

Urban Renewal Feasibility Report for the City of Dundee, Oregon

November 30, 2015

Prepared by
Mid-Willamette Valley
Council of Governments

INTRODUCTION

Dundee is located on Highway 99W, between Portland and McMinnville in the heart of Oregon's wine country. Dundee was initially settled by immigrant farmers and the city was named for Dundee, Scotland, the home town of William Reid who came to Oregon in 1874.

The economy of Dundee has always had ties to surrounding agricultural land and Dundee was historically known for its production of prunes, walnuts and hazelnuts. Since about the 1970s, vineyards have replaced many of the nut and prune orchards and Dundee is now home to award-winning wineries that draw visitors from around the world.

Due to its close proximity to larger urban areas, Dundee has increasingly become a "bedroom" community for those working in the McMinnville, Newberg, Salem and Portland areas. The 2014 population of Dundee is listed as 3,180 persons, an increase of 23% between 2000 and 2014.

Strip commercial development along Highway 99W was identified as a concern in the 1977 Dundee Comprehensive Plan and improving the corridor continues to be a priority. The community also completed a visioning project for Highway 99W in 2011 to identify urban design recommendations for the highway corridor. Recent construction of the Newberg-Dundee Bypass by the Oregon Department of Transportation is anticipated to reduce congestion and improve safety and overall community livability. Priorities for the Highway 99W corridor and surrounding lands that were identified by the city Urban Renewal Area Feasibility Study Committee include making needed infrastructure improvements to encourage investment in key properties, streetscape improvements to make the highway corridor more attractive, and improving safety for motorists and pedestrians as they travel through and use the downtown core.

PROJECT DESCRIPTION

Through discussions with the Mid-Willamette Valley Council of Governments (MWVCOG), the City of Dundee began considering whether an Urban Renewal program would be an appropriate tool to encourage investment in underdeveloped commercial and industrial areas. The City contracted with MWVCOG to complete the analysis and develop a report of conclusions in order to guide the City's next steps.

On June 23, 2015, MWVCOG staff provided an overview on Urban Renewal to the City Council. On September 1, 2015, the Dundee City Council appointed an

Urban Renewal Feasibility Study Advisory Committee to work with MWVCOG staff to study the feasibility of using Urban Renewal as a development tool in Dundee. The committee met with the consultants on September 10th and 23rd. Discussion at the meetings centered on: the role and purpose of the committee, how Urban Renewal works for communities the size of Dundee, identifying the most critical capital improvement needs, and next steps. Discussion also focused on possible boundaries for the Urban Renewal Area that would encompass various sites in the downtown core and along Highway 99W that are good candidates for redevelopment, potential catalyst projects or sites, and/or projects that would help spur investment in the area.

PURPOSE OF URBAN RENEWAL FEASIBILITY STUDY

The purpose of this study is to examine the local conditions and key elements necessary for the creation of an Urban Renewal District, and to determine whether an Urban Renewal District in Dundee would be:

- In accordance with Oregon Revised Statute, ORS 457, the statute governing formation and operation of an Urban Renewal District.
- Feasible from a financial and policy standpoint.
- Adequate to address needs (both capital improvements and redevelopment) within the preliminary boundaries.
- A good fit for potential redevelopment using 'tools' available through an Urban Renewal program.

The following is the list of items covered through this project to determine the legal and practical feasibility of an Urban Renewal District for the City of Dundee. They include:

- Creation of a preliminary boundary for an Urban Renewal District.
- Determine if the property within the preliminary boundary meets the necessary conditions outlined in state statute (ORS 457 limits the area within the Urban Renewal boundaries, of communities with less than 15,000 population, to no more than 25% of the total land area or assessed value).
- Determine if the needs of Dundee are consistent with the allowable project activities under state statutes for Urban Renewal.
- Determine if there would be sufficient revenues under the preliminary boundaries to carry out project activities.
- Determine the potential to finance projects through bonds.

This feasibility report has no legal status as an Urban Renewal Plan as defined in ORS 457. The report is meant to meet the requirements of the feasibility report which is required to accompany an Urban Renewal Plan under ORS 457.085(3).

The City of Dundee will be required to take additional procedural steps, in conformance with the City of Dundee Charter and ORS 457, in order to adopt an Urban Renewal Plan and create an Urban Renewal District.

UNDERSTANDING URBAN RENEWAL

The following section is a summary of Urban Renewal, including definitions, requirements, processes and procedures. It is taken from a white paper written by Jeff Tashman, principal of Tashman Johnson, LLC, an Oregon Urban Renewal specialist.

I. URBAN RENEWAL DEFINED

The purpose of Urban Renewal is to improve specific areas of a city that are poorly developed or underdeveloped. These areas can have deteriorated buildings, bad streets, inadequate utilities, or the areas can lack streets and utilities altogether. Urban Renewal provides three types of authority that are not otherwise available to local governments.

- First, it allows for the use of tax increment financing (explained below) to finance improvement projects.
- Second, it allows for special powers to buy and assemble sites for development or redevelopment, if that is desired.
- And third, it allows for special flexibility in working with private parties to complete development projects.

For a city to use Urban Renewal it must establish an Urban Renewal Agency and it must adopt an Urban Renewal Plan.

A. What is an Urban Renewal Agency?

Urban Renewal Agencies are created by state law (ORS Chapter 457) but are specifically “activated” by the City Council. The agencies are separate legal bodies from the council, but the Urban Renewal Agency board can be composed of members of the City Council.

B. What are Urban Renewal Plans?

To complete Urban Renewal projects with tax increment financing, the projects must be authorized in an Urban Renewal Plan. The Plan applies to a specific geographic area of the city, which is called the Urban Renewal Area. In adopting the Plan, the City Council must find that the area is eligible for Urban Renewal because of existing “blight” which is defined as conditions such as deteriorated buildings and lack of adequate infrastructure.

C. How is an Urban Renewal Plan Adopted?

According to ORS 457, to adopt an Urban Renewal Plan, the City Council or Urban Renewal Agency decides that it wants to consider an area for a possible plan. This decision is usually in response to interest in the community in revitalizing the area. Then the eligibility and feasibility of the area as an Urban Renewal Area is studied. This "feasibility study" includes information about property values, development conditions, availability and condition of streets and utilities and other key factors.

If the area is found eligible by the Council and it wishes to proceed with Urban Renewal, an Urban Renewal Plan and report is prepared. The process must involve citizens at every stage, and especially when it comes to determining what projects and activities are to be undertaken.

An Urban Renewal Plan must be presented to the Planning Commission for a recommendation and then must be adopted by the City Council after a public hearing is held. Notice of the public hearing must be sent to each individual household in the city.

