DATE: July 13, 2022
TO: Matt Lorenzen, City of Wilsonville
FROM: Ali Danko, Tiberius Solutions
SUBJECT: WILSONVILLE UR TASK FORCE MEETING 4 NOTES

Participants

Task Force

- Andrew Karr – Planning Commissioner, Resident
- Alan Steiger – Resident
- Alissa Mahar – Clackamas Community College
- Cassandra Ulven – TVF&R
- Lauren Jones – Capstone Partners, Developer
- Pat McGough – West Linn-Wilsonville School District
- Susan Myers – Resident, Town Center Property Owner
- Stu Peterson – Real Estate Broker

City Staff

- Matt Lorenzen
- Chris Neamtzu
- Dan Pauly
- Keith Katko

Consultant Team

- Elaine Howard
- Nick Popenuk
- Ali Danko

Notes

Welcome

- New introduction: Pat (COO of West Linn/Wilsonville School District)
- Matt: Welcomed everyone to the meeting and went over the agenda. Councilor Akervall is out on vacation but will join for the final meeting.

Wilsonville Town Center

- Matt: First will review what was discussed at the last meeting. Provided an in-depth review of the Wilsonville Town Center Plan (adopted in 2019) and the process of the development and adoption of it. Identified the 13-ish critical infrastructure projects, some of which would be funded in part by SDCs and private development. However, expect there will be a funding gap/need for a public contribution as well. The planning division is working on an infrastructure finance plan for those projects, and we discussed that/looked at preliminary findings. Preliminary findings show that a funding gap is anticipated, and there is a potential need for a tool like urban renewal to help build critical infrastructure projects. Also discussed the potential need to support existing businesses, and what that support might look like. Urban renewal can only fund "sticks and bricks," so cannot fund operating costs or working capital. But, could potentially help/loan money for tenant improvements or to help existing businesses move/stay in the area.
- Matt: Is urban renewal appropriate in Town Center to achieve the vision? The slides show drafted recommendation language. Note that by making the recommendation, the task force is not approving a new URA, but recommending to Council that they commit staff time and resources to exploring the feasibility of urban renewal.
    - Susan Myers: Has a 3-story office building in this area and is in support. It will be necessary, especially with the redevelopment of Fry's, the theater, and the shopping center. It will require funding and we definitely would have higher property values in the area when the work is complete, so there will be a payback. The URA doesn't need to be huge. Should be very specific to the area within the Town Center that's included in this plan.
    - Andrew: What was the capital improvement cost and expected funding gap? Thought the total was $100 million.
        - Matt: This question is in the process of being explored. Planning, Engineering, and the consulting team are going back and forth to identify the gap. The cost is a significant amount, but that doesn't mean the maximum indebtedness of the URA would be that high.
        - Andrew: What would we need to see in URA increase to fund the gap? How much would we have to see the value increase? Will the change in value make-up the shortfall?
        - Matt: That's part of what a feasibility study would fully explore.
        - Andrew: Then yes, it makes sense to have a feasibility study to determine if projects can get paid for. In agreement with feasibility study.
    - Kevin: Think it's the intention of what we are all having a conversation about is that we are supporting the City's ongoing exploration of urban renewal. Should clarify that it is just exploratory, and we are saying that the City needs to continue staff review. The notion of a feasibility study assumes that you are moving forward with a URA. We don't know whether a URA is a proper end point for this area. Would like to submit a potential clarifying addition that it's ongoing exploratory work.
    - Cassandra: Understand the potential interest in exploring financing. Has the City considered voter approved bonds as another possible funding mechanism? Haven't seen that so far.
        - Chris: There have been a couple attempts at voter-approved bonds, but would need to dig up the history. Neither the parks or library bonds were particularly successful. Also, did an aquatic center bond (to build a pool), and it didn't go well (30% voted for it). Past success with that approach hasn't been very good, but it's not off the table. We haven't discussed that particular approach with this work.

