Testimony by City of Wilsonville Mayor Tim Knapp Opposing HB 2470:

Bill Proposes Onerous Conditions that Harm Only Development-Funding Mechanism Available to Cities for New Development to Pay Its Own Way

Scheduled for public hearing on March 15, 2017, before the House Committee on Economic Development and Trade

Chair Lininger, Vice-Chairs Marsh and Brock Smith, and Members of the Committee:

On behalf of the City of Wilsonville City Council, I am testifying in opposition to HB 2470 that has the effect of essentially rendering urban renewal tax-increment financing unusable for new urban renewal areas.

The proposed legislation appears to be a solution in search of problem that does not exist. The 2009 "urban renewal legislative compromise"—requiring three-quarters of overlapping taxing jurisdictions to approve an urban renewal area plan, imposing new maximum indebtedness caps, providing for tax-revenue under-levying options and adding additional reporting requirements—has worked to reduce the use of urban renewal, leading to the closure of existing urban renewal areas and decreasing the formation of new urban renewal areas.

Given Oregon's property-tax dependency for funding municipal governments, urban renewal is the only mechanism available to cities that allows new development to help pay for the public infrastructure costs to serve new developments. While unintended or not, the effective removal of urban renewal as a local financing tool is a sure-fire way to slow or halt new development in cities across Oregon, and therefore would harm economic-development efforts to create more affordable housing and new job-producing employment centers.

An additional unintended effect of depressing the use of urban renewal would be to decrease the rate of increase in assessed valuation of target development properties that ultimately provides new property-tax revenues to all taxing jurisdictions; less development produces a slower rate of increase in assessed valuation for a community. When properties are developed in an urban renewal area, the increase in assessed valuation comes eventually onto the tax rolls and benefits all local taxing jurisdictions.

HB 2470 has several specific areas of concern, including the following:

1. **Proposed bloated urban renewal area boards requiring unanimous agreement of all affected taxing jurisdictions can easily paralyze use of tax-increment financing.**

The legislation's proposed changes to urban renewal area board of directors to include all overlapping taxing jurisdictions on the board with unanimous agreement is a recipe for failure. The practical reality of such a proposal is to produce large, unwieldy urban renewal boards that could curb urban renewal plans because urban renewal agencies would have difficulty obtaining a quorum to conduct meetings; an average board easily could be composed of a dozen or more jurisdictional representatives. Requiring unanimous consent on votes could paralyze urban renewal since in effect each overlapping jurisdiction is given veto power. Ultimately, cities—which Oregon land-use law says should be in the lead on urban-level development—could lose control over urban renewal planning.

HB 2470 is a burden to small taxing districts with limited staff and volunteer board members; the Secretary of State has recently called out that many smaller districts are having difficulty recruiting members of the public to serve on boards. Additionally, many taxing districts such as Metro and Tualatin Valley Fire and Rescue District overlap multiple urban renewal districts, which would require attendance at multiple urban renewal board meetings.

2. Proposed 20-year cap on new urban renewal areas is unrealistic and harms smaller jurisdictions that have longer development cycles.

When the legislature considered major urban renewal changes in 2009, a 20-year lifespan cap was explicitly rejected in favor of a cap on maximum indebtedness as the best way to guide appropriate use of tax-increment financing. The City of Wilsonville's experience with development shows that it can take several years to generate enough tax-increment to begin working on urban renewal projects, which tend to be costly infrastructure. And then, depending on the rate of development that can be impacted by many factors including economic recessions, urban renewal projects can take over two decades to complete.

Additionally, one large project early on in the life of an urban renewal area may require the district to spend the next 10 to 12 years paying-off debt for that project before it can tackle any other projects. This is particularly so in rural and economically disadvantaged areas where new development is not frequent.

Furthermore, only a few new urban renewal areas have been created in the state since the 2009 legislation passed, which tends to indicate that legislation has successfully impacted the use of urban renewal through caps on maximum indebtedness. The proposed legislation would not impact already existing urban renewal areas that may have extremely high maximum indebtedness limits.

3. Proposed restrictions on urban renewal financing for a wide range of public-facility improvements can reduce leverage for private-sector investments that increase area assessed valuation.

Some parties have suggested that using urban renewal funds for constructing public facilities is inappropriate. However, one of the primary purposes of urban renewal is to use public funds to leverage private-sector capital investment that increases assessed valuation of properties.

In Wilsonville's case, the construction of a new city hall facility with urban renewal funds directly spurred several million dollars in new private investment on properties in the immediate vicinity of the new public facility. Assessed valuation of three formerly long-term vacant sites near the new city hall that were subsequently developed increased over 900% after the investment in a public facility. This same principal applies to other new public facilities that incentivize private investment that improves the assessed valuation of property.

Additionally, the City worked closely with local taxing jurisdictions, including the West Linn-Wilsonville School District and Tualatin Valley Fire and Rescue District, to gain support for use of urban renewal funds for the city's public facility. The City has convened over the past few years a task force with representatives of the districts who approve of Wilsonville's use of urban renewal.

4. Proposed legislation fails to recognize strategic use of tax-increment financing to leverage private-sector investment that increases assessed valuation.

Following is a summary of Wilsonville's results using urban-renewal tax-increment financing. These outcomes demonstrate an incredible rate of return on investment of the public's funds when strategically using the one major tool that cities have access to for new development to help pay its own way. Wilsonville's urban renewal areas have produced an incredible rate of public return on investment ranging from an estimated 484% to 1,120% of the amount debt issued in relation to increased assessed valuation.

City of Wilsonville Urban Renewal Area (URA)	West Side URA	Year 2000 URA	Coffee Creek URA
Size of URA	456 acres	570 acres	264 acres
Year URA Established	2003	1992	2016
Year of Estimated Closure	2025	2020	2042
Frozen Base Assessed Value within City Limits	$14.9 million	$44.1 million	$62 million
FY2016-17 Assessed Value (AV) within City Limits	$453.1 million	$438.3 million	$790 million (est. at close)
Growth in URA Assessed Valuation (AV)	2,926%	894%	1,274%
Debt Issued to Finance Infrastructure/Facilities	$40 million	$81.4 million	$65 million max. indebtedness
ROI: Public Return on Investment	1,096%	484%	1,120%

Note that Wilsonville's Coffee Creek Urban Renewal Area is financing infrastructure for a Metro regional government-designated Regionally Significant Industrial Area (RSIA) that is expected to host 1,500 permanent family-wage jobs with a direct payroll of $55 million per year and a regional multiplier impact of $135 million per year — and generate new state income-tax revenue.

Key community projects completed with urban renewal funding in Wilsonville include:

- Barber Street and Boeckman Road extensions and new bridges for Villebois residential area
- I-5/Wilsonville Road Interchange Exit 283 re-build with 50% capacity increase
- Wilsonville Road improvements for widening and adding lanes and paths
- Memorial Drive construction and Canyon Creek Road extension
- Wastewater Treatment Plant upgrade and expansion

The City of Wilsonville respectfully urges a DO NOT PASS vote on HB 2470. Thank you for your time and consideration.

Sincerely,

Tim Knapp

Tim Knapp, Mayor
City of Wilsonville