In Dundee, there are some extra steps outlined in the Dundee City Charter, Chapter IX Urban Renewal. In Section 53: Authorization, the Council is required to refer the determination of the need for and activation of an Urban Renewal District and Agency. This referral must happen during a general election and must declare that a blighted area(s) exist(s) which impairs the economic values and tax revenues. The referral asks voters to approve the City using Urban Renewal as a solution to address the blighted conditions. In Section 55: Urban Renewal District Boundaries, it requires the boundaries for the Urban Renewal District to be submitted to the voters as part of the Urban Renewal District and Agency formation referral.

In Section 54, it requires that the City Council, by ordinance, establish an Urban Renewal Agency "after approval in a general election." At that point, the Agency is authorized to develop an Urban Renewal Plan. The Urban Renewal District Board may add no more than ten percent (10%) additional area to the District than initially approved by the voters.

The City's Charter in Section 58: Tax Increment Financing also requires that if the District wishes to issue debt to finance Urban Renewal projects and to be paid with tax increment financing, the authorization to issue the debt must be referred to the voters at a general election.

The last Charter provision that will affect the feasibility of Urban Renewal in Dundee is Section 59: Termination of Agency which states "A District shall terminate ten (10) years from the date of voter approval, or when all voter approved debt has been repaid through tax increment financing or other means." If the City chooses to use a pay-as-you-go strategy rather than issuing debt, the district will only be allowed to exist for 10 years.

The City has sought the advice of the City Attorney with regard to implementing the current Charter provisions regarding Urban Renewal. The attorney recommends that if the City Council determines that Urban Renewal is feasible for Dundee, the City "seek voter approval to amend and clarify Chapter XI" of the City Charter.

D. What Can Happen Under An Urban Renewal Plan?

Urban Renewal agencies can do certain projects or activities under an adopted Urban Renewal Plan. These activities include:

1. Construction or improvement of streets, utilities and other public uses.

The most common type of Urban Renewal project is infrastructure development, including streets and utilities. Urban Renewal also commonly funds parks, plazas and pedestrian facilities.

2. Rehabilitation or conservation of existing buildings

An Urban Renewal Agency can assist in rehabilitation projects of any type (residential, commercial, industrial) typically through loans and grants to private property owners.

3. Acquisition and improvement of property

An Urban Renewal Agency can acquire property, typically for re-sale for private development or a combination of public/private development. This can be done either through purchase from a willing seller for any purpose outlined in the Urban Renewal Plan. The agency has the power of eminent domain (condemnation) for redevelopment purposes for public projects.

The agency must identify properties to be acquired in the Urban Renewal Plan. Properties must be acquired at fair market value. Once acquired, Urban Renewal Agencies can clear and improve the properties prior to resale or lease. Any persons or businesses displaced by agency acquisition are entitled to relocation assistance.

4. Re-sale or lease of property

An Urban Renewal Agency can sell or lease property it owns for redevelopment. Unlike cities and counties, the agency can legally sell for less than fair market

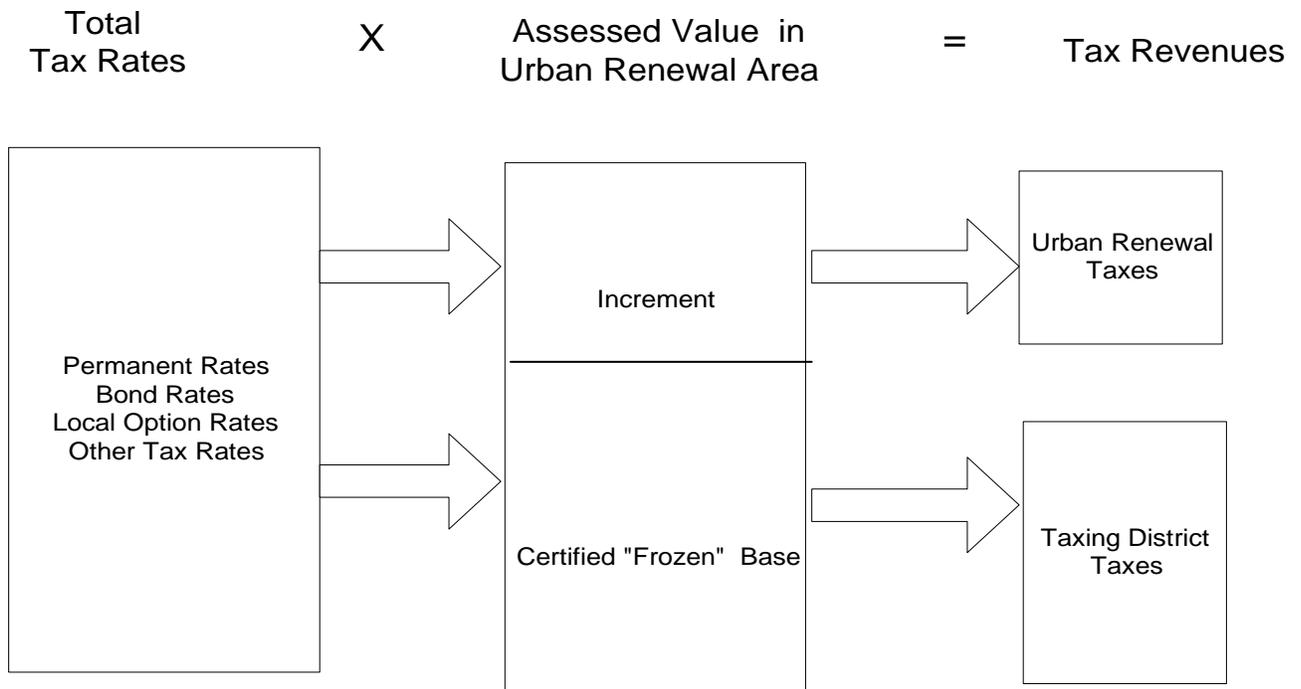
value. Property can be sold for its "fair re-use value" which is the value for a specified use required in the Urban Renewal Plan.

E. How are Urban Renewal Plans Financed?

Urban Renewal is unique in that it can be financed by Urban Renewal taxes or tax increment financing. Urban Renewal taxes are the taxes generated by the *increase* in total assessed values in the Urban Renewal Area from the time the Urban Renewal Area is first established. The assessed value of an Urban Renewal Area at the time the plan is adopted is called the "frozen base". Growth above the base is called the "increment."

The diagram below shows how this works.

