

CITY OF NEWPORT
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Agenda

City of Newport Urban Renewal Advisory Committee

June 29, 2015
10:00 am - noon
Newport City Hall
Council Chambers

- Introductions
- Review Feasibility Study
- Review Resolution 3707 setting sidebars
- Condensed Urban Renewal Primer: How is tax increment raised? What are the impacts? What types of projects are done?
- Schedule
- Input from Committee

Future meetings

| | | |
|-----------|-------------------------------|-----------------------------|
| Meeting 2 | Boundary | |
| Meeting 3 | Review Socio Economic data | |
| Meeting 4 | Projects/Goals and Objectives | (Open House also scheduled) |
| Meeting 5 | Financials | |
| Meeting 6 | Review of Draft Plan/Report | (Open House also scheduled) |

Note: Meeting 3 could also cover projects if there is sufficient time.

RESOLUTION NO. 3707

**A RESOLUTION INITIATING
THE PROCESS OF CREATING A NEW
URBAN RENEWAL PLAN IN NEWPORT**

WHEREAS, City of Newport established an Urban Renewal Agency pursuant to ORS Chapter 457 with Resolution No. 1647, effective June 5, 1972; and

WHEREAS, the Urban Renewal Agency has been responsible for the preparation and implementation of two Urban Renewal Plans, the first being the "Newport Urban Renewal Plan," created by Council Resolution No. 1685 on May 7, 1973 and the second being the "South Beach Urban Renewal Plan," established with Ordinance No. 1341, adopted September 12, 1983; and

WHEREAS, the Newport Urban Renewal Plan ceased collecting a tax increment in fiscal year 2010/2011 and was closed in 2013; and

WHEREAS, City of Newport conducted an Economic Opportunity Analysis in 2012, engaging a wide range of stakeholders to assess the economic condition of the City, develop a cohesive economic strategy and vision for the community, and to identify steps the City could take to help the community achieve its economic development aspirations; and

WHEREAS, the study recommended that the City evaluate the feasibility of creating a new urban renewal plan area north of the Yaquina Bay Bridge to address issues of underutilized commercial and industrial properties and infrastructure deficiencies; and

WHEREAS, a feasibility study was completed by the consulting firm ECONorthwest under the direction of the Newport Planning Commission in 2014 focusing on the US 20 and US 101 highway corridors and Agate Beach areas that, for the most part, have not benefitted from urban renewal investments in the past; and

WHEREAS, representatives of the affected taxing districts have had an opportunity to review the feasibility study, meet with city staff, and provide testimony to the Urban Renewal Agency; and

WHEREAS, Urban Renewal Agency desires to move forward with preparing an Urban Renewal Plan as provided in ORS Chapter 457 and to provide general direction for how the plan is to be prepared.

THE NEWPORT URBAN RENEWAL AGENCY RESOLVES AS FOLLOWS:

Section 1. A Citizen Advisory Committee shall be established by resolution to assist the Newport Urban Renewal Agency in preparing an Urban Renewal Plan for presentation to the Newport Planning Commission and Newport City Council.

Section 2. The Urban Renewal Plan shall address the requirements listed in ORS 457.085, and is to adhere to the following general parameters:

- a) The boundary for the new plan area is to be modelled after the "Large Option" contained in the 2014 ECONorthwest study. Modifications to that boundary may be made so long as the overall acreage is not significantly increased.
- b) The conceptual project list included in the ECONorthwest feasibility study should be used as a starting point for identifying appropriate urban renewal projects. In identifying projects, emphasis should be given to those that will stimulate economic activity, are likely to draw matching funds from individuals or entities benefitting from the investments, and that are consistent with the City's public facility plans.
- c) The cost of administering the urban renewal program in a manner that will allow the Urban Renewal Agency to implement projects on schedule should be accounted for in the plan.
- d) Procedures for making minor and major amendments to the plan should include measures for engaging affected stakeholders in the Urban Renewal Agency's decision making process. This may include the establishment of an advisory committee to assist the agency over the life of the urban renewal plan.
- e) The plan should examine Urban Renewal Agency's authority to collect a tax increment that is less than the amount it would otherwise be entitled to collect in a given year, and identify a framework for how that authority might be exercised and its impact to plan implementation.
- f) The maximum level of indebtedness established for the new urban renewal plan should not exceed \$42 million over the life of the plan.

Section 3. It is the Urban Renewal Agency's desire that the Urban Renewal Plan be completed such that, if the plan is adopted, the initial increment will be drawn in FY 2016/2017.

Section 4. This resolution shall be effective immediately upon passage.

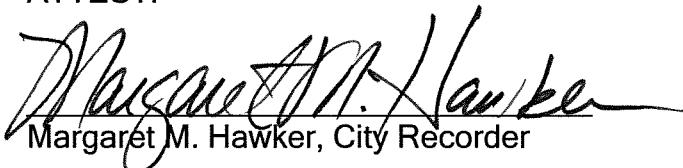
Adopted by the Newport Urban Renewal Agency on March 16, 2015.

Signed on March 18, 2015.

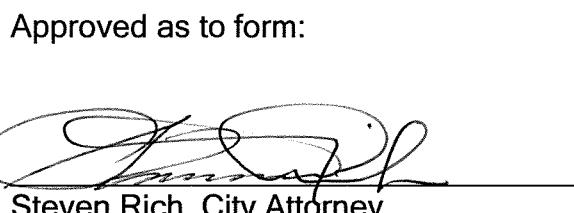


David Allen, Chair
Newport Urban Renewal Agency

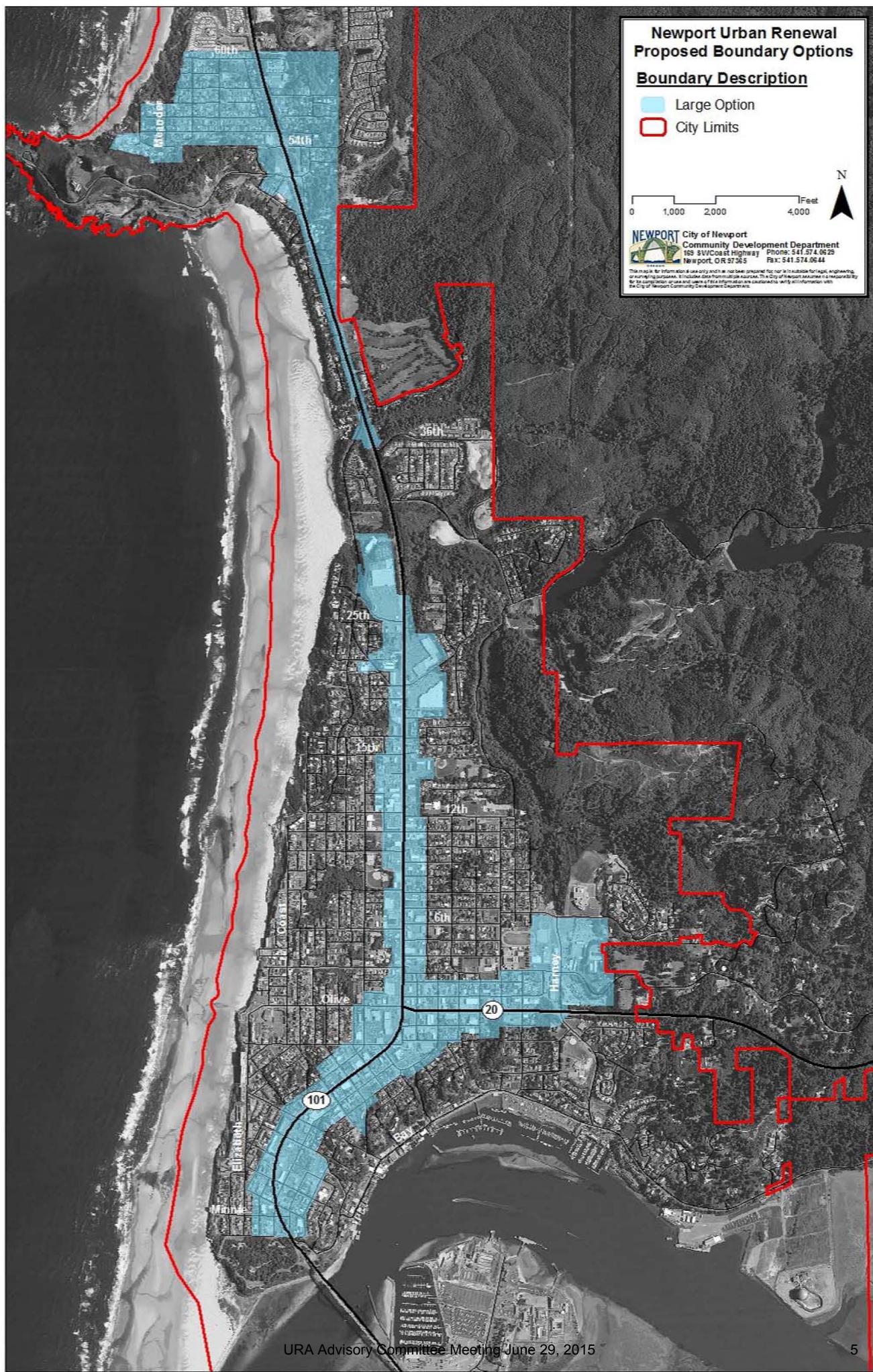
ATTEST:



Margaret M. Hawker, City Recorder



Steven Rich, City Attorney



DATE: March 20, 2014
TO: Derrick Tokos
FROM: Nick Popenuk and Tessa Krebs
SUBJECT: EVALUATION OF NEWPORT URBAN RENEWAL OPTIONS

The City of Newport is considering the creation of an urban renewal district (URD) to implement economic development projects for the area north of the Yaquina Bay Bridge. This memorandum evaluates three potential URA options, including analysis on how much tax increment finance (TIF) revenue might be generated, what projects could be funded, and over what period of time. Note that the three boundaries evaluated in this memorandum are not the City's only options. They illustrate a range of possibilities that the City could consider, including smaller vs. larger boundaries, and less vs. more maximum indebtedness (i.e., the total amount of urban renewal project costs.).

