” sector has experienced the most resilience during the recession, and this may have helped mitigate employment loss in Forest Grove.

## **B. Redevelopment/Development Potential**

The study area has a wide range of development and redevelopment opportunities, the development of which have the potential to substantially add to an Urban Renewal District’s property tax base. This feasibility analysis included an initial assessment of the potential for development/redevelopment within the proposed Urban Renewal District.

Much of the land in the proposed URD has been developed, and a key source for additional capacity in the area is therefore the redevelopment of existing properties. But while current uses may not represent what would be considered the highest-and-best use of a site from a public policy perspective, redevelopment is often not viable from a market perspective.

This analysis estimates development and redevelopment potential by modeling the market conditions in the area from the developer’s perspective. The key factor is the current property value, and how it compares to the value of the property in the eyes of the developer:

- If the current value (i.e. sale price) is less than the value that the land gives to the developer under the new proposed use, the site has redevelopment potential.
- If the current value of the property is more than the value of the land to the developer, then the site has poor redevelopment potential.

### **Residual Land Value**

The value of land to a developer is called the “residual land value”. It is a function of the financial performance of the proposed new use. The amount a developer is willing to pay for property is impacted by factors such as construction cost, achievable lease rates in the area, vacancy and operation costs, depreciation, and the necessary rate of return on the project to make it worth the developer’s and/or investor’s effort.

This analysis models these factors to determine the residual land value for the “highest-and-best use” (i.e. the most valuable economic use) of properties in the study area.

If the residual value is greater or equal to the market value of the property, it is assumed to represent a rational development or redevelopment opportunity. For instance, the current market value (i.e. sale price) of the property is “x”, and its value to the developer is “x+1”.

### **Caveats**

This analysis provides a broad measure of redevelopment potential in the overall study area. The map shown below is not meant to indicate that any one property identified on that will, or is likely to, redevelop. There are many additional factors beyond this analysis that can determine whether a property will actually redevelop, and therefore it is conservative to estimate that only a portion of opportunities identified as viable will be realized within the study horizon.

Some of the factors which can stall or preclude redevelopment are:

- **Measures of market value.** This analysis uses Real Market Value (RMV) based on county assessor records as a proxy for the market value of the property. This measure tends to undervalue assets. As a result, it has the effect of indicating a higher likelihood of redevelopment, leading to an over-statement of redevelopment potential.
- **Owner disposition.** This factor includes a broad range of variables, including the property owner's interest in redevelopment, level of capitalization, investment objectives, risk sensitivity, availability and terms of credit, perception of return, etc.
- **Current lease structure.** The property's current lease structure and term may either preclude major improvements or reduce the potential for realizing a return on enhancements or improvements. An example of this is often found in retail leases, which have relatively long terms with extension options.
- **Leaseholder disposition.** The leaseholder's disposition is also a contributing factor to improvements, as the leaseholder's willingness to bear the burden of increased rents associated with improvements is critical. In addition to the current leaseholder, the general market for space and the disposition of potential lessees is also an important factor impacting the viability of improving a property.
- **Regulatory environment** – The ability to successfully complete an improvement also relies upon the local regulatory environment, including building and zoning code applications.
- **Holding costs** – A property owner's basis and tax position in a property may impact the likelihood of redevelopment. Owners without major return requirements are more likely to hold properties, as are owners with property tax relief such as those taking advantage of programs such as farm tax deferrals on property taxes.

Because of these additional factors which impact redevelopment decisions, the findings of this analysis (discussed below) are best used as a broad indication of the amount of redevelopment land in the study area, and not to identify specific development sites. (For example, the McMenamin's Grand Lodge is identified as a potential redevelopment candidate in Figure 5.3, when in fact this is very unlikely).

### **Development and Redevelopment Acreage**

Figure 5.4 below presents the results of this analysis geographically. As discussed, the key metric estimated is whether or not the value of the land to the developer (residual land value) exceeds the current real market value (RMV) of the property. Dividing the real market value of the parcel by the

estimated residual land value gives a ratio that represents the potential for redevelopment. This is called the “Residual Land Value Ratio.”

- *If the Residual Land Value Ratio is less than or equal to one*, this means that the land potentially offers more value to the developer, than the current market value (i.e. sale price), and therefore is potential development site. (Yellow and red on map)
- *If the Residual Land Value Ratio is greater than one*, this means that the current market value (i.e. sale price) is greater than the value that the developer places on the property. In other words, the current property would be too expensive to represent an affordable development site. (Green on map)

The following table shows an example of each case:

**FIGURE 5.3: REAL MARKET VALUE DIVIDED BY RESIDUAL LAND VALUE**

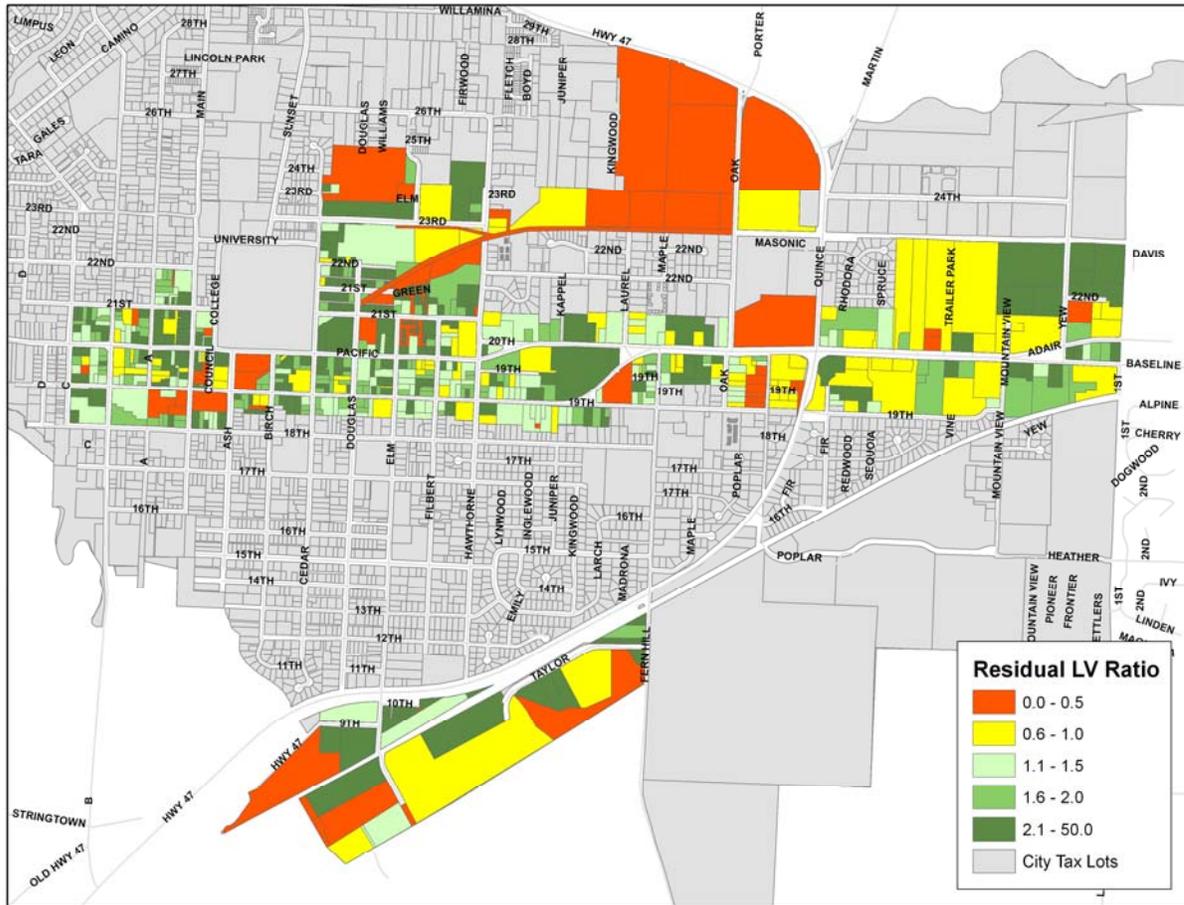
Good Redevelopment Potential	Property A
Real Market Value <sup>1</sup> : (i.e. potential sale price)	\$100,000
Estimated Residual Land Value <sup>2</sup> : (i.e. value to developer, under new proposed use)	\$125,000
<hr/>	
Residual Land Value Ratio:	$\$100,000/\$125,000 = 0.8$ (Red)
Poor Redevelopment Potential	Property B
Real Market Value <sup>1</sup> : (i.e. potential sale price)	\$100,000
Estimated Residual Land Value <sup>2</sup> : (i.e. value to developer, under new proposed use)	\$50,000
<hr/>	
Residual Land Value Ratio:	$\$100,000/\$50,000 = 2.0$ (Green)