Urban Renewal Taxes for New Urban Renewal Plans



DISTRICT BOUNDARY, ACREAGE AND ASSESSED VALUE LIMITATIONS

Preliminary Boundary

This report contains two maps indicating preliminary Urban Renewal Area boundaries for two Urban Renewal Area options for Dundee. The two options are shown on the next two pages (with larger, more detailed versions in the Appendix). The preliminary boundaries were developed by the advisory committee in consultation with City staff and elected officials. They represent an initial look at two options for an Urban Renewal District, one conservatively developed to include only the most critical areas in the downtown/Hwy. 99 corridor and a second, developed with an expanded boundary to include more of the blighted properties in the downtown/Hwy. 99 corridor. Because the proposed boundary is required to be referred to the voters in Dundee along with the authorization to form an Urban Renewal District, this feasibility report will include a recommendation on the preferred Urban Renewal boundary to be considered by the City Council. As outlined in the City Charter, the Urban Renewal Board has the ability to adjust the voter approved boundary by up to ten percent (10%) in a final Urban Renewal Plan. The City will undergo a broader, community based process to evaluate and adjust the area encompassed by a potential Urban Renewal District if the voters authorize formation of a district. For this report, we are exploring the potential of two areas to show the level of redevelopment that can be funded and the projected impacts Urban Renewal could have on other taxing districts for each scenario.

The preliminary areas are irregularly shaped which is not unusual. The boundaries are based upon land uses, development patterns and development opportunities within the City of Dundee.

Exhibit 1

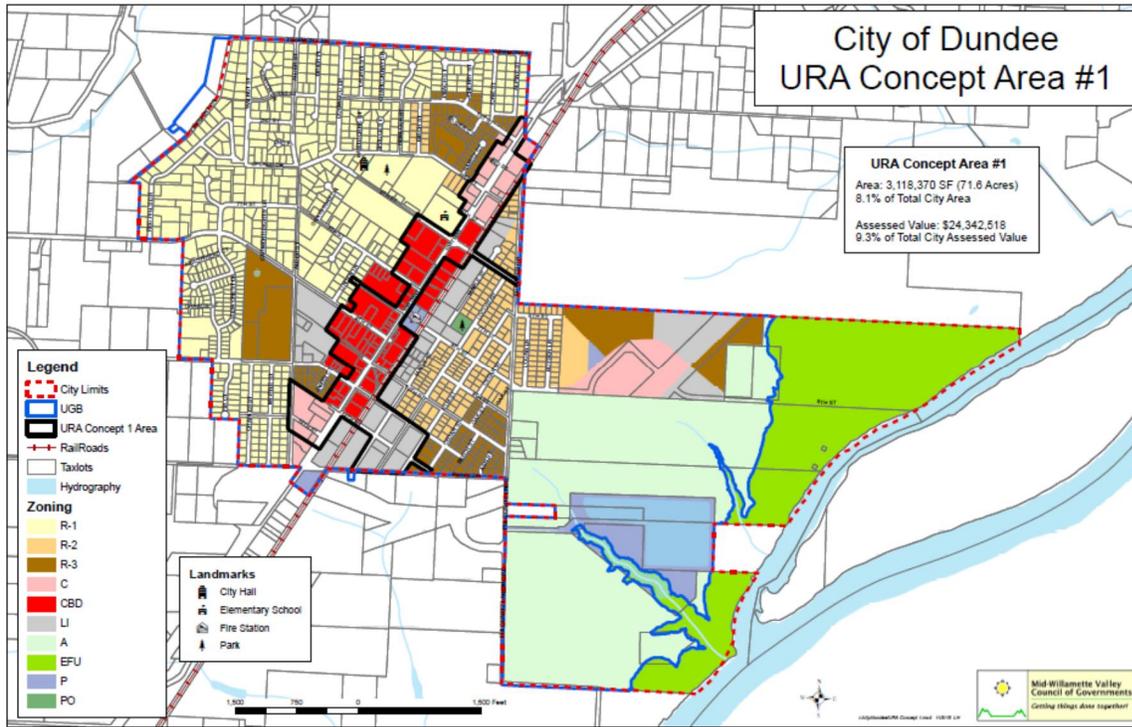
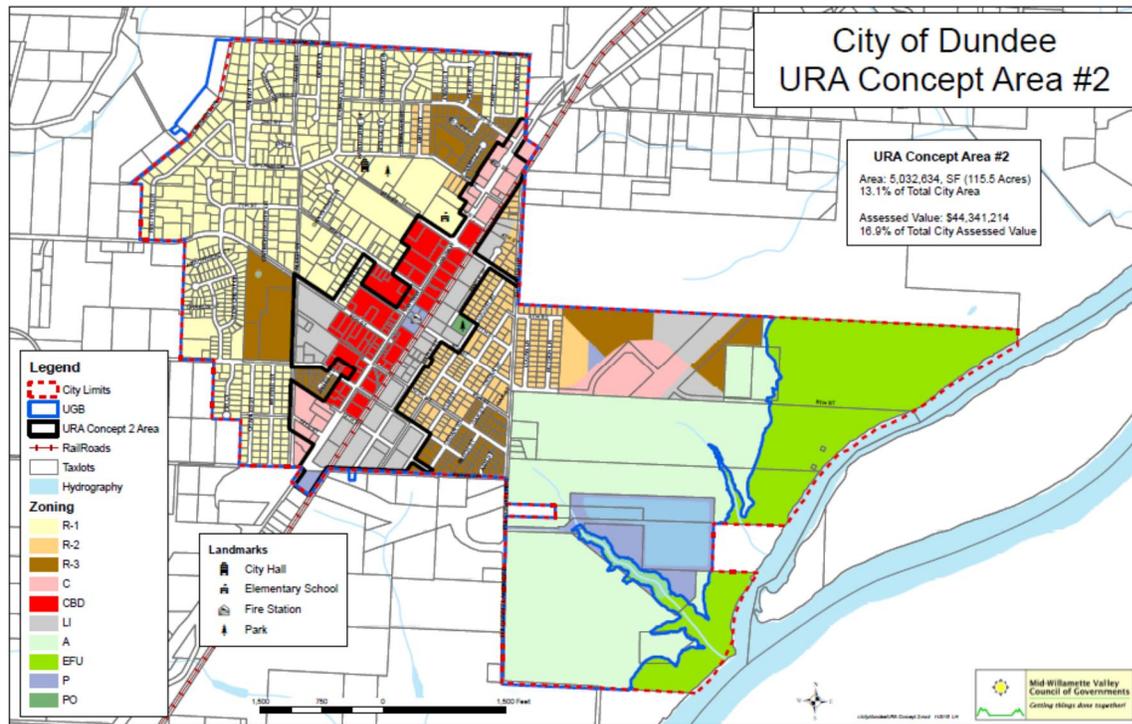


Exhibit 2



For larger copies of the maps above see Attachment A and Attachment B.

Acreage

Oregon Urban Renewal law limits the total acreage in Urban Renewal areas to 25% of the total acreage within a City with a population of 50,000 or less (ORS 457.420).

GIS data provided by the Mid-Willamette Valley Council of Governments shows that Dundee contains approximately 884.5 acres within its city limits. This would allow the City of Dundee to have approximately 220 acres within an Urban Renewal boundary and still be within the required limits. The preliminary boundaries for both Concept Area 1 and 2, shown on the previous page, fall well within this limitation. Concept Area 1 includes 71.6 acres or 8.1% of the total area in the City. Concept Area 2 includes 115.5 acres or 13.1% of the total area in the city.

