

Overview of Tax Increment Financing

Prepared for the City of
West Linn

ECONorthwest
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Tonight's Presentation

- The City of West Linn is exploring the possibility of a new Tax Increment Financing (TIF) district in the eastern portion of the city.
- This presentation will cover:
 - (1) A description of TIF—how it works and how cities use it in Oregon.
 - (2) A summary of ECONorthwest's preliminary TIF assessment for areas of West Linn.
 - (3) A discussion of TIF best practices and next steps for West Linn.

What is TIF?

- Urban Renewal (also known as TIF) is a statutorily (ORS 457) authorized tool used by many Oregon jurisdictions to fund investments in redevelopment and infrastructure.
- Allows cities and counties to set up TIF Agencies to address areas with “blight.”

- Once a TIF district is formed, the incremental property tax revenues generated by growth in assessed value (AV) are used to fund the capital projects identified in the adopted TIF plan.

Property tax revenue without a TIF District

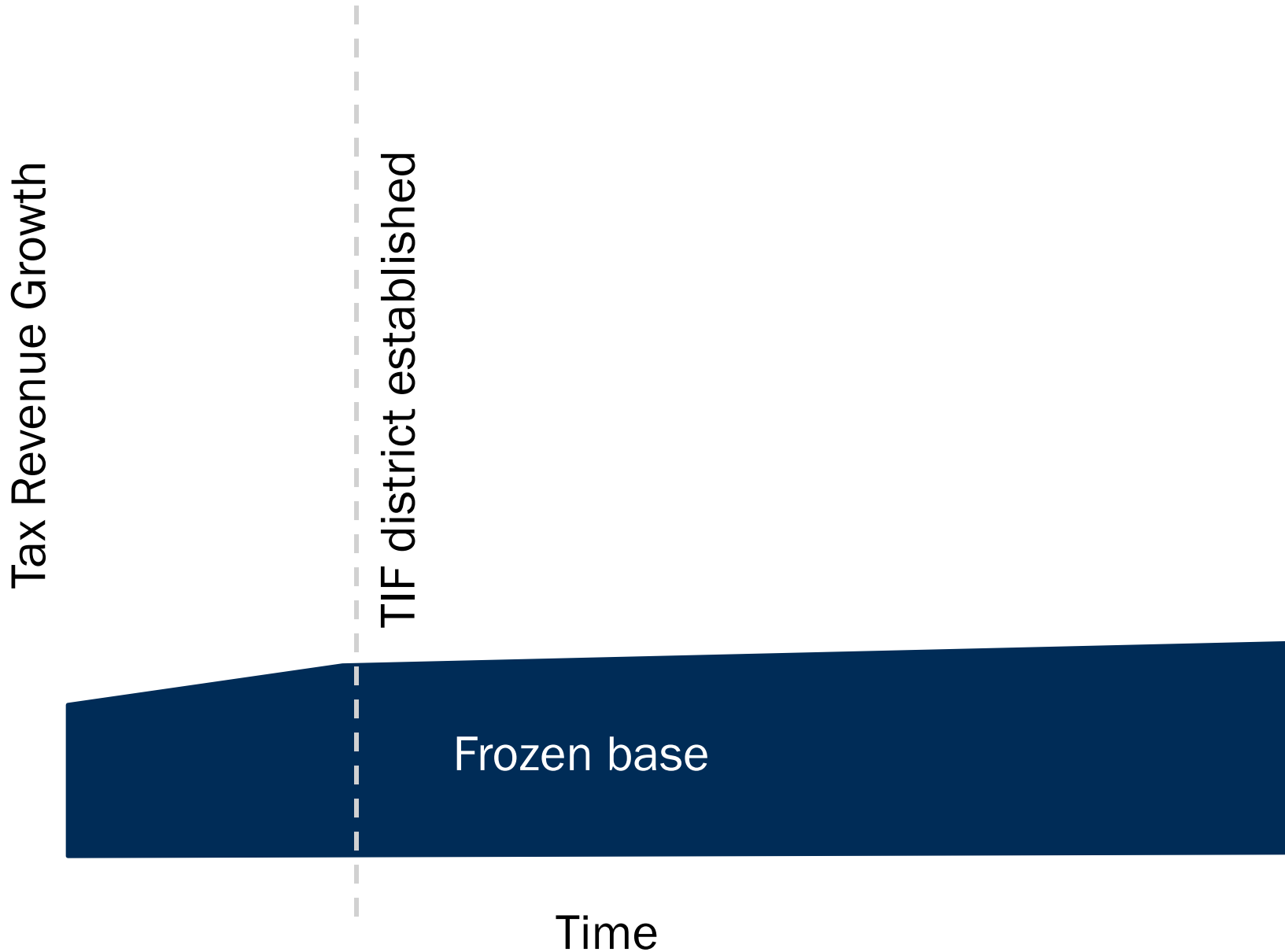
Without a TIF district and without new development, a property's taxes can grow at a maximum value of 3% per year.