<sup>1</sup> Real Market Value from Washington County Assessor

<sup>2</sup> Estimated by Johnson Reid LLC

Source: Johnson Reid LLC

**FIGURE 5.4: REAL MARKET VALUE DIVIDED BY RESIDUAL LAND VALUE**



Source: Forest Grove GIS, Washington County Assessor, Johnson Reid LLC

Within the district being evaluated, there are roughly 285 acres with indicated residual land values equal to or greater than the current Real Market Value (RMV) of the property based on assessor records. This is roughly 42% of the preliminary Urban Renewal District acreage.

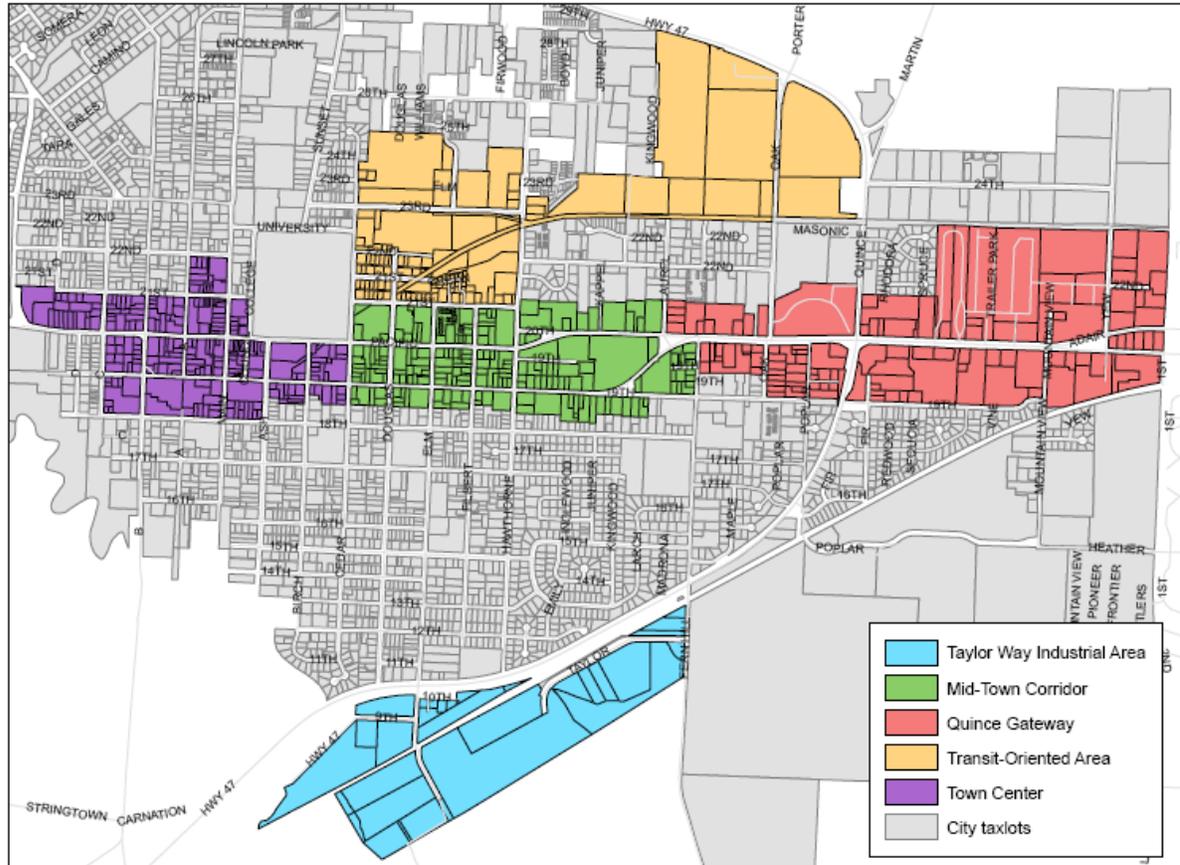
Roughly 148 acres are estimated to have the highest potential to redevelop with a ratio of 0.0 to 0.5 (red). Roughly 136 acres are estimated to have moderate potential to redevelop with a ratio of 0.6 to 1.0 (yellow).

Again, this is a broad measure of redevelopment potential within the Urban Renewal District. Any individual site will have its own characteristics which might facilitate or constrain redevelopment. However, redevelopment of a portion of these sites is seen as supportable over the next twenty years. As residual values increase the number of sites with a positive ratio increases as well, indicating an increased likelihood of redevelopment.

**Sub-Areas**

The study area has been divided into five subareas, which differ in terms of their current built environment as well as their potential for marginal development and redevelopment.

FIGURE 5.5: PROPOSED DISTRICT AND SUBAREAS



Source: Forest Grove GIS, Johnson Reid LLC

**The Town Center** subarea includes the City of Forest Grove’s historic core, with a central location and a range of urban amenities in place. The concentration of urban amenities and pedestrian environment should allow this area to push achievable pricing through the development of a marketable urban context. The structures in the area are older and with limited on-site parking. Real market values are relatively high in the district with respect to estimated residual land values, but some key development sites are available in the district. In addition, there are a number of structures currently underutilized, that could potentially be encouraged to redevelop to more intensive uses.

Examples of potential redevelopment opportunities include the vacant Times-Litho building, surface parking lots and the underutilized Woodfold-Marco property south of 19<sup>th</sup> Avenue. Another potential redevelopment area is the city owned property currently used by the Library, Police Department and fire department. Redevelopment of this site could provide an opportunity for relocating police operations into a more suitable facility. This site is characterized by generally single story buildings and surface parking. Relocation of the Police Department could allow for

additional retail space contributing to an active pedestrian environment and better transition between the Town Center and Mid-Town Corridor sub-areas.

**The Mid-Town Corridor** area represents a transition zone between the Town Center area to the west, the Quince Gateway to the east and residential concentrations to the south. Current development patterns in the area are suburban in nature, with a broad mix of commercial and residential uses interspersed with a number of prospective redevelopment sites. Concepts for redevelopment were considered as part of the 2005 Commercial Corridor Plan.

**The Quince Gateway** represents the eastern access point for the City of Forest Grove, and includes the intersection of Highway 47 and Highway 8. The area has significant redevelopment potential, with several relatively large sites and strong visibility. Likely uses in the area include commercial development. Redevelopment opportunities include the “Haggen” and “Albertson’s” holdings.

**The TOD Area** contains a substantial amount of vacant land in the northeast portion of the community. The City has completed an extensive planning effort in the area to identify prospective uses and development patterns, much of which is predicated on a sought after rail extension that would serve the area. The preferred alternative presented in the TOD Plan calls for a dense mixed-use station area community. This area currently lacks sufficient infrastructure to support large scale development.

The fifth subarea is the **Taylor Way Industrial Area**, which features several large properties which are vacant or used for yard storage. The area has significant potential to encourage more intensive use and add employment density. This area is located within the City’s Enterprise Zone. As such, tax increment revenue collections could be delayed if new development is subject to the Enterprise Zone tax exemption.