Assessed Value

GIS data provided by the Mid-Willamette Valley Council of Governments shows that the total assessed value within the Dundee City Limits is \$262,609,168. Both Concept Areas fall well within the 25% of total value in the City. For Concept Area 1, the assessed value, according to GIS data, is \$24,342,518 or 9.3% of the City's total assessed value. For Concept Area 2, the value is \$44,341,214 or 16.9% of the City's total assessed value.

STUDY AREA CONDITIONS OF BLIGHT

Oregon Revised Statutes (ORS) Requirements

In order to form an Urban Renewal District, the City of Dundee must find that blighted areas exist within the Urban Renewal boundary. ORS 457.010 defines "blighted areas" and blighting conditions in the following manner.

457.010 Definitions:

As used in this chapter, unless the context requires otherwise:

- 1) "Blighted areas" means areas which, by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community.

A blighted area is characterized by the existence of one or more of the following conditions:

- a) The existence of buildings and structures, used or intended to be used for living, commercial industrial or other purposes, or any combination of those uses, which are unfit or unsafe to occupy for those purposes because of any one or a combination of the following conditions:
 - (A) Defective design and quality of physical construction;
 - (B) Faulty interior arrangement and exterior spacing;
 - (C) Overcrowding and a high density of population;
 - (D) Inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities; or
 - (E) Obsolescence, deterioration, dilapidation, mixed character or shifting of uses.
- b) An economic dislocation, deterioration or disuse of property resulting from faulty planning;
- c) The division or subdivision and sale of property or lots of irregular form and shape and inadequate size or dimensions for property usefulness and development;
- d) The laying out of property or lots in disregard of contours, drainage and other physical characteristics of the terrain and surrounding conditions;
- e) The existence of inadequate streets and other rights of way, open spaces and utilities;
- f) The existence of property or lots or other areas which are subject to inundation by water;
- g) A prevalence of depreciated values, impaired investments and social and economic maladjustments to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered;
- h) A growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety, and welfare; or
- i) A loss of population & reduction of proper utilization of the area, resulting in its further deterioration and added costs to the taxpayer for the creation of new public facilities and services elsewhere.

Blighting Conditions within the Preliminary Urban Renewal Boundary:

Numerous properties along Highway 99W in Dundee exhibit indicators of blight as defined by ORS 457. The feasibility study reveals the following conditions that constitute “blight” exist within the preliminary boundary:

- Multiple properties within the proposed area boundaries remain undeveloped, including significant sections of property with frontage on Highway 99W. The lack of development on larger vacant parcels with frontage on Highway 99W can be attributed in part to the high

cost to install or upsize public facilities such as water and storm sewer facilities.

- In the commercially zoned areas along Highway 99W, there are several vacant storefronts and many vacant and underused parcels along the NW side of Highway 99W. In addition, some of the buildings require light to major renovation. These conditions reflect a degree of obsolescence and deterioration within the proposed URA.
- The absence of a city center performing to its full potential leads to a reduction of proper utilization of the area, and results in the need to create new public facilities and services in less central locations.
- Obsolescence and deterioration, dilapidation, mixed character or shifting of uses is evident in some sections along the NW side of Highway 99W, particularly between 7th Street and 9th Street. Several residential dwellings also remain in use on commercially zoned lots that front onto Highway 99W.
- The small sizes of some commercial properties along Highway 99W that exhibit obsolescence and deterioration may inhibit redevelopment of these parcels with commercially allowed uses because there is not sufficient area to accommodate parking and other amenities.
- There are multiple substandard streets in the area, including those which lack sidewalks and/or crosswalks.

ELIGIBLE URBAN RENEWAL ACTIVITIES

The activities that can be undertaken with Urban Renewal funds will need to meet the following criteria:

- ~ They must be activities permitted by Urban Renewal statute. In general, this means that projects must be of a capital improvement nature, or basic “brick and mortar” activities.
- ~ They must be consistent with goals and policies set forth in the City's Comprehensive Plan, and other adopted policy documents.
- ~ The activities must be located within the Urban Renewal Area boundary.

Potential Renewal Project Activities

At the time this feasibility report was prepared, there was no formal list of project activities for an Urban Renewal project area. However, according to the Dundee Development Code, as properties in the city are developed, the developer pays the cost of bringing a substandard street up to current standards. The City calls this requirement three quarter street improvements and the expectation is that the development would pay for two travel lanes, parking or bike lane on the development side of the street, curb and sidewalk. A

developer may also be required to construct new streets to serve the development and improve access and connectivity per the requirements of the Dundee Transportation System Plan. In addition, if the water, sewer or storm water facilities serving the development are inadequate, the developer would pay to bring them up to the size needed to serve the development. In the Urban Renewal Plan area for Dundee, the storm water system is not well developed. Building out the storm water system may allow for new businesses to more fully use their property by alleviating the need for more extensive on-site storm water detention facilities.

The cost of adding this infrastructure can be a barrier to adding new businesses and industry in the Highway 99W Core outlined in the Urban Renewal Area. If the City decides to create an Urban Renewal District, tax increment revenues could be used to share the cost of these improvements and make development more attractive in the Urban Renewal Area.

In a series of meetings with City of Dundee staff and the Urban Renewal Feasibility Committee a list of potential projects has been created. Projects that may be considered in the final Urban Renewal Plan would fall within the following categories:

1. Street and Sidewalk Improvements
 - a. Improvement of substandard streets
 - b. Construction of new streets to increase connectivity to undeveloped properties
2. Water Line Improvements
 - a. Upsizing existing inadequate water lines
 - b. Adding new water lines to undeveloped properties along new streets
3. Storm Water Line Improvements
 - a. Upsizing existing inadequate storm water facilities
 - b. Adding new storm water lines where they do not currently exist
4. Sewer Line Improvements
 - a. Adding new sewer lines where they don't currently exist
5. Other Improvements
 - a. Expanding the facade grant program
 - b. Undergrounding overhead utilities (Development Code requirement)
 - c. Community Plaza
 - d. Acquiring and consolidating undersized, underdeveloped properties
 - e. Public parking facilities
 - f. Walking trails

A listing of potential improvements in the proposed Urban Renewal Area that have been identified in city planning documents has been provided as an example (See Attachment C). While the list is extensive, Urban Renewal funds could be used to leverage other available funds to complete some of these projects to trigger development in the Urban Renewal Area.

Eligible Activities Summary

The categories of project activities listed above meet the requirements of ORS 457 and will help to remove the deficient conditions found within the preliminary Urban Renewal Areas. The improvement projects listed are similar to those typically undertaken in other Urban Renewal Districts around Oregon.