    - Keith: The bonds were really specific ventures that the City was going to look at bonding for. The scale is a lot different here. Don't recall anything to this scale that has been bonded.
  - Matt: Will add into the draft recommendation some clarifying language that this is exploratory work and that task force would like to look at feasibility before making a recommendation to move towards implementation.
  - Chris: Would also add that the City does have a history of using citizen vote for urban renewal (Coffee Creek URA went to a vote). It's a barometer for direction that the City has consistently used for a period of time. The City goes out and asks the voters whether it's an appropriate approach. It's one more layer, another source of input, and Council has followed those recommendations in the past. For context, this would also occur here.

Basalt Creek Planning Area

- Chris: Miranda Bateschell, the City's planning director, is on vacation this week. Will give high-level look at the Concept Plan and its findings and orientation of geography. Will also talk about economic importance as a whole.
- Chris: The region has conducted an industrial site readiness inventory every 3-4 years for at least the past 20 years, led by Metro and Port of Portland, to look at all available land across the Portland metro region and categorize them. Tier 1 sites are shovel ready, Tier 2 sites have some constraints, and Tier 3 sites have more constraints and be only developable down the road. As we compete for companies looking to locate in this region, it's an important tool. We need to look at land supply and try to move properties to a higher tier. Investment is required to make more land development ready. For example, in Coffee Creek, Garden Acres Road improvements have advanced infrastructure such that developers don't need to do it. There are other constraints (small properties), but have been able to advance some of those properties from Tier 2 to Tier 1 condition. Basalt Creek has a property owner called Chamberlin, which is a significant industrial site that is currently Tier 3. Schnitzer properties has recently purchased a large site just south of the future Parkway. They have made a significant investment and are eager to see the advancement of additional work by City to make it development ready.
- Chris: The Concept Plan has identified 2,500 jobs that could be provided in the area, based on land uses. There are new unique categories of land uses that we don't have currently. There is a focus on high-tech jobs, including the Chamberlain property. Another category is called craft industrial (at small properties on west side of Boones Ferry), and could include distilleries, artisans, small shops, and manufacturing at small level. 2,500 jobs is not insignificant, which brings payroll and improved value that's good for provision of City services and the opportunity to provide living wage jobs. Good quality of life starts with high quality job.
- Chris: Discussing the map on the screen. Focusing on the SW subarea, from 2002 to 2004, there were a series of 4 UGB expansions that brought in 2,000 acres of future industrial land into the metropolitan UGB for Sherwood, Tualatin, and Wilsonville. It's important to consider the subarea. Looking at the regional map of industrial land, this is one of the second largest industrial clusters that's outside of primary Portland working waterfront. At a regional level, these future holdings for jobs are significant. All areas have concept plans that have been adopted. West railroad doesn't have the same level of effort that other areas have. Basalt Creek was brought in in 2004. City worked with series of stakeholders/partners to adopt the Basalt Creek Transportation Refinement Plan. The Concept Plan took 5 years to adopt (it was controversial), but was adopted by both cities in July 2018. The bottom line is it's adopted, and the Planning and Engineering divisions are eager to get in and refine the infrastructure assumptions and zoning.