This memorandum is organized into the following sections:

- **Introduction/Background** describes the purpose of the report and how urban renewal works.
- **Methods** describes the steps used in our analysis and the source of key assumptions.
- **Results** presents the TIF revenue projections and project list for each of three potential URD boundaries, along with a discussion of the pros and cons of each boundary option.
- **Compression considerations** describes how compression works and the potential impact of creating a new Newport URD on compression losses for other taxing districts.
- **Impact to taxing districts** identifies the amount of property tax revenue that would be foregone by overlapping taxing districts.
- **Conclusions** summarizes the most important key findings, comparing the three boundary options. It is intended to help the City make an informed decision on which boundary option(s) should be focused on next year as the City creates a formal urban renewal plan and report.
- **Appendix A** provides maps of the three potential urban renewal areas.
- **Appendix B** provides detailed tables of foregone revenues for overlapping taxing districts.

Introduction/Background

The City of Newport, Oregon is interested in conducting a feasibility study for an urban renewal district (URD) to serve the area north of the Yaquina Bay Bridge. The action to “evaluate creation of an urban renewal district north of Yaquina Bay” is specifically called out in Action 6.1 of the Newport Economic Development Strategy.

Although the Economic Development Strategy recognizes the numerous potential uses of urban renewal, the Strategy does not identify the specific geography, or specific uses of urban renewal for the City of Newport. Thus, the purpose of this feasibility study is to examine how different URD boundaries might be able to help the City achieve its economic development goals. This report provides the City of Newport with baseline data to understand the financial capacity of a new URD north of the Yaquina Bay Bridge.

What is Urban Renewal?

Urban renewal is a state-sanctioned program used by over 50 cities and counties in Oregon to help them, through partnerships with the private sector, implement adopted plans to revitalize specified areas within their jurisdiction. Urban renewal, through the provision of tax increment financing (TIF), can provide for capital improvements such as parks, water and waste water infrastructure, parking facilities, and transportation improvements that stimulate private investment and attract new businesses, jobs, and residents. It can also be used to assist with development activities that are approved in an urban renewal plan, such as storefront improvement loans, property acquisition, and site preparation.

In Oregon, planning and analysis associated with the creation of a new URD is guided by state statute (ORS Chapter 457). The statutes stipulate that URD plans must find the proposed URD is eligible for urban renewal because of existing *blight*, typified by conditions such as deteriorated buildings and lack of adequate infrastructure. The plan must also contain goals and objectives, authorized urban renewal projects, a limit on the expenditures, specific provisions regarding acquisition and disposition of land, and provisions regarding how the plan may be amended in the future.

What is TIF?

Tax increment financing is the primary funding tool used within URDs. Tax increment revenue is generated within a URD when the assessed value within that area is ‘frozen’ (often called the *frozen base*). Any taxes generated within that area from growth in assessed value through either appreciation or new investment becomes the *increment*. Taxing jurisdictions continue to collect tax income from the frozen base but agree to release assessed value above the frozen base to the URD. The URD then can obtain loans or issue bonds to pay for identified public improvements and/or investments in private projects that are in the public interest. The tax increment is used to pay debt service on these projects.

What is Revenue Sharing?

In 2009, the Oregon Legislature enacted HB 3056, which, among other things, established a system of revenue sharing for urban renewal areas. These revenue sharing provisions only apply to urban renewal areas approved after 2009 and older urban renewal areas that have been amended to increase maximum indebtedness since 2009. When urban renewal areas attain certain thresholds of annual tax revenue, some of this tax revenue is released from the urban renewal area and shared with the other taxing districts.

When tax revenues reach 10% of the URD's maximum indebtedness, then a portion of the TIF above that level is shared with overlapping taxing districts (specifically 25% of the TIF above this threshold remains with the URD, and the remaining 75% of TIF is returned to taxing districts). Additionally, when TIF revenues for the URD reach 12.5% of the maximum indebtedness, TIF revenues for the URD are capped at the amount, with all TIF revenues above 12.5% of maximum indebtedness being shared with overlapping taxing districts.

What is Maximum Indebtedness?

Maximum indebtedness (MI) means the amount of the principal of indebtedness included in a plan pursuant to ORS 457.190 and does not include indebtedness incurred to refund or refinance existing indebtedness. This is the total amount that can be spent from tax increment proceeds for projects, programs and administration.

How does Oregon Property Tax work?

Citizen initiatives have changed the way that property taxes are raised in Oregon, and have limited the growth of assessed value and property tax revenues for taxing jurisdictions.

Measure 5, passed in 1990, introduced tax rate limits. Measure 50 passed in 1996, cut taxes, introduced assessed value growth limits, and replaced most dollar-limited *levies* (an amount) with permanent tax *rate limits*.

Measure 5 introduced limits on the taxes paid by individual properties. It imposed limits of \$5 per \$1,000 of real market value for school taxes and \$10 per \$1,000 of real market value for general government taxes. These limits apply to all property taxes, other than those levied to repay voter-approved general obligation bonds.

Under Measure 50, most levies were replaced by permanent limits on tax rates. The permanent rate limit is fixed, and does not change from year to year. In addition to the permanent rate, taxing districts may impose general obligation bond levies and local option levies. The sum of all the tax rates (including permanent rates, local option levy rates, and rates for bonds and other levies) of all taxing districts in a given levy code area is known as the *consolidated tax rate*.

Measure 50 changed the concepts of "assessed values" and "tax rates." Assessed value no longer equals real market value. Real market value is the sale price for property that changes hands between a willing seller and a willing buyer in the open market. Assessed value is the

value assigned to that property for tax purposes. Growth in maximum assessed value for existing properties is limited to 3% per year.

Property taxes and school funding

Although schools levy property taxes, these local property tax revenues do not have a direct impact on funding for local school districts. This is because the state “equalizes” school funding using a formula that takes into account property tax revenue generated at the local school district level, and revenue from the state’s coffers generated by the statewide income tax, Oregon Lottery, and intergovernmental revenues.

Allocation of state revenues to local school districts comes in the form of “general purpose grants.” The primary driver of the state allocation is the number of students in each district. The state multiplies the number of students by the general purpose grant, with some adjustments for teacher experience and other factors. **Regardless of local property tax collections, each school district still receives the same amount of funding per student, with state funding making up the difference between local property tax revenues and the general purpose grant amount.**

What is Compression?

Some jurisdictions in Oregon do not receive the full amount of property taxes that should be levied, due to “compression,” which occurs as a result of the rate limits enacted by Measure 5. These rate limits apply to the *real market value* of properties, rather than to the assessed value. If taxes to be raised on an individual property exceed the Measure 5 limits (\$5 per \$1,000 for education, or \$10 per \$1,000 for general government), then the tax bill for that property is reduced or “compressed.” Compression loss means some properties pay less in taxes than are calculated by the product of the assessed value and consolidated tax rate.

Due to the tax rates in Lincoln County relative to the Measure 5 limits, education taxing districts are far more likely to suffer compression losses than general government taxing districts. Exhibit 1 shows historical compression losses in Lincoln County since FY 2006-07. Prior to FY 2009-10, both education and general government taxing districts experienced significant compression each year. Since FY 2009-10, however, general government compression losses have nearly been eliminated, while education compression losses have increased substantially.

Exhibit 1. Lincoln County historical property tax compression losses, FY 2007-08 to 2003-14

| FYE | M5 Compression Losses | | | | Total |
|------|-----------------------|-------------|-----------|----|---------|
| | Education | General Gov | Other* | | |
| 2007 | \$ 129,197 | \$ 55,903 | \$ 31,248 | \$ | 216,348 |
| 2008 | \$ 121,942 | \$ 66,590 | \$ 39,765 | \$ | 228,297 |
| 2009 | \$ 123,712 | \$ 66,134 | \$ 41,394 | \$ | 231,240 |
| 2010 | \$ 134,536 | \$ 74,626 | \$ 45,549 | \$ | 254,711 |
| 2011 | \$ 153,388 | \$ 11,429 | \$ 285 | \$ | 165,102 |
| 2012 | \$ 222,418 | \$ 348 | \$ 405 | \$ | 223,171 |
| 2013 | \$ 507,672 | \$ 885 | \$ 509 | \$ | 509,066 |
| 2014 | \$ 633,459 | \$ 453 | \$ 292 | \$ | 634,204 |

*Other jurisdictions include special assessments and urban renewal.

Source: Lincoln County Assessor

Note that urban renewal can have an impact on compression losses, because urban renewal changes the effective tax rates of an area. Urban renewal is sometimes referred to as “division of taxes.” That means that a portion of the taxes that would go to a jurisdiction like the City of Newport is instead divided off and sent to an urban renewal agency instead. The process that the County Assessor uses to collect TIF revenues for URDs results in a portion of each jurisdictions tax rate being carved off, and turned into a new urban renewal tax rate. A side effect of this process is that education districts that are impacted by urban renewal have their rates reduced a small amount, and that amount is added to the general government side of the compression equation.

This means that Newport’s existing urban renewal district helps to lower the compression losses experienced by education taxing districts. Similarly, a new URD in Newport would also help to reduce compression losses for education districts.

Methods

The methods used in our analysis, included the following key steps:

- Step 1. Define boundary options
- Step 2. Identify projects and costs.
- Step 3. Determine applicable tax rates.
- Step 4. Forecast growth in assessed value.
- Step 5. Calculate TIF and revenue sharing.
- Step 6. Create a draft finance plan.

Step 1. Define boundary options

The City of Newport asked us to evaluate three different boundary options. Each boundary option also included a few variations on a fairly consistent list of economic development projects. Exhibit 2 is a map displaying all three boundary options.