Tax Revenue Growth

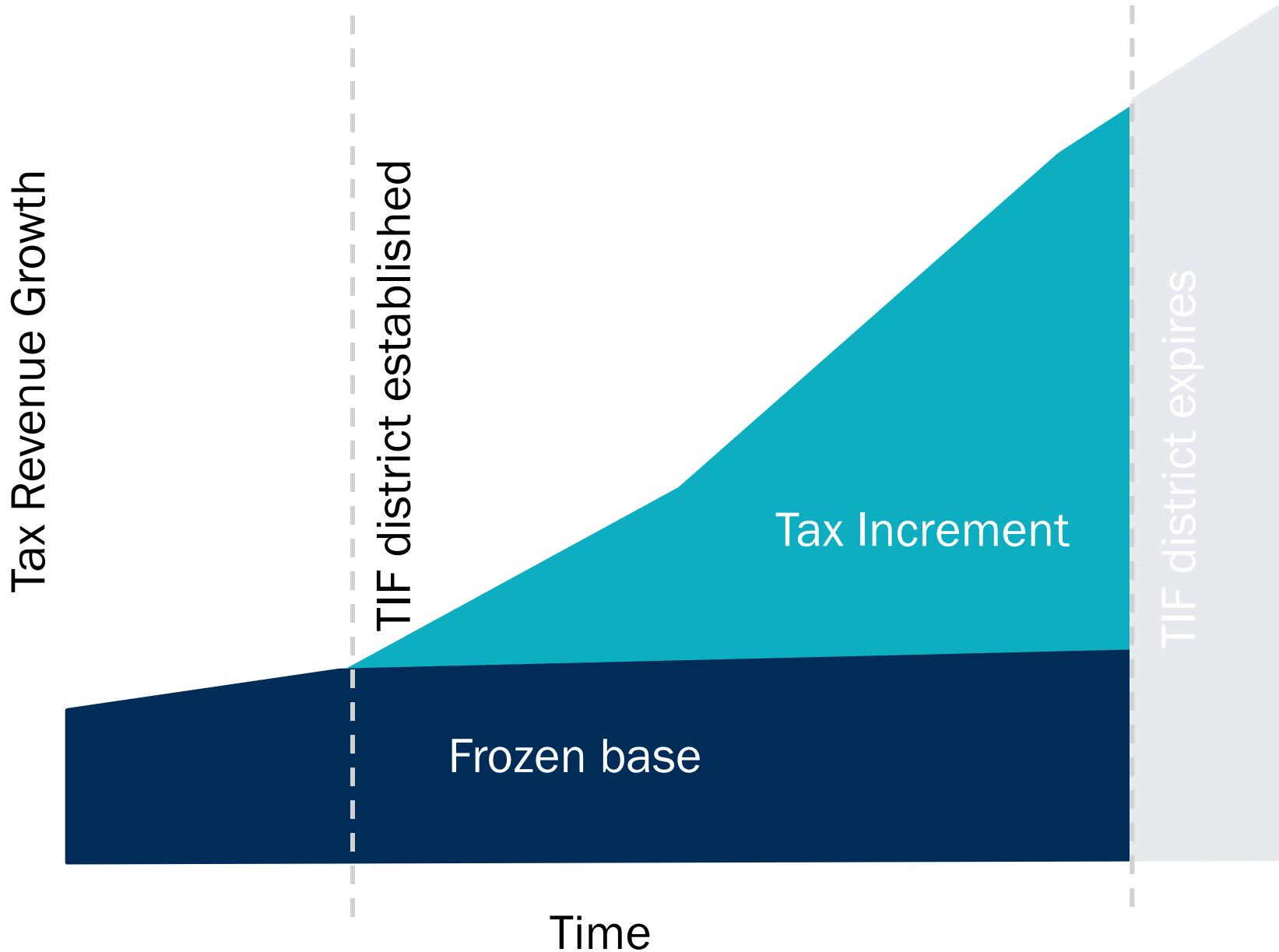


Time

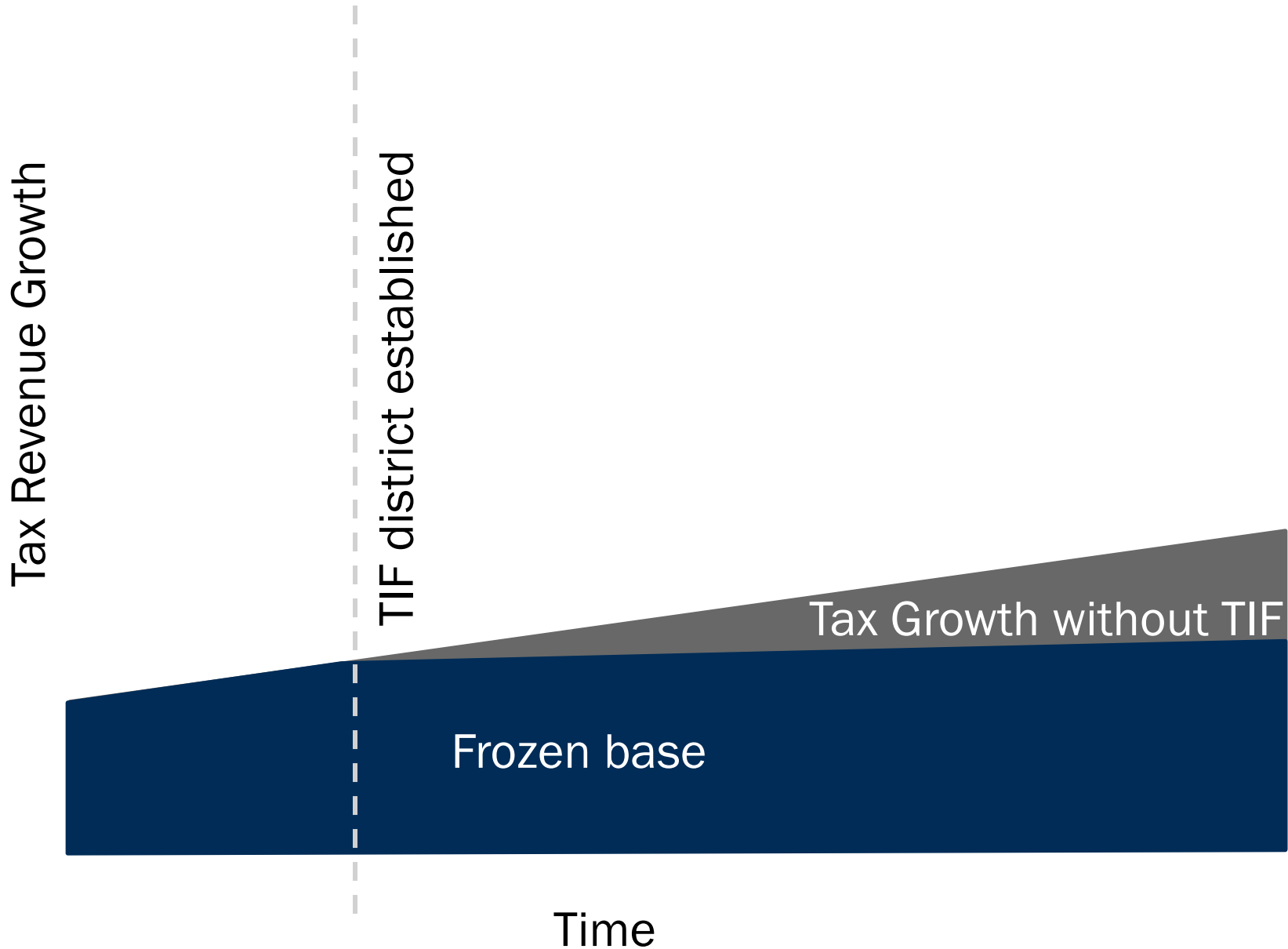
Establishment of the frozen base



Property's Tax growth with TIF Investment

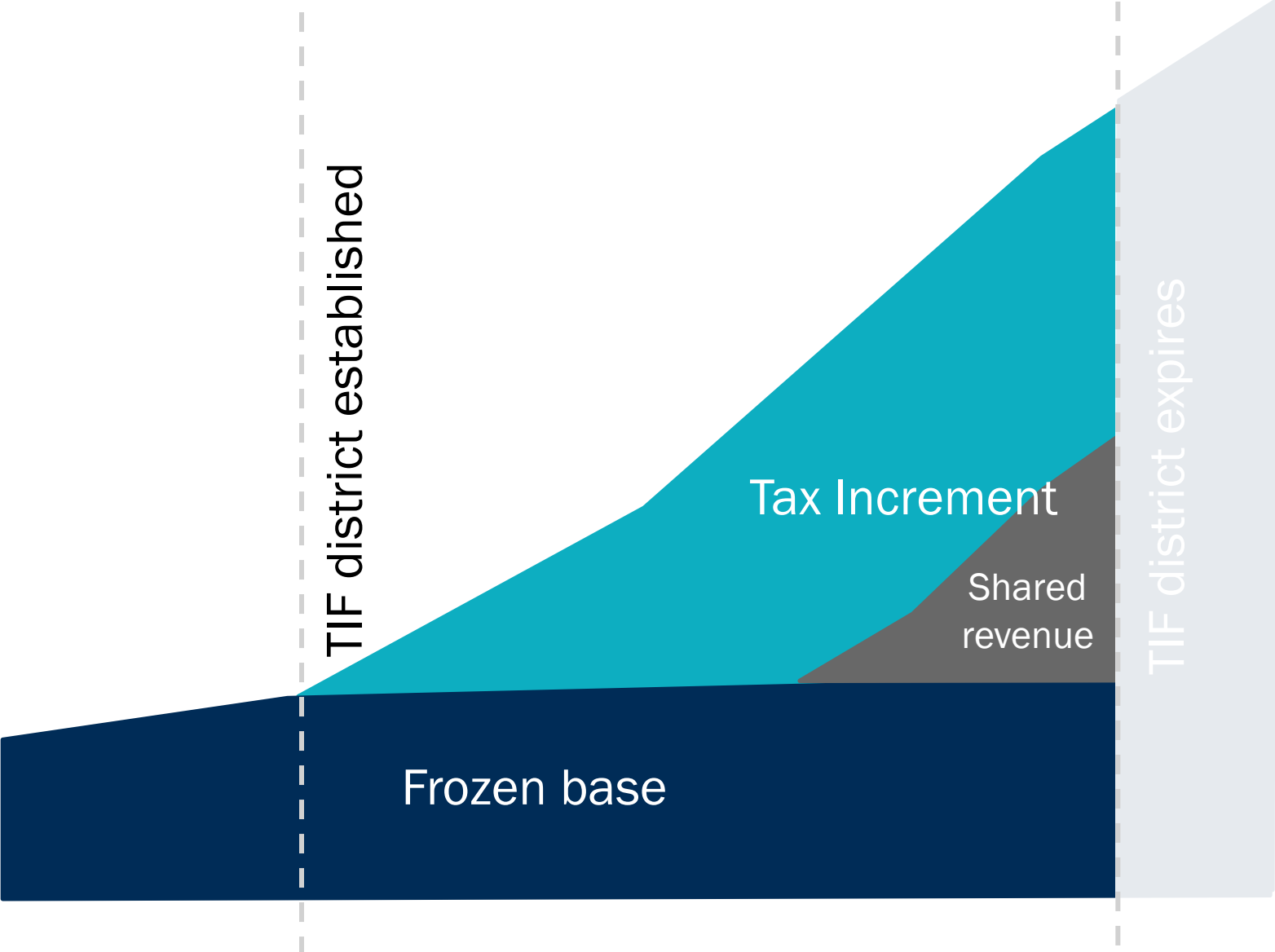


Property's Tax Growth without TIF



Public investment spurs growth

Tax Revenue Growth



Frozen base

Tax Increment

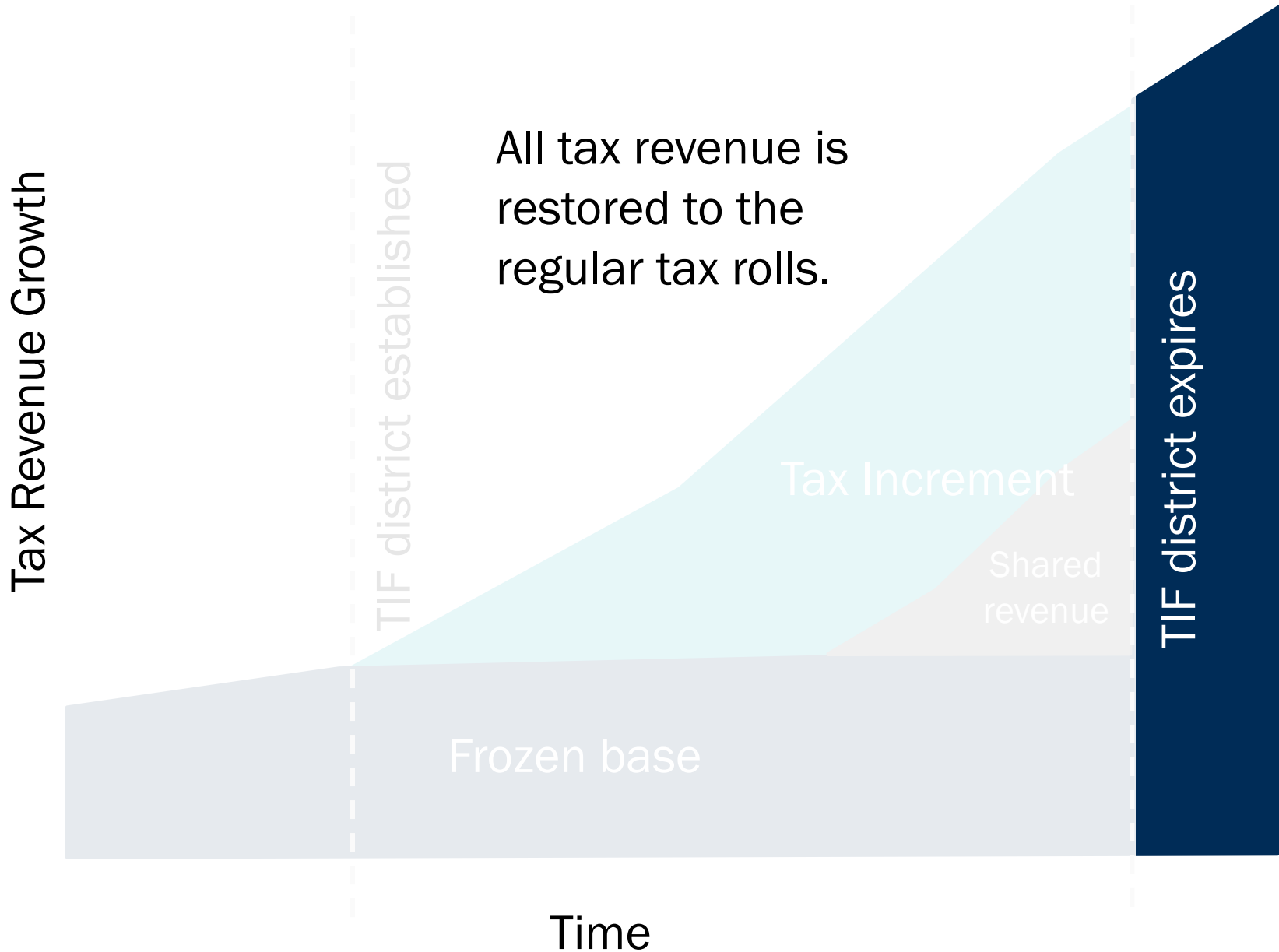
Shared revenue

TIF district expires

TIF district established

Time

The TIF district expires



- TIF spurs development in a target area and is a powerful place-making tool.
- There is a large amount of flexibility in designing a TIF plan, which determines eventual project expenditures.
- TIF does not raise taxes; it redirects them for implementation of specific projects.

Common Critiques