- Cassandra: Knows that the City of Tualatin has adopted a Basalt Creek URA for their side. Are they working with Tualatin so that projects are planned in conjunction, for maximum efficiency and investment?
  - Chris: At this point, there hasn't been any real coordination. It's their urban renewal plan. Not sure if Wilsonville was reached out to. It will be important for Wilsonville to completely understand all projects and be sure we are complimentary to one another. Have utility maps that will be discussed later in this presentation. The two systems are completely separated, and there is lots of investment at the parkway where the two systems are adjacent.
  - Elaine: Yes, we worked on Tualatin's plan and it is adopted.
  - Chris: We know the people who know the most about the plan, and we will be engaging with Nick/Elaine for any efforts.
  - Cassandra: TVF&R Board is getting hypersensitive to the recent explosion of potential urban renewal plans (may have to increase the local option levy as a result). If they were to learn that they/taxpayers are overpaying, that would damage the aims of urban renewal (redevelopment and inviting that private infrastructure). It would be something that we are eager to hear progress on as the process moves forward.
  - Nick: Have done work in many communities, and thinks Wilsonville does best job with the process part of it. This includes coming up with a strategic plan to guide use of urban renewal in the future, and involving this task force with citizen and taxing district representatives. Building off of prior planning in area, if this were to move forward, it would be another feasibility study that would come back to the task force with more specifics. Will make sure to look into how the projects tie into Tualatin projects, making sure that every step of way, the City is trying to make informed logical decisions, and communicating with key stakeholders generally and communicating with the task force and impacted taxing districts specifically.
  - Andrew: Where is the overlap of Tualatin's and Wilsonville's portions?
  - Chris: Will show later.
- Chris: There are 18 projects identified in the Basalt Creek Refinement Plan. Many projects have been completed or partially completed. The next section is one of the most critical sections (Basalt Creek Parkway across Basalt Creek and connected Grahams Ferry Road to Boones Ferry Road). We've attempted to get a federal grant for the bridge on 3-4 different occasions. The project has ranked well at the Federal level, but City hasn't been able to secure the funding. In addition, project costs have escalated (now a $40 million bridge). City will continue to apply for federal dollars to construct the bridge across the canyon. Some projects will be helped by SDCs. Some projects have come off, which is another reason why we need to look at remaining projects.
- Chris: Boundary between two cities: West railroad has potential but needs attention.
- Chris: Land use categories: Grey area in the middle is craft industrial. There are smaller buildable areas due to steep slopes and wetlands. To the east of Boones Ferry road is where there will be high tech employment (Chamberlain site, single ownership is incredibly rare and has potential). Then, there is a standard light industrial district. Uses on the north side are more intense, with residential and manufacturing. The red shows a small retail node that was planned, which would be neighborhood commercial.
- Chris: Utility maps are generalized. It shows 12-inch pipes, but the developer is responsible for 8 inch pipes. This means the public picks up the additional 4 inches. We will need to make sure we right-size the pipelines. Can see the Wilsonville and Tualatin systems coming together at the dotted line. Tualatin has charter limitations that don't allow them to use the Willamette river, so

they have to be completely separate. The lines are generalized, and there aren't lines in the West Railroad area.

- Chris: Tualatin must pump their water north and has to install pumps. Wilsonville does not have to have pump stations because nearly everything is gravity-fed to the south (have talked with Tualatin and Clean Water Services). Pump stations are very expensive. Five are in Tualatin, one is in Wilsonville.
- Discussion: Shall Wilsonville initiate an urban renewal feasibility study for the Basalt Creek planning area?
  - Andrew: Are the 18 projects listed unique to the Wilsonville area?
    - Keith: Also includes Tualatin and Sherwood, which would not be included in a Wilsonville plan. Would consider just Wilsonville projects.
  - Andrew: Since the urban renewal area would just be in Wilsonville, what is Tualatin doing?
    - Keith: Tualatin recently adopted an urban renewal area in Basalt Creek.
    - Elaine: The urban renewal plan was adopted around 6 months ago. There was a task force (Cassandra was on it). The projects in the urban renewal area are all infrastructure projects. Can certainly provide the Task Force and City a copy of Tualatin's plan, which includes the project list in the area. It was strictly an infrastructure urban renewal plan, similar to what Wilsonville is considering.
  - Stu: Represents Schnitzer on acquisitions, and the concern that they have with Wilsonville is that some of their property is in the high-tech zone along Day Road. How the area is defined will be important to timing of development. Schnitzer is the most prolific local developer in metro area, but the zoning is restrictive. They are concerned about financing and tenants. A light industrial district is fine. Understand that the Chamberlain property lends to high tech development. But, to see development on Day Road, need to address the zone issue.
    - Chris: We look forward to sitting down with Schnitzer to work through these issues.
    - Stu: Schnitzer is used to supplying their own utility. If TIF credits aren't available, they have capacity to do it themselves. The industrial market is torrid. There is a critical shortage of developable land in the metro area, particularly in the SW area. Recent large developments were leased before completion, which is unprecedented. This points to the shortage that we have for industrial land in Portland. This is the crown jewel of the metro area. The sooner this gets online, the better. Companies and developers are moving south (of Wilsonville) to land they can build on now. Development of this area is critical for the region, not just for Wilsonville.
  - Lauren: Previously have discussed the ability of the City to aggregate parcels. Should that be added to the scope of work for this feasibility study?
    - Chris: The parcels here are different from Coffee Creek.
    - Matt: Knowledge of this area is fairly thin, but Susan and Matt were discussing this same topic about Coffee Creek Area, but relevant in Basalt Creek as well. At some point, the economics may work out such that these legacy land owners/users may transact for a developer to do their own aggregation. The piece that seems to be missing about Coffee Creek is the slow, patient, money to acquire property while waiting for adjacent pieces. Schnitzer wants to do a deal tomorrow. Tying up that capital long term in land that they can't develop for 10 years is a tough sell. But, perhaps the City can play a role in being the patient capital. It requires more study.