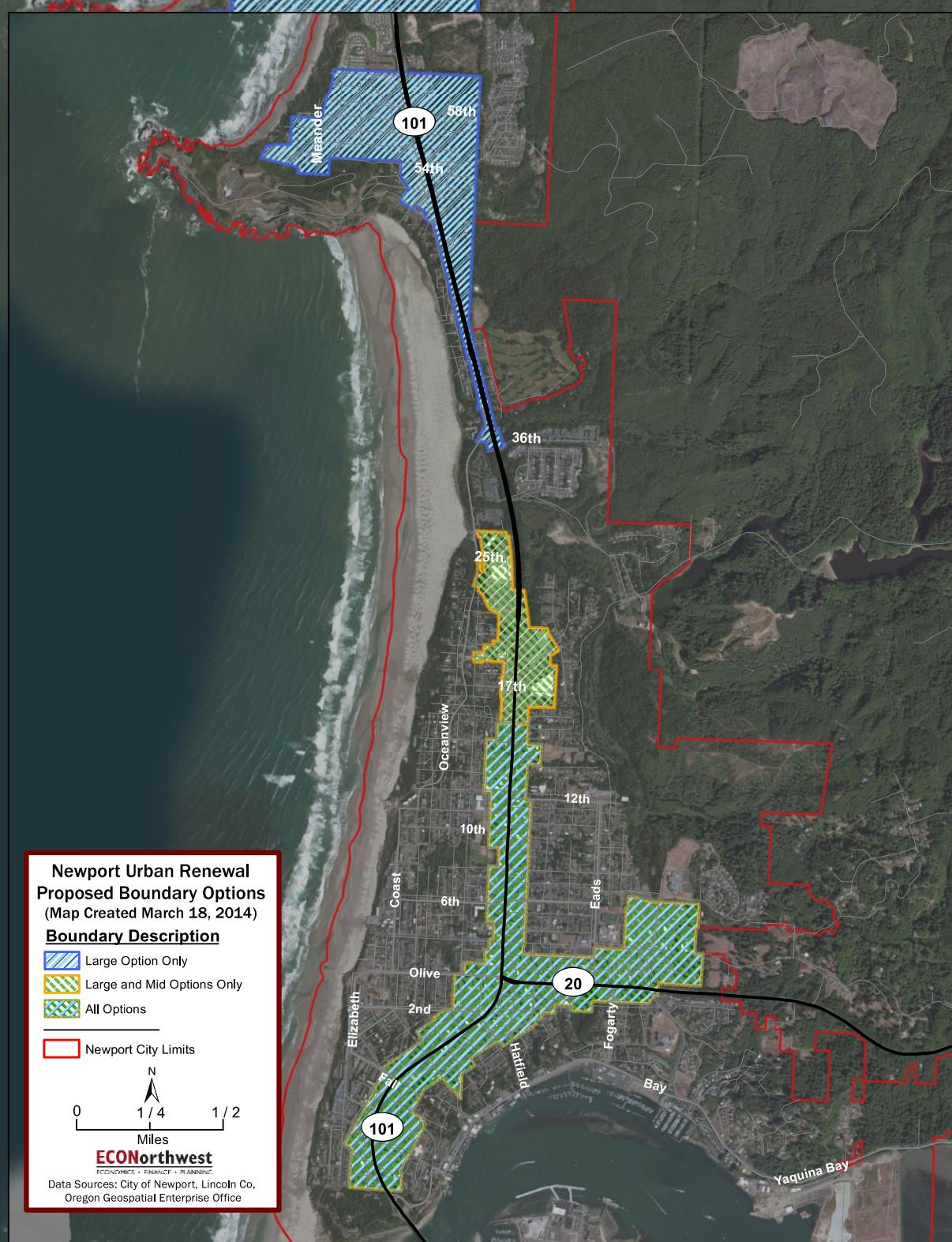
The first option, the *Small Option*, includes 282 acres of downtown Newport centered around the Highway 101 / Highway 20 intersection. Total assessed value of the area is \$146,294,830 million. The list of projects to be included in this option result in a maximum indebtedness of \$40 million.

The *Mid Option* includes all of the area from the Small Option, plus a larger area that extends north along Highway 101 to include additional commercially zoned parcels in the area. It has a total of 345 acres, and \$198,769,630 million in assessed value. This boundary was also modeled with a smaller maximum indebtedness (i.e., a lower amount of urban renewal funding for economic development projects). This allows us to evaluate an option that would emphasize a more targeted use of urban renewal, accelerating the timing of project construction, debt repayment and URD retirement. The maximum indebtedness for this option would be \$30 million.

The third and final area is the *Large Option*. It is the biggest boundary, encompassing 525 acres, and \$269,652,460 million in assessed value, including all of the area from the Small and Mid Options plus the Agate Beach area and a section of Highway 101 right-of-way extending south of Agate Beach. This option has the highest maximum indebtedness, including additional projects to serve the Agate Beach area. Maximum indebtedness for this option would be \$45 million.

Note that State statutes limit the total amount of assessed value and acreage that can be included in urban renewal districts in a City. Because the City of Newport already has one existing URD, South Beach URA, it is important to ensure that the proposed boundary options do not exceed the citywide limitations. Our analysis shows that the City has capacity for 619 acres, and \$300.8 million in assessed value to add to new URDs. All three boundary options included in this analysis are within these citywide limits.

Exhibit 2. Map of Three Boundary Options



Step 2. Identify projects and costs

As mentioned in the previous option, the three boundary options have three different project lists, and project cost estimates, and therefore three different maximum indebtedness figures. The list of projects and cost estimates were provided by City staff, and reviewed by ECONorthwest. These cost estimates are shown below in Exhibit 3. Note that the cost estimates shown in Exhibit 3 show both the total costs for each project, and the portion of each project cost to be funded with TIF from a new URD. Also note that the values shown in Exhibit 3 were adjusted by the City to account for future inflation. The reason why the urban renewal share of project costs differ from total costs is because funding partnerships are assumed for certain projects in all three boundary options. Other potential funding sources include State funds, County funds, transient lodging tax, gas tax, local improvement districts, etc. Ultimately, these project costs would be examined more closely and refined before adopting a formal urban renewal plan for the area.

Exhibit 3. Estimated project costs, Newport URD boundary options

| Project Name | Urban Renewal Share of Cost | | | Total Cost |
|---|-----------------------------|----------------------|----------------------|----------------------|
| | Small Option | Mid Option | Large Option | |
| Agate Beach Improvements | | | | |
| Agate Beach Neighborhood Refinement Plan | \$ - | \$ - | \$ 100,000 | \$ 100,000 |
| Agate Beach improvements to existing local street ROW | \$ - | \$ - | \$ 1,000,000 | \$ 2,000,000 |
| Agate Beach storm drainage improvements | \$ - | \$ - | \$ 1,500,000 | \$ 2,000,000 |
| Agate Beach US 101 access and collector upgrades | \$ - | \$ - | \$ 750,000 | \$ 1,500,000 |
| US 101 water line upgrade | \$ - | \$ - | \$ 600,000 | \$ 1,200,000 |
| Public buildings | | | | |
| Multi-purpose building (fiargrounds redevelopment) | \$ 3,000,000 | \$ 3,000,000 | \$ 3,000,000 | \$ 9,000,000 |
| Public Safety Building | \$ 5,000,000 | \$ - | \$ 5,000,000 | \$ 10,000,000 |
| Transportation system enhancements | | | | |
| Downtown Revitalization and Couplet Refinement Plan | \$ 100,000 | \$ 100,000 | \$ 100,000 | \$ 100,000 |
| Couplet and related ROW improvements | \$ 12,500,000 | \$ 10,000,000 | \$ 12,500,000 | \$ 25,000,000 |
| Intersection realignment (e.g. US 101 and NW 6th) | \$ 1,000,000 | \$ 1,000,000 | \$ 1,250,000 | \$ 3,000,000 |
| Parking improvements | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 |
| Right-of-way acquisition | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 1,000,000 |
| Signal installation or adjustment | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 1,000,000 |
| Economic development | | | | |
| Benches, public art | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 |
| Billboard removal | \$ 500,000 | \$ 500,000 | \$ 500,000 | \$ 500,000 |
| Site prep for reuse (demolition, lot aggregation, etc.) | \$ 2,500,000 | \$ 2,500,000 | \$ 2,500,000 | \$ 2,500,000 |
| Storefront façade loans/grants | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 | \$ 1,000,000 |
| Strategic site acquisition for economic development | \$ 5,000,000 | \$ 5,000,000 | \$ 5,000,000 | \$ 5,000,000 |
| Street tree and landscape island enhancements | \$ 250,000 | \$ 250,000 | \$ 250,000 | \$ 250,000 |
| Wayfinding improvements | \$ 200,000 | \$ 200,000 | \$ 200,000 | \$ 200,000 |
| Utility undergrounding | \$ 4,000,000 | \$ 2,700,000 | \$ 4,000,000 | \$ 8,000,000 |
| Total | \$ 37,300,000 | \$ 28,500,000 | \$ 41,400,000 | \$ 74,600,000 |

Source: City of Newport

Note that the total project costs are estimated to be \$37.3 million in the Small Option, \$28.5 million in the Mid Option, and \$41.5 million in the Large Option. Our assumptions for maximum indebtedness round these numbers up to \$40 million, \$30 million, and \$45 million,

respectively. This provides a cushion to account for administrative costs, which are not included in the estimates shown in Exhibit 3.

Step 3. Determine applicable tax rates

All property within the three boundary options are located within two tax code areas (104 and 107) that have the same tax rate. Details of the applicable tax rate are shown below in Exhibit 4. Note that some of these taxing districts (Port of Newport, Lincoln County School District, and Oregon Coast Community College) also have rates for general obligation (GO) bonds. However all of these bonds were approved after 2001, and Oregon statutes preclude new URDs from including GO bond rates for all bonds approved after 2001. Tax rate information was obtained from Lincoln County Assessor Summary Table 4a.

Exhibit 4. Applicable tax rates for Newport URD boundary options, FY 2013-14

| District | Tax Code Areas: 104 and 107 |
|------------------------------------|-----------------------------|
| Lincoln County | 2.8202 |
| Animal Service | 0.1100 |
| Solid Waste | 0.0000 |
| Extension | 0.0451 |
| Transportation | 0.0974 |
| Port of Newport | 0.0609 |
| City of Newport | 5.5938 |
| Pacific Communities Health | 0.3625 |
| General Government Subtotal | 9.0899 |
| Lincoln County School Unit | 4.9092 |
| Oregon Coast Community College | 0.1757 |
| Linn-Benton ESD | 0.3049 |
| Education Subtotal | 5.3898 |
| Consolidated Rate | 14.4797 |

Step 4. Forecast growth in assessed value

The Lincoln County Assessor provided us with data on the assessed value of all properties in the City of Newport for FY 2013-14. This allowed us to determine the current assessed value of each boundary option. Growth rates for assessed value vary over time, depending on market cycles and new development. In Oregon, appreciation is capped at 3.0% per year, which means any growth above 3.0% per year requires new development to occur.