### C. Blighting Conditions by Sub-Area

#### **ORS Requirements:**

In order to form an Urban Renewal District, the City of Forest Grove must find that blighted areas exist within the Urban Renewal boundary. ORS 457.010 defines "blighted areas" and blighting conditions in the following manner.

#### **457.010 Definitions:**

As used in this chapter, unless the context requires otherwise:

(1) "Blighted areas" means areas which, by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community. A blighted area is characterized by the existence of one or more of the following conditions:

(a) The existence of buildings and structures, used or intended to be used for living, commercial industrial or other purposes, or any combination of those uses, which are unfit or unsafe to occupy for those purposes because of any one or a combination of the following conditions:

- (A) Defective design and quality of physical construction;
  - (B) Faulty interior arrangement and exterior spacing;
  - (C) Overcrowding and a high density of population;
  - (D) Inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities; or
  - (E) Obsolescence, deterioration, dilapidation, mixed character or shifting of uses.
- (b) An economic dislocation, deterioration or disuse of property resulting from faulty planning;
  - (c) The division or subdivision and sale of property or lots of irregular form and shape and inadequate size or dimensions for property usefulness and development;
  - (d) The laying out of property or lots in disregard of contours, drainage and other physical characteristics of the terrain and surrounding conditions;
  - (e) The existence of inadequate streets and other rights of way, open spaces and utilities;
  - (f) The existence of property or lots or other areas which are subject to inundation by water;
  - (g) A prevalence of depreciated values, impaired investments and social and economic maladjustments to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered;
  - (h) A growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety, and welfare; or
  - (i) A loss of population & reduction of proper utilization of the area, resulting in its further services elsewhere.

**Blighting Conditions Within Preliminary Boundary:**

The feasibility study revealed the following conditions that constitute “blight” within the preliminary boundary:

**1. Town Center**

In the commercial areas of the Town Center, there are several vacant storefronts, second and third floor vacancies and entire buildings. In addition, some of the buildings require light to major renovation. These conditions reflect a degree of obsolescence and deterioration within the sub-area (ORS 457(1)(a)(E)). In addition, these conditions demonstrate a growing lack of proper utilization of the area resulting in a stagnant and underproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare of the community (ORS 457(1)(h)).

There are also vacant light industrial buildings and associated land areas including the Woodfold-Marco site and the Times Litho property.

Within the Town Center sub-area, there are vacant lots, residences requiring renovation and several under-utilized properties.

## **2. Mid-Town Corridor**

The Mid-Town Corridor is comprised of a variety land uses, many on under-utilized lots including the Mobile Home Park. These also include older residences and vacated commercial uses such as Tualatin Chevrolet. This area represents conditions of “blight” associated with obsolescence and mixed-character or shifting uses (ORS 457(1)(a)(E)).

## **3. Quince Gateway**

The Gateway area is comprised of a mix of commercial and older residential uses. In addition, there are a considerable number of vacant lots including two large parcels being land-banked by their owners. Similar to the Mid-Town Corridor, this area represents conditions of “blight” associated with obsolescence and mixed-character or shifting uses (ORS 457(1)(a)(E)). In addition, the large amount of vacant land shows a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare of the community (ORS 457(1)(h)).

## **4. Transit Oriented Development Area/ Oak Street Industrial Area**

The Transit Oriented Development Area (TOD) contains several large vacant properties that are suited for high density - mixed use development upon construction of the High Capacity Transit. These properties currently lack public utility infrastructure required to support new development. In addition Oak Street is in a state of disrepair and requires reconstruction. A lack of transportation improvements will be required to connect the established neighborhoods of the City to transit service stations. This area meets requirements of ORS 457(1)(e) associated with the existence of inadequate streets and other rights-of-way and utilities.

## **5. Taylor Way Industrial Area**

In order for this industrial area to develop further, additional infrastructure and street connections to the larger community will be required. There is also a need in the community for smaller parcels to accommodate start-up businesses and these smaller parcels will require new street and utility improvements. Therefore, this area meets requirements of ORS 457(1)(e) associated with the existence of inadequate streets and other rights-of-way and utilities.

## **6. Incompatible Land Uses and Vacant Land**

Approximately, 13 per cent of the lots within the Urban Renewal area are vacant which represents a stagnant and unproductive condition of land. Yet these lots have the potential for contributing to the economic health of the City. There are also areas where the mix of older, deteriorated commercial uses are impacting the quality of the adjacent residential environment.

## **7. Obsolete and deteriorated buildings**

A cursory exterior inspection of buildings within the preliminary Urban Renewal District boundary was undertaken to identify buildings deteriorated or exhibiting deferred maintenance. There are a substantial number of residential and commercial buildings in the area which are deteriorated and would benefit from minor and major renovation.

Based on the conditions found within the preliminary study area boundary, the area contains one or more of the conditions listed under the definition of "blighted areas" found in ORS 457.010. The study area therefore, is eligible for inclusion in an Urban Renewal District.

## VI. POTENTIAL PROJECTS

The following potential projects may be undertaken or amended by the Urban Renewal Agency (URA) subject to adoption of an Urban Renewal Plan and Report by the City Council pursuant to ORS Chapter 457. The actions of the URA to achieve revitalization goals and objectives will be undertaken in accordance with the adopted regulations and policies of the City of Forest Grove and Washington County.

The City prepared the Forest Grove Urban Renewal Feasibility Study to evaluate tax increment revenue potential, possible impacts to overlapping taxing districts, and to assess blight and blighting influences within a potential urban renewal district. Furthermore, the Feasibility Study is a potential guide for shaping the City's long term development strategies and encouraging the physical improvements necessary to stimulate redevelopment and revitalization of the preliminary Urban Renewal District recommended in the analysis.

The proposed district is intended to focus its resources on the Town Center, the Pacific Avenue Corridor, the Taylor Way Industrial Area and the Oak Street Industrial Area studied for possible transit-oriented development. The preliminary project needs in the Town Center and Pacific Avenue Corridor include: infrastructure improvements, public-private partnerships, incentives for redevelopment and investment, and blight mitigation. Specific projects will be evaluated further as part of preparing an urban renewal plan and technical report.

To encourage rehabilitation and redevelopment of commercial, industrial and residential land and aid in the retention of existing business and attraction of new businesses, the URA may improve or construct public facilities and utilities including but not limited to streets, sidewalks, parking areas, and pedestrian amenities. Improvements may occur within public rights-of-way, easements or on public property. In addition, the Urban Renewal Agency may acquire property with the intent to construct improvements consistent with the goals and objectives of an urban renewal plan.

The following project categories and illustrative projects have been identified to achieve the objectives described in this urban renewal feasibility analysis. The projects identified are for discussion and specific projects will be identified in the urban renewal plan and technical report. This list is conceptual in nature and does not constitute a recommendation to undertake any of the identified projects. This information is intended to show the types of projects eligible for urban renewal funding and order of magnitude cost estimates. This level of analysis is necessary to assess financial feasibility of the urban renewal program. The project list was derived from the goals and objectives described in Section IV: Preliminary Goals and Objectives and previous plans adopted by the City applicable to the possible urban renewal area.

The feasibility study shows a need to improve infrastructure within the proposed urban renewal district and to encourage rehabilitation and redevelopment of specific properties to mitigate blight. Potential projects are included in the City's Capital Improvement Plan, Transportation System Plan, the recently completed Transit-Oriented Development Plan and other plans and studies applicable to the potential urban renewal district. Urban renewal investments for infrastructure projects funded by system development charges or other sources should focus on gap funding or acceleration of project timelines.

