



IMPROVING OUR COMMUNITY

COLUMBIA GATEWAY URBAN RENEWAL AGENCY
CITY OF THE DALLES

AGENDA STAFF REPORT

Columbia Gateway Urban Renewal Agency

AGENDA LOCATION: Action Item #5-C

MEETING DATE: March 28, 2016

TO: Urban Renewal Agency Members

FROM: Gene E. Parker, City Attorney

ISSUE: Authorization for personal services contract with EcoNorthwest for consulting services for Tony's Building project

BACKGROUND: During a recent meeting with representatives from Tokola Properties Inc., the developer, who is considering a redevelopment of the property commonly referred to as the Tony's Building, recommended that the Urban Renewal Agency consider hiring a consultant to conduct a financial evaluation and an economic analysis of the proposed redevelopment project. The primary focus of the financial evaluation would be to provide an analysis of the developer's pro forma. The financial evaluation would include an assessment of the potential funding gap for the project, and provide strategies for securing additional funding options. The economic analysis would provide a summary of the economic benefits of the project, including information as to the number of jobs proposed to be created.

Tokola recommended that the Agency consider using the services of EcoNorthwest, who provided these types of consulting services for projects undertaken by Tokola in the cities of Hillsboro and Forest Grove. Included with this staff report are copies of the scope of work for the services provided in connection with the project in Forest Grove, a copy of a summary of the economic benefits for the project, and a copy of a powerpoint presentation which summarized the financial aspects of the project.

The Agency is not required to conduct an economic analysis of the project. Staff is recommending that the Agency consider approving a scope of work which would include services similar to those described in Tasks 1 and 3 in the scope of work for the Forest

Grove Project. As noted previously, the primary focus under the first task will include a review of the developer's pro forma. This analysis will include an assessment of potential funding gaps for the project, and assist the Agency's negotiations with Tokola Properties regarding the Agency's role in funding any potential funding gaps for the project. Under the second task, the consultant can be available on an on-call basis to assist the Agency with the negotiation of the disposition and development agreement. As members of the Agency and Agency staff have not had extensive experience in negotiating a disposition and development for the type of mixed use development proposed by Tokola, including issues related to securing an exemption from the requirement to pay prevailing wage rates, the staff believes that having an experienced consultant on an on-call basis would be of significant benefit for the efficient progress of the development.

BUDGET IMPLICATIONS: If the Agency approves the proposal to retain the services of EcoNorthwest, the cost of the services is anticipated not to exceed the sum of \$4,000 for the financial evaluation, and not to exceed the sum of \$12,000 for the on-call consulting services. The Urban Renewal Budget lists the sum of \$25,000 for urban renewal consulting services.

COUNCIL ALTERNATIVES:

1. *Staff recommendation:* Move to authorize the execution of a contract for consulting services with EcoNorthwest in the amount not to exceed \$16,000 for provision of a financial evaluation and on-call consulting services.
2. Decline to grant authorization for a personal services contract with EcoNorthwest.

ATTACHMENT 1

Forest Grove

COMMUNITY, FISCAL, AND ECONOMIC
IMPACTS AND EFFECTS SCOPE OF WORK

September 28, 2015

Prepared for:

City of Forest Grove

ECONorthwest
ECONOMICS • FINANCE • PLANNING

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Approach

The City of Forest Grove desires a Community, Fiscal, and Economic Impacts and Effects analysis for a downtown mixed-use redevelopment project with 77 residential units and ground floor retail space. This analysis will be used to support the City's negotiations with the project developer regarding the Forest Grove Urban Renewal Agency's role in funding any potential funding gaps for the project. In addition, the work will document the potential impacts and effects of the project.

ECONorthwest's (ECO) approach is to provide a thorough evaluation and vetting of the financial performance of the proposed redevelopment along with analysis of the economic impacts and other benefits for the City and the Urban Renewal Agency. In addition, ECO will provide advising and support to the City for any negotiations on an on-call basis. The work will have three tasks:

- **Task 1 Financial Evaluation** of the proposed redevelopment to assess the benefits derived by the developer and the potential funding gap for the project,
- **Task 2 Economic Impacts and Effects** estimates the economic benefits of the project and potential effects on the local economy, and
- **Task 3 On-call Advising** will provide assistance to the City in negotiations on an as needed basis.