- No increase in property tax revenue for overlapping taxing districts until revenue sharing is initiated, the TIF district expires, or bonds are paid off.
- TIF can take five or more years to produce meaningful levels of revenue.
- Establishing a TIF district is a complex process.
- TIF can be politically contentious without careful community and stakeholder engagement.

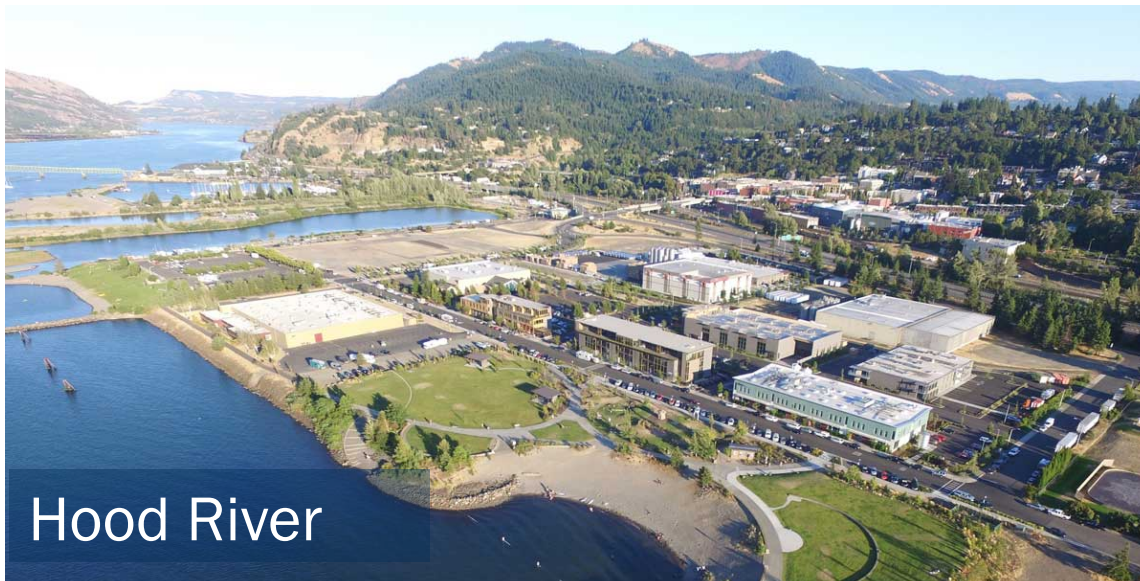
How TIF can be used

- “Sticks and Bricks”
 - Storefront grant and loan programs (e.g. façade improvement)
 - Redevelopment grant and loan programs
 - Infrastructure projects
 - Development of public facilities and open spaces

Examples of TIF Projects



Beaverton, Lake Oswego, and Hood River have all used TIF to enhance infrastructure and public spaces. These TIF projects have helped spur development.