Specific project categories include:

- Infrastructure Improvements;
- Property Acquisition;
- Planning Activities; and
- Programs

**FIGURE 6.1: CONCEPTUAL URBAN RENEWAL PROJECTS AND ACTIVITIES**

Project Category	Potential Project	Description	Cost
Infrastructure	Water Distribution Improvements	Improvements to improve identified fire flow deficiencies within urban renewal district.	\$100,000
Infrastructure	Street Projects	Gap and match funding for street projects necessary to spur redevelopment including boulevard improvements along the Pacific Avenue/Oregon Hwy. 8 corridor.	\$500,000
Infrastructure	Sanitary Sewer Projects	Replace and rehabilitate old sanitary sewer lines and capacity improvements within urban renewal area.	\$100,000
Infrastructure	Storm Sewer Projects	Replace and rehabilitate old storm sewer lines and capacity improvements within urban renewal area.	\$300,000
Planning	High Capacity Transit Corridor Study and Alternatives Analysis	Partial funding for high capacity transit corridor study and alternatives analysis.	\$750,000
Infrastructure	Pedestrian, Bike Lane and Sidewalk Network Improvements	Gap and match funding for pedestrian improvements (crossings and refuge areas, lighting enhancements), bike lanes (including safety improvements) and sidewalk network deficiencies primarily along the Pacific Avenue/Highway 8 corridor.	\$750,000
Infrastructure	E Street/Pacific Avenue/19 <sup>th</sup> Street Intersection Improvements	Partial funding for intersection improvements beyond minimum design standards and improvements paid for by development or other sources.	\$500,000
Infrastructure	Yew Street/Adair Intersection Improvements/Mt. View Extension	Partial funding for street improvements beyond minimum requirements and improvements paid for by development or other sources.	\$2,500,000

## Forest Grove Urban Renewal Feasibility Study

Project Category	Potential Project	Description	Cost
Infrastructure	Oak Street Industrial Area/ Transit-Oriented Development Area Improvements	Infrastructure improvements needed to correct deficiencies and spur development within the Oak Street Industrial Area.	\$1,000,000
Infrastructure	Replacement of Overhead Utility Lines	Place overhead utility lines underground within the Town Center and along the Pacific Avenue/Oregon Highway 8 corridors	\$5,000,000
Programs	Rehabilitation or Redevelopment of Commercial Industrial and Residential Properties	Revolving loan and grant program to improve building interiors for tenant improvements, residential space or correct building code deficiencies.	\$1,000,000
Programs	Town Center Building Façade Improvements	Revolving loan and grant program to fund improvements to building facades within the Town Center including weather protection.	\$500,000
Programs	Business Relocation Assistance	Relocation assistance to property owners affected by agency property acquisition.	\$500,000
Programs	Business Expansion Program	Financial incentives to encourage the expansion existing industrial activities resulting in additional employment	\$500,000
Programs	Land Write-Down Program	Sale of Urban Renewal Agency land at fair-reuse value for redevelopment. Line item includes cost for preparing independent appraisals of property identified for sale.	\$100,000
Property Acquisition	Opportunity Acquisition Fund	Funding for urban renewal agency property acquisition from willing sellers for future redevelopment. Line item includes acquisition, demolition, site preparation and holding costs.	\$2,000,000
Planning	Urban Renewal Sub-Area Planning	Funding for studies and plans to address land use, business mix, infrastructure deficiencies, and improve traffic circulation, open spaces and parking within defined urban renewal sub-areas.	\$125,000
Programs	Sustainability Incentive Program	Funding to encourage construction of buildings meeting LEED or similar certification requirements.	\$250,000
Planning	Parking Management Program	Funding for parking management program addressing time restrictions, permitting, pricing and parking standards	\$150,000

Project Category	Potential Project	Description	Cost
Infrastructure	Gateway Improvements	Enhanced gateway signage at western end of Town Center	\$50,000
Infrastructure	Town Center Open Space	Construct open space/plaza within Forest Grove Town Center	\$750,000
Programs	Urban Renewal Project Support	Project management and administration of the urban renewal program over a twenty-year period. This line items includes financial services such as bond underwriting and issuance, project management costs, legal expenses and urban renewal area marketing.	\$1,000,000
Programs	Contingency	Contingency for unexpected project costs.	\$500,000
	<b>TOTAL PROJECTS</b>		<b>\$18,925,000</b>

The previous table lists projects from the City’s Capital Improvement Plan, Transportation System Plan, Transit-Oriented Development Plan and other projects deemed necessary to address blighting influences, encourage investment within the urban renewal area, and improve property values. These potential projects were identified because they achieve the objectives described in this urban renewal feasibility analysis. The total combined cost of these projects is estimated to be \$18,925,000 in 2012 dollars.

The table below shows a breakdown of potential urban renewal project costs by category. Infrastructure projects comprise the largest share of project costs at over two-thirds of the total estimated project budget. Urban renewal plans typically emphasize infrastructure improvements to encourage private redevelopment and correct infrastructure deficiencies. In addition, infrastructure projects are a visible indication that the urban renewal area is a priority for community investment.

The second largest project category includes incentives programs followed by property acquisition and planning activities.

**FIGURE 6.2: FUNDING SUMMARY**

Project Category	Total Order of Magnitude Cost	Percent of Total
Infrastructure	\$11,550,000	61.0%
Property Acquisition	\$2,000,000	10.6%
Planning	\$1,025,000	5.4%
Programs	\$4,350,000	23.0%
<b>Total</b>	<b>\$18,925,000</b>	<b>100.0%</b>

## VII. FINANCIAL FEASIBILITY

This section defines the methodology of financial feasibility assessment and summarizes findings in keeping with requirements of Oregon Revised Statute on the matter of urban renewal plans. Specifically, ORS 457.085 (3)(g) requires the urban renewal plan to include:

(g) A financial analysis of the plan with sufficient information to determine feasibility;

To this end, a financial feasibility analysis was conducted that documents the following:

- Estimation of future taxable assessed value and resulting tax increment resources available for urban renewal activities;
- Estimation of the timing of tax increment resource availability; and
- Estimation of necessary urban renewal plan duration to sufficiently finance planned projects.

### A. Estimates of Revenues to Pay for Plan Activities

The proposed Urban Renewal District (URD) illustrated in **Exhibit 1** has the potential to generate an estimated *total of \$11.5 million and \$24.9 million in new incremental tax revenue* over a 20-year period depending on the rate of district growth.

The methodology used to reach this estimated range of incremental tax revenue is presented below.

#### Assumptions

This analysis assumes the following:

- The proposed Urban Renewal District (URD) will have the boundaries and contain the properties depicted in **Exhibit 1**.
- The urban renewal plan will last 20 years;
- The first tax increment revenue receipt will be in Fiscal Year 2012-13;

#### Growth in Taxable Assessed Value (TAV)

Current statistics provided by the Washington County Assessor's Office on the proposed Urban Renewal District are as follows:

- Current taxable assessed value (TAV) under Measure 50 in the proposed district is \$165,498,920.
- Proposed district TAV represents 13.7% of total City taxable assessed value.
- The propose district is 673 acres, or 18% of the acreage of the entire city.

To forecast potential future taxable assessed value within the proposed district, three potential growth scenarios were modeled over a twenty-year period, the standard planning period for Urban Renewal:

- **Low Growth Scenario (2.4%)** – The City of Forest Grove reports that citywide taxable assessed value has grown by 2.4% annually on average over the past few years. This includes some new construction, appreciation of existing improvements, and depreciation of some existing improvements as well.
- **Medium “Measure 50” Growth Scenario (3%)** – All real property within the proposed district would grow at 3% annually, equivalent to the maximum, annual escalation rate allowed under Measure 50. Based on historical, annual TAV growth in the City expressed above, this scenario implies 0.6% growth in value due to new construction in addition to the recent average TAV growth rate in the City of 2.4%.
- **High Growth Scenario (4.5%)** – In addition to the historical 2.4% average, annual rate of TAV growth in Forest Grove, the High Growth Scenario assumes an additional 2.1% annual growth in district value due to new construction catalyzed by urban renewal activities.

Figure 7.1 provides a summary of the projections of 20-year taxable assessed value growth under each scenario. Over the 20-year period analyzed, TAV is estimated to grow by roughly \$100.4 million under the low growth scenario and by as much as \$233.6 million under the high growth scenario.

