

Project Profile

At a Glance

Location: Pacific Avenue and A Street in downtown Forest Grove

Total Cost: \$15.5 million

URA Participation: About \$1.5 million in assistance requested.

Mixed Uses:

Residential: 78 market-rate apartments ranging in size from studio to three bedrooms. It also includes 5 live-work units.

Commercial: 2,500 square feet of floor level retail space on the corner of Pacific and A Street.

Building Area: 86,550 square feet comprised of 4 stories.

Site Area (Phase 1): About 1.52 acres

Features: Publicly accessible plaza adjacent to retail, rooftop terrace, community garden, bicycle storage/repair area, off-street covered parking.

Development Team: Tokola Properties, Studio C Architecture

Public Partners: City of Forest Grove, Forest Grove Urban Renewal Agency, Metro, State of Oregon

Forest Grove Urban Renewal Agency (URA) Downtown Mixed-Use Project Part 2: URA Financial Participation



View looking north from Pacific and A Street

INTRODUCTION City Council granted land use approval to Tokola Properties to construct the Downtown Mixed-Use Apartments Project on January 25, 2016. Land use approval was the first in a two-step process. The second step is an agreement between the URA and Tokola Properties on Tokola's requested financial assistance of \$1.5 million from the URA. It is typical for projects of this type to require some form of URA financial assistance. to ensure the project meets City and URA objectives and is financially feasible.

Results from the financial negotiations are expected to come before the URA Board on **February 22, 2016** for public comment. Two public open houses will be held prior the URA meeting on **February 11th and February 18th**. Both open houses will start at 6:00 PM and will take place at the Forest Grove Community Auditorium at 1915 Main Street.

Funding a redevelopment project can be complicated and the Downtown Mixed Use Project is no exception. Part 2 of the Downtown Mixed Use Project Profile is intended to describe how funding for this project may work. To begin with, an overview of the URA and the URA's role in the Downtown Mixed Use Project is provided below. This is followed by the project's financial considerations.

WHAT IS A URA? URA's have been allowed by state law for decades. The intent of the law is to provide cities with a tool to encourage private investment in certain areas. URA's are legal entities separate from the municipal government however they do not have taxing authority. There about 67 URA's in Oregon including Astoria, Newberg, Redmond, Sherwood, Hillsboro and Beaverton.

HOW WAS THE URA FORMED? The idea of a URA stems from the City's Vision Statement Action Plan adopted by the City Council in 2007. The Economic Development section of the Action Plan called for the formation of a URA to encourage investment in downtown Forest Grove.

WHO OVERSEES THE URA? Like many cities the size of Forest Grove, the URA is overseen by the City Council, acting as the URA board of directors. To assist with day-to-day activities, the City Manager serves as the executive director to the URA.

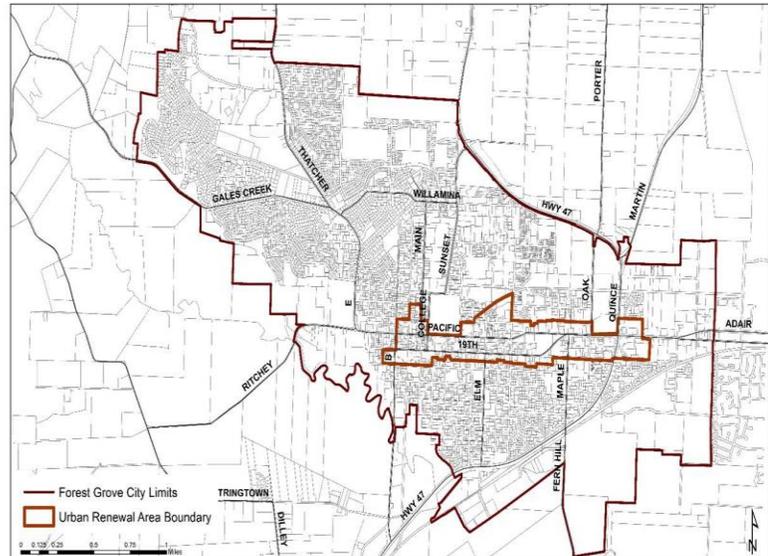
WHAT IS THE URBAN RENEWAL DISTRICT? The URA may participate only in projects within a specific area called the “urban renewal district”. This district cannot exceed 25% of the City’s total land area and must have areas in need of private investment. The Forest Grove urban renewal district generally includes the area along Pacific Avenue and 19th Avenue from B Street on the west to just east of Quince Street. This area includes about 6% of the City’s total land area.

HOW ARE URAS FUNDED? This is where things get interesting. Remember, URA’s do not have taxing authority. As explained further below the School District doesn’t actually forego any revenue. When an urban renewal area is adopted by a City, the tax assessor tallies the taxable value or property within the urban renewal area boundary. This is often referred to as the “frozen base.”

Property taxes paid based on the frozen base continue to go to all taxing districts as if the urban renewal area was never formed. As the taxable value of property increases above the frozen base over time from inflation or new investment, the property taxes paid on the property value above the frozen base goes to the URA to fund urban renewal projects. Simply put, the revenue used to fund urban renewal projects is an allocation of property tax dollars above the frozen base -- it is not a new property tax.