FINANCIAL ANALYSIS

Statutes require that an Urban Renewal Plan be accompanied by a "financial analysis with sufficient information to determine feasibility." A feasibility analysis typically estimates the tax increment resources that will be available to carry out the proposed activities, estimates when the resources will be available, and how long the plan duration must be to cover the cost of proposed activities. Determining financial feasibility relies largely on common sense and financial prudence. The estimates of project costs and timing, and the estimates of revenues (including sources other than tax increment) needed to pay for project costs should be reasonable. Important assumptions should be documented to help with 'institutional memory' that will be critically important over the long haul.

Estimate of Revenues to Pay for Plan Activities

The tax increment revenues to pay for project activities will be generated by the growth of assessed values within the preliminary area boundary. Under Ballot Measure 50, growth of assessed values can occur in two ways:

- A maximum of 3% growth in value per year from the previous years' assessed value.
- The assessed value from new construction or major renovation projects in the area, termed by the assessor as "exception values".

Therefore, even if there is no new construction within a Urban Renewal Area, overall values could still increase up to the 3% per year as allowed by Ballot Measure 50. For purposes of providing an estimate of potential Urban Renewal revenues, the consultant has made the following assumptions:

- ~ The duration of the Urban Renewal Plan will be 20 years, assuming Tax Increment Financing Debt is issued. According to the current Dundee Charter, an Urban Renewal District can only be in effect for ten years unless debt is issued.
- ~ A frozen base assessed value of \$24,342,518 for URA Concept 1 and \$44,341,214 for URA Concept 2 boundary (2015 rates provided by the Yamhill County Assessor's Office through the County's GIS data).
- ~ An annual growth rate of 3% in assessed values in the area.
- ~ A combined tax rate of \$11.1180 for the property within Dundee's city limits used to calculate tax increment revenue (breakdown shown below-2015 rates provided by the Yamhill County Assessor's Office.)

Yamhill County	2.5775
Yamhill Co. Ext. Svc.	0.0449
Yamhill Co. Soil & Water	0.0354
SD 29J - Newberg	4.6616
City of Dundee	2.3115
Chehalem Parks & Rec.	0.9076
Portland CC	<u>0.5855</u>
Total	11.1180

The following tables show projected Urban Renewal revenues for the two Urban Renewal District Concept Areas. For each area, two scenarios for calculating Urban Renewal revenues are shown: 1) no new development (3% assumed incremental increases only, and 2) the amount of annual collection using the 3% incremental increases plus an additional average growth rate (new development) of 3% beginning in 2019. The revenues projected below have not been adjusted for the discounts allowed for taxpayers who pay their taxes in full by November 15th each year.

Concept Area 1

Tables 1 through 4 on the following pages show the analysis of projected tax increment revenues for each concept area using two different growth scenarios. Applying the “no new development” assumption to Concept Area 1, Table 1 shows the estimated revenues that would be projected over a twenty year period with a 3% annual incremental growth in property values. The cumulative tax increment revenues that would be generated are shown at the bottom of each year. As you can see, the projected cumulative tax increment revenues under this scenario for Concept Area 1 are projected to be \$2,129,523. Table 2 on the following pages applies the moderate growth rate of 3% in addition to the annual incremental growth, beginning in 2019. The total projected cumulative tax increment revenues with this scenario is \$3,741,688 after 20 years.

Concept Area 2

Tables 3 and 4 apply the same assumptions as in Concept Area 1 to Concept Area 2. The total incremental revenues projected to be collected at the end of 20 years, assuming “no new development” (Table 3) is \$3,784,397. Table 4 shows the projected revenues over a 20 year period assuming a growth rate of 3% from new development beginning in 2019. The total after 20 years for Concept Area 2 with moderate growth is \$7,396,244.

Table 1

Cumulative Total Collected No New Development

FY Ending June 30	Base Year 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Assessed Value	\$24,951,081	\$25,699,613	\$26,470,602	\$27,264,720	\$28,082,661	\$28,925,141	\$29,792,896	\$30,686,682	\$31,607,283	\$32,555,501	\$33,532,166
Appreciation Percent		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Appreciation Amount		\$748,532	\$770,988	\$794,118	\$817,942	\$842,480	\$867,754	\$893,787	\$920,600	\$948,218	\$976,665
New Development											
Frozen Base	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081
Assessed Value of Increment		\$748,532	\$1,519,521	\$2,313,639	\$3,131,580	\$3,974,060	\$4,841,815	\$5,735,601	\$6,656,202	\$7,604,420	\$8,581,085
Tax Rate per \$1000 AV		11.1181	11.1181	11.1181	11.1181	11.1181	11.1181	11.1181	11.1181	11.1181	11.1181
Tax Increment Revenue, Gross		\$8,322	\$16,894	\$25,723	\$34,817	\$44,184	\$53,832	\$63,769	\$74,004	\$84,547	\$95,405
Cumulative Total Collected		\$8,322	\$25,216	\$50,940	\$85,757	\$129,941	\$183,773	\$247,542	\$321,546	\$406,093	\$501,498
FY Ending June 30		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total Assessed Value		\$34,538,131	\$35,574,275	\$36,641,504	\$37,740,749	\$38,872,971	\$40,039,160	\$41,240,335	\$42,477,545	\$43,751,872	\$45,064,428
Appreciation Percent		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Appreciation Amount		\$1,005,965	\$1,036,144	\$1,067,228	\$1,099,245	\$1,132,222	\$1,166,189	\$1,201,175	\$1,237,210	\$1,274,326	\$1,312,556
New Development											
Frozen Base		\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081
Assessed Value of Increment		\$9,587,050	\$10,623,194	\$11,690,423	\$12,789,668	\$13,921,890	\$15,088,079	\$16,289,254	\$17,526,464	\$18,800,791	\$20,113,347
Tax Rate per \$1000 AV		11.1181	11.1181	11.1181	11.1181	11.1181	11.1181	11.1181	11.1181	11.1181	11.1181
Tax Increment Revenue, Gross		\$106,590	\$118,110	\$129,975	\$142,197	\$154,785	\$167,751	\$181,106	\$194,861	\$209,029	\$223,622
Cumulative Total Collected		\$608,088	\$726,198	\$856,173	\$998,370	\$1,153,155	\$1,320,905	\$1,502,011	\$1,696,872	\$1,905,901	\$2,129,523