    - Nick: That's a question that would get looked at in the feasibility study, and would be reviewed with this task force to provide input on whether that is an appropriate project to include in the draft urban renewal plan. Need to balance hard infrastructure vs acquisition and look at taxing district impacts to be able to decide if this is a good area to pursue.
    - Susan: Think that getting infrastructure in as quick as possible to take the burden off developers is important, as need is increasing and the market is hot. Hopefully the market will drive parcel aggregation. Appreciate that we are looking closer at that.
  - Susan: Wondering about timing. Does doing an urban renewal area for Basalt Creek hurt Coffee Creek? Is the market able to absorb all of it and it shouldn't be an issue?
    - Stu: Right now, yes. Will it last? Probably will. We will have tough times ahead, but there is a lot of demand out there for industrial development fueled by our consumer habits and onshoring. Going back to blocks of land, other than Garden Acres, where you have reticent sellers, that's the problem. There are 18 different property owners right now. None are inclined to sell. That will change. At some point, the economics will change. In near future? Perhaps. Schnitzer bought a toe hold down there.

      In the West Railroad Area, much larger contiguous ownership. People are anxious to do things. Know this area has been neglected. The bridge is the principal issue. Have talked to the railroad, and they have pragmatic solutions. There is an area where you have 5 property owners that could put together 150 acres of land. There are excellent soils. Metro said there were environmental problems but haven't seen any.
    - Chris: Would like to hear about railroad.
    - Stu: The solution was to lower the road and figure out what to do with stormwater. No one has really studied it. Personally has looked at it, and see a way to do that without having to interrupt rail service. It will be time consuming and expensive. Lowering the road is something that should be explored. Can assure that there are many buyers for property.
    - Matt: For context, in inbox right now, have 3 different requests for information for companies seeking a 25, 40, and 250-acre parcel. These are types of opportunities that the region is missing out on, and the types of benefits if we did have property ready. Acknowledge that there are game changer opportunities that we are missing out on if this isn't addressed. It's already happening.
  - Cassandra: Stu mentioned Schnitzer is accustomed to do infrastructure/utility development on their own and that their concern is more about zoning than infrastructure. Should that even be considered for TIF if its development that the owner is prepared to do regardless? Bridgeport Village initially was going to use TIF, but determined that a URA wasn't needed because the private developers went forward. Didn't need to impact the overlapping taxing districts.
    - Stu: If TIF credits are available, they will do it. If not, it's not economically feasible. It's been pointed out several times. Not eager to do it but given pace of demand, certainly within 3 years. If TIF credits are available, would be willing to do it.
    - Cassandra: The premise of using TIF is to spur development that wouldn't occur otherwise. It sounds like development will occur due to market demand. It would have to be justified for using TIF where potentially that investment would be made regardless.
    - Nick: This is an excellent conversation. If the task force recommends a feasibility study and the City proceeds, this is a critical issue that needs to be looked into. Need to make sure we are respectful stewards of taxing district money. We don't want to incentivize private development that would happen on its own. But, have heard that there are infrastructure problems that prevent it from penciling today. Feasibility study would look

at if/how we could fund it to make market feasibility. What can we expect the private sector to pay for on their own? Make sure that we do have regional list of projects and determine a reasonable share.

