



CITY OF
West Linn

22500 Salamo Road
West Linn, Oregon 97068
<http://westlinnoregon.gov>

TAX INCREMENT FINANCE ADVISORY COMMITTEE MEETING 4 AGENDA

TUESDAY, OCTOBER 18, 2022

Webex*

3:00 pm – 5:00 PM

City Manager John Williams - jwilliams@westlinnoregon.gov

1. Project Prioritization Feedback from Constituent Groups
2. Adopt Recommendation to Tax Increment Finance Agency
3. Public Comment

Meeting Notes:

The TIF Advisory Committee meeting will be virtual. The public can watch the meeting online at <https://youtu.be/qz2W-ZusQ88>

The public can participate remotely during the meeting by signing up to speak by 2:00 pm on the meeting day here: <https://westlinnoregon.gov/citycouncil/meeting-request-speak-signup> Staff will email a Webex invitation before the meeting. Submit written comments to staff by 12:00 pm on the meeting day. If you do not have email access, please call 503-742-6061 for assistance 24 hours before the meeting. If you require special assistance under the Americans with Disabilities Act, please contact City Hall 48 hours before meeting at 503-657-0331.

MEMO

TO: John Williams, City Manager Darren Wyss, Planning Manager

FROM: Elaine Howard

RE: Proposed Willamette TIF Area

DATE: October 12, 2022

I have prepared the following input in response to Mr. Schwarz's email after the Ad Hoc Advisory committee meeting on September 6, 2022. We had intended to address this verbally at the Advisory Committee meeting on September 13, but unfortunately Mr. Schwarz was unable to attend that meeting. We provided a brief overview to the rest of the committee, but did not go into detail as we wished to be able to do that when Mr. Schwarz was in attendance. Since we have not yet had the opportunity to fully respond, we wanted to address the issues for the committee. Mr. Schwartz's initial comments are attached in this PDF. His concerns are shown in bold, if the language is a direct quotation, quotation marks are included. Otherwise they are a summary of his comments.

1. Read the Lincoln Institute of Land Policy Report titled, "Improving Tax Increment Financing (TIF) for Economic Development".

It is always helpful to read analysis of the TIF tool, and then to take it into perspective of what is being proposed in the local community. A clarification on Oregon's TIF statute is that there is nowhere in the statute that requires TIF be used for economic development. Although many cities cite that as the reason why they are using TIF, using it for economic development is not a statutory requirement. The TIF tool in Oregon is to cure blight, which is specifically defined in ORS 457.010 (1). We also know our statute was written in 1959, so the purposes/needs have changed over time and many cities do use it as an economic development tool.

The article "Improving Tax Increment Financing (TIF) for Economic Development " is often cited, but the examples they mention in the article are different from how TIF in Oregon is implemented. Other issues raised in the article can be addressed by how the TIF Area is managed. Case studies from Chicago, Atlanta, and St.Louis have little to no relevance to a proposed TIF district in West Linn. Many of their TIF districts are single

property TIF districts, which is not what West Linn is proposing. The California issues were mainly the impact on schools. Schools in Oregon are protected by the State School Fund (see below)

There are some key recommendations in the study:

- Track and monitor the TIF use - In Oregon, there is a required annual report that must be advertised as available and provided to all taxing districts. All TIF districts must comply with Oregon budget law.
- Allow opt outs - This is not allowed in Oregon.
- The Lincoln Institute study states: *“States should require conclusive evidence that development would not occur “but for” the TIF. An effective “but for” requirement can prevent abuse of TIF, especially when other policies might be more appropriate, so state legislators should review and revise their states’ rules to ensure they place effective, realistic limits on local governments’ use of this tool.”*

The Advisory Committee has been briefed on the lack of development in the proposed TIF area and the fact that much of the hoped for development would not occur but for the provision of adequate infrastructure to serve the TIF Area.

- More transparency - This is addressed through budgeting and annual reporting. If the advisory committee wants to recommend anything in addition, they could. Transparency is always helpful. Some TIF Plans have called for 5 - 7 year reviews of the program to make sure it is accomplishing the goals.
- Conduct comparative research - This is more an overall TIF issue.

2. TIF districts starve taxes from the rest of the city and other governmental entities:

a. Yes, TIF takes \$\$ from taxing districts. That is the way TIF is set up in Oregon. In many cases the TIF area is producing little taxes to begin with. The increase from the projects the TIF district is able to fund helps stimulate development, which ultimately helps all taxing districts.