Table 2

Incremental Assessed Value Projections - Concept Area 1

Moderate New Development

FY Ending June 30	Base Year 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Assessed Value	\$24,951,081	\$25,699,613	\$26,470,602	\$28,058,838	\$29,742,368	\$31,526,910	\$33,418,525	\$35,423,636	\$37,549,055	\$39,801,998	\$42,190,118
Appreciation Percent		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Appreciation Amount		\$748,532	\$770,988	\$794,118	\$841,765	\$892,271	\$945,807	\$1,002,556	\$1,062,709	\$1,126,472	\$1,194,060
New Development (3%)				\$794,118	\$841,765	\$892,271	\$945,807	\$1,002,556	\$1,062,709	\$1,126,472	\$1,194,060
Frozen Base	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081
Assessed Value of Increment		\$748,532	\$1,519,521	\$3,107,757	\$4,791,287	\$6,575,829	\$8,467,444	\$10,472,555	\$12,597,974	\$14,850,917	\$17,239,037
Tax Rate per \$1000 AV		11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118
Tax Increment Revenue, Gross		\$8,322	\$16,894	\$34,552	\$53,270	\$73,110	\$94,141	\$116,434	\$140,064	\$165,112	\$191,664
Cumulative Total Collected		\$8,322	\$25,216	\$59,768	\$113,038	\$186,148	\$280,289	\$396,723	\$536,787	\$701,900	\$893,563
FY Ending June 30		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total Assessed Value		\$44,721,525	\$47,404,816	\$50,249,105	\$53,264,052	\$56,459,895	\$59,847,488	\$63,438,338	\$67,244,638	\$71,279,316	\$75,556,075
Appreciation Percent		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Appreciation Amount		\$1,265,704	\$1,341,646	\$1,422,144	\$1,507,473	\$1,597,922	\$1,693,797	\$1,795,425	\$1,903,150	\$2,017,339	\$2,138,379
New Development		\$1,265,704	\$1,341,646	\$1,422,144	\$1,507,473	\$1,597,922	\$1,693,797	\$1,795,425	\$1,903,150	\$2,017,339	\$2,138,379
Frozen Base		\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081	\$24,951,081
Assessed Value of Increment		\$18,504,740	\$19,846,386	\$21,268,531	\$22,776,004	\$24,373,925	\$26,067,722	\$27,863,147	\$29,766,297	\$31,783,636	\$33,922,015
Tax Rate per \$1000 AV		11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118
Tax Increment Revenue, Gross		\$205,736	\$220,652	\$236,464	\$253,224	\$270,989	\$289,821	\$309,782	\$330,942	\$353,370	\$377,145
Cumulative Total Collected		\$1,099,299	\$1,319,951	\$1,556,414	\$1,809,638	\$2,080,627	\$2,370,448	\$2,680,231	\$3,011,172	\$3,364,543	\$3,741,688

Table 3

Incremental Assessed Value Projections - Concept Area 2

No New Development

FY Ending June 30	Base Year 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Assessed Value	\$44,341,214	\$45,671,450	\$47,041,594	\$48,452,842	\$49,906,427	\$51,403,620	\$52,945,728	\$54,534,100	\$56,170,123	\$57,855,227	\$59,590,884
Appreciation Percent		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Appreciation Amount		\$1,330,236	\$1,370,144	\$1,411,248	\$1,453,585	\$1,497,193	\$1,542,109	\$1,588,372	\$1,636,023	\$1,685,104	\$1,735,657
New Development											
Frozen Base	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214
Assessed Value of Increment		\$1,330,236	\$2,700,380	\$4,111,628	\$5,565,213	\$7,062,406	\$8,604,514	\$10,192,886	\$11,828,909	\$13,514,013	\$15,249,670
Tax Rate per \$1000 AV		11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118
Tax Increment Revenue, Gross		\$14,790	\$30,023	\$45,713	\$61,874	\$78,520	\$95,665	\$113,325	\$131,514	\$150,249	\$169,546
Cumulative Total Collected		\$14,790	\$44,812	\$90,525	\$152,400	\$230,919	\$326,584	\$439,909	\$571,423	\$721,671	\$891,217
FY Ending June 30		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total Assessed Value		\$61,378,610	\$63,219,969	\$65,116,568	\$67,070,065	\$69,082,167	\$71,154,632	\$73,289,271	\$75,487,949	\$77,752,587	\$80,085,165
Appreciation Percent		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Appreciation Amount		\$1,787,727	\$1,841,358	\$1,896,599	\$1,953,497	\$2,012,102	\$2,072,465	\$2,134,639	\$2,198,678	\$2,264,638	\$2,332,578
New Development											
Frozen Base		\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214
Assessed Value of Increment		\$17,037,396	\$18,878,755	\$20,775,354	\$22,728,851	\$24,740,953	\$26,813,418	\$28,948,057	\$31,146,735	\$33,411,373	\$35,743,951
Tax Rate per \$1000 AV		11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118
Tax Increment Revenue, Gross		\$189,422	\$209,894	\$230,980	\$252,699	\$275,070	\$298,112	\$321,844	\$346,289	\$371,468	\$397,401
Cumulative Total Collected		\$1,080,639	\$1,290,533	\$1,521,513	\$1,774,213	\$2,049,283	\$2,347,394	\$2,669,239	\$3,015,528	\$3,386,996	\$3,784,397

Table 4

Incremental Assessed Value Projections - Concept Area 2

Moderate New Development

FY Ending June 30	Base Year 2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026
Total Assessed Value	\$44,341,214	\$45,671,450	\$47,041,594	\$49,864,090	\$51,360,012	\$52,900,813	\$54,487,837	\$56,122,472	\$57,806,146	\$59,540,331	\$61,326,541
Appreciation Percent		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Appreciation Amount		\$1,330,236	\$1,370,144	\$1,411,248	\$1,495,923	\$1,540,800	\$1,587,024	\$1,634,635	\$1,683,674	\$1,734,184	\$1,786,210
New Development				\$1,411,248	\$1,495,923	\$1,540,800	\$1,587,024	\$1,634,635	\$1,683,674	\$1,734,184	\$1,786,210
Frozen Base	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214
Assessed Value of Increment		\$1,330,236	\$2,700,380	\$5,522,876	\$8,514,721	\$11,596,322	\$14,770,370	\$18,039,641	\$21,406,989	\$24,875,358	\$28,447,778
Tax Rate per \$1000 AV		11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118
Tax Increment Revenue, Gross		\$14,790	\$30,023	\$61,403	\$94,667	\$128,928	\$164,217	\$200,565	\$238,003	\$276,564	\$316,282
Cumulative Total Collected		\$14,790	\$44,812	\$106,216	\$200,882	\$329,810	\$494,027	\$694,592	\$932,595	\$1,209,159	\$1,525,442
FY Ending June 30		2027	2028	2029	2030	2031	2032	2033	2034	2035	2036
Total Assessed Value		\$65,006,133	\$68,906,501	\$73,040,891	\$77,423,345	\$82,068,745	\$86,992,870	\$92,212,442	\$97,745,189	\$103,609,900	\$109,826,494
Appreciation Percent		3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Appreciation Amount		\$1,839,796	\$1,950,184	\$2,067,195	\$2,191,227	\$2,322,700	\$2,462,062	\$2,609,786	\$2,766,373	\$2,932,356	\$3,108,297
New Development		\$1,839,796	\$1,950,184	\$2,067,195	\$2,191,227	\$2,322,700	\$2,462,062	\$2,609,786	\$2,766,373	\$2,932,356	\$3,108,297
Frozen Base		\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214	\$44,341,214
Assessed Value of Increment		\$32,127,370	\$36,027,738	\$40,162,128	\$44,544,582	\$49,189,982	\$54,114,107	\$59,333,679	\$64,866,426	\$70,731,137	\$76,947,731
Tax Rate per \$1000 AV		11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118	11.118
Tax Increment Revenue, Gross		\$357,192	\$400,556	\$446,523	\$495,247	\$546,894	\$601,641	\$659,672	\$721,185	\$786,389	\$855,505
Cumulative Total Collected		\$1,882,634	\$2,283,190	\$2,729,713	\$3,224,959	\$3,771,853	\$4,373,494	\$5,033,166	\$5,754,351	\$6,540,740	\$7,396,244