  - Matt: The feasibility study is the next step. The recommendation is not that we establish a URA, but shall we move forward and explore further?
    - No objections from task force.

Housing Affordability

- Elaine: Nick and Elaine have been working on housing URAs across the state. Members of this task force were interested in what we've been doing.
- Elaine: In John Day, in the 10 years prior, only 5 new homes had been built and the existing housing supply was pretty decrepit. They were having problems recruiting new employees to the area (for example, the hospital couldn't hire for lack of suitable housing). Elaine worked with John Day to develop a housing URA, where the boundary included vacant parcels within the City and also houses that needed rehabilitation. It doesn't look like a typical URA, as just parcels that could use the incentive were identified/included. The URA is connected by right of way. The goals were to build 100 new homes, and renovate an additional 100 homes. The City created an economic development fund through their utility fund as a way to prime to the pump. They formed a URA to allow for the use of those funds to incentivize development and repay the utility fund. Most URAs levy 100% of revenue, but in John Day, they underlevy so they only collect enough resources to pay for incentives for specific houses to be built, as well as administration. For new construction, they provide a rebate as a percent of net increase in assessed value. They also include SDCs to be covered. They contacted a number of property owners and builders to find out what that delta was between what was affordable vs not, and why housing wasn't being constructed. Decided that a certain amount of amount of rebate could provide an incentive to build new housing in area. The rehabilitation is trickier because the increase in assessed value from rehabilitation really depends on what the assessor values that rehabilitation at. Sometimes the rehabilitation isn't enough for the assessor to change the assessed value of property, and therefore there isn't an increase in taxes. So, there is no ability to provide a rebate. On those applications, the City is sitting down individually with the assessor's office to identify whether there will be an increase in assessed value, then communicating that to developer.
- Elaine: Burns did the same concept, and included the downtown area in the urban renewal plan because they needed improvements in downtown. Lakeview would be a similar program for commercial, and provide incentives on new housing.
- Elaine: Madras recently adopted a housing incentive. 32% of households were cost burdened, and no new multifamily units had been developed since 2010. They knew they had a problem. There was a housing deficit across incomes. They brought in properties into the City, but nothing was built due to the recession and there was no way economically to move forward. They also have a downtown URA, so had to figure out how to cross the existing area while still keeping the housing URA contiguous. The legal underpinning is for housing incentives. The goals were to develop 964 units at all income levels. The City also has authority to complete infrastructure to incentivize development. The projected financing would be available for those infrastructure improvements.
  - Cassandra: Appreciate that there is an underlevy until there is a development in John Day. Guessing this would count towards the geographical limits/valuation limits prescribed in statute?
    - Elaine: Yes.