**FIGURE 7.1: TAXABLE ASSESSED VALUE GROWTH POTENTIAL (\$000s),  
PROPOSED FOREST GROVE URD**

<b>Tax Year</b>	<b>Measure 50 2.4%</b>	<b>Medium Growth 3.0%</b>	<b>High Growth 4.5%</b>
2011-12	\$165,499	\$165,499	\$165,499
2012-13	\$169,471	\$170,464	\$172,946
2013-14	\$173,538	\$175,578	\$180,729
2014-15	\$177,703	\$180,845	\$188,862
2015-16	\$181,968	\$186,270	\$197,361
2016-17	\$186,335	\$191,859	\$206,242
2017-18	\$190,807	\$197,614	\$215,523
2018-19	\$195,387	\$203,543	\$225,221
2019-20	\$200,076	\$209,649	\$235,356
2020-21	\$204,878	\$215,939	\$245,947
2021-22	\$209,795	\$222,417	\$257,015
2022-23	\$214,830	\$229,089	\$268,580
2023-24	\$219,986	\$235,962	\$280,667
2024-25	\$225,265	\$243,041	\$293,297
2025-26	\$230,672	\$250,332	\$306,495
2026-27	\$236,208	\$257,842	\$320,287
2027-28	\$241,877	\$265,577	\$334,700
2028-29	\$247,682	\$273,544	\$349,762
2029-30	\$253,626	\$281,751	\$365,501
2030-31	\$259,713	\$290,203	\$381,948
2031-32	\$265,947	\$298,909	\$399,136
<b>Net TAV Growth</b>	<b>\$100,448</b>	<b>\$133,411</b>	<b>\$233,637</b>

Source: Washington County Assessor, Johnson Reid LLC

**Potential New Tax Increment**

Given potential growth in taxable assessed value within the proposed Forest Grove Urban Renewal District, it is possible to estimate the potential incremental tax revenue generated by the above TAV estimates. To do so, this analysis assumes the following:

- A district levy rate within the entirety of the proposed district equal to 15.5512 per \$1,000 of assessed property value beginning in 2011-12 and decreasing to \$11.7213 per \$1,000 of assessed property value by 2031-2032, due to eventual retirement of existing taxing district general obligation debt during the lifetime of the urban renewal plan.<sup>2</sup>

Figure 7.2 provides a summary of the estimated incremental tax revenue growth for each of the growth scenarios considered.

**FIGURE 7.2: INCREMENTAL TAX REVENUE GROWTH POTENTIAL THROUGH 2031-2032, PROPOSED FOREST GROVE URD**

Tax Year	Planning Area Levy Rate (per \$1,000 TAV)		
	2011-12 Levy 15.5512 Low Growth	15.5512 Medium Growth	15.5512 High Growth
2011-12	\$0	\$0	\$0
2012-13	\$60,388	\$75,484	\$113,227
2013-14	\$95,249	\$119,414	\$180,445
2014-15	\$144,541	\$181,753	\$276,698
2015-16	\$194,981	\$245,920	\$377,217
2016-17	\$246,600	\$311,970	\$482,196
2017-18	\$299,426	\$379,962	\$591,837
2018-19	\$353,490	\$449,956	\$706,352
2019-20	\$408,824	\$522,013	\$825,962
2020-21	\$465,457	\$596,196	\$950,897
2021-22	\$523,424	\$672,571	\$1,081,400
2022-23	\$582,757	\$751,205	\$1,217,723
2023-24	\$643,489	\$832,167	\$1,360,128
2024-25	\$705,657	\$915,527	\$1,508,892
2025-26	\$769,294	\$1,001,360	\$1,664,301
2026-27	\$828,802	\$1,082,380	\$1,814,319
2027-28	\$895,250	\$1,173,047	\$1,983,258
2028-29	\$963,292	\$1,266,435	\$2,159,798
2029-30	\$1,032,968	\$1,362,624	\$2,344,283
2030-31	\$1,104,316	\$1,461,698	\$2,537,069
2031-32	\$1,177,376	\$1,563,745	\$2,738,531
<b>20-Year Revenue</b>	<b>\$11,495,581</b>	<b>\$14,965,426</b>	<b>\$24,914,532</b>

Source: Washington County Assessor, Johnson Reid LLC

<sup>2</sup> The total levy rate for Washington County tax code 015.19 in 2011-2012 was \$18.0999, however subject to Urban Renewal District financing rules, Urban Renewal Districts approved after October of 2001 may not include local option/special levies or bond levies approved after October 2001 in division of tax. ([http://www.oregon.gov/DOR/PTD/IC\\_504\\_623.shtml](http://www.oregon.gov/DOR/PTD/IC_504_623.shtml)) The jurisdictions with debt obligations prior to October of 2001 are Washington County, Metro, Tri-Met, Forest Grove School District #15, and Portland Community College.

By the year of potential plan sunset, the revenue increment is estimated to grow to nearly \$1.18 million annually under the low growth scenario TAV growth rate of 2.4%. Alternatively, assuming the proposed Urban Renewal District sees up to 2.1% new value annually due to new construction, incremental revenue is estimated to reach over \$2.7 million by the final year of an Urban Renewal Plan.

The total potential tax revenue increment over 20 years is estimated between \$11.5 million and \$24.9 million.

**B. Estimate of Project Costs**

Potential projects which meet the objectives of the proposed Urban Renewal District are listed in “Section VI: Potential Projects” of this report.

**FIGURE 7.3: ESTIMATED COSTS OF POTENTIAL PROJECTS, SUMMARY**

Project Category	Total Order of Magnitude Cost	Percent of Total
Infrastructure	\$11,550,000	61.0%
Property Acquisition	\$2,000,000	10.6%
Planning	\$1,025,000	5.4%
Programs	\$4,350,000	23.0%
<b>Total</b>	<b>\$18,925,000</b>	<b>100.0%</b>

The total combined estimated cost of those 22 projects (plus contingency) is just \$18.9 million. Urban Renewal is just one potential financing tool to apply to some or all of these projects. As discussed below, the total estimated bonding capacity of the proposed URD would be less than the total estimated cost of these projects (Section VII.D).

Urban Renewal is not conceived or proposed as a source of financing for the total project costs, but it can contribute to these projects or provide full funding for those deemed most important to meeting the objectives of the Urban Renewal District. Urban Renewal has additional advantages as a financing tool:

- Provides a way to aggregate and dedicate funding to help address current capital improvement needs and blight conditions in the URD, in the near term;
- Demonstrates dedication to URD to developers and employers interested in the area;
- Provides funding for “catalyst” projects designed to incentivize further private and public investment from other sources;
- Is a ready source of matching funds for projects undertaken with funds from state or federal sources;

- Demonstrates that funding is available to address regional transit and planning goals (such as for TOD) in the Urban Renewal District, and therefore receive a higher priority for regional transportation improvements.

### C. Estimate of Time Needed to Carry Out Plan Activities

The majority of potential projects identified in Figure 7.3 do not have an estimated time period associated with them. The projects included in the *Capital Improvement Plan* are generally scheduled for the next five fiscal years, though individual CIP projects have the potential to be postponed year to year. The *Transportation System Plan* includes projects which are planned to be implemented by 2030. The recently adopted *Transit Oriented Development Plan* did not feature an explicit planning period, but generally reflected a planning period of 20 years (2030).

Any of the potential projects identified could be addressed within a 20-year timeframe, which is a standard time period adopted for many Urban Renewal Districts. The 20-year period allows sufficient time for an URD to raise tax increment revenue, issue bonds, and implement projects. The impacts of earlier projects are apparent by the end of the period, and effectiveness of the overall Urban Renewal program can be better assessed before the district sunsets.

A shorter time period allows less bonding capacity and less time to assess results before the district sunsets. If a longer period is needed to meet Urban Renewal objectives, the Plan can be amended at the end of the initial period.

