



# CITY OF TROUTDALE

"Gateway to the Columbia River Gorge"

## AGENDA

### CITY COUNCIL – WORK SESSION

Troutdale City Hall - Council Chambers  
219 E. Historic Columbia River Hwy. (Lower Level, Rear Entrance)  
Troutdale, OR 97060-2078

Monday, February 9, 2015 – 7:00pm

Mayor

Doug Daoust

City Council

David Ripma

Eric Anderson

Larry Morgan

Glenn White

Rich Allen

John Wilson

City Manager

Craig Ward

1. Roll Call
2. Discussion: Update on Urban Renewal, and a discussion regarding the proposed 10-Year Extension. Erich Mueller, Finance Director
3. Adjourn

Doug Daoust, Mayor

Dated: 2/3/15

Further information and copies of agenda packets are available at: Troutdale City Hall, 219 E. Historic Columbia River Hwy., Monday through Friday, 8:00 a.m. - 5:00 p.m.; on our Web Page [www.troutdaleoregon.gov](http://www.troutdaleoregon.gov) or call Debbie Stickney, City Recorder at 503-674-7237.

The meeting location is wheelchair accessible. A request for an interpreter for the hearing impaired or for other accommodations for persons with disabilities should be made at least 48 hours before the meeting to: Debbie Stickney, City Recorder 503-674-7237.



# CITY OF TROUTDALE



## STAFF REPORT

**SUBJECT / ISSUE:** Urban Renewal Overview, Update and Discussion of 10 Year Extension of The Plan Duration.

<p><b>MEETING TYPE:</b> City Council Work Session</p>	<p><b>MEETING DATE:</b> February 9, 2015  <b>STAFF MEMBER:</b> Erich Mueller <b>DEPARTMENT:</b> Finance</p>
<p><b>ACTION REQUIRED</b> Information/Discussion</p> <p><b>PUBLIC HEARING</b> No</p>	<p><b>ADVISORY BOARD/COMMISSION RECOMMENDATION:</b> Not Applicable</p>
<p><b>STAFF RECOMMENDATION:</b> <i>Support adoption of the Ordinance to update the Plan.</i></p>	
<p><b>EXHIBITS:</b> None, refer to Council Meeting Packet of February 10, 2015</p>	

**Subject / Issue Relates To:**

- Council Goals
  Legislative
  Other:

**GOAL 1: ENCOURAGE ECONOMIC DEVELOPMENT**

**A. OBJECTIVE: DEMONSTRATE CLEAR PROGRESS ON TROUTDALE RIVERFRONT DEVELOPMENT**

**Measure 1:** Cooperate with prospective developers who pursue desirable development plans consistent with feasible public financial constraints

**Issue / Council Decision & Discussion Points:**

- ◆ The City desires to achieve redevelopment in the Troutdale Riverfront Renewal Plan Area.
- ◆ Updates to the adopted Troutdale Riverfront Renewal Plan (Plan) are needed to facilitate redevelopment

Reviewed and Approved by City Manager:

- ◆ Extension of the Plan duration will allow the Agency to continue working on the projects identified in the Plan
- ◆ Redevelopment incentives are necessary to achieve the goals in the Plan Area.

## **BACKGROUND - IMPROVE PUBLIC UNDERSTANDING:**

As it's not a typical conversation topic, it should be no surprise that the general public's level of knowledge of "urban renewal" is somewhat limited.

Public adoption process timeline is outlined in the February 10, 2015 staff report. Multiple public meetings on the Plan extension have been held beginning in June 2014. The second public hearing scheduled November 25, 2014 was postponed to allow time for more information and communication to the public.

Over the past few months there have been a number of questions raised by the public, which are addressed below in the hopes of providing the public a basic framework and to clear up some common misunderstanding about urban renewal.

### ? What is an Urban Renewal Agency?

A separate legal entity allowed under State statutes to conduct redevelopment in specifically defined areas. The purpose is to facilitate the development or redevelopment of property which has become run down, dilapidated and in need of "renewal" so that it will more substantially contribute to our community. Typically the properties have some economic challenge or obstacle to improvement, yet their redevelopment would be expected benefit the overall community. Its fundamental activity is to provide both, direct and indirect, financial benefits to private developers to incentivize redevelopment projects in the urban renewal plan area.

### ? What is the structure of Urban Renewal?

There are three related parts: the **Agency**, the **Plan** and the plan **Area**. The Agency is charged with implementation of official urban renewal plan (Plan). The Plan outlines the projects to be implemented to accomplish renewal within the urban renewal area (Area). The urban renewal plan Area is the land within the specific boundaries where the redevelopment projects will be built.