In essence, all taxing districts, except school districts, forego property tax revenue during the life of the urban renewal district to fund urban renewal projects. School districts do not forego tax revenue because each school districts state-wide pay into a fund use to offset any foregone revenue during the life of the urban renewal district. The central idea is that urban renewal projects will result in more private investment in the urban renewal district. This will increase the value of some property above would it might be otherwise. As a result, when the urban renewal projects are completed and the URA ends all taxing districts will receive more property tax revenue than they would have otherwise received without the URA.

The table below shows how this reallocation of revenue works. The highlighted area shows that the combined tax rate with or without urban renewal does not change. What this shows is taxing districts continue to receive property tax revenue even after the urban renewal district is created.



Forest Grove Urban Renewal Area

Reallocation of Property Tax Revenue Above Frozen Base

Taxing District	Tax Rates City-Wide Prior to Forming Urban Renewal District	Tax Rates For Area in City (but Outside Urban Renewal District) After Forming District	Tax Rates Applied to "Frozen Base" in Urban Renewal Area	Tax Rates Applied to property value increase above "Frozen Base" in Urban Renewal Area
City of Forest Grove Permanent Rate	\$3.9554	\$3.9554	\$3.9554	\$0.0000
City of Forest Grove Option Levy	\$1.6000	\$1.6000	\$1.6000	\$1.6000
Forest Grove School District Permanent Rate**	\$4.9142	\$4.9142	\$4.9142	\$0.0000
Forest Grove School District Bond (pre-2001)**	\$1.5226	\$1.5226	\$1.5226	\$0.0000
Forest Grove School District Bond (post-2001)**	\$1.1473	\$1.1473	\$1.1473	\$1.1473
Other Taxing Districts (county and special taxing districts)	\$4.3399	\$4.3399	\$4.3399	\$1.1684
Forest Grove Urban Renewal Agency*	Not Applicable	Not Applicable	Not Applicable	\$13.5628 (for allocating tax revenue)
COMBINED TOTAL TAX RATE	\$17.4785	\$17.4785	\$17.4785	\$17.4785

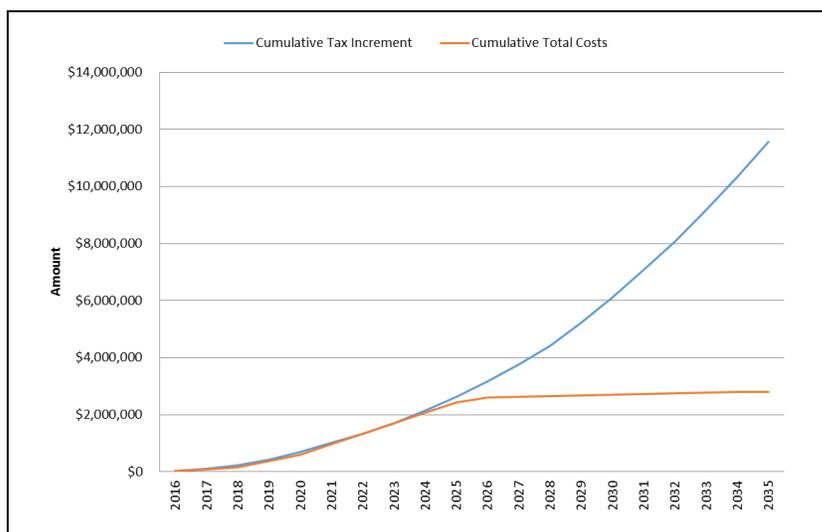
IS THE PROJECT VIABLE WITHOUT HELP FROM THE URA? ECONorthwest, a firm specializing in urban renewal projects, took a detailed look at Tokola’s project finances and concluded the assumptions behind them were reasonable, and the project does require URA assistance to assure its development. They also concluded that even with URA assistance, the projected return to the developer and its investors is in the low range.

TOKOLA PROJECT PUBLIC FINANCING: Urban renewal projects typically require a financial partnership between the URA and private developer. This is typically due to higher costs to address objectives for the redevelopment project, lack of comparable projects in the area, and perceived risk. URA participation usually includes site preparation work, land cost write-down, and building permit fee discounts. Other forms of public assistance available include temporary reduction in property taxes for new improvements and funding from Metro for transit-oriented developments. It is expected this project will take advantage of such assistance to ensure the project meets City and URA objectives and is financially feasible.

HOW MUCH WOULD THE URA CONTRIBUTE? Of the \$15.5 million project cost, Tokola is seeking a 10% contribution from the URA or approximately \$1.5 million. This assistance would likely be in the form of a land write down and paying fees and system development charges associated with the project. The \$1.5 million is the maximum amount of URA assistance, even if project costs exceed \$15.5 million.

ECONOMIC IMPACTS: EcoNorthwest, estimated that over a 20 year period, Phase I would generate a direct benefit to the community of approximately 165 construction jobs, 15 long-term jobs, \$28 million in total economic benefit, and \$1.18 million in additional tax revenue.

As shown on the graph to the right, the URA will have enough revenue from property taxes, during the life of the URA, to payback the URA’s financial participation in the Tokola Project and fund ongoing URA activities.



Estimated Project Revenue (20 Years)