Estimate of Time Needed to Carry Out Plan Activities

ORS 457 imposes no time restrictions on carrying out an Urban Renewal Plan. As a policy question, however, there is an issue regarding how long the plan might operate before it generates sufficient revenue to pay off estimated project indebtedness, and return the values in the area to the tax rolls. The revenue projections shown in the tables above arbitrarily imposed a 20 year limit on the collection of tax increment revenue. That is the most common time frame for recent Urban Renewal Plans. Because most Urban Renewal Plans build revenues slowly, and gain revenue momentum in later years, communities with a lengthy or expensive project list may choose a longer plan duration to cover those costs. The plan duration is a local policy choice.

Estimate of Maximum Indebtedness to Carry Out Plan Activities

With the passage of Ballot Measure 50, ORS 457 requires that a “maximum indebtedness” figure be put into the Urban Renewal Plan. This figure represents the limit of the tax increment revenue that the city may take in to cover project costs, excluding interest on debt. ORS 457 imposes no restrictions on the maximum amount of indebtedness that can be inserted into an Urban Renewal Plan. The maximum indebtedness is based on good faith estimates of costs and inflation. No maximum indebtedness figure needs to be established at this feasibility stage. Projects and project costs should be defined through the public process in developing an Urban Renewal Plan, and at that time the maximum indebtedness for the plan will be established.

TAX IMPACTS OF CARRYING OUT A PLAN

As a result of Ballot Measure 50, the financial impacts of carrying out an Urban Renewal Plan have undergone radical change. Prior to the passage of this measure, Urban Renewal revenues were raised by a form of levy imposed on all property owners in the city that initiated the Urban Renewal Program. Thus, Urban Renewal resulted in an increase in total taxes paid by property owners.

Under Oregon's tax rate based system of property taxes, total tax rates will not change as a result of adopting an Urban Renewal program. Thus, there will be no effect on taxpayers resulting from establishment of an Urban Renewal District. Instead, the potential revenues raised by taxing bodies will be affected. New values created within the Urban Renewal Area after the formation of the Renewal District (these values are called “incremental” or “excess” values) will

not be available to other taxing bodies for raising property tax revenues. The revenues from those incremental values will instead be directed to the Renewal Agency for purpose of paying off indebtedness to carry out project activities. The effects of this foregone revenue will vary with the size of the tax bodies, tax rates, and the cumulative level of incremental values in the Urban Renewal Area.

Local Impacts

Taxing districts are understandably concerned about the impact of urban renewal on their future tax revenues. During the operation of an Urban Renewal Plan, the taxing districts will forego any increase in property taxes within the Urban Renewal Area. The reason for pursuing Urban Renewal is to increase the value of properties in the Urban Renewal Area, thereby increasing the property tax revenues. At the termination of an Urban Renewal Agency, taxing districts will receive the benefit of the use of Urban Renewal, if the Urban Renewal Agency was successful at increasing the taxable assessed value.

To the extent that urban renewal investment is successful in stimulating new taxable development, not all of the foregone revenues should truly be categorized as impacts to taxing districts. Successful urban renewal areas cause new development to occur, above and beyond the level that would have occurred without urban renewal within the same time period. In these situations, the increase in property taxes due to new development would not have existed, but for the Urban Renewal Agency, so even though these tax revenues show up as Tax Increment Financing, and as foregone revenues, they really should not be counted as a negative impact to taxing districts. The analysis in this feasibility study was not conducted at the detailed level required to estimate the portion of Tax Increment Revenue in the proposed new Urban Renewal District that would likely be generated by new development dependent upon urban renewal investment.

In general, the city that forms the Urban Renewal Agency tends to have the largest share of the overall tax rate, and therefore will sustain the most revenue foregone. It is important to note that, under present funding formulas for Oregon K-12 schools, establishing an Urban Renewal District does not impact the per-student revenue for schools. The funding per student is derived from a complex formula that establishes a uniform statewide per student funding level. The amount of funds received by the Newberg School District is determined by this formula, not by the amount of property taxes raised locally. (There may be an aggregate impact of tax increment financing statewide on the total funds available for all K-12 School Districts and ESD's but it is difficult to measure.) Yamhill County and other taxing districts receiving taxes from citizens in the

proposed boundary/district areas. Efforts will need to be made to discuss those impacts with these taxing districts.

Table 5

20-Year Tax Revenues Foregone by Taxing Districts

Affected by the Proposed Dundee Urban Renewal District
Concept Area 2 - Moderate Growth