Schools: While we can not guarantee the State School Fund will continue to exist (this is a political funding issue which none of us can guarantee), I see no evidence that this

is changing. This state is committed to equalized school funding and the State School Fund provides that. The legislature understands that other funding like enterprise zones, tax abatements for affordable housing, and tax increment finance programs come out of permanent rate taxes. They are able to backfill the State School Fund to make up for the support of these other programs. Yes, legislative policy can always change, but I see no change that would involve less funding for schools. In fact, having a tax increment district in place helps the West Linn-Wilsonville School District deal with compression issues. The City of Wilsonville has kept two specific TIF districts open over the last 7 years just at the request of the school district as the TIF districts help to reduce the impact of compression on the school district's local option levy. Nick on our team has written a short white paper on the Wilsonville compression issues, which we can share with this advisory committee.

b. “I also have concerns about reducing tax income to the City General Fund. Even though the properties under consideration only provide approximately 4% of the city’s tax revenue annually, any tax revenue decrease could significantly impact the City’s General Fund and ability to fund other projects citywide.”

This is a city finance question, but in the consultant’s experience with TIF areas across the state, 4% of the city assessed value in a TIF area is very low.

c. The TIF District will have a significant negative impact on the tax revenues received by the entities listed in the tables.

The tables of foregone revenues show foregone revenues with the expectation that development will occur. Without infrastructure necessary to stimulate development, this development will not occur, so the real impact on the taxing districts is the 3% (plus some of the new development that is occurring that might be part of the initial increment in the TIF Area).

3. “Why are properties not in the Waterfront Visioning Project included in this project? I prefer that the two projects’ boundaries overlap.”

a. Willamette Main Street - including it in the TIF Area provides a base for the 3% growth to help fund the infrastructure in the Area and provides the opportunity to help the businesses in the Area through storefront loans. One of the items addressed by the ECONorthwest DEI input is that protecting existing businesses is important whenever providing an influx of funding into an area or an adjacent area.

b. Boundary - The TIF Advisory Group unanimously approved the boundary at their September 13th meeting.

4. Blight definition:

- a. **“Have all properties in the proposed TIF district been determined to be “blighted”? We need to evaluate each property proposed for the TIF District to see if they meet the definition of “blighted.”**

This is an issue that has been reviewed by LUBA in the Abeel vs City of Portland LUBA No. 2008-117 case. LUBA specifically noted that all properties in an urban renewal (TIF) area do not have to be blighted. The area as a whole needs to be blighted.

"When adopting an original urban renewal plan under ORS 457.095(1), there is no requirement that every single property in the urban renewal district be blighted—only that the "urban renewal area is blighted" in one or more of the ways described in ORS 457.010(1). It is the area as a whole that must be blighted, not every individual property that is included in that area."

- b. **“Have developers complained that we have inadequate streets and other rights of way which, if fixed, would lead them to increase development? Please provide examples of specific instances where this has occurred.”**

Yes, infrastructure costs, particularly street improvements, and system development charges (SDCs) have been cited as the reason a project did not make it from the conceptual design phase to a development review application or project.

- c. **“On page 2 of the TIF Feasibility Study, just because “...there are many infrastructure projects identified...” does not mean an area is blighted. There are numerous infrastructure projects planned throughout West Linn; I don’t believe that makes the entire city “blighted.”**

Yes, lack of adequate infrastructure is a condition of blight.

- d. **“Also, on page 2 of the TIF feasibility study it is stated, “...much of the study area is underdeveloped or not developed to the full potential.” Who determines the “full potential” of a particular property?”**

Full potential of a property means the potential development of a property given the zoning and comprehensive plan designations applied to it. If the property is zoned for commercial development and there is no development on the property, it is underdeveloped. Likewise, if the zoning calls for a mixed use/multi-story development and has only a one story commercial development, it is underdeveloped. This is typically analyzed in the Report on a TIF plan by calculating an investment (structure) to

land valuation: is the investment worth more than the land it sits on? A very conservative analysis of investment would state that the structure should be worth at least twice as much as the land it sits on.

5. **“Transparency as to where the TIF money will be spent is crucial. I have real concerns that the effort needed to provide true transparency of projects being funded and income and outflows from the TIF District might overwhelm the reporting capabilities of the City.”**

City outreach/communication tools are important, however, the adoption process, budgeting process, and annual reporting process with taxing districts helps with transparency on project funding.

6. **“As stated in #5 above, TIF will require significant staff time to manage and create transparent reporting. Does staff have the bandwidth to keep the public fully informed about the various infrastructure projects that will be generated from the TIF district?”**

Allocation of staff workload is important and administration of the TIF Area is an eligible expenditure of TIF funds, so additional staff could potentially be funded.

7. **“Should this go to voters for approval? The TIF district is a significant change to the way taxes are collected and disbursed in West Linn. I think voters should have a say in whether this project should move ahead.”**

City policy decision. Some cities have done this, but presently the West Linn charter does not require it. Cities which do require a vote: Corvallis, Gresham, Tigard, Beaverton, and Oregon City (there may be more, these are the ones I know of).