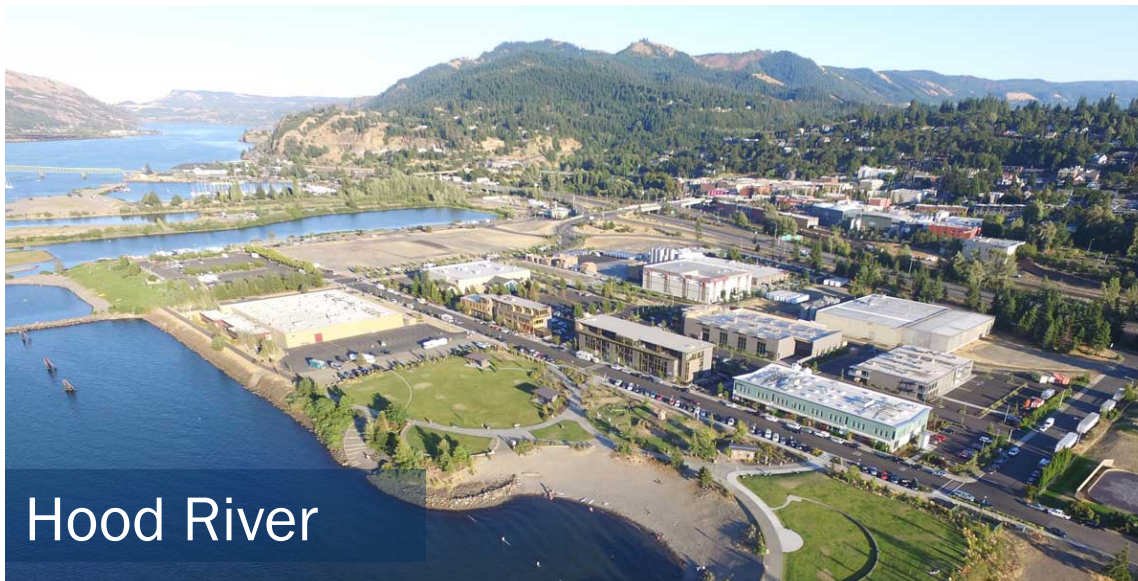


Examples of TIF Projects

The City of Beaverton used TIF to help fund many infrastructure projects, which included widening roadways, realigning intersections, and adding bike / pedestrian facilities.



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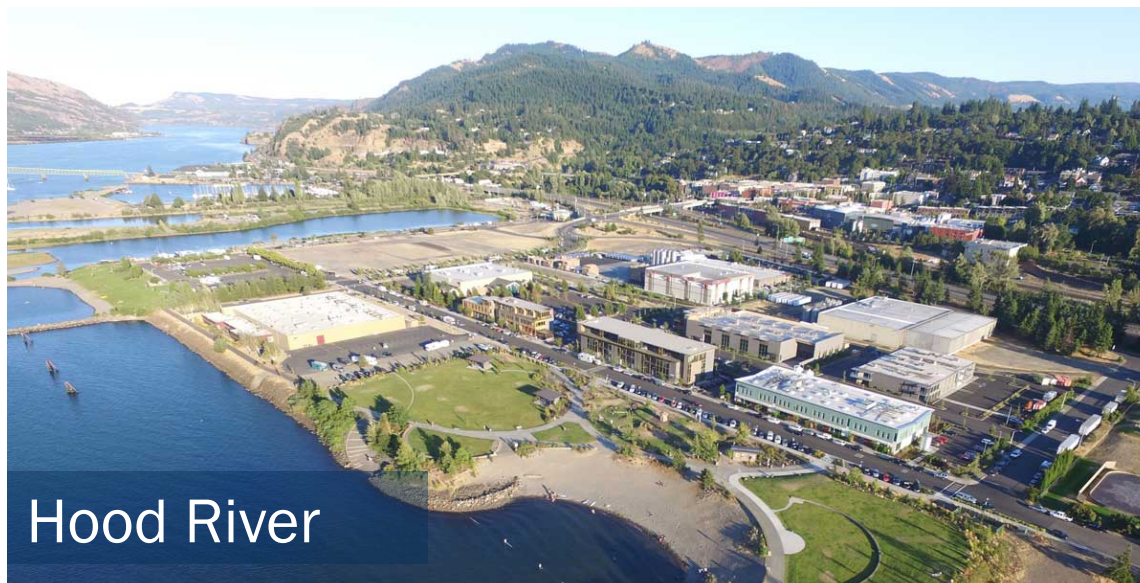


Examples of TIF Projects



The City of Lake Oswego used TIF to develop the mixed-use Windward Development in its downtown and to revitalize Millennium Park Plaza.

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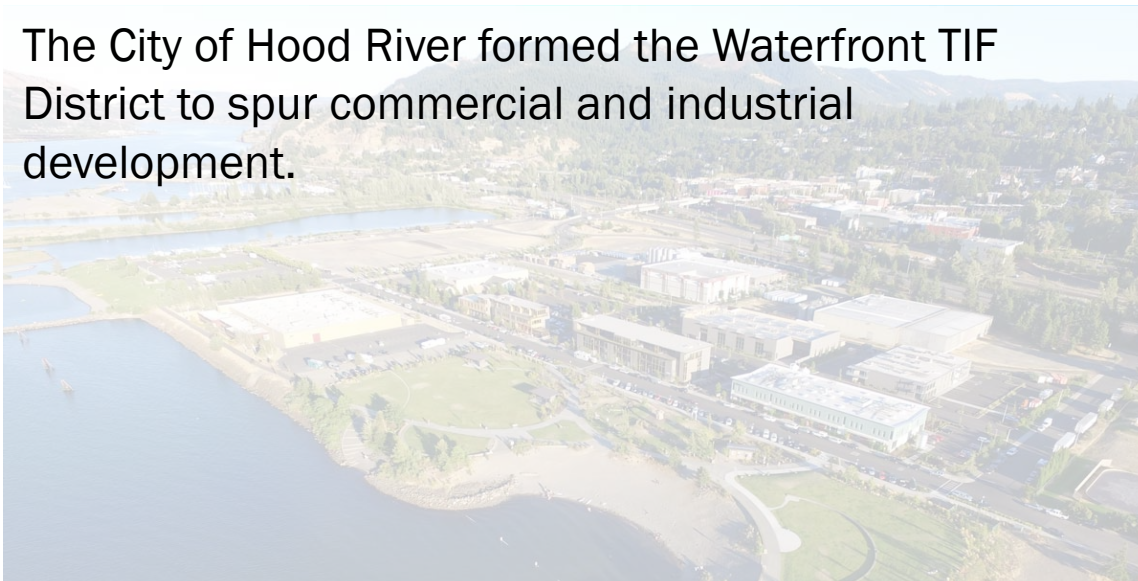


Examples of TIF



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The City of Hood River formed the Waterfront TIF District to spur commercial and industrial development.