We looked at recent historical trends in the City of Newport to determine a reasonable growth rate to use for our analysis. Exhibit 5 shows historical growth in assessed value citywide from 2003 to 2014. This shows annual growth varying from 1.2% per year to 5.7% per year, with an average annual growth rate of 3.65%.

Exhibit 5. City of Newport, historical growth in assessed value, FYE 2003 to 2013

| FYE | M50 Assessed Value | |
|------|--------------------|----------|
| | Total AV | % Growth |
| 2003 | \$ 892,940,492 | |
| 2004 | \$ 928,401,219 | 3.97% |
| 2005 | \$ 973,762,350 | 4.89% |
| 2006 | \$ 1,025,083,252 | 5.27% |
| 2007 | \$ 1,083,840,382 | 5.73% |
| 2008 | \$ 1,142,444,797 | 5.41% |
| 2009 | \$ 1,189,556,877 | 4.12% |
| 2010 | \$ 1,221,882,368 | 2.72% |
| 2011 | \$ 1,243,219,850 | 1.75% |
| 2012 | \$ 1,261,955,470 | 1.51% |
| 2013 | \$ 1,277,344,380 | 1.22% |
| AAGR | | 3.65% |

Calculated by ECONorthwest with data from Lincoln County Assessor

The period shown in Exhibit 5 includes the most severe economic recession since the Great Depression, and future growth rates (particularly in the short-term) are estimated to be higher than in recent years, as real market values recover. Indeed, long-term trends statewide demonstrate annual assessed value growth closer to 4.5% per year. Areas with development potential, and areas that receive targeted public investments (like the kinds of investment facilitated by urban renewal) are also more likely to see higher growth in assessed value.

For our analysis, we assumed annual average growth in assessed value of 4.5% per year. We believe this growth rate to be realistic and achievable. Actual growth may vary, and some years will be higher or lower than this 4.5% assumption. During the planning stages of adopting an urban renewal plan for a specific URD boundary, the City will want to look at a range of growth rates (higher and lower). However, for the purposes of our analysis, comparing the relative merits of three potential boundary options, our results are easier to understand by looking at only one assumption for assessed value growth.

Note that for this analysis there is no risk to forecasting assessed value growth that is too high. This is a planning level analysis to demonstrate the potential of urban renewal to assist with economic development in Newport. If actual growth is slower than forecast, that simply means the URD will need to spend less on projects, or phase those projects over a longer period of time. Additionally, before the URD incurs debt to fund any expenditures on projects, the City will need to conduct another feasibility study, providing a more detailed, short-term forecast of TIF revenues, and confirming that the URD has sufficient financial capacity to pay debt service.

Note that for FY 2014-15, our forecast of assessed value also included known development. The process of establishing assessed values results in a lag time between when construction occurs and when the value of that new construction activity hits the tax rolls. This means that any new development in 2013 won't be added to the tax roll until FY 2014-15. The City provided us with a list of building permits issued in 2013. These permits were mapped to determine which construction projects occurred within each of the three boundary options. Construction costs

and the countywide “changed property ratio” were used to estimate the initial assessed value of this new development. This development is shown in FY 2014-15 of our forecasts.

Step 5. Calculate TIF and revenue sharing

Calculating TIF revenue is relatively straightforward. After forecasting assessed value as described in Step 4, we subtract the initial assessed value (the frozen base) to determine the “excess value.” This excess value is multiplied by the applicable tax rate to determine the total amount of TIF revenue. Then, the revenue sharing thresholds are applied to determine the portion of TIF revenue that will be collected by the URD and the portion that will be shared with overlapping taxing districts.

Step 6. Create a draft finance plan

The final step in the analysis was to take the annual forecast of TIF revenue for the URD, and translate it into a financing plan showing the year projects would be funded, the debt incurred, and the schedule for retiring the debt. The results of the financing plans for each URD boundary option are described in the following section.

Results

In this section we describe the results for each of the three boundary options that were evaluated. Our analysis sheds light on several key considerations when evaluating potential URD boundaries: (1) The amount and costs of projects that would be completed, (2) the maximum indebtedness, (3) the year the first substantial project could be completed, (4) the year all projects would be completed, and (5) the year all debt would be repaid.

Small Option

Exhibit 6 shows our forecast of assessed value, TIF revenues, revenue sharing, and the portion of TIF received by the URD. We estimate the URD would receive \$4.8 million in TIF over the first 10-years, \$24.3 million over the first 20-years, and \$54.2 million by FYE 2041, the year in which the district is expected to have sufficient resources to pay off all debt.

Exhibit 6. Small Option TIF Forecast

| FYE | Assessed Value | Frozen Base | Excess Value | Tax Rate | TIF | | |
|------|----------------|----------------|----------------|----------|--------------|--------------|------------|
| | | | | | Total | for URD | Shared |
| 2014 | \$ 146,294,830 | \$ 146,294,830 | \$ - | 14.4797 | \$ - | \$ - | \$ - |
| 2015 | \$ 153,569,598 | \$ 146,294,830 | \$ 7,274,768 | 14.4797 | \$ - | \$ - | \$ - |
| 2016 | \$ 160,480,230 | \$ 146,294,830 | \$ 14,185,400 | 14.4797 | \$ 205,401 | \$ 205,401 | \$ - |
| 2017 | \$ 167,701,841 | \$ 146,294,830 | \$ 21,407,011 | 14.4797 | \$ 309,967 | \$ 309,967 | \$ - |
| 2018 | \$ 175,248,424 | \$ 146,294,830 | \$ 28,953,594 | 14.4797 | \$ 419,239 | \$ 419,239 | \$ - |
| 2019 | \$ 183,134,603 | \$ 146,294,830 | \$ 36,839,773 | 14.4797 | \$ 533,429 | \$ 533,429 | \$ - |
| 2020 | \$ 191,375,659 | \$ 146,294,830 | \$ 45,080,829 | 14.4797 | \$ 652,757 | \$ 652,757 | \$ - |
| 2021 | \$ 199,987,563 | \$ 146,294,830 | \$ 53,692,733 | 14.4797 | \$ 777,455 | \$ 777,455 | \$ - |
| 2022 | \$ 208,987,003 | \$ 146,294,830 | \$ 62,692,173 | 14.4797 | \$ 907,764 | \$ 907,764 | \$ - |
| 2023 | \$ 218,391,419 | \$ 146,294,830 | \$ 72,096,589 | 14.4797 | \$ 1,043,937 | \$ 1,043,937 | \$ - |
| 2024 | \$ 228,219,034 | \$ 146,294,830 | \$ 81,924,204 | 14.4797 | \$ 1,186,237 | \$ 1,186,237 | \$ - |
| 2025 | \$ 238,488,890 | \$ 146,294,830 | \$ 92,194,060 | 14.4797 | \$ 1,334,942 | \$ 1,334,942 | \$ - |
| 2026 | \$ 249,220,890 | \$ 146,294,830 | \$ 102,926,060 | 14.4797 | \$ 1,490,338 | \$ 1,490,338 | \$ - |
| 2027 | \$ 260,435,829 | \$ 146,294,830 | \$ 114,140,999 | 14.4797 | \$ 1,652,728 | \$ 1,652,728 | \$ - |
| 2028 | \$ 272,155,442 | \$ 146,294,830 | \$ 125,860,612 | 14.4797 | \$ 1,822,424 | \$ 1,822,424 | \$ - |
| 2029 | \$ 284,402,436 | \$ 146,294,830 | \$ 138,107,606 | 14.4797 | \$ 1,999,757 | \$ 1,999,757 | \$ - |
| 2030 | \$ 297,200,546 | \$ 146,294,830 | \$ 150,905,716 | 14.4797 | \$ 2,185,069 | \$ 2,185,069 | \$ - |
| 2031 | \$ 310,574,571 | \$ 146,294,830 | \$ 164,279,741 | 14.4797 | \$ 2,378,722 | \$ 2,378,722 | \$ - |
| 2032 | \$ 324,550,427 | \$ 146,294,830 | \$ 178,255,597 | 14.4797 | \$ 2,581,087 | \$ 2,581,087 | \$ - |
| 2033 | \$ 339,155,197 | \$ 146,294,830 | \$ 192,860,367 | 14.4797 | \$ 2,792,560 | \$ 2,792,560 | \$ - |
| 2034 | \$ 354,417,180 | \$ 146,294,830 | \$ 208,122,350 | 14.4797 | \$ 3,013,549 | \$ 3,013,549 | \$ - |
| 2035 | \$ 370,365,953 | \$ 146,294,830 | \$ 224,071,123 | 14.4797 | \$ 3,244,483 | \$ 3,244,483 | \$ - |
| 2036 | \$ 387,032,421 | \$ 146,294,830 | \$ 240,737,591 | 14.4797 | \$ 3,485,808 | \$ 3,485,808 | \$ - |
| 2037 | \$ 404,448,879 | \$ 146,294,830 | \$ 258,154,049 | 14.4797 | \$ 3,737,993 | \$ 3,737,993 | \$ - |
| 2038 | \$ 422,649,079 | \$ 146,294,830 | \$ 276,354,249 | 14.4797 | \$ 4,001,527 | \$ 4,001,527 | \$ - |
| 2039 | \$ 441,668,287 | \$ 146,294,830 | \$ 295,373,457 | 14.4797 | \$ 4,276,919 | \$ 4,069,230 | \$ 207,689 |
| 2040 | \$ 461,543,360 | \$ 146,294,830 | \$ 315,248,530 | 14.4797 | \$ 4,564,704 | \$ 4,141,176 | \$ 423,528 |
| 2041 | \$ 482,312,811 | \$ 146,294,830 | \$ 336,017,981 | 14.4797 | \$ 4,865,440 | \$ 4,216,360 | \$ 649,080 |

Note that FYE 2027 is the year that the existing South Beach URD is scheduled to close, releasing an estimated \$2,861,064 of annual TIF revenue back to the overlapping taxing districts. SBURD TIF estimates are taken from Minor Amendment Ten to the South Beach Urban Renewal District Plan, prepared in August 2013 by the City of Newport.