Task 1. Financial Evaluation

The first task will be to evaluate the financial performance of the proposed redevelopment project. The primary analytical work for this task is a review of the developer's pro forma analysis. In addition to evaluating the overall soundness of the analysis, this evaluation will specifically:

- Validate underlying assumptions made in the pro forma, particularly rents, costs, and financial assumptions, and
- Identify additional detail or sources needed to properly assess the pro forma, such as construction or operating costs, lending information, development fees, etc.

Using the pro forma information provided, ECO will also estimate the benefit of the State's Vertical Housing Tax agreements for the development project. Lastly, ECO will assess the potential funding gap for the project, if any, and provide strategies for securing additional funding options.

Deliverable: At the end of Task 1 ECO will provide a brief memorandum summarizing the assumptions used, need for additional information, and overall assessment of any potential funding gap. ECO will also have a conference call to review the findings from Task 1 with City staff.

Budget: \$4,000

Timeline: This task will begin with the execution of a contract and be completed by the end of October.

Task 2. Economic Impacts and Effects

Task 2 will identify and estimate the positive economic impacts and effects associated with the redevelopment project. Economic impacts are the changes in economic activity that result from an investment of dollars. They are often measured with proprietary econometric models¹ that account for changes in jobs, incomes, tax revenues, and the like. Economic effects are changes in the economy that result from the project itself. For a development project, economic effects are changes like improved vitality and additional foot traffic in an area, etc.

The remainder of this section summarizes the approach for assessing the economic benefits of the project, specifically property tax revenues, jobs, and spending related to the redevelopment project.

Economic Impacts

Property Tax Revenue

This subtask will calculate the potential property revenues that can be attributed to the project. The analysis will calculate the incremental property tax revenues for both the Forest Grove Urban Renewal agency and the City of Forest Grove. From the Urban Renewal agency's perspective, ECO will calculate the Tax Increment Funds (TIF) flowing to the agency from the proposed project. To determine the specific incremental property tax benefit of the proposed project, the calculations will include two scenarios:

- No development occurs on the site, and
- The development of the site goes forward as planned.

The difference between these two calculations is the incremental property tax benefit of the project. The TIF calculations will include current obligations the agency has entered into and the Vertical Housing Tax Credits the developer proposes to use for the project.

From the City of Forest Grove's perspective, ECO will calculate property tax revenue from the Local Option Levy. This calculation will also include the two scenarios to determine the incremental property tax benefit of the project.

Jobs

This subtask will estimate the number of new jobs created by the project. Using the IMPLAN model, ECO will estimate the number of direct jobs related construction of the project and jobs

¹ Examples are IMPLAN and RIMS.

associated with commercial uses a part of the project and the indirect jobs created from the additional economic activity.

Spending

ECO will also use the IMPLAN model to estimate the economic impacts of the additional investment and spending related the redevelopment project. This analysis will include the direct, indirect, and induced economic activity in Forest Grove. This task will also look at the spending resulting from new residents living in the project, including rent and discretionary spending.

Economic Effects

This task will qualitatively assess the potential economic effects of the redevelopment project when it is complete. Specifically, this task will look at the potential effects on placemaking and quality of life, the ability to catalyze other development projects in the urban renewal area, and the potential to increase local economic vitality.

Deliverable: At the end of Task 2 ECO will provide a draft report for review to the City summarizing the analytical results and potential benefits and positive effects for the City. The report will also provide overall conclusions as well as the approach, methods, and sources used. ECO will collect and integrate any comments and edits from City staff into a final version of the report.

Budget: \$15,000

Timeline: This task will begin in mid-October. A draft report will be submitted in early December, and the final report will be submitted by the end of December.

Task 3. On-call Advising

Task 3 will include assisting the City with the negotiation of the disposition and development agreement. This assistance will be as needed on an on-call basis. It will include email correspondence, phones call, meetings with staff and the developer, and potentially internal memorandums.

Budget: up to \$12,000, as managed in coordination with City staff.

Timeline: This task will be on an as needed basis.