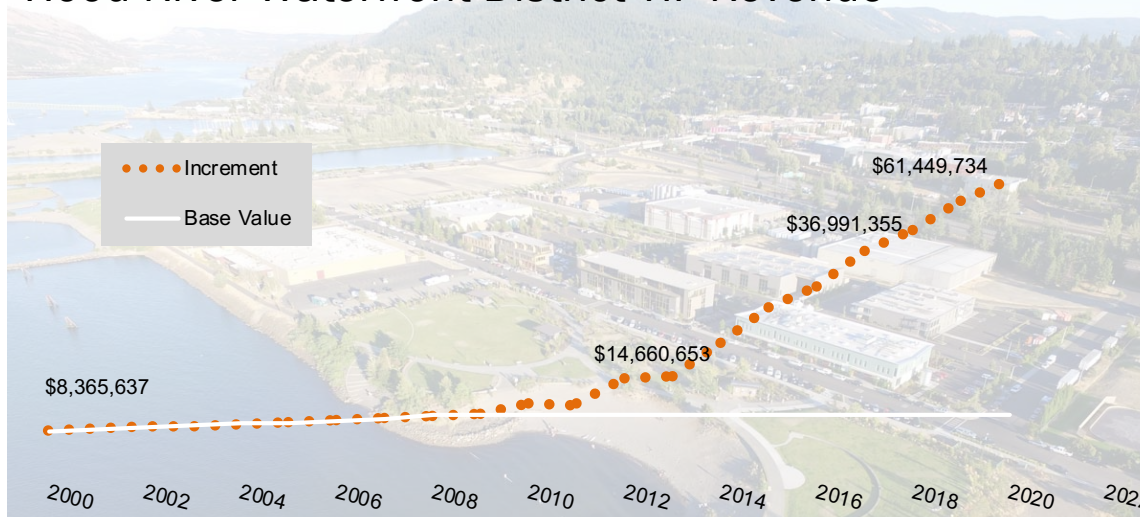
Source: City of Beaverton, City of Lake Oswego, and Interfluve, and the City of Hood River: “Hood River Urban Renewal Agency Waterfront Lot #1 Special Meeting” presentation.

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Hood River Waterfront District TIF Revenue



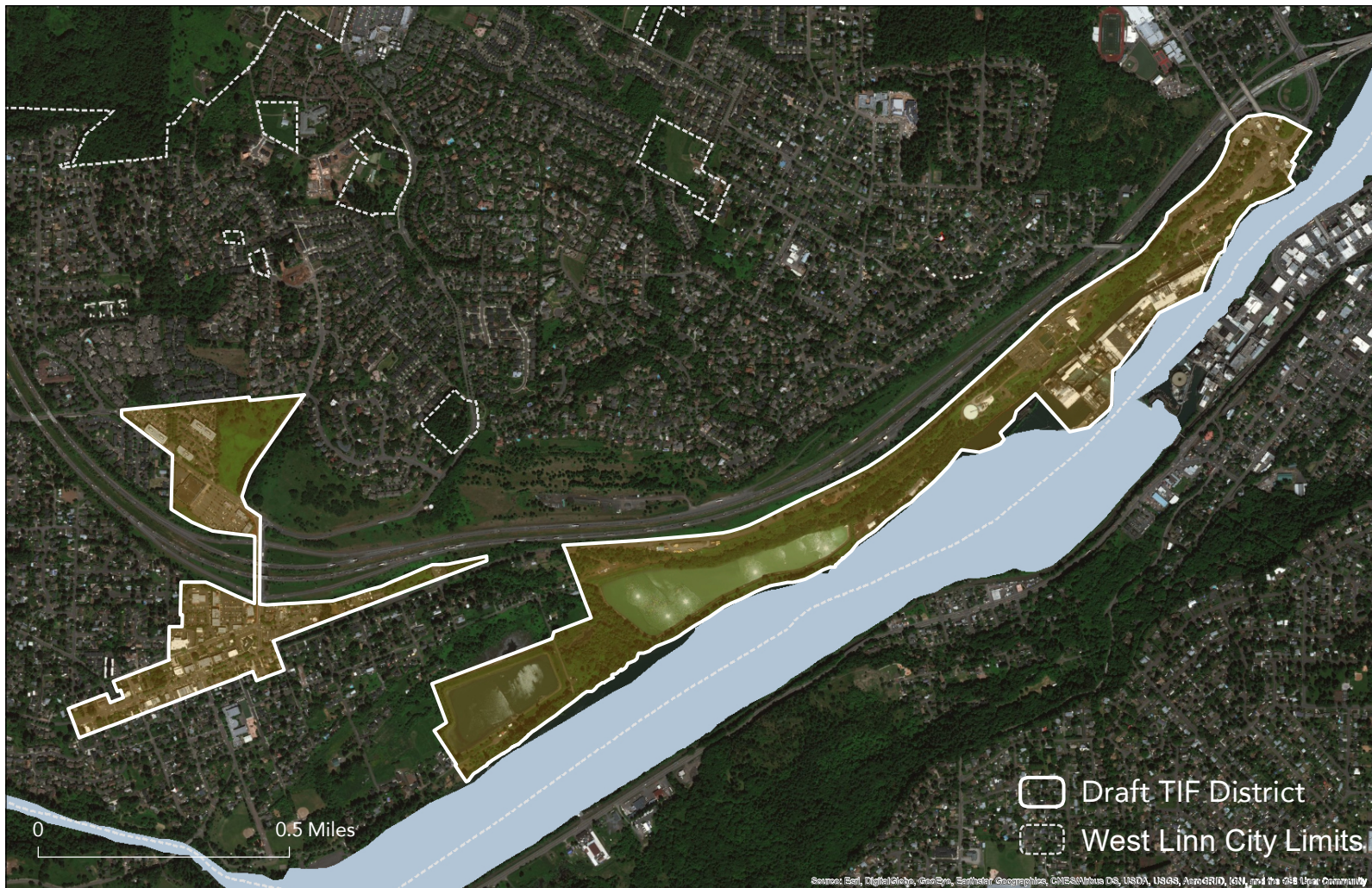
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Summary of Preliminary TIF Revenue Assessment for the City of West Linn

Summary of Preliminary TIF Revenue Assessment

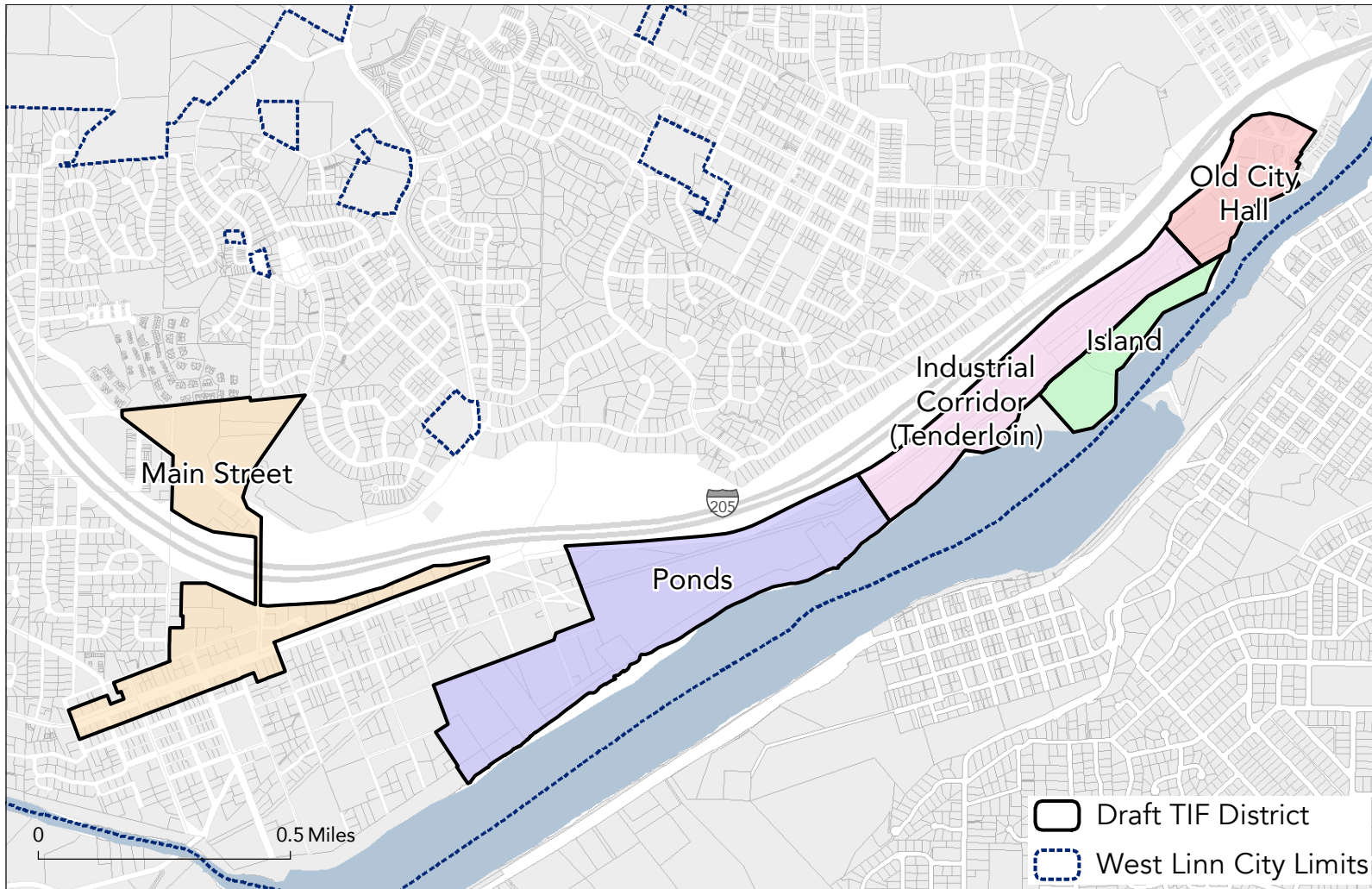
- ECONorthwest and Tiberius Solutions assisted the City of West Linn in exploring the revenue side of a TIF district.
- Core project elements included:
 - Identification of a TIF district area.
 - Estimating development potential for the district.
 - Forecasting potential TIF revenues.