### ? Is Troutdale required to have an Urban Renewal Agency?

No City is required to have an Urban Renewal Agency. However, there are some 75 urban renewal agencies in Oregon with 109 different urban renewal plan areas. These urban renewal agencies throughout the state are leveraging investments, making infrastructure improvements, helping to spur development that will increase the assessed values in their community, and creating jobs.

### ? How did Troutdale get an Urban Renewal Agency?

Through significant public involvement, in order to protect the public health, safety, and welfare of the public, during 2005 and 2006 the citizen committee created the official Troutdale Riverfront Renewal Plan ("Plan"). In January 2006, under the authorization provided by State statutes, the City Council activated the Troutdale Urban Renewal Agency by ordinance and assigned the Plan to the Agency to implement.

### ? Why does Troutdale have an Urban Renewal Agency?

The City also established the Troutdale Urban Renewal Agency (Agency) providing tax increment funding and urban renewal authority to eliminate blight and foster development and redevelopment in the Plan Area through the authorized projects of the urban renewal Plan.

State statutes provide urban renewal Agencies with some important redevelopment tools such as:

- use of tax increment financing (explained below) to finance redevelopment projects,
- special powers to buy and assemble sites for development or redevelopment, and
- special flexibility in working with private parties to complete development projects.

### ? What are the goals in Troutdale Riverfront Renewal Plan?

In summary the Plan goals and objectives are to:

- Promote the redevelopment of the area for a mix of retail, office, residential, and public uses;
- Provide a system of pedestrian and bicycle trails that connects downtown to the Sandy River; including connections and expansion of the 40-Mile Loop Regional Bicycle Trail

- Improve community access and enjoyment of the Sandy Riverfront portions of the property while protecting the riparian habitat;
- Promote development that is designed to respect Troutdale's natural, cultural, and historic resources.

The Plan includes additional information on goals and objectives, land use plans, authorized projects, financing and much more.

### ? What is Eastwinds development plan for the urban renewal Area property?

Eastwinds Development LLC has created a multifaceted development vision that aligns many of the City's commercial and job creation goals for the site, with a mix of hospitality with event and conference facilities, leading edge hotel, restaurant, mixed-use development, and high-quality retail opportunities. The project vision also includes many important public recreational benefits including connections and expansion of the 40-Mile Loop Regional Bicycle Trail and the western terminus of the Columbia River Gorge trail for community access and enjoyment of the Sandy Riverfront portions of the property while protecting the riparian habitat.

Over the past several years the City and Eastwinds Development LLC have operated in an effective public/private partnership manner to successfully implement programs and grant projects for brownfield rehabilitation from Business Oregon, the State Department of Environmental Quality, and the Federal Environmental Protection Agency. And in the past year have also developed the "Sandy River Access Plan" along with the Sandy River Basin Watershed Council through the Metro Nature in Neighborhoods Grant Project for Restoration and Enhancement program.

Eastwinds development plans are still in the early "vision" or "concept" stages, and will undergo refinement through the normal land use planning and development process. No specific or detailed development plans have been proposed to date.

### ? What is happening with the City property sale to Eastwinds?

An Exclusive Negotiating Agreement (ENA) with Eastwinds LLC was authorized by City Council on May 14, 2014. The ENA resulted in negotiations of a Term Sheet which was adopted by both the Urban Renewal Agency Board and the City Council on August 26, 2014 for sale of City's

former Sewer Treatment Plant property. The Term Sheet included the appraisal process and a formula for determining the Fair Reuse Value of the property. The Term Sheet included a process to narrow the difference should the two appraised values differ by more than 10%. The City and Eastwinds are currently following the adopted process to reach an agreed upon value.

Additionally the City is proceeding with obtaining the No Further Action declaration from DEQ for our property with submittal of a "Closure Report", which is intended to address all of DEQ's outstanding questions, and enable DEQ to issue the NFA or a similar declaration. Following that step, we will submit a draft Contaminated Media Management Plan (CMMP) for DEQ review and approval.

### ? What is happening with the sheep pit clean up?

Eastwinds has chosen to voluntarily remove the animal material, although it could be managed in-place. The animal material area was found to be approximately 15,000 square feet in size, and contain approximately 3,500 cubic yards of animal material. The material has a foul odor, but is not considered dangerous or a hazardous waste. Eastwinds made some site preparations for removal of animal waste this past Fall, however, weather and contractor schedules precluded any further actions. Eastwinds is in the process of rescheduling the removal activities.