Team Resumes

Ph.D. American Studies, University of Minnesota
M.A. American Studies, Purdue University
B.A. Political Science, Purdue University

Abe Farkas, a Senior Project Director at ECONorthwest, has over three decades of experience in crafting and implementing sustainable redevelopment and economic strategies utilizing public-private partnerships to improve downtowns, neighborhoods, business districts, and educational environments in communities across the country. Through collaboration and innovation Abe has been instrumental in helping communities enhance their physical, social, economic and environmental fabric. Projects in which Abe has played a key role include: mixed-use and mixed income developments; historic preservation and adaptive re-use of older facilities; educational, research, high and clean tech, and social service developments; high capacity transit projects including street car, light rail and aerial tram; transit oriented development; brownfield redevelopment; affordable and workforce housing developments; and public parks, trails and plazas. Many of these developments have achieved LEED certification (silver to platinum) for sustainability and were recipients of regional or national awards. Previously, Abe was the Development Director for the Portland Development Commission; Planning and Development Director for the City of Eugene, Oregon; Economic Development Manager for the City of Seattle; Director of Community Development and Planning for the City of Fort Wayne, Indiana; and assistant professor of Housing and Public Policy at the University of Tennessee. Abe has served on numerous non-profit and professional boards and councils including the International Economic Development Council (former Board member) and the Urban Land Institute (Inner City and Public-Private Partnerships Councils), and has made presentations on various urban, community, economic and sustainable development topics to communities and professional groups in cities across the country as well as internationally.

Representative Projects

Community Redevelopment

Urban Renewal Area Redevelopment (Portland, OR)

For the City of Portland, as Development Director for the Portland Development Commission (PDC), oversaw redevelopment activities in ten urban renewal areas (URAs) in Portland. The URAs ranged from 180 to 3,200 acres and had a combined tax increment bonding capacity of \$1.3 billion. Projects included: large-scale sustainable mixed-use developments (e.g., Brewery Blocks, Meier and Frank Block, and Museum Place); the creation of new urban neighborhoods (e.g., South Waterfront and the Pearl District); new and expanded transit systems (e.g., Portland Streetcar, the aerial tram from OHSU to the South Waterfront, and extension of light rail to Northeast Portland); revitalization of economically challenged neighborhood (e.g., Alberta/MLK, Mississippi, Central Eastside, Lents); development of new parks, plazas and urban trails (e.g., Jamison Square, Tanner Creek Park, East-bank Esplanade); and smaller-scale but transformational developments such as mixed-income housing projects, social service

facilities, historic building rehabilitation, among other infill redevelopment (e.g., Vanport Square along MLK Blvd., Children's Receiving Center in Gateway area, Freemont Place on MLK Blvd).

Redevelopment in downtown, inner city and university neighborhoods (Eugene, OR)

For the City of Eugene, as Planning and Development Director for the City, oversaw redevelopment activities in downtown, inner city neighborhoods, and with the University of Oregon. Partnership projects included: adaptive re-use of vacated middle school into apartments with community amenities in near west side; initial phases of the University's Riverfront Research Park that included incubation spaces for start up businesses, new soccer fields, and new facilities for university related research; construction of a partnered housing over retail development on a downtown site that had been vacant for over 20 years; adaptive re-use of various historic and older buildings including the current Downtown Athletic Club, Tiffany Building, and the Bon Marche Building.

Downtown Urban Renewal Plan and Creekside Improvement Strategy (Beaverton, OR)

For the City of Beaverton, as Development Services Director at ECONorthwest, worked with a multi disciplinary team to craft a downtown Urban Renewal Plan and a Creekside Improvement Strategy based on the City's Civic plan. These implementation oriented plans were developed through significant public engagements and provide Beaverton with collaborative paths to enhance its built and natural environments through several projects including streetscape improvements, mixed-use developments and mixed-income housing projects, development of creekside parks and trails, and flood mitigation improvements.

South and East Billings URA (Billings, MT)

For the City of Billings, as Development Services Director at ECONorthwest, worked with a multi-disciplinary team to craft implementation strategies for redeveloping mixed use and mixed-income projects, as well as public realm amenities such as new parks in the South Billings and East Billings Urban Renewal Districts.

Public & Private Partnerships

Pike Pine Streetscape Action Strategies (Seattle, WA)

For the Downtown Seattle Association, as Development Services Director at ECONorthwest, assisted the private non-profit in crafting partnership financing options with the City of Seattle for public realm improvements to the Pike Pine retail core and stronger connection to Seattle's waterfront.