West Linn Study Area Sub-Districts



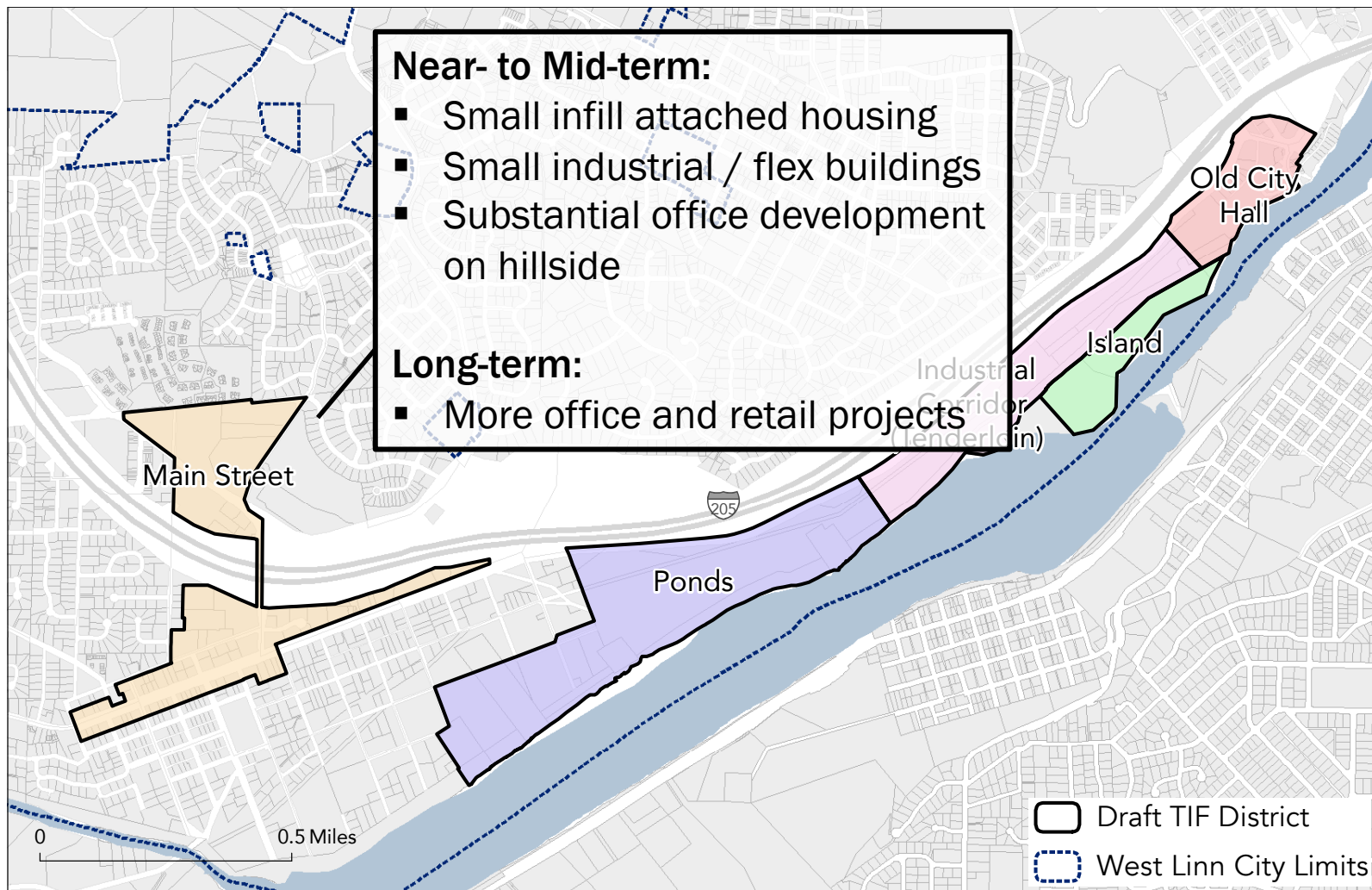
Source: ECONorthwest. Data provided by Clackamas County