Source: ECONorthwest

We estimate it would take three years for the URA to generate enough TIF revenue to complete a sizable project. For the purposes of our analysis, we used the Fairgrounds Building as the first multimillion-dollar project to be funded. We anticipate all projects could be completed by FYE

2035, and that all debt could be repaid by FYE 2041. The total TIF needed to finance all projects would be \$54.1 million.

Advantages of the Small Option include:

- A smaller boundary requires less acreage and less assessed value, which leaves more citywide capacity for other urban renewal districts. This gives the City added flexibility to amend URDs to add in other properties if needed to respond to future economic development opportunities.
- A smaller boundary sends a signal to the public and to affected taxing districts that the City is being targeted in its use of urban renewal, having a lesser impact on annual property tax collections. This can be an important political issue in some communities.

Disadvantages of the Small Option include:

- Larger boundaries with more diverse property types have a more diversified portfolio of property, making them less susceptible to downturns affecting a specific neighborhood or a specific type of property. This boundary has a relatively small area and includes almost exclusively retail and commercial properties. Thus, this boundary is more vulnerable to potential declines in assessed value.
- The smaller boundary means growth in assessed value is likely to happen more slowly. There is less land to accommodate new development, and a lower frozen base value to generate appreciation of existing property. Slower growth in assessed value means it can take longer to accomplish urban renewal projects, and longer to pay off the debt and close down the URD.

Mid Option

Exhibit 7 shows our forecast of assessed value, TIF revenues, revenue sharing, and the portion of TIF received by the URD. We estimate the URD would receive \$6.9 million in TIF over the first 10-years, \$33.9 million over the first 20-years, and \$42.7 million by FYE 2036, the year in which the district is expected to have sufficient resources to pay off all debt.

Exhibit 7. Mid Option TIF Forecast

| FYE | Assessed Value | Frozen Base | Excess Value | Tax Rate | TIF | | |
|------|----------------|----------------|----------------|----------|--------------|--------------|--------------|
| | | | | | Total | For URD | Shared |
| 2014 | \$ 198,769,630 | \$ 198,769,630 | \$ - | 14.4797 | \$ - | \$ - | \$ - |
| 2015 | \$ 210,895,164 | \$ 198,769,630 | \$ 12,125,534 | 14.4797 | \$ - | \$ - | \$ - |
| 2016 | \$ 220,385,446 | \$ 198,769,630 | \$ 21,615,816 | 14.4797 | \$ 312,991 | \$ 312,991 | \$ - |
| 2017 | \$ 230,302,791 | \$ 198,769,630 | \$ 31,533,161 | 14.4797 | \$ 456,590 | \$ 456,590 | \$ - |
| 2018 | \$ 240,666,417 | \$ 198,769,630 | \$ 41,896,787 | 14.4797 | \$ 606,653 | \$ 606,653 | \$ - |
| 2019 | \$ 251,496,406 | \$ 198,769,630 | \$ 52,726,776 | 14.4797 | \$ 763,468 | \$ 763,468 | \$ - |
| 2020 | \$ 262,813,744 | \$ 198,769,630 | \$ 64,044,114 | 14.4797 | \$ 927,339 | \$ 927,339 | \$ - |
| 2021 | \$ 274,640,362 | \$ 198,769,630 | \$ 75,870,732 | 14.4797 | \$ 1,098,585 | \$ 1,098,585 | \$ - |
| 2022 | \$ 286,999,179 | \$ 198,769,630 | \$ 88,229,549 | 14.4797 | \$ 1,277,537 | \$ 1,277,537 | \$ - |
| 2023 | \$ 299,914,142 | \$ 198,769,630 | \$ 101,144,512 | 14.4797 | \$ 1,464,542 | \$ 1,464,542 | \$ - |
| 2024 | \$ 313,410,279 | \$ 198,769,630 | \$ 114,640,649 | 14.4797 | \$ 1,659,962 | \$ 1,659,962 | \$ - |
| 2025 | \$ 327,513,741 | \$ 198,769,630 | \$ 128,744,111 | 14.4797 | \$ 1,864,176 | \$ 1,864,176 | \$ - |
| 2026 | \$ 342,251,860 | \$ 198,769,630 | \$ 143,482,230 | 14.4797 | \$ 2,077,579 | \$ 2,077,579 | \$ - |
| 2027 | \$ 357,653,193 | \$ 198,769,630 | \$ 158,883,563 | 14.4797 | \$ 2,300,587 | \$ 2,300,587 | \$ - |
| 2028 | \$ 373,747,587 | \$ 198,769,630 | \$ 174,977,957 | 14.4797 | \$ 2,533,628 | \$ 2,533,628 | \$ - |
| 2029 | \$ 390,566,227 | \$ 198,769,630 | \$ 191,796,597 | 14.4797 | \$ 2,777,157 | \$ 2,777,157 | \$ - |
| 2030 | \$ 408,141,707 | \$ 198,769,630 | \$ 209,372,077 | 14.4797 | \$ 3,031,645 | \$ 3,031,645 | \$ - |
| 2031 | \$ 426,508,084 | \$ 198,769,630 | \$ 227,738,454 | 14.4797 | \$ 3,297,585 | \$ 3,074,396 | \$ 223,189 |
| 2032 | \$ 445,700,948 | \$ 198,769,630 | \$ 246,931,318 | 14.4797 | \$ 3,575,491 | \$ 3,143,873 | \$ 431,618 |
| 2033 | \$ 465,757,491 | \$ 198,769,630 | \$ 266,987,861 | 14.4797 | \$ 3,865,904 | \$ 3,216,476 | \$ 649,428 |
| 2034 | \$ 486,716,578 | \$ 198,769,630 | \$ 287,946,948 | 14.4797 | \$ 4,169,386 | \$ 3,292,347 | \$ 877,040 |
| 2035 | \$ 508,618,824 | \$ 198,769,630 | \$ 309,849,194 | 14.4797 | \$ 4,486,524 | \$ 3,371,631 | \$ 1,114,893 |
| 2036 | \$ 531,506,671 | \$ 198,769,630 | \$ 332,737,041 | 14.4797 | \$ 4,817,932 | \$ 3,454,483 | \$ 1,363,449 |

Note that FYE 2027 is the year that the existing South Beach URD is scheduled to close, releasing an estimated \$2,861,064 of annual TIF revenue back to the overlapping taxing districts. SBURD TIF estimates are taken from Minor Amendment Ten to the South Beach Urban Renewal District Plan, prepared in August 2013 by the City of Newport.

Source: ECONorthwest

We estimate it would take two years for the URA to generate enough TIF revenue to complete a sizable project. For the purposes of our analysis, we used the Fairgrounds Building as the first multimillion-dollar project to be funded. We anticipate all projects could be completed by FYE 2029, and that all debt could be repaid by FYE 2036. The total TIF needed to finance all projects would be \$42.7 million.

Advantages of the Mid Option include:

- This boundary has the smallest maximum indebtedness, based on the assumption that some projects (like the public safety building) could be funded from other sources, and that some infrastructure projects (like the couplet and utility undergrounding) could be partially funded through a Local Improvement District (LID), a tool that is commonly used in communities across Oregon. By having a smaller maximum indebtedness, the URD could accomplish all of its projects sooner, and close the district sooner, having less of an impact on overlapping taxing districts.

- All of the options assume funding partnerships to cover total project costs, with urban renewal only contributing a portion of the project funding. The Mid Option, however, is distinguishable because it leverages the most additional funding for these projects.

Disadvantages of the Mid Option include:

- Like the Small Option, the Mid Option is comprised almost exclusively of retail and commercial property. An over-reliance on one type of property in one location can make a URD more susceptible to downturns in the real estate market for that property type in that neighborhood.
- Compared to the other options, the Mid Option leverages additional funding sources to the greatest extent. While this has the benefit of reducing the maximum indebtedness of the area, it means that other funding sources will need to be found to pay for portions of critical projects like the public safety building, couplet, and utility undergrounding. If other funding sources cannot be found, or if they are politically unpopular, then it could make it more challenging to complete these projects.

Large Option

Exhibit 8 shows our forecast of assessed value, TIF revenues, revenue sharing, and the portion of TIF received by the URD. We estimate the URD would receive \$9.2 million in TIF over the first 10-years, \$45.5 million over the first 20-years, and \$64.8 million by FYE 2037, the year in which the district is expected to have sufficient resources to pay off all debt.