### ? What do the urban renewal Plan projects cost?

The 2006 project vision was in the \$15 to \$19 million estimated range. The amounts will require updating once the Eastwinds project vision is further refined over time. Various parts of the vision discussed recently would indicate higher total costs than the 2006 projections.

Some of the higher profile project elements include:

- Extension of 257th Way directly through the Outlet Mall as represented in the Final Vision Alternative 2, with the 2004 estimate of \$2.2 million for right of way acquisition, plus road construction costs.
- Trail access from Depot Park to under the rail road bridge, current estimate of \$250,000
- The Sandy Riverfront Park with current estimate of \$4.6 million based upon the Sandy River Access Plan.

The 2006 project costs included public parking structure at \$4 million and a pedestrian bridge from downtown at \$2.5 million. These may change based on the recent suggestion of a Kibling Street bridge over the rail road estimated to exceed \$20 million.

The Agency has some financial flexibility in providing development incentives for projects consistent with the goals and objectives of the Plan.

The Agency could financially participate in any of these above project elements.

Also based on the Eastwinds development prospectus, the hotel, spa, restaurant, banquet and parking could result in System Development Charges for Water, Sanitary Sewer, Transportation, and Storm Water reaching into the several hundreds of thousands of dollars. While the SDC fee could not be waived, the Agency could financially subsidize the developer's SDC fees as a redevelopment incentive.

The addition of the project will allow the developer to proceed with development with the Agency as a partner in the financing of the development, assisting in fulfilling the goals of the Plan. The addition of the project will mean funding could be allocated to the private redevelopment, potentially reducing funding for other projects in the Plan. However, without the private development, the other projects in the Plan will likely not come to fruition.

### ? How is the Troutdale Urban Renewal Agency funded?

Urban renewal redevelopment is financed through concentrated property tax resource know as Tax Increment Financing (TIF). Through the administrative method of "division of taxes" which provides a very small portion of funds that would normally go to other taxing jurisdictions (city, county, schools), some of those taxes are redirected to the Agency to provide funds for redevelopment.

The TIF funds are available to pay for projects in an adopted URA Plan, which can include: construction or improvement of public facilities including streets, utilities, parks and other public uses, acquisition and improvement of property, participation with developers for property improvement, and rehabilitation of existing buildings.

? How does the "division of tax" work?

When an urban renewal area is established, the county assessor determines the current assessed value of all property within the Area, and freezes that tax base. As property values increase above this frozen base, all tax revenues from increases in value are diverted to the Agency for redevelopment projects within the urban renewal Area. This increase above the frozen base is also called the "increment."

Division of tax revenue is calculated by splitting local government property taxes between the local governments that levied the taxes and the urban renewal Agency. The split is recalculated each year based on value growth within the plan area.

? Does the Urban Renewal Agency increase my property taxes ! ?

Yes, but much less than you think! As mentioned above the TIF comes from the County Assessor diverting a small portion of the taxes you would have otherwise paid to other taxing jurisdictions, known as the division of tax. There is one small exception which does increase your overall property tax bill. The levy for older bonds are slightly increased in order to share some taxes with urban renewal, and for there to be sufficient funds to make the debt service payments. Bond issued after an October 2001 statute change are not subject to the division of tax.

As an example if your home had an assessed value (AV) of exactly \$200,000 in the Troutdale levy code area # 242 you would have seen a line on your property tax this past November for \$28.40 for "Urban Renewal - Troutdale." However, your total tax bill is only \$3.86 higher due to the urban renewal Agency, the remaining \$24.54 (\$28.40 - \$3.86) came from reductions in all the other lines on your tax bill, (the "division of taxes"). If the urban renewal Agency did not exist, you would have paid \$3.86 less in taxes last November, and the \$24.54 you would have paid, spread across other taxing jurisdictions on your bill.

The \$3.86 represents 0.1% of your total \$3,591.80 of the example house tax bill.

? What is the Plan Duration and why do we need to extend it?

Plan duration is the final date by which debt can be incurred under the urban renewal Plan, up to the maximum indebtedness limit, which can be repaid by collection of the TIF. The proposed Plan amendment is to

extend the original 10 year Plan duration for an additional 10 years. The current debt deadline is March 16, 2016. This amendment would allow more time to complete redevelopment in our URA, but it will NOT increase the amount of the maximum indebtedness of \$7,000,000, just allow more time to complete projects in the Plan. Typically urban renewal Plans have a 20 to 30 year duration.

**? What is the maximum indebtedness of our Plan?**

Our Plan also provides for a maximum indebtedness of \$7,000,000 which may be incurred during the Plan period.