West Linn Study Area Sub-Districts

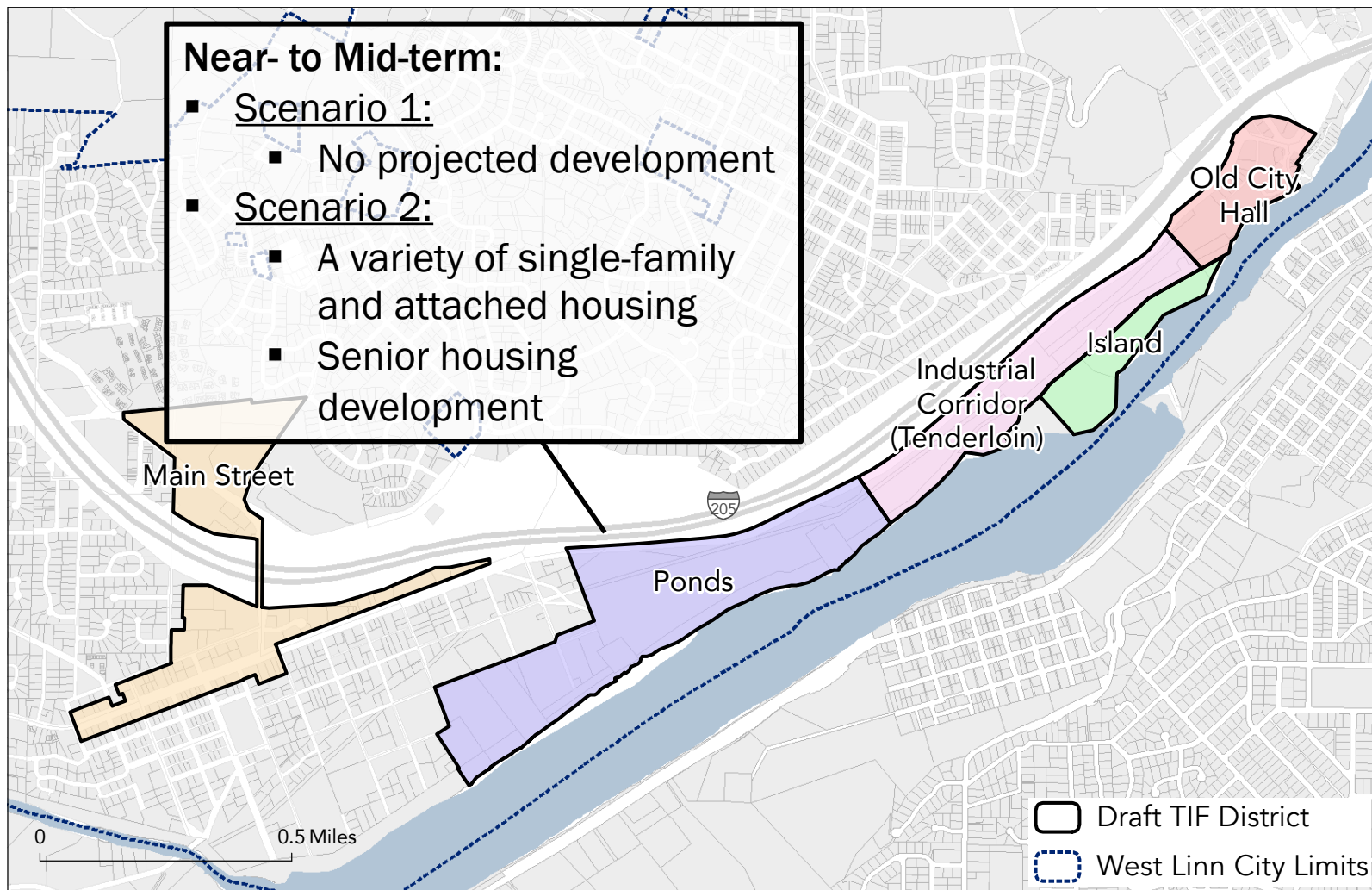


Source: ECONorthwest. Data provided by Clackamas County

Main Street Development

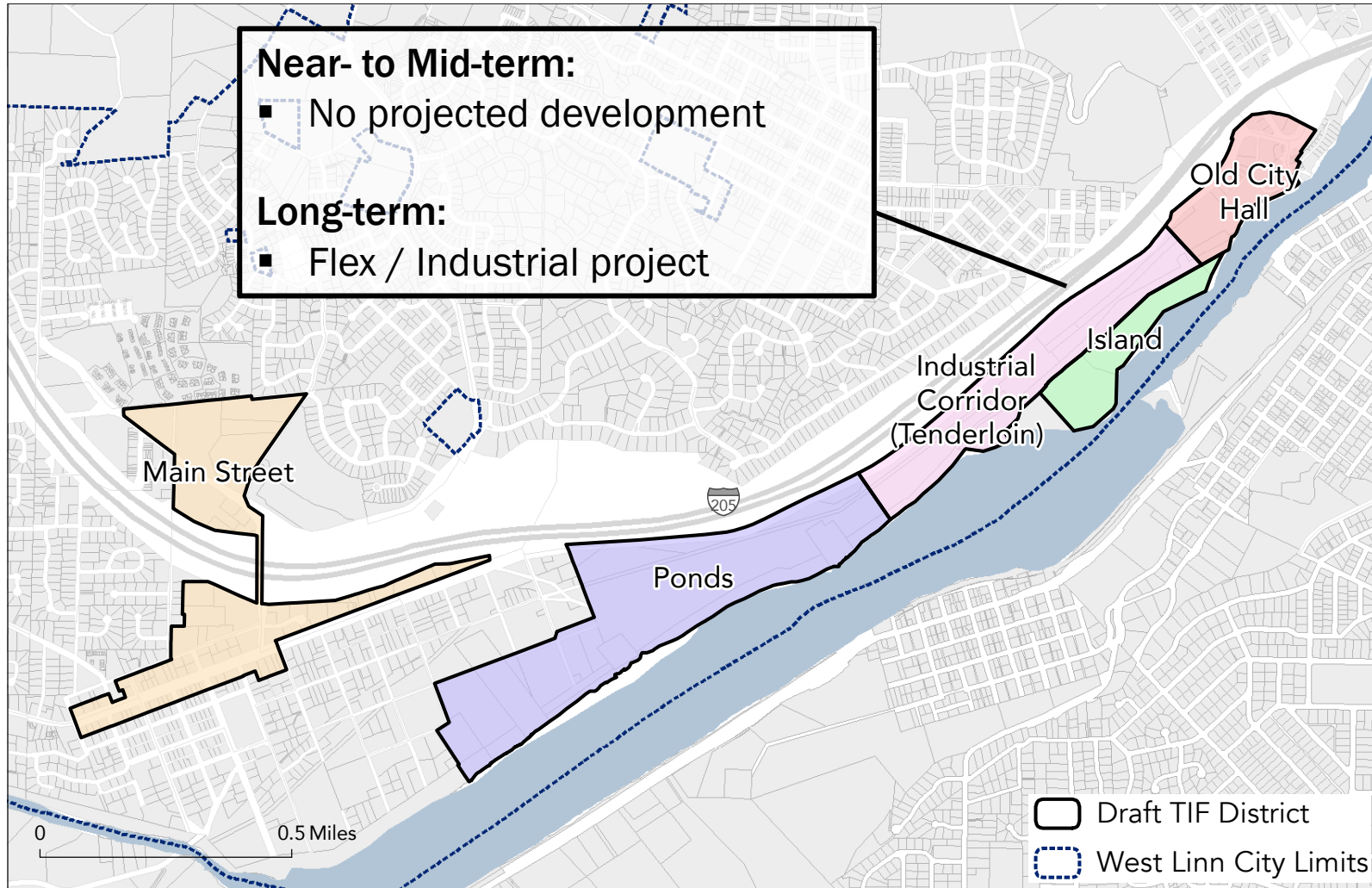


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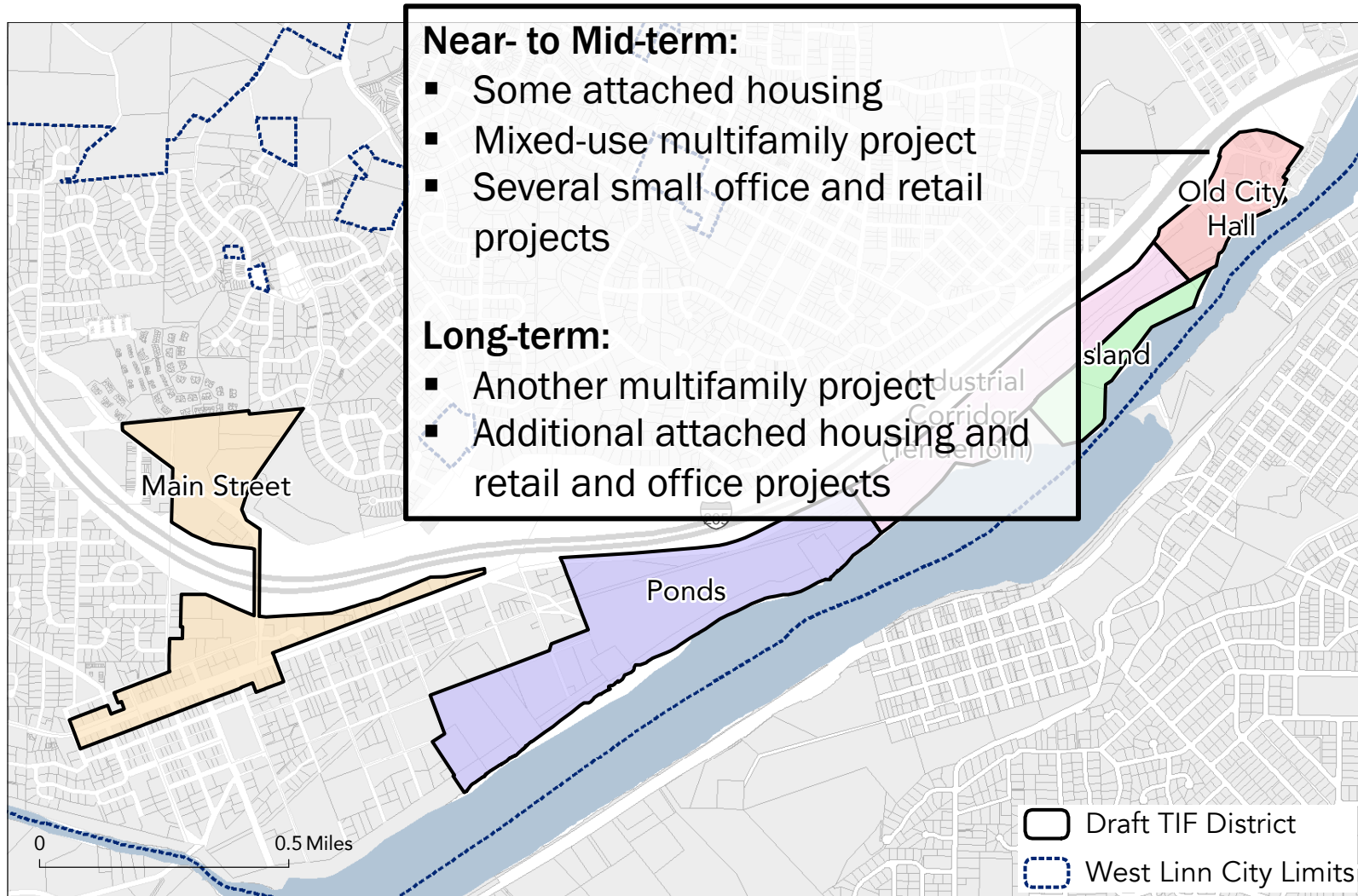
Source: ECONorthwest. Data provided by Clackamas County