### D. Estimate of Maximum Indebtedness to Carry Out Plan

Given annual incremental revenue estimates found in Figure 7.2, it is possible to estimate total potential borrowing capacity by an Urban Renewal District. For illustration purposes, borrowing capacity is defined as the maximum bonded debt that the proposed URD may take on in any particular year of its lifespan. Note that bonded debt is not the sole debt instrument available to URDs, but does allow for straightforward and consistent debt capacity estimates for comparison purposes.

The calculation of borrowing capacity for each year involved the following steps:

1. Assume minimum debt coverage ratio of 1.5, such that the Urban Renewal District would retain at least 33% of its annual revenue for cash reserves.
2. Calculate maximum annual debt service by dividing annual incremental revenue (Figure 7.2) by the 1.5 debt coverage ratio.
3. Given annual, maximum debt service, calculate maximum, supportable bond debt service each year assuming a 20-year term and a 6% annual percentage rate.

Figure 7.4 presents results of this analysis for the three growth scenarios.

**FIGURE 7.4: ANNUAL MAXIMUM DEBT OBLIGATION POTENTIAL,  
PROPOSED FOREST GROVE URBAN RENEWAL DISTRICT**

<b>Supportable 20-Year Bond Obligation</b>			
<b>6% APR, 20-Year Bond</b>			
<b>Tax Year</b>	<b>Low Growth</b>	<b>Medium Growth</b>	<b>High Growth</b>
2011-12	\$0	\$0	\$0
2012-13	(\$461,800)	(\$577,200)	(\$865,800)
2013-14	(\$728,300)	(\$913,100)	(\$1,379,800)
2014-15	(\$1,105,200)	(\$1,389,800)	(\$2,115,800)
2015-16	(\$1,490,900)	(\$1,880,500)	(\$2,884,400)
2016-17	(\$1,885,700)	(\$2,385,500)	(\$3,687,200)
2017-18	(\$2,289,600)	(\$2,905,400)	(\$4,525,500)
2018-19	(\$2,703,000)	(\$3,440,600)	(\$5,401,200)
2019-20	(\$3,126,100)	(\$3,991,600)	(\$6,315,800)
2020-21	(\$3,559,200)	(\$4,558,900)	(\$7,271,100)
2021-22	(\$4,002,400)	(\$5,142,900)	(\$8,269,100)
2022-23	(\$4,456,100)	(\$5,744,200)	(\$9,311,500)
2023-24	(\$4,920,500)	(\$6,363,300)	(\$10,400,400)
2024-25	(\$5,395,900)	(\$7,000,700)	(\$11,537,900)
2025-26	(\$5,882,500)	(\$7,657,000)	(\$12,726,300)
2026-27	(\$6,337,500)	(\$8,276,500)	(\$13,873,400)
2027-28	(\$6,845,600)	(\$8,969,800)	(\$15,165,200)
2028-29	(\$7,365,900)	(\$9,683,900)	(\$16,515,100)
2029-30	(\$7,898,700)	(\$10,419,500)	(\$17,925,800)
2030-31	(\$8,444,300)	(\$11,177,000)	(\$19,400,000)
2031-32	(\$9,002,900)	(\$11,957,400)	(\$20,940,500)

Source: Johnson Reid LLC

By 2031-2032, a potential Urban Renewal District could have the capacity for up to \$9.0 million in combined 20-year debt obligations under the low growth scenario. For instance, a district could issue a \$1.0 million, 20-year bond in 2031-2032 in addition to outstanding debt of \$8.0 million. Likewise, assuming the planning area experiences a 2.1% annual new value growth due to new construction (high growth scenario), a potential URD could have outstanding 20-year obligations combined for roughly \$20.9 million.

## E. Evaluation of Financial Feasibility

The analysis outlined above finds that the proposed Urban Renewal District (URD) within Forest Grove, as depicted in **Exhibit 1**, is capable of generating the following resources should it pursue Urban Renewal as a fiscal tool:

- Annual incremental tax revenue reaching between \$1.2 million and \$2.7 million by the end of a twenty-year district sunset period depending upon rate of district growth.
- Total 20-year tax revenue increment of between \$11.5 million (low growth) and \$24.9 million (high growth). The medium growth scenario finds nearly \$15 million in total urban renewal resources.
- By sunset of a plan after twenty years, estimated capacity to issue up to \$9.0 million in debt under a “low” or minimum growth scenario and up to \$20.9 million in combined 20-year debt under a “high growth” scenario.
- Of the \$18.9 million total cost of all potential projects identified in this report, the estimated bonding capacity range could hypothetically contribute from 48% (low-growth scenario), to 100% (high-growth scenario).

This analysis concludes that an Urban Renewal Plan which assumes the above parameters is financially feasible and could contribute significant funding resources to achieving the goals and objectives of the Urban Rental District, as outlined in this report.

## VIII. TAX IMPACTS OF CARRYING OUT PLAN

### A. Urban Renewal Under Ballot Measure 50

Currently under Measure 50, property tax bills are not affected by the addition of an urban renewal district. Instead, given fixed, permanent tax rates, typically declining bond levy rates, and statutory limits on growth in annual taxable assessed value of property, urban renewal resources are actually a diverted share of property tax revenues that would have otherwise gone to local taxing districts. This implies the following:

- Urban renewal tax increment represents foregone property tax revenue previously received by general government taxing districts (County, City, Transit, etc.) and to education taxing districts (Public Schools, Community College, Educational Service Districts, etc.).
- Foregone property tax revenues will vary for each taxing district given different tax rates, different taxable assessed values, existence of compression or other factors.
- Public school districts do lose property tax revenue as a result of urban renewal district establishment, though there is no net loss to school district general fund revenues in total due to the State's calculation of per-student spending and the State distribution of property tax revenues to schools.

### B. Fiscal Impacts on Local Taxing Jurisdictions

An analysis of foregone property tax revenues for each affected taxing district (Tax Code 015.19) with jurisdiction over the study area was conducted. Detailed results for each taxing district are expressed in Table 8.1 below.

Over the 20-year study period, we find that a total of \$11,496,000 in property tax revenues will be foregone by taxing districts affected by the preliminary urban renewal district. The estimate assumes that City of Forest Grove taxable assessed value, including property within the proposed district boundary, continues to grow at the historical rate of 2.4% annually.

- Tax revenue diversion is estimated to begin at \$60,400 in 2012-13 and grow to \$1,117,000 by 2031.
- The Forest Grove School District #15 is estimated to experience \$4.8 million in revenue diverted over the 20-year study period, the largest single estimate among taxing districts. However, all but \$12,800 in the first year of a potential urban renewal district would still be received by the school district from the State School Fund due to a constant per-student allocation from the State regardless of the presence of urban renewal. In 2012-2013, an estimated \$12,800 of revenue from the district bond levy predating October of 2001 would be foregone before the bond matures in 2013.

- The Port of Portland is estimated to experience the least total property tax revenue foregone, at only \$68,800 over the 20-year study period.
- Foregone local property tax revenues for the City of Forest Grove, which are solely dedicated to General Fund operating expenses, are estimated to total \$3.86 million through 2031-32.

Annual estimates in Table 8.1 are nominal, in that they inherently assume 3.0% annual inflation. Accordingly, estimates actually overstate foregone revenues for the taxing districts because of the time-value of money. In other words, one dollar in twenty years is worth far less than one dollar today due to inflation, risk, and other variables. Estimates of foregone revenues in constant 2012 dollars are expressed in the bottom row of Table 5.

Results indicate that total, combined property tax revenues foregone, and therefore, urban renewal revenue resources in today's dollars will total \$7.7 million over the course of the 20-year duration.

Medium (3.0% TAV Growth) and High (4.5% TAV Growth) Scenarios

For comparison purposes, a similar analysis of foregone property tax revenues was conducted for each of the affected taxing jurisdictions affected by a proposed urban renewal district in Forest Grove. Results are also expressed in Table 5.