Hillsboro Downtown Development (Hillsboro, OR)

For the City of Hillsboro, as Development Services Director at ECONorthwest, assisted the City in structuring a partnership to develop its first new downtown mixed-use project on the light rail line. The project includes three floors of housing over retail with below grade structured parking, as well as adaptive re-use of a former bank building.

Headquarters Facility Development (Eugene, OR)

For the Oregon Research Institute, as Development Services Director at ECONorthwest, assisted the non-profit research organization in Eugene with a partnership to develop a new 80,000

Square Foot, LEED gold headquarters facility. Helped the non-profit select a developer, secure a site on university property, and negotiated the transaction on behalf of the non-profit.

Transit-Oriented Development

Dallas Transit-Oriented Development (Dallas, TX)

For the City of Dallas, as Development Services Director at ECONorthwest, worked with a multi-disciplinary team to craft mixed-use and mixed-income TOD prototype developments for five station areas in lower-income portions of the city. Each prototype project included an economically viable funding structure that incorporated private and public resources. The northern most station area concept which included a branch library, market rate and affordable housing as well as a small medical clinic and retail shop on a public site has attracted a private developer who is moving forward with partnered project implementation.

Baton Rouge Streetcar & Opportunity Sites (Baton Rouge, LA)

For the City of Baton Rouge and the Baton Rouge Area Foundation, as Development Services Director at ECONorthwest, currently working on a corridor redevelopment strategy anchored by a streetcar line that will link LSU's main campus with downtown and the state capitol complex as well as provide several transit oriented development opportunity sites on both public and private properties. These new developments will include multi-family housing, a water research facility, parks, and mixed-use buildings.

Portland Transit Systems and Transit Oriented Development (Portland, OR)

For the City of Portland, led the PDC in collaborative efforts that secured mass transit projects that, in turn, stimulated a series of transit-oriented developments. The transit projects include: implementing phases one and two of Portland Streetcar (which helped stimulate over \$3 billion in private development since becoming operational); constructing a light rail extension to Northeast Portland as well as securing agreement to extend the light rail along the downtown transit corridor; developing a three-way partnership to construct an aerial tram from Oregon Health Sciences University to the Willamette riverfront (which helped foster the South Waterfront Central District development).

M.A. Community and Regional Planning, University of Oregon
M.A. Public Administration, University of Oregon
B.A. English and Global Studies, Pacific Lutheran University

Lorelei specializes in redevelopment implementation and public sector fiscal analysis. Her recent projects have identified creative approaches to funding infrastructure and revitalizing communities, at a time when most major funding sources are in decline for local governments. Lorelei is well-versed with tools such as public-private partnerships, urban renewal, and catalytic investments. Recent projects include implementation analysis for Southern Nevada Strong's Regional Plan, which included redevelopment planning of four TOD demonstration sites in and around Las Vegas. Other recent projects include feasibility and implementation strategies for bring new private development to Olympia, Washington's downtown; a project redefining the role of the Metro government in encouraging sustainable building and landscaping practices; and an evaluation of the role that new development might play in causing residential displacement and gentrification in Portland and its suburbs. She has also worked on projects exploring options for development or redevelopment in a number of communities, including downtown Beaverton, Oregon, various redevelopment sites in San Antonio, Texas, and downtown Boise, Idaho. Lorelei is a Partner and sits on the Board of Directors for ECONorthwest.

Representative Projects

- For the City of Gresham, Oregon, Lorelei recently completed a detailed analysis of market forces driving gentrification and displacement in the City's neighborhoods, and an analysis of the likely impacts of a new bus rapid transit line connecting the City to downtown Portland on housing affordability.
- Currently managing the formation of a community renewal area in downtown Olympia by providing market analysis, redevelopment strategy, and facilitation assistance. Also overseeing the development of a comparative redevelopment assessment for five key subareas.
- The Oregon Brownfields Coalition was interested in understanding the magnitude of the brownfields challenge in the Oregon, but lacked sufficient data to do so. As the ECONorthwest lead on a multidisciplinary team, Lorelei produced a report that, for the first time, estimated the number of brownfields in Oregon by zoning type and redevelopment potential. In addition, ECONorthwest developed a statewide model