Exhibit 8. Large Option TIF Forecast

| FYE | Assessed Value | Frozen Base | Excess Value | Tax Rate | TIF | | |
|------|----------------|----------------|----------------|----------|--------------|--------------|--------------|
| | | | | | Total | For URD | Shared |
| 2014 | \$ 269,652,460 | \$ 269,652,460 | \$ - | 14.4797 | \$ - | \$ - | \$ - |
| 2015 | \$ 285,049,964 | \$ 269,652,460 | \$ 15,397,504 | 14.4797 | \$ - | \$ - | \$ - |
| 2016 | \$ 297,877,213 | \$ 269,652,460 | \$ 28,224,753 | 14.4797 | \$ 408,686 | \$ 408,686 | \$ - |
| 2017 | \$ 311,281,689 | \$ 269,652,460 | \$ 41,629,229 | 14.4797 | \$ 602,778 | \$ 602,778 | \$ - |
| 2018 | \$ 325,289,365 | \$ 269,652,460 | \$ 55,636,905 | 14.4797 | \$ 805,605 | \$ 805,605 | \$ - |
| 2019 | \$ 339,927,387 | \$ 269,652,460 | \$ 70,274,927 | 14.4797 | \$ 1,017,560 | \$ 1,017,560 | \$ - |
| 2020 | \$ 355,224,119 | \$ 269,652,460 | \$ 85,571,659 | 14.4797 | \$ 1,239,052 | \$ 1,239,052 | \$ - |
| 2021 | \$ 371,209,203 | \$ 269,652,460 | \$ 101,556,743 | 14.4797 | \$ 1,470,511 | \$ 1,470,511 | \$ - |
| 2022 | \$ 387,913,617 | \$ 269,652,460 | \$ 118,261,157 | 14.4797 | \$ 1,712,386 | \$ 1,712,386 | \$ - |
| 2023 | \$ 405,369,729 | \$ 269,652,460 | \$ 135,717,269 | 14.4797 | \$ 1,965,145 | \$ 1,965,145 | \$ - |
| 2024 | \$ 423,611,366 | \$ 269,652,460 | \$ 153,958,906 | 14.4797 | \$ 2,229,278 | \$ 2,229,278 | \$ - |
| 2025 | \$ 442,673,878 | \$ 269,652,460 | \$ 173,021,418 | 14.4797 | \$ 2,505,298 | \$ 2,505,298 | \$ - |
| 2026 | \$ 462,594,203 | \$ 269,652,460 | \$ 192,941,743 | 14.4797 | \$ 2,793,738 | \$ 2,793,738 | \$ - |
| 2027 | \$ 483,410,941 | \$ 269,652,460 | \$ 213,758,481 | 14.4797 | \$ 3,095,159 | \$ 3,095,159 | \$ - |
| 2028 | \$ 505,164,434 | \$ 269,652,460 | \$ 235,511,974 | 14.4797 | \$ 3,410,143 | \$ 3,410,143 | \$ - |
| 2029 | \$ 527,896,833 | \$ 269,652,460 | \$ 258,244,373 | 14.4797 | \$ 3,739,301 | \$ 3,739,301 | \$ - |
| 2030 | \$ 551,652,190 | \$ 269,652,460 | \$ 281,999,730 | 14.4797 | \$ 4,083,271 | \$ 4,083,271 | \$ - |
| 2031 | \$ 576,476,538 | \$ 269,652,460 | \$ 306,824,078 | 14.4797 | \$ 4,442,721 | \$ 4,442,721 | \$ - |
| 2032 | \$ 602,417,982 | \$ 269,652,460 | \$ 332,765,522 | 14.4797 | \$ 4,818,345 | \$ 4,818,345 | \$ - |
| 2033 | \$ 629,526,791 | \$ 269,652,460 | \$ 359,874,331 | 14.4797 | \$ 5,210,872 | \$ 4,677,718 | \$ 533,154 |
| 2034 | \$ 657,855,496 | \$ 269,652,460 | \$ 388,203,036 | 14.4797 | \$ 5,621,064 | \$ 4,780,266 | \$ 840,798 |
| 2035 | \$ 687,458,992 | \$ 269,652,460 | \$ 417,806,532 | 14.4797 | \$ 6,049,714 | \$ 4,887,429 | \$ 1,162,286 |
| 2036 | \$ 718,394,647 | \$ 269,652,460 | \$ 448,742,187 | 14.4797 | \$ 6,497,652 | \$ 4,999,413 | \$ 1,498,239 |
| 2037 | \$ 750,722,406 | \$ 269,652,460 | \$ 481,069,946 | 14.4797 | \$ 6,965,749 | \$ 5,116,437 | \$ 1,849,312 |

Note that FYE 2027 is the year that the existing South Beach URD is scheduled to close, releasing an estimated \$2,861,064 of annual TIF revenue back to the overlapping taxing districts. SBURD TIF estimates are taken from Minor Amendment Ten to the South Beach Urban Renewal District Plan, prepared in August 2013 by the City of Newport.

Source: ECONorthwest

We estimate it would take two years for the URA to generate enough TIF revenue to complete a sizable project. For the purposes of our analysis, we used the Fairgrounds Building as the first multimillion-dollar project to be funded. We anticipate all projects could be completed by FYE 2029, and that all debt could be repaid by FYE 2037. The total TIF needed to finance all projects would be \$64.8 million.

Advantages of the Large Option include:

- This boundary has the largest maximum indebtedness, which means it has the greatest ability to implement economic development projects in the City.
- This boundary has the largest area, including single-family and multifamily residential property in the Agate Beach area. This boundary has the most diverse portfolio of property, making it the least susceptible to downturns in the real estate market for any specific neighborhood or type of property.

- Because of the large area and assessed value, this boundary has the potential to experience more rapid growth in TIF revenue than the other boundary options, allowing more projects to occur sooner.

Disadvantages of the Large Option include:

- As the largest option, with the highest maximum indebtedness, this option may invite criticism from affected taxing districts or the general public who are afraid of the impact of urban renewal on other taxing districts.
- By including Agate Beach, the URD becomes less focused. Questions will need to be answered about the relative priority of Agate Beach vs. the Hwy 101 commercial corridor in terms of their economic development potential. As TIF revenue becomes available, how will the needs of Agate Beach be prioritized vs. the needs of the Hwy 101 commercial corridor?
- The large option leaves the least amount of remaining citywide capacity for urban renewal. This means that the City would have limited capacity to amend a URD to bring in more property to respond to future economic development opportunities.
- In many communities, the general public is ill informed about urban renewal. When residential areas, like Agate Beach, are included in a URD, residents of the area can raise strong objections to their inclusion in the area, even though there are no tangible negative impacts to being in a URD, and in fact there are many benefits that come from the ability to fund much needed economic development projects and cure blight in the area.

Compression considerations

Property owners are taxed on the combined rates of general government, education, and debt service for all overlapping governments that provide services to that property. In most cases, the taxes to be raised from an individual property are calculated as the consolidated tax rate multiplied by the assessed value. When the taxes to be raised using this methodology exceed the Measure 5 limits on real market value, the assessor must reduce the taxes to be raised until they equal the legal limits.

Exhibit 9 shows actual compression losses for taxing districts that overlap the proposed URD boundary options. Note that compression losses for all general government entities are less than 0.00% of total tax revenue. No general government district experienced more than \$100 of compression losses last year. For education districts, however, compression losses are more significant, with compression losses equally 1.79% of the taxes to be raised.

Exhibit 9. FY 2013-14 property tax compression losses, selected taxing districts, Lincoln County

| District | Total AV | Amount Tax Rate Will Raise | District's Compression Loss | Percent Compression Loss |
|-----------------------------------|---------------|----------------------------|-----------------------------|--------------------------|
| General Government | | | | |
| LINCOLN COUNTY GENERAL | 6,781,928,457 | 18,051,962 | (84) | 0.00% |
| LINCOLN COUNTY ANIMAL SERVICE | 6,781,928,457 | 704,105 | (3) | 0.00% |
| LINCOLN COUNTY EXTENSION SERVICE | 6,781,928,457 | 288,683 | (1) | 0.00% |
| LINCOLN COUNTY SOLID WASTE | 6,781,928,457 | - | - | |
| LINCOLN COUNTY TRANSPORTATION SVC | 6,781,928,457 | 623,453 | (3) | 0.00% |
| CITY OF NEWPORT | 1,734,020,940 | 6,081,290 | (93) | 0.00% |
| NEWPORT RFPD | 272,500,790 | 242,183 | - | 0.00% |
| PACIFIC COMMUNITIES HEALTH | 3,461,172,570 | 1,192,455 | (6) | 0.00% |
| PORT OF NEWPORT | 1,734,020,940 | 97,327 | (1) | 0.00% |
| Subtotal - General Government | | 27,281,458 | (191) | 0.00% |
| Education | | | | |
| LINCOLN COUNTY SCHOOL DIST | 6,781,928,457 | 31,423,549 | (576,976) | -1.84% |
| LINCOLN COUNTY LIBRARY | 6,781,928,457 | 851,463 | (1) | 0.00% |
| OREGON COAST COMMUNITY COLLEGE | 6,781,928,457 | 1,124,647 | (20,650) | -1.84% |
| LINN-BENTON-LINCOLN ESD | 6,781,928,457 | 1,951,650 | (35,834) | -1.84% |
| Subtotal - Education | | 35,351,310 | (633,460) | -1.79% |
| Total | | 89,914,226 | (633,842) | -0.70% |

Source: Lincoln County Assessor, Table 4a

The reason why education districts are experiencing more compression than general government districts, is because their tax rates are higher, relative to the Measure 5 limits. Looking at tax code areas 104 and 107 as an example, the total general government tax rate is \$9.0899, and the total education rate is \$5.3898 per \$1,000 of **assessed value**. Measure 5 limits property tax collections for general government to \$10 per \$1,000 and for education to \$5 per \$1,000 of **real market value**.

Because the education tax rate is more than \$5 per \$1,000 it is possible for properties to experience compression. With a general government tax rate less than \$10 per \$1,000 it is

theoretically impossible for any compression losses to occur. However, looking back at Exhibit 8, we do know that some compression is occurring for general government. This is due to two reasons.

First, the county is comprised of a patchwork of dozens of tax code areas, each representing a different combination of different taxing districts. Some of those tax code areas have higher tax rates, due to the presence of districts like the Seal Rock Water District, or the Lost Creek Park Road District. In those areas, the tax rate may exceed \$10 per \$1,000 of assessed value.

The second reason is that urban renewal changes the effective tax rates. Urban renewal is sometimes referred to as “division of taxes.” That means that a portion of the taxes that would go to a jurisdiction like the City of Newport is instead divided off and sent to an urban renewal agency instead. The process that the County Assessor uses to collect TIF revenues for URDs results in a portion of each jurisdictions tax rate being carved off, and turned into a new urban renewal tax rate. A side effect of this process is that education districts that are impacted by urban renewal have their rates reduced a small amount, and that amount is added to the general government side of the compression equation.

Exhibit 10 shows an example of the impact of urban renewal on property tax rates. Tax code areas 104 and 107 are the areas that would be affected by a new URD in Newport north of the Yaquina Bay Bridge. Because these tax code areas are within the City of Newport, and because the City already has an existing URD, their tax rates are impacted by that URD. This has the net impact of reducing the education tax rate by \$0.5983, and increasing the general government tax rate by the corresponding amount.

Exhibit 10. Example of urban renewal impact on tax rates

| Tax Code Area 104 and 107 | |
|----------------------------------|--------|
| Non-Adjusted Rates | |
| General Government | 9.0899 |
| Education | 5.3898 |
| URD Adjusted Rates | |
| General Government | 9.6882 |
| Education | 4.7935 |
| Existing URD Impact | 0.5983 |

Calculated by ECONorthwest with data from Lincoln County Assessor

A new URD in Newport would have a similar impact on tax rates. The magnitude of the impact is based on the magnitude of the TIF revenue collected by the URD. Thus, a new URD starting off with very low annual TIF revenues, will have a much smaller impact than a mature URD with relatively large annual TIF revenues. We estimate the impact of the Small Option URD would start at about \$0.02 per year, and grow to about \$0.15 per year after a decade, \$0.25 per year after 20-years, and \$0.35 per year after 30-years.