Year	Yamhill County		Yamhill Co. Extension		Yamhill County Soil & Water		Newberg School District*		Willamette ESD		City of Dundee		Chehalem Parks & Recreation		Portland Community College	
	Tax Rate	Revenue Foregone	Tax Rate	Revenue Foregone	Tax Rate	Revenue Foregone	Tax Rate	Revenue Foregone	Tax Rate	Revenue Foregone	Tax Rate	Revenue Foregone	Tax Rate	Revenue Foregone	Tax Rate	Revenue Foregone
2016	2.5775	\$0	0.0449	\$0	0.0354	\$0	4.6616	\$0	0.2967	\$0	2.3115	\$0	0.9076	\$0	0.2828	\$0
2017	2.5775	\$3,429	0.0449	\$60	0.0354	\$47	4.6616	\$6,201	0.2967	\$395	2.3115	\$3,075	0.9076	\$1,207	0.2828	\$376
2018	2.5775	\$6,960	0.0449	\$121	0.0354	\$96	4.6616	\$12,588	0.2967	\$801	2.3115	\$6,242	0.9076	\$2,451	0.2828	\$764
2019	2.5775	\$14,235	0.0449	\$248	0.0354	\$196	4.6616	\$25,745	0.2967	\$1,639	2.3115	\$12,766	0.9076	\$5,013	0.2828	\$1,562
2020	2.5775	\$21,947	0.0449	\$382	0.0354	\$301	4.6616	\$39,692	0.2967	\$2,526	2.3115	\$19,682	0.9076	\$7,728	0.2828	\$2,408
2021	2.5775	\$29,890	0.0449	\$521	0.0354	\$411	4.6616	\$54,057	0.2967	\$3,441	2.3115	\$26,805	0.9076	\$10,525	0.2828	\$3,279
2022	2.5775	\$38,071	0.0449	\$663	0.0354	\$523	4.6616	\$68,854	0.2967	\$4,382	2.3115	\$34,142	0.9076	\$13,406	0.2828	\$4,177
2023	2.5775	\$46,497	0.0449	\$810	0.0354	\$639	4.6616	\$84,094	0.2967	\$5,352	2.3115	\$41,699	0.9076	\$16,373	0.2828	\$5,102
2024	2.5775	\$55,177	0.0449	\$961	0.0354	\$758	4.6616	\$99,791	0.2967	\$6,351	2.3115	\$49,482	0.9076	\$19,429	0.2828	\$6,054
2025	2.5775	\$64,116	0.0449	\$1,117	0.0354	\$881	4.6616	\$115,959	0.2967	\$7,381	2.3115	\$57,499	0.9076	\$22,577	0.2828	\$7,035
2026	2.5775	\$73,324	0.0449	\$1,277	0.0354	\$1,007	4.6616	\$132,612	0.2967	\$8,440	2.3115	\$65,757	0.9076	\$25,819	0.2828	\$8,045
2027	2.5775	\$82,808	0.0449	\$1,443	0.0354	\$1,137	4.6616	\$149,765	0.2967	\$9,532	2.3115	\$74,262	0.9076	\$29,159	0.2828	\$9,086
2028	2.5775	\$92,861	0.0449	\$1,618	0.0354	\$1,275	4.6616	\$167,947	0.2967	\$10,689	2.3115	\$83,278	0.9076	\$32,699	0.2828	\$10,189
2029	2.5775	\$103,518	0.0449	\$1,803	0.0354	\$1,422	4.6616	\$187,220	0.2967	\$11,916	2.3115	\$92,835	0.9076	\$36,451	0.2828	\$11,358
2030	2.5775	\$114,814	0.0449	\$2,000	0.0354	\$1,577	4.6616	\$207,649	0.2967	\$13,216	2.3115	\$102,965	0.9076	\$40,429	0.2828	\$12,597
2031	2.5775	\$126,787	0.0449	\$2,209	0.0354	\$1,741	4.6616	\$229,304	0.2967	\$14,595	2.3115	\$113,703	0.9076	\$44,645	0.2828	\$13,911
2032	2.5775	\$139,479	0.0449	\$2,430	0.0354	\$1,916	4.6616	\$252,258	0.2967	\$16,056	2.3115	\$125,085	0.9076	\$49,114	0.2828	\$15,303
2033	2.5775	\$152,933	0.0449	\$2,664	0.0354	\$2,100	4.6616	\$276,590	0.2967	\$17,604	2.3115	\$137,150	0.9076	\$53,851	0.2828	\$16,780
2034	2.5775	\$167,193	0.0449	\$2,913	0.0354	\$2,296	4.6616	\$302,381	0.2967	\$19,246	2.3115	\$149,939	0.9076	\$58,873	0.2828	\$18,344
2035	2.5775	\$182,310	0.0449	\$3,176	0.0354	\$2,504	4.6616	\$329,720	0.2967	\$20,986	2.3115	\$163,495	0.9076	\$64,196	0.2828	\$20,003
2036	2.5775	\$198,333	0.0449	\$3,455	0.0354	\$2,724	4.6616	\$358,700	0.2967	\$22,830	2.3115	\$177,865	0.9076	\$69,838	0.2828	\$21,761
Total		\$1,714,681		\$29,870		\$23,550		\$3,101,127		\$197,380		\$1,537,724		\$603,780		\$188,133

*Revenues lost by the School District and ESD will be back filled by the State school funding formula.

SUMMARY OF URBAN RENEWAL FEASIBILITY FINDINGS

The previous sections of this analysis have provided information on each of the key issues that should be evaluated in making the decision to proceed with an Urban Renewal Plan. In summary, the feasibility findings are as follows:

- ~ There are limitations in the existing City Charter to completing the process of establishing an Urban Renewal Agency. The City Council should either build the necessary elections into the timeframe for the process or look at whether to ask the voters if they want to modify the City Charter to facilitate the implementation of Urban Renewal in Dundee. A thorough and open public process is the correct path to developing a successful plan.
- ~ Both proposed concept areas are within the acreage and total value limits established by ORS 457.
- ~ Both concept areas proposed contain blight conditions as defined by ORS 457.
- ~ The potential project activities appear to be eligible for Urban Renewal funding.
- ~ The assumptions used in estimating Urban Renewal revenues appear to be conservative, good faith estimates.
- ~ The duration needed to carry out plan activities is initially estimated at twenty years, and is typical of the duration usually required for newly adopted Urban Renewal Plans.
- ~ The potential revenues appear adequate to meet typical Urban Renewal Plan objectives. Decisions on the use of resources will be made annually in the City's budget process.
- ~ The level of possible plan activities that can be accomplished will depend on which concept area the Council decides to use for the ultimate Urban Renewal District if it is created.

On this basis, it appears there are no technical or legal obstacles to the feasibility of establishing an Urban Renewal Plan for either concept area shown on the boundary maps. Proceeding with an Urban Renewal Plan is a policy matter for the City Council to decide. However, based on the recommendation of the City Attorney, it is advisable to clarify and/or amend the current language in the City Charter before attempting to proceed with the development of an

Urban Renewal District and Plan. (See Attachment D for complete letter from the City Attorney.)

DOES URBAN RENEWAL MAKE SENSE FOR DUNDEE?

The findings in the report show that under 'no growth' and 'moderate growth' scenarios, the revenues from an Urban Renewal District would be between the \$2.1 – \$3.7 million range for Concept Area 1 - - which is not a lot of money when weighed against the costs of some of the proposed projects. For Concept Area 2, the range would be in the \$3.7 – \$7.4 million which would allow the city more flexibility in funding projects. That said, either boundary would provide additional funds for making improvements in the City of Dundee/Highway 99W core. The funds can be used to help fill project gaps; to help assemble property for redevelopment; and as a tool to help facilitate new development.

In addition to its value as a 'tool', having an Urban Renewal District in place is also a signal to developers that the community is actively planning for the redevelopment of blighted or underutilized areas of town.

In considering whether or not to pursue an Urban Renewal District, it should be kept in mind that Urban Renewal is not a fix-all but a valuable tool for redevelopment. It is also important to remember that if a city adopts an Urban Renewal District, then the real success (and higher Urban Renewal revenues) comes when redevelopment goes beyond the 'no growth' or 'moderate growth' scenarios and results in a much higher level of redevelopment activity.

END NOTE

This feasibility report does not have legal status as an Urban Renewal Plan. It is prepared for information purposes. The City of Dundee would have to take numerous procedural steps, all in conformance with ORS 457 and the City's Charter, in order to create an Urban Renewal District and an Urban Renewal Plan.