- Elaine: Salem has single-property URAs. When they have developer come in for a multifamily housing development, the City approaches the developer and asks about establishing long-term affordability for some units in exchange for a tax rebate on the development to help offset the costs of making those units affordable long-term. Then, the City negotiates the urban renewal incentive rebate for that particular property that would be necessary for long-term affordability. The City has completed one so far (Jory Apartments), we are now working with them on three potential new areas. The great thing about this type of development is that the affordable units are interspersed with the market rate housing, so all amenities go to all residents.
- Elaine: None of these URAs discussed have specifically addressed first-time homeownership, but we believe the same concept and model could address issues of first-time homeownership. The City of Talent has asked us to look into this with them. Know that the Wilsonville Council has expressed interest in first-time homeownership within the community. How can they do a program that would address that.
- Questions:
    - Andrew: If, within one development, there are some subsidized units and some not, that is impacting the taxing authorities that are collecting money. What is their take on collecting less than market taxes for similar units?
        - Elaine: Have only completed one URA in Salem, and as part of the adoption of the urban renewal plan, you have to send out letters to impacted taxing districts. The City of Salem received no negative responses, requests for a presentation, requests for changes to the plan, or opposition.
    - Andrew: Projects that Elaine described are a way of incentivizing construction, whereas Frog Pond has the opposite problem. We don't have a problem with finding builders, they just want to build $700,000 single family houses instead of $400,000 townhomes. How do you structure a housing affordability urban renewal plan that incentivizes a developer to build more affordable units when they want to build the million-dollar homes?
        - Elaine: In each of these areas, we have taken considerable time up front to figure out that question. Would need to look at what incentives will work to make that happen and if the incentive is worth it. If you have to pay $300,000 per unit, is that reasonable? Or, can we change the zoning to allow more dense development? Look at different aspects that will result in a more affordable product.
        - Andrew: Is currently part of the planning commission. Talking about housing styles that would generate affordable housing, understanding that the City could potentially incentivize units.
        - Elaine: If you only did that, a developer could do single-family housing and that market demand would result in higher cost homes. Unless you allow the ability to build a different product and that different product also has some financial economic benefits to the builder, you aren't going to change what you get. Unless you acquire property and prescribe type of development that happens. A URA could own property and issue an RFP that says what they want and ask who wants to build it.
        - Andrew: Can do that with a master plan. If you leave it up to the builder, they will build $800,000 single-family houses. It doesn't help residents that are in the lower income brackets.
        - Susan: Think we're hitting on it. Whether they are townhomes or single-family homes, you hope that the incentive will make it initially cheaper, but then, it will resell at market value. Why are we spending tax dollars for achieving short-term affordability? Is it better to do a multifamily building to designate as subsidized, so it stays that way for an

extended period (similar to what happens in NYC)? The Madras and John Day examples don't correlate to what we are experiencing, because you can build and sell big homes here, but it's not helping people with lower incomes. Think the multifamily makes more sense.

    - Elaine. This is a very fine point. You can also, as a condition of the URA putting money in, condition that the money (or a portion) must be repaid on sale if it is sold within a certain period of time. The value of that money goes up over time to the homeowner. Would have to look at that and to understand how we could make it long-term affordable. When people are talking about equitable housing, they are looking at the ability for people who are typically priced out of the housing market to be able to benefit from that wealth creation. If you do multifamily and people are just renting, they never get into the cycle of homeownership and equity. Don't know if Wilsonville is interested in this, it's a policy/philosophy issue.

  - Alisa (via Zoom chat): I support exploring TIF for affordable housing. This worked well in my past work experience.

Equitable Housing Strategic Plan

- Matt: The Equitable Housing Strategic Plan was adopted in 2020. It assesses existing conditions in housing inventory and lays out a plan for how Wilsonville might achieve equitable housing.
- Matt: Wilsonville has a young population (younger than the county or the state). Growing population, including a growing Latinx population. Half of new households are projected to be low-income. Wilsonville currently has a 50/50 housing mix, which is a major accomplishment and is much higher than other communities. However, if new housing is high-cost single family, then the balance will be tipped. Homeownership is out of reach. One of 10 households in Wilsonville live in existing subsidized households, and these developments are nicely done and well-maintained (don't fit the stereotypes that might exist). The average home cost in Wilsonville is 31% higher than what an average household can afford. There is demand for relatively affordable homeownership and different types of housing.
- Matt: The Plan identified actions. Currently working towards the goals of HB 2001 and 2003 to incorporate middle housing (between single-family detached and apartments), securing land for affordable housing construction, and looking at how SDCs may be adjusted. Discussing transit-oriented development at Barber, and recently adopted a vertical housing development zone in Villebois and Town Center. Also exploring the possibility of a construction excise tax that would help fund an affordable housing trust fund. It would be a tax up to 1% on permit valuation for residential and/or commercial/industrial. Grants can be pursued.
- Matt: For the master planning of Frog Pond, looking at how to ensure affordability. Through zoning and policy regulation, we can achieve "relative" affordability. But can't get to "absolute" affordability—related to a metric like median income—with regulatory frameworks alone. That's why we are pursuing all of the options mentioned. Is this an additional tool to put in toolbox?
- Discussion: Shall Wilsonville explore TIF in addition to other tools, to create affordable housing opportunities in the Frog Pond area or a-site specific area?
  - Table discussion for next meeting (out of time).