Industrial Corridor (Tenderloin)

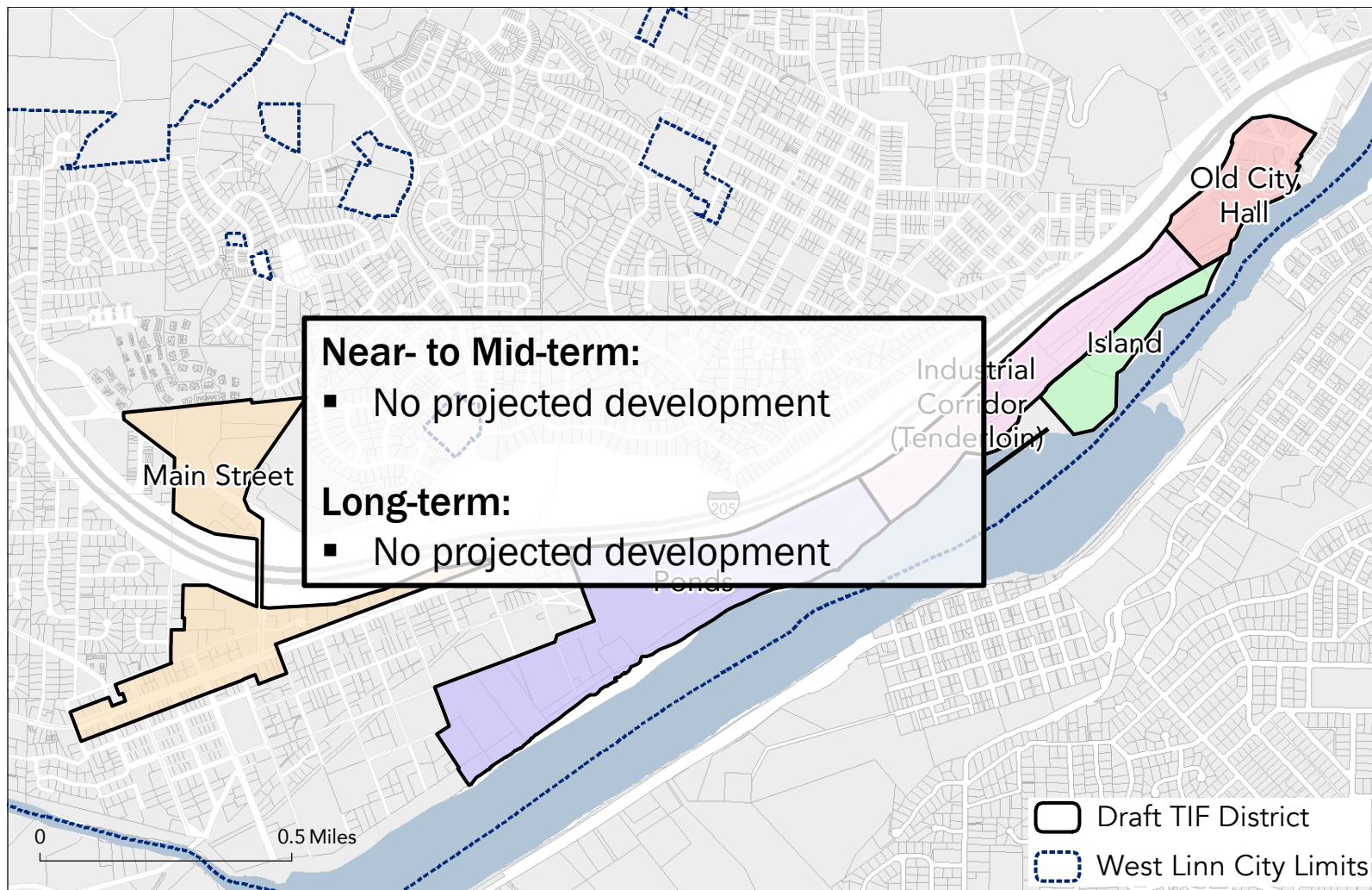


Source: ECONorthwest. Data provided by Clackamas County

Old City Hall



Source: ECONorthwest. Data provided by Clackamas County



Source: ECONorthwest. Data provided by Clackamas County

TIF Revenue Projections Assumptions

- The consultant team based assumptions on numerous analyses, including:
 - Identification of buildable parcels in each sub-district
 - Analysis of historical development trends
 - Data on comparable development types from the Portland region

- To model a range of financial projections, the consultant team created two development scenarios:
 - **Scenario 1** assumes the ponds area of the Ponds sub-district does not develop.
 - **Scenario 2** assumes that development occurs on the ponds.
 - In both scenarios, no future development of the island is considered.

Revenue Projections

	Scenario 1	Scenario 2
Total Funding for Projects (2019 Dollars)	\$20,400,000	\$27,900,000

Source: Tiberius Solutions, ECONorthwest

Best Practices

- Invest in projects that will increase assessed value.
- Balance between specificity and flexibility to avoid excessive amendments to TIF plan.
- Engage the community, the public, and taxing districts.

Equity and Displacement

- Urban renewal has a legacy as a tool used to displace minority populations.
- When considering a new TIF district, also:
 - Understand who lives in the proposed TIF district. Will the TIF district benefit current residents?
 - Engage with the community.
 - Consider adopting Diversity, Equity, and Inclusion (DEI) policies.

Affordable housing

- TIF revenues can be used to fund affordable housing.
 - Many jurisdictions do this including Portland, Albany, Beaverton, and Bend.
 - Can be done through the TIF plan or policy



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Beaverton - The Rise Central (2019)

TIF dollars were used to help fund Rembold Properties' 230-unit (15 affordable) mixed-use development.

Steps in Creating a TIF District

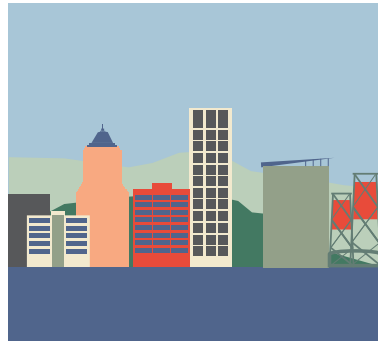
1. Conduct feasibility studies
 1. Taxing district engagement
2. Public engagement period
3. Create a TIF plan and report
 1. Taxing district engagement
4. Create the TIF agency
5. Manage the TIF district

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