Based on this analysis, we conclude that a new URD would have a very small negative impact on compression losses for the City and for other general government taxing districts, and a small positive impact on education taxing districts. For most areas of the City, the general government tax rate would remain below \$10 for many years.

As mentioned previously, the City's existing South Beach URD, has an annual impact, converting \$0.5983 of education taxes into general government taxes. At some point in the future, this URD will be retired, resulting in that \$0.5983 returning to the education side of the equation. This will mean more compression for education taxing districts in the area, and less risk of compression for general government.

Because tax rates apply to assessed value, and Measure 5 limits apply to real market value, the real estate market has a big impact on compression losses. When the market is strong, real market values for most properties are likely to be well above their assessed values. This provides a big "cushion," making compression losses highly unlikely, except in urban areas with very high tax rates. When the market is weak, like during the recent recession, then real market values fall, reducing or eliminating the gap between real market value and assessed value, and making properties more susceptible to compression in places where the tax rates exceed the Measure 5 limits. Because we are just exiting a severe recession, compression in future years is likely to be less than compression in the recent past, as property values increase.

One factor that can always increase the risk of compression losses is the passage of new local option levies that increase the consolidated tax rate. All of the analysis we conducted assumes that tax rates remain constant, other than the expiration of general obligation bond levies, which have no impact on compression. If the community decides to approve a local option levy tax increase, then this naturally means that the risk of compression losses will increase.

Impact to taxing districts

Tax increment financing through urban renewal is not “new” money. These tax revenues are generated from the existing property tax rates of other taxing districts that overlap the urban renewal area. A new URD would impact these affected taxing districts, by redirecting a portion of these property tax revenues to the URD. The impact to other taxing districts is measured in terms of “foregone revenue.” Exhibit 11 summarizes the amount of foregone revenue that would be caused by the proposed new URD boundary options. **Note that the foregone revenue for the School District does not have a direct impact on school funding, as funding is equalized at the State level.**

Exhibit 11. Potential Newport URD, foregone revenues, FY 2013-14 to FY 2043-44

| District Name | Foregone Revenues | | | | | |
|-----------------------------|-------------------|----------------|----------------|-----------------|-----------------|-----------------|
| | Average Annual | | | Total | | |
| | Small | Mid | Large | Small | Mid | Large |
| General Government | | | | | | |
| Lincoln County | \$ (405,899) | \$ (396,083) | \$ (573,686) | \$ (10,553,364) | \$ (8,317,748) | \$ (12,621,094) |
| Lincoln County Animal Svrc. | \$ (15,832) | \$ (15,449) | \$ (22,376) | \$ (411,628) | \$ (324,430) | \$ (492,277) |
| Lincoln County Extension | \$ (6,491) | \$ (6,334) | \$ (9,174) | \$ (168,768) | \$ (133,017) | \$ (201,835) |
| Lincoln County Transport | \$ (14,018) | \$ (13,679) | \$ (19,813) | \$ (364,477) | \$ (287,266) | \$ (435,891) |
| Port of Newport | \$ (8,765) | \$ (8,553) | \$ (12,388) | \$ (227,894) | \$ (179,616) | \$ (272,542) |
| City of Newport | \$ (805,090) | \$ (785,622) | \$ (1,137,893) | \$ (20,932,348) | \$ (16,498,053) | \$ (25,033,638) |
| Pacific Communities Health | \$ (52,173) | \$ (50,911) | \$ (73,740) | \$ (1,356,497) | \$ (1,069,138) | \$ (1,622,278) |
| Subtotal | \$ (1,308,268) | \$ (1,276,632) | \$ (1,849,071) | \$ (34,014,976) | \$ (26,809,268) | \$ (40,679,555) |
| Education | | | | | | |
| Lincoln County School | \$ (706,559) | \$ (689,473) | \$ (998,631) | \$ (18,370,529) | \$ (14,478,930) | \$ (21,969,884) |
| Oregon Coast CC | \$ (25,288) | \$ (24,676) | \$ (35,741) | \$ (657,481) | \$ (518,198) | \$ (786,301) |
| Linn-Benton ESD | \$ (43,883) | \$ (42,822) | \$ (62,023) | \$ (1,140,954) | \$ (899,257) | \$ (1,364,505) |
| Subtotal | \$ (775,730) | \$ (756,971) | \$ (1,096,395) | \$ (20,168,964) | \$ (15,896,385) | \$ (24,120,690) |
| Total | \$ (2,083,998) | \$ (2,033,603) | \$ (2,945,466) | \$ (54,183,940) | \$ (42,705,653) | \$ (64,800,245) |

Note that foregone revenue for the School District does not have a direct impact on school funding, as funding is equalized at the State level.

Source: ECONorthwest

The amount of foregone revenues is roughly equal to the amount of TIF revenue needed in each scenario to pay debt service on the maximum indebtedness. Since the Mid Option has the smallest maximum indebtedness, it also has the smallest impact on other taxing districts, equal to about \$2.0 million per year for the estimated 21 years the URD would take to pay off its debt. The Small Option is estimated to have an average annual impact of \$2.1 million per year for the 26 years estimated to pay off debt. The Large Option would have the largest impact, with an average of \$2.9 million per year for 22 years.

In general these impacts start off very small, and grow over time as the assessed value of the URD grows. For example, the Small Option is estimated to have a total impact of only \$205,000 in FY 2015-16 (the first year in which TIF would be collected), and an impact of \$4.2 million per year in 2040-41 (the final year in which TIF would be collected). Detailed tables showing the annual foregone revenues for each taxing district for each boundary option are included as an attachment to this memorandum.

Recent changes to Oregon Revised Statutes governing urban renewal give urban renewal agencies the ability to “under-levy” their annual TIF revenue. That means that a new URD

could voluntarily reduce the annual amount of TIF collections, sharing some of that revenue with overlapping taxing districts. If this were the case, then the amount of annual foregone revenues would be less than what is shown in Exhibit 11, though it would have little impact on the total foregone revenues, as the reduced TIF revenues for the URD would result in an extended period of time for the URD to pay off its maximum indebtedness.

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. In these situations, the property taxes would not have existed, but for the URD, so even though these tax revenues show up as TIF, and as foregone revenues, they really should not be counted as a negative impact to taxing districts. Note that our analysis was not conducted at the detailed level required to estimate the portion of TIF in the proposed new URD that would likely be generated by new development dependent upon urban renewal investment.

Impact from South Beach URD

It is important to note that the figures shown in Exhibit 11 are only the impact of the proposed new URD. The City's existing urban renewal area, the South Beach URD, is already collecting TIF, in the amount of \$1.9 million per year. The impact from the SBURD is in addition to the impact shown in Exhibit 11. The 2013 Minor Amendment Ten to the South Beach Urban Renewal Plan and Report includes a forecast of the annual impact of the SBURD on other taxing districts. The SBURD is anticipated to retire all debt no later than FY 2026-27, at which point it would cease to have an impact on overlapping taxing districts.

Impact to School District

When considering the impact to education taxing districts, it is particularly important to keep in mind the method the State uses to allocate funding to local school districts. As mentioned earlier in this memorandum, the state equalizes school funding across all districts based on the number of students. That means that changes in local property tax revenues do not have a direct impact on school funding for the Lincoln County School District. More broadly, the use of urban renewal statewide has a cumulative impact on the amount of local tax dollars available for schools, and there is no way of knowing exactly what impact, if any, this has on the State's decisions regarding school funding.

Compression impacts

Exhibit 11 also does not show impacts on compression losses. Forecasting future compression losses for each taxing district was not a part of the scope of work for this analysis. We do know, however, that a new URD will result in adjustments to the effective tax rates, resulting in a portion of the education rate being counted as general government. This means that a potential new URD would help to reduce the property tax compression losses that are being suffered by the School District and other education taxing districts. As stated previously in this memorandum, we conclude that a new URD would have a very small negative impact on

compression losses for the City and for other general government taxing districts, and a small positive impact on education taxing districts. For most areas of the City, the general government tax rate would remain below \$10 for many years.

General obligation bonds

Three overlapping taxing districts have outstanding general obligation bonds: the Port of Newport, the Oregon Coast Community College, and the Lincoln County School District. These general obligation bonds were approved by voters after 2001, and therefore in accordance with ORS 457, these bonds would not be included in the tax rate used to calculate TIF revenues for a new URD. In other words, these bonds would not be impacted in any way by the creation of new URD. Note that older urban renewal areas, those established prior to 2001, like the South Beach URD, do collect TIF revenue from these general obligation bond tax rates.

Residents of Newport recently approved the sale of \$7.9 million in general obligation bonds to finance construction of a municipal pool. These bonds will be repaid through an annual property tax levy. These bonds will also not be affected in any way by the creation of a new URD.

Conclusion

Exhibit 12 summarizes the key findings for each of the URD boundary options.

Exhibit 12. Boundary Options Summary

| | Small Option | Mid Option | Large Option |
|--|---|--|--|
| Description | Downtown Newport area centered around the Highway 101 / Highway 20 intersection | Downtown Newport area centered around the Highway 101 / Highway 20 intersection, with an extension north of commercial parcels abutting Highway 101. | Downtown Newport area centered around the Highway 101 / Highway 20 intersection, with an extension north of commercial parcels abutting Highway 101 plus the Agate Beach area, and including Highway 101 right-of-way extending south. |
| Acreage | 282 | 345 | 525 |
| Frozen Base | \$146,294,830 | \$198,769,630 | \$269,652,460 |
| Total Project Costs | \$37,300,000 | \$28,500,000 | \$41,500,000 |
| Year All Projects will be Completed | 2035 | 2029 | 2029 |
| Year Pay off Debt | 2041 | 2036 | 2037 |
| Total Maximum Indebtedness | \$40,000,000 | \$30,000,000 | \$45,000,000 |
| Total TIF Revenue | | | |
| 10 Years | \$4,849,949 | \$6,907,705 | \$9,221,723 |
| 20 Years | \$24,273,813 | \$33,891,419 | \$45,549,849 |
| 30 Years | \$66,152,062 | \$91,711,451 | \$123,556,938 |

Our analysis finds that all three options are feasible, and none has any fatal flaws from a technical perspective. Thus, the decision on which boundary option to pursue comes down to the City's priorities.