**? Why does the debt deadline matter?**

The maximum indebtedness of \$7,000,000 is to be repaid from the TIF which is from diverting taxes that would be paid anyway to other taxing jurisdictions, rather than having to increase taxes. Over the past nine years we have only borrowed \$710,000 and currently have \$6,290,000 remaining allowed indebtedness. If the deadline is not extended we will lose access to the remaining allowed indebtedness for funding urban renewal projects.

**? Why should we extend the debt deadline 10 years rather than 1, 2 or 5?**

A shorter deadline extension communicates to the development and financing community that there is some doubt regarding the City's commitment to provide the necessary development incentives. The uncertainty if the projects can be completed within the shorter timeframe increase the risk of this project, causing developers to look elsewhere for lower risk projects. The shorter timeframe creates a hurdle to development in an Area which already has several challenges.

There remains extensive site design and preparation before any type of construction could be undertaken in the urban renewal area. The land parcels need to be assembled, demolition of the former sewer treatment plant, re-zoning, re-plating, sub-dividing the shore line parcels and more prep work is needed. The remaining environmental remediation activities and approvals are also yet to be accomplished. Many of the steps needed will require extensive professional fees for environmental consultants, land use planning, engineering services, and legal costs all totaling well into the hundreds of thousands of dollars. Developers are going to be reluctant to incur these expenses if there is risk the

development incentives won't be available once they have spent the time and money on the project pre-construction tasks.

Extending for a shorter period is likely to result in minimal development activity, and maximum frustration in lack of progress in accomplishing the goals of the urban renewal Plan.

? What if we wait and put off extending the deadline for a few months?

The current debt deadline is March 16, 2016. Delaying extending the deadline effectively puts a stop to any further development efforts, as there is insufficient time to realistically complete any significant development project in the next 13 months.

? What happens to the Troutdale Urban Renewal Agency if the debt deadline is not extended?

While neither the Agency nor the Plan have explicit expiration dates, their future effectiveness to implement the goals and projects in the plan Area will be severely limited.

Once the current \$310,000 of Agency debt has been repaid, collection of the TIF would conclude and the various other taxing jurisdictions will no longer share a portion of their property taxes with the Agency. Any portion of remaining allowed indebtedness would expire unused.

Without sufficient resources many of the goals and projects, such as the Sandy Riverfront community access 40-Mile Loop Regional Bicycle Trail, will go unaccomplished.

Without the financial development incentives the urban renewal Plan will no longer control what the property owners may developed on their property.

To achieve the redevelopment goals and objectives of the Plan, active participation and support of the City, and in particular the Agency through the use of its flexible redevelopment authority and tax increment financing, will be necessary.

## **Necessary Plan Updates:**

Typically urban renewal agencies in Oregon have a 20 to 30 year duration. Given the current circumstances it is unlikely that the Plan maximum indebtedness will be incurred by the original ten year deadline. In order to allow sufficient time for redevelopment efforts to be undertaken the Plan duration needs to be extended. Tax increment funds are a necessary financial and redevelopment incentive resource of the adopted Plan.

The proposed amendment extends the original 10 years to 20 years. This extension only extends the **date** by which that maximum indebtedness may be incurred, it does **NOT** increase the **amount** of maximum indebtedness, which remains at \$7 million. The extension effectively increases the time period that the taxing jurisdictions will forego revenue but not the principal amount foregone.

Also the proposed amendment provides the Agency the ability to participate along with a developer in some of the expenses of redevelopment, in accordance with the goals of the Plan. As added to the Plan Projects section, as described in the ordinance attachment A, the change provides the Agency authority to participate in redevelopment of new construction or rehabilitation. Updates to other sections of the Plan reflect this new project activity.

The addition of the project will allow the developer to proceed with development with the Agency as a partner in the financing of the development, assisting in fulfilling the goals of the Plan. The addition of the project will mean funding could be allocated to the private redevelopment, potentially reducing funding for other projects in the Plan. However, without the private development, the other projects in the Plan will likely not come to fruition.

## **SUMMARY:**

The Plan changes in the proposed Ordinance are Council Amendment in type. The changes extend the Plan duration date, and allow for Agency participation in redevelopment costs. The Agency has adopted the amendments by Resolution No. 29 on October 21, 2014 and has referred the amendments to the City Council for action with a recommendation for approval.

## **PROS & CONS:**

- A.** Approve the proposed ordinance to provide the necessary changes to provide Agency authorization for redevelopment costs and additional time to implement the Plan
- B.** Not approve the proposed ordinance limiting the Plan to the existing duration, preventing necessary Agency financial participation and the full implementation of the Plan.