In the event that urban renewal spurs higher taxable assessed value growth within the proposed urban renewal district boundary than would otherwise have been experienced, impacts to other taxing districts are expressed as:

- Annual tax revenue diversion is estimated to begin at \$75,500 (3% TAV growth) or \$113,000 (4.5 TAV growth) in 2012-13.
- By the twentieth year of an urban renewal district, total annual revenues foregone are estimated at \$1.56 million (3.0% TAV growth) \$2.74 million (4.5% TAV growth) in 2031-32.
- Net, diverted bond levy revenue for Forest Grove School District #15 in 2012-2013 is estimated at \$16,000 (3.0% TAV growth) or as much as \$24,000 (4.5% TAV growth).
- The City of Forest Grove could expect between \$5.03 million (3.0% TAV growth) and \$8.37 million (4.5% TAV growth) diverted from the City general fund due to urban renewal.

Converted to constant, 2012 dollars, total revenues foregone by taxing districts affected by a potential urban renewal district in Forest Grove are estimated at \$10.0 million (3.0% TAV growth) to \$16.55 million (4.5% TAV growth).

For policy consideration purposes, however, the realistic opportunity cost for taxing districts in terms of property tax revenues foregone is described by the 2.4% annual, taxable assessed value "Low" growth scenario. Higher estimates of tax revenues foregone under the 3.0% and 4.5% taxable assessed value "Medium" and "High" growth scenarios would not be realized if not, but for a successful urban renewal district.

***See Table 8.1 on the following page.***

**TABLE 8.1: 20-YEAR PROPERTY TAX REVENUES FOREGONE BY TAXING DISTRICTS AFFECTED BY THE PROPOSED URBAN RENEWAL DISTRICT**

	Washington County		Metro		Port of Portland		City of Forest Grove		Portland Community College		Forest Grove School District #15		NW Regional ESJ	
	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue
<b>2.4% TAV Growth</b>	2.3844	\$0	0.2277	\$0	0.0701	\$0	3.9554	\$0	0.446	\$0	8.2555	\$0	0.1538	\$0
2011-12														
2012-13	2.3796	\$9,500	0.2231	\$900	0.0701	\$300	3.9554	\$15,700	0.2828	\$1,100	8.1386	\$32,300	0.1538	\$600
2013-14	2.3750	\$19,100	0.0966	\$800	0.0701	\$600	3.9554	\$31,800	0.2828	\$2,300	4.9142	\$39,500	0.1538	\$1,200
2014-15	2.3706	\$28,900	0.0966	\$1,200	0.0701	\$900	3.9554	\$48,300	0.2828	\$3,500	4.9142	\$60,000	0.1538	\$1,900
2015-16	2.3663	\$39,000	0.0966	\$1,600	0.0701	\$1,200	3.9554	\$65,100	0.2828	\$4,700	4.9142	\$80,900	0.1538	\$2,500
2016-17	2.3622	\$49,200	0.0966	\$2,000	0.0701	\$1,500	3.9554	\$82,400	0.2828	\$5,900	4.9142	\$102,400	0.1538	\$3,200
2017-18	2.3582	\$59,700	0.0966	\$2,400	0.0701	\$1,800	3.9554	\$100,100	0.2828	\$7,200	4.9142	\$124,400	0.1538	\$3,900
2018-19	2.3544	\$70,400	0.0966	\$2,900	0.0701	\$2,100	3.9554	\$118,200	0.2828	\$8,500	4.9142	\$146,900	0.1538	\$4,600
2019-20	2.3507	\$81,300	0.0966	\$3,300	0.0701	\$2,400	3.9554	\$136,800	0.2828	\$9,800	4.9142	\$169,900	0.1538	\$5,300
2020-21	2.3471	\$92,400	0.0966	\$3,800	0.0701	\$2,800	3.9554	\$155,800	0.2828	\$11,100	4.9142	\$193,500	0.1538	\$6,100
2021-22	2.3436	\$103,800	0.0966	\$4,300	0.0701	\$3,100	3.9554	\$175,200	0.2828	\$12,500	4.9142	\$217,700	0.1538	\$6,800
2022-23	2.3403	\$115,400	0.0966	\$4,800	0.0701	\$3,500	3.9554	\$195,100	0.2828	\$14,000	4.9142	\$242,400	0.1538	\$7,600
2023-24	2.3371	\$127,300	0.0966	\$5,300	0.0701	\$3,800	3.9554	\$215,500	0.2828	\$15,400	4.9142	\$267,800	0.1538	\$8,400
2024-25	2.3340	\$139,500	0.0966	\$5,800	0.0701	\$4,200	3.9554	\$236,400	0.2828	\$16,900	4.9142	\$293,700	0.1538	\$9,200
2025-26	2.3310	\$151,900	0.0966	\$6,300	0.0701	\$4,600	3.9554	\$257,800	0.2828	\$18,400	4.9142	\$320,300	0.1538	\$10,000
2026-27	2.2484	\$159,000	0.0966	\$6,800	0.0701	\$5,000	3.9554	\$279,700	0.2828	\$20,000	4.9142	\$347,500	0.1538	\$10,900
2027-28	2.2484	\$171,700	0.0966	\$7,400	0.0701	\$5,400	3.9554	\$302,100	0.2828	\$21,600	4.9142	\$375,300	0.1538	\$11,700
2028-29	2.2484	\$184,800	0.0966	\$7,900	0.0701	\$5,800	3.9554	\$325,100	0.2828	\$23,200	4.9142	\$403,900	0.1538	\$12,600
2029-30	2.2484	\$198,100	0.0966	\$8,500	0.0701	\$6,200	3.9554	\$348,600	0.2828	\$24,900	4.9142	\$433,100	0.1538	\$13,600
2030-31	2.2484	\$211,800	0.0966	\$9,100	0.0701	\$6,600	3.9554	\$372,700	0.2828	\$26,600	4.9142	\$463,000	0.1538	\$14,500
2031-32	2.2484	\$225,800	0.0966	\$9,700	0.0701	\$7,000	3.9554	\$397,300	0.2828	\$28,400	4.9142	\$493,600	0.1538	\$15,400
Total Revenue Foregone		\$2,238,600		\$94,800		\$68,800		\$3,859,700		\$276,000		\$4,808,100		\$150,000
2012 Dollars (3% Inflation)		\$1,501,300		\$63,600		\$46,100		\$2,581,300		\$184,600		\$3,219,500		\$100,300
<b>3.0% TAV Growth</b>														
Total Revenue Foregone		\$2,913,900		\$123,400		\$89,100		\$5,025,100		\$359,300		\$6,259,300		\$195,400
2012 Dollars (3% Inflation)		\$1,949,800		\$82,500		\$59,400		\$3,353,300		\$239,800		\$4,181,700		\$130,400
<b>4.5% TAV Growth</b>														
Total Revenue Foregone		\$4,848,800		\$205,300		\$148,300		\$8,368,000		\$598,300		\$10,420,500		\$325,400
2012 Dollars (3% Inflation)		\$3,226,200		\$136,500		\$98,400		\$5,552,600		\$397,000		\$6,921,900		\$215,900

## IX. SUMMARY OF URBAN RENEWAL FINDINGS

The previous sections of this analysis have provided information on each of the key issues that should be evaluated in making the decision to proceed with an Urban Renewal Plan and Report. In summary, the feasibility findings are these:

- The preliminary area proposed is within the acreage and total value limits established by ORS 457.020
- The preliminary area proposed contains blighting conditions as defined by ORS 457.010
- The list of potential goals, objectives and project activities are eligible for renewal funding.
- The assumptions used in the financial analysis of the Urban Renewal District's feasibility were made in good faith and are intended to be very conservative;
- The duration needed to carry out the plan's activities is initially estimated at twenty years, and is typical of the duration often recommended for newly adopted Urban Renewal plans.
- Potential resources generated by an Urban Renewal District specified in this analysis are estimated to be moderate in the early years. However, as early as Year 2 (2013-14) a bond in the amount of \$1.0 million or in Year 3 (2014-15) a bond in the amount of 2.0 million could be financed assuming no significant changes in the cost of borrowing.

Decisions on the use of the district's financial resources will be made annually during the new Urban Renewal Agency's budget process. On this basis, it appears there are no technical or legal obstacles to the feasibility of establishing an Urban Renewal District for the study area illustrated on **Exhibit 1**.

In conclusion, the City Council will decide whether or not the City staff and consultant shall proceed with an Urban Renewal Plan and Report.

## IX. URBAN RENEWAL AGENCY ORGANIZATIONAL ALTERNATIVES

There are two alternative approaches to consider in establishing an Urban Renewal Agency.

The first and most commonly used organization is for the Forest Grove City Council to designate the City Council as the Urban Renewal Commission. The Mayor and Council will need to conduct the Urban Renewal Agency's business in a separate public meeting from standard City business affairs. This can be accomplished by simply conducting the business of the City of Forest Grove and the Forest Grove Urban Renewal Agency in separate meetings in compliance with Robert's Rules of Order.

The second approach is for the City to establish a separate Commission to manage the Urban Renewal Agency. The Mayor, with the consent of the City Council, would appoint City residents to a Commission. The ordinance establishing the Urban Renewal Agency can be specific about the composition of the Commission, such as requiring that the Commission be comprised of one or more members of the City Council, one member of the Planning Commission and a specific number of citizens, at large.

### A. City Council as Agency Commission

The advantages of designating the City Council as the agency commission include:

- Direct control is retained by Forest Grove's elected officials.
- Decisions of this type of Commission will tend to be considered final, as opposed to the decisions of a separate board which might be forwarded to the City Council with a recommendation.
- The agency's meetings may be better attended if they are held concurrently with council meetings.

The disadvantages of this alternative include:

- Representation on the Commission is limited to the elected officials. Opportunities for other interested citizens (i.e. residents or business owners within the Urban Renewal area) to directly participate in agency governance is eliminated.
- The membership of the Commission is subject to change with each election, potentially resulting in a lack of continuity in agency policy.
- Agency issues may not receive sufficient attention from agency members who often have heavy demands placed on them in their roles as city councilors.
- In issues where the interests of the agency and the interests of the city differ, it may be more difficult for these interests to be kept separate. The council may not be as willing to advocate agency interests where these conflict with city interests.

### B. Separate Agency Commission

The advantages of designating a separate agency Commission include:

- The Commission is more likely to devote its full attention to Urban Renewal matters

- The Commission is more likely to represent the interests of the agency in those circumstances where there may be conflicts with the City.
- The Commission membership may include one or more elected officials in order to retain a measure of direct control by the municipal governing body. An agency Commission may, in fact, be composed of a mix of elected officials and citizens, with the elected officials comprising a majority. This allows for direct control by the City Council while allowing for the continuity that can be provided by citizen members.
- The Commission membership may represent particular interests in the City or the Urban Renewal area.

The disadvantages of this form of governance include:

- The City may be unwilling to truly delegate authority to a separate Commission and this may result in “second guessing” of Commission decisions.
- The Commission may be less directly accountable to the voters of the City
- Commission decisions may not be considered final by the public and may be carried to the Council, causing delays or reversals of Commission decisions.

### **C. Advisory Committee**

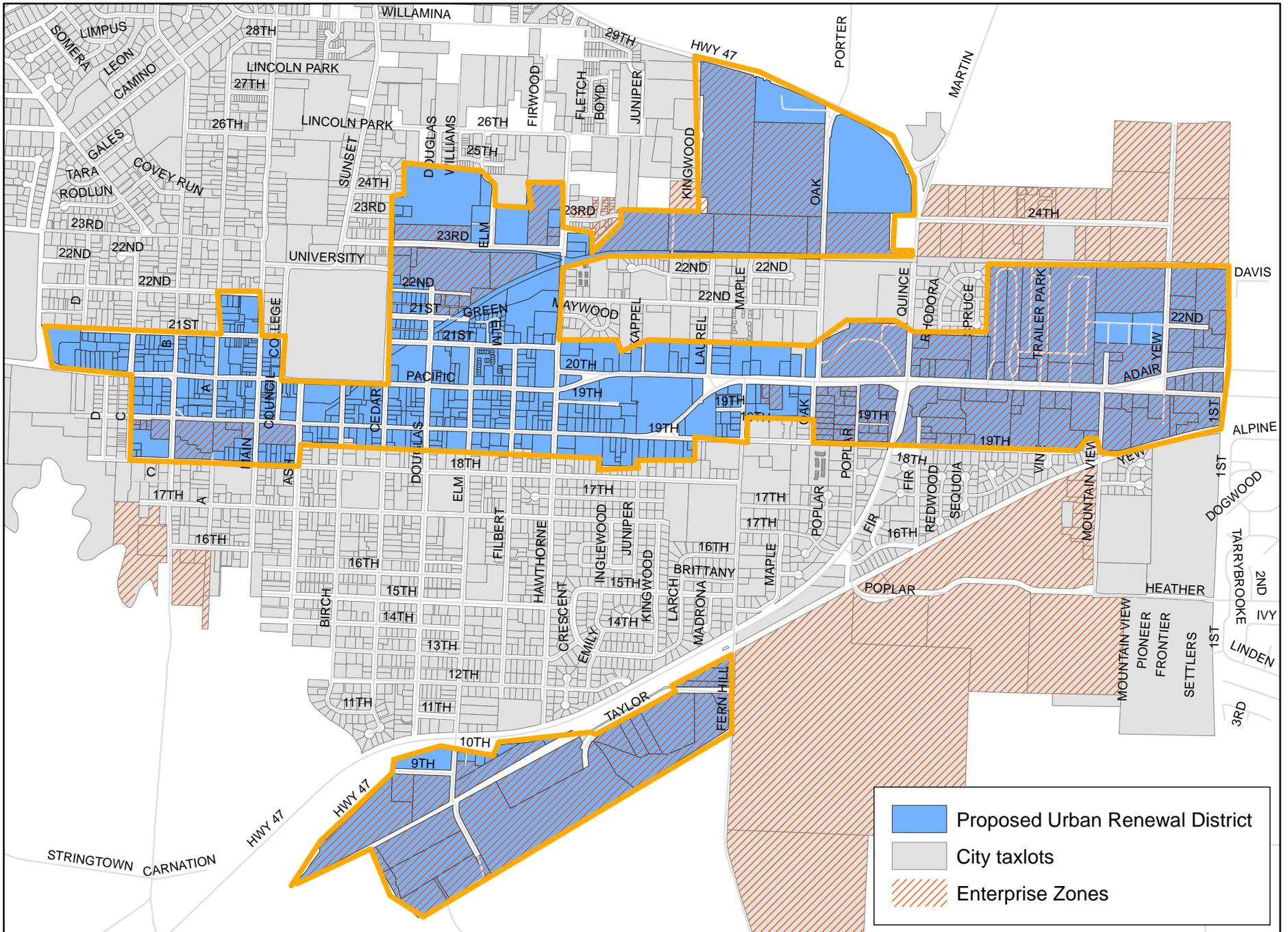
Either form of Commission can appoint an advisory committee, although advisory committees are more consistently appointed by Commissions which consist of the City Council. In fact, appointing such a committee can help mitigate some of the disadvantages of having the City Council serve as the agency Commission.

Advisory committees can devote their full attention to Urban Renewal issues, and the agency board can choose to rely to a great extent in many cases on their advice. Advisory Committees can also broaden participation in Urban Renewal decisions and can represent varying interests within the Urban Renewal District and the City.

### **Conclusion**

Based on our experience of working with communities the size of Forest Grove, it is most common for the City Councils to appoint themselves to the Urban Renewal Commission. At the same time however, they generally have appointed an Urban Renewal Advisory Committee. The City Council may consider selecting members of existing City boards to serve on the Committee as well as business and real estate owners and residents of the district. The Council will need to establish the Commission prior to adopting the final Urban Renewal Plan and Report.

# Exhibit 1: Proposed Urban Renewal District





# Exhibit 3: Tax Exempt Properties in URD