- The Small Option suggests a strategy that limits the annual impact to other taxing districts and focuses economic development efforts on the Hwy 101 / Hwy 20 commercial areas. This option requires a tradeoff: It has less of an annual impact on tax revenues for overlapping taxing districts, but is more risky, and will take a longer period of time to generate sufficient revenue to pay for economic development projects.
- The Mid Option suggests a strategy that relies on other funding sources, like an LID, limits the total impact to other taxing districts and wraps up the URD as soon as possible. In this option, urban renewal funding for projects is substantially less than the other options, requiring additional sources to pick up the slack.
- The Large Option suggests a strategy that would leverage the full potential of urban renewal to achieve the City's economic development goals. By including a larger area with more assessed value, the URD would have greater TIF revenue potential, and be less at risk for economic downturns. With the largest project list and maximum indebtedness, this option has the greatest ability to implement the City's economic

development goals, and to do more of these projects sooner than the other options. However, this project also is the broadest use of urban renewal, which may draw political objections from residents or other taxing districts who may feel that the impact on other taxing districts isn't worth the benefits that these projects provide.

Although this analysis describes each of these three options independently, the City can mix and match elements of any of these options. During the next phase of this project, an urban renewal plan and report would be created that would refine the boundary and list of projects to more closely align with the City's priorities.



600 S.E. Bay Blvd., Newport, OR 97365 / (541) 265-7758 / www.portofnewport.com

May 22, 2015

Spencer Nebel, City Manager
City of Newport
169 SW Coast Hwy.
Newport, OR 97365

RE: MCLEAN POINT INDUSTRIAL PARK DEVELOPMENT

Dear Spencer,

Thank you for meeting with Evan Hall and I on April 22nd to discuss options for developing McLean Point following the City's municipal zoning code. The City is currently working on two projects that could prove to be beneficial for aiding development in that part of town.

One of the largest limitations to development at McLean Point is lack of municipal wastewater service. Having complete water, sewer, storm water and transportation in place would make the industrially zoned land much easier to market. Would the City be willing to consider including the wastewater extension to McLean Point in its current master plan update?

We understand that the project including needed pump stations may be expensive but by having it included in the master plan it may be eligible for public works grants that the Port would be willing to support. Another option for financing would be to include McLean Point in the current urban renewal discussion. As the 50-acres is currently off the tax rolls, freezing the base now before the Port returns the land to private ownership or leasehold would be beneficial to funding infrastructure through tax increment financing. Would the City be willing to consider how tax increment financing could benefit utility extensions to McLean Point?

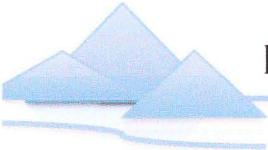
I appreciate the City's willingness to consider these ideas as the Port looks to aid economic development in one of the City's most underutilized areas.

Thank you for your consideration and look forward to hearing from you soon.

Sincerely,

Kevin M. Greenwood
General Manager

Cc: Evan Hall, Rondys Corp.
Port of Newport Board of Commissioners



RONDYS INC.

KODIAK, AK - NEWPORT, OR - SEATTLE, WA

P:360.220.2327 EMAIL: RONDYSINC@OUTLOOK.COM

May 29, 2015

Spencer Nebel, City Manager
City of Newport
169 SW Coast Hwy
Newport, OR 97365

RE: Letter of Interest for Urban Renewal Plan

Dear Mr. Nebel,

Rondys Inc. would like to express our interest for the inclusion of our property in the upcoming Urban Renewal Plan. We also want to express our support for the Port of Newport's efforts to work with the City on the idea of creating an Urban Renewal District in the McLean Point/ International Terminal area. We believe the potential economic benefits of an Urban Renewal District in this area merit review.

Rondys Inc. owns 40 acres on McLean Point, zoned I-3, Heavy Industrial and W-1, Water Dependent by the City of Newport. We are encouraged by the renovation of the International Terminal and the efforts of the Port to create an export facility as it has the potential to stimulate private investment and business in the area.

Rondys Inc. supports and has included our property in the Economic Development Alliance of Lincoln County's application for the countywide Regionally Significant Industrial Area Designation through Business Oregon. We will also be seeking the Business Oregon's Industrial Site Certification once the property meets those requirements.

Thank you for your consideration of our property in the Urban Renewal Plan and for the work you are doing to encourage a vibrant and sustainable coastal community. Please feel free to contact me if you have any questions.

Sincerely,

Evan Hall
Executive Vice President
Rondys Inc.

c.c. Kevin Greenwood, Port Manager

FV ALSEA - FV ARGOSY - IDAHO LIME - YAQUINA INDUSTRIAL PARK
1301 W OREGON ST, BELLINGHAM, WA 98225



McLean Point Site

48.8 Acres

Taxlots:

11-11-09-D0-00100-00
11-11-09-D0-00101-00

Legend

McLean Point Site

City Limits

Urban Growth Boundary

Road

Lincoln County Property Report

| Account # & LEGAL DESCRIPTION | | ACCOUNT DETAILS | OWNER AND ADDRESS |
|--|--|--|-------------------|
| Account #: R18777 Map Taxlot: 11-11-09-D0-00101-00 Map: 11s11w09D Legal: TWNSHP 11, RNG 11, ACRES 8.95, MF301-0262 + MF301-0266 TaxCode: 104 Acres: 8.95 | Neighborhood: N277 PropertyClass: 991 | Owner: PORT OF NEWPORT Address: 600 SE BAY BLVD NEWPORT, OR 97365 Situs: 1430 SE BAY BLVD | |

| IMPROVEMENTS | | | | | | | VALUE AND SALES HISTORY | | | | | |
|----------------|--------|---------------------|------------|------|----------|------|-------------------------|------------|------|-----------|--------------|----------------|
| Description | Area | Yr Built | Foundation | Heat | Plumbing | BDMS | Value | Value Year | Imp. | Land | Total Market | Total Assessed |
| ...NoInventory | | | | | | | | 2014 | 0 | 1,002,400 | 1,002,400 | 0 |
| | | | | | | | | 2013 | 0 | 1,002,400 | 1,002,400 | 0 |
| | | | | | | | | 2012 | 0 | 1,002,400 | 1,002,400 | 0 |
| | | | | | | | | 2011 | 0 | 1,002,400 | 1,002,400 | 0 |
| | | | | | | | | 2010 | 0 | 1,002,400 | 1,002,400 | 0 |
| | | | | | | | | 2009 | 0 | 967,680 | 967,680 | 0 |
| | | | | | | | | 2008 | 0 | 541,300 | 541,300 | 0 |
| | | | | | | | | 2007 | 0 | 489,890 | 489,890 | 0 |
| SaleDate | Price | Document | TypeCode | | | | | | | | | |
| 2/22/1995 | 787880 | MF301-0262+301-0266 | 20 WD | | | | | | | | | |

| LAND | | | | RELATED ACCOUNTS | | DISCLAIMER | |
|----------------------|-------|--------------|-------------------|---------------------|--|---|--|
| Description | Acres | Market Value | Special Use Value | No Related Accounts | | This report was produced using the Lincoln County assessment information. This information is maintained by the county to support its governmental activities. The County is not responsible for errors, omissions, misuse or misinterpretation. Report created:6/10/2015 using tax data exported 10/2014 | |
| IND DEV BAYVIEW SITE | 8.95 | 1,002,400 | | | | | |

Lincoln County Property Report

| Account # & LEGAL DESCRIPTION | | ACCOUNT DETAILS | OWNER AND ADDRESS |
|--|--|--|-------------------|
| Account #: R517416 Map Taxlot: 11-11-09-D0-00100-00 Map: 11s11w09D Legal: TWNSHP 11, RNG 11, ACRES 39.84, M-6379 TaxCode: 104 Acres: 39.84 | Neighborhood: N277 PropertyClass: 991 | Owner: RONDYS & ASSOCIATES INC Address: % PORT OF NEWPORT LEASE 600 SE BAY BLVD NEWPORT, OR 97365 Situs: 1430 SE BAY BLVD | |

| IMPROVEMENTS | | | | | | | VALUE AND SALES HISTORY | | | | | |
|--------------------|------|----------|------------|------|----------|------|-------------------------|------------|----------|-----------|--------------|----------------|
| Description | Area | Yr Built | Foundation | Heat | Plumbing | BDMS | Value | Value Year | Imp. | Land | Total Market | Total Assessed |
| OTHER IMPROVEMENTS | | | | | | | 15670 | 2014 | 15,670 | 4,462,080 | 4,477,750 | 0 |
| | | | | | | | | 2013 | 15,670 | 4,462,080 | 4,477,750 | 0 |
| | | | | | | | | 2012 | 15,670 | 4,462,080 | 4,477,750 | 0 |
| | | | | | | | | 2011 | 15,670 | 4,462,080 | 4,477,750 | 0 |
| | | | | | | | | 2010 | 15,670 | 4,462,080 | 4,477,750 | 0 |
| | | | | | | | | 2009 | 15,670 | 4,452,000 | 4,467,670 | 0 |
| | | | | | | | | 2008 | 15,670 | 1,672,080 | 1,687,750 | 0 |
| | | | | | | | | 2007 | 15,670 | 1,513,280 | 1,528,950 | 0 |
| | | | | | | | | | SaleDate | Price | Document | TypeCode |
| | | | | | | | | | NoSales | | | |

| LAND | | | | RELATED ACCOUNTS | | DISCLAIMER | |
|-----------------------|-------|--------------|-------------------|---------------------|--|---|--|
| Description | Acres | Market Value | Special Use Value | No Related Accounts | | This report was produced using the Lincoln County assessment information. This information is maintained by the county to support its governmental activities. The County is not responsible for errors, omissions, misuse or misinterpretation. Report created:6/10/2015 using tax data exported 10/2014 | |
| IND DEV BAYFRONT SITE | 39.84 | 4,462,080 | | | | | |