MEMO

TO: John Williams, Darren Wyss

FROM: Elaine Howard

RE: Questions on voter approval

DATE: October 12, 2022

A question has been raised on citizen input, specifically voter approval, on the tax increment area formation and operation. There have been two issues raised: 1. voter approval for the formation of the tax increment finance area (TIF Area); and 2. voter approval for issuing any debt for the area. This memorandum provides some background on both issues.

1. Voter approval of the formation of the TIF Area.

There are a few municipalities in Oregon that require voter approval for the formation of an urban renewal area. For most of these, the voter approval is part of their city charter: Tigard, Corvallis, Gresham, Beaverton, and Oregon City.¹

Wilsonville has a policy of asking for non-binding voter input on the formation of new tax increment areas. This is just a city council policy; it is not written in their city charter.

The City of Talent is considering forming a new tax increment area. The city council has expressed their intent to voluntarily place the issue to the electorate on the May ballot.

If West Linn decided they wanted voter approval of the tax increment area, the city council could decide that they would voluntarily put it on the ballot. The May 2023 ballot would be the best as it would not change any of the variables used in preparing the tax increment plan. If the issue went on the November 2023 ballot, it would change the frozen base of the tax increment area, changing all of the financial assumptions of the Plan.

As we all know, tax increment areas are very complicated and putting this on the ballot would require adequate education to allow voters to make an informed choice. There have been votes by Tigard, Gresham, and Corvallis in the last few years. All have passed and all included a substantial amount of public information.

¹ These are the cities I am aware of. There may be others.

2. Voter approval before issuing debt.

ORS 457 restricts the use of tax increment finance revenue to only pay for debt. In the early years of a tax increment area, there are scarce revenues so an urban renewal agency (Agency) does this by either operating under a “pay as you go” system or by doing an overnight borrowing (“du jour borrowing”) to turn the tax increment proceeds into debt. “Pay as you go” requires making sure that every expenditure has a debt obligation tied to it: a contract or intergovernmental agreement. Making sure every expenditure has a debt instrument tied to it and tracking the maximum indebtedness is very difficult under this scenario. A “du jour borrowing” is essentially using the city, or a local bank, to provide an overnight loan that is paid back with the annual TIF proceeds.

Once there are sufficient tax increment proceeds to issue debt, the Agency may either take out a long term loan or issue a bond which is paid for with the tax increment revenues, not an increase on a property tax bill.

While cities must ask for voter approval of new general obligation bonds, those bonds are an increase in property tax rates. A tax increment area bond is paid for from the TIF revenues, so is not an increase in property taxes. Cities may issue revenue bonds without voter approval, as they are paid for with existing revenues, similar to how TIF bonds work.

Another method of providing citizen input in the implementation of the Plan is to establish an Advisory Committee and/or to prepare Five Year Action Plans that require public input.

If a community wants voter approval of urban renewal expenditures, it is far more efficient and practical to seek voter approval for adoption of the initial tax increment plan, which includes the entire amount of maximum indebtedness and the full list of projects to be funded in the tax increment area. If voter approval of debt is desired, the ballot measure needs to be written clearly so it does not impair the daily operations of an Agency, only the issuing of long term debt.

From: [Joel Metlen](#)
To: [Metlen, Joel](#); [Wyss, Darren](#)
Subject: TIF Project Prioritization Feedback
Date: Wednesday, October 5, 2022 7:40:55 PM

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My notes on feedback from the planning commission:

Priority one facade improvements and streetscape beautification don't feel like they provide benefit to the city as a whole and really only benefit the immediate area. This seems at odds with other priority one improvements like street improvements that address overall transportation needs and would very likely spur further development. Something like a public park, which is currently listed as priority three, might provide a much better overall benefit to the city while also spurring increased values and development, so maybe it might be a higher priority than things like beautification. There are multiple sources of funding for things like beautification but limited resources for infrastructure development.

- Public private partnership in the old city hall area means it would make sense to do them all - street improvement, meeting place, parking - around the same time.
- Public park wouldn't necessarily spur development so was in priority three. The feasibility of the park is also in question given its current ownership. If the cost of the park were reduced, TIF funds could go elsewhere, such as for affordable housing projects.
- The proposal is to include all listed projects in the TIF plan, funded at 50% from the TIF. The priority levels are to determine which are funded first.

There was a recommendation to prioritize funding for all/any components that contribute to the development of affordable housing, whether that be infrastructure or even the development of housing.

This priority list should be updated over time with input from the community, to keep it current with changing needs and priorities of the community. It shouldn't be a static list.

There was also a question about whether a decision about a TIF district should be taken to the public for a vote, either to approve/disapprove or at least provide an advisory vote to inform council of the people's preference.

In terms of boundary, there was another question about why the boundary didn't extend north to the Bolton Neighborhood commercial areas, like it did to the Willamette commercial areas and if that could be considered.

TIF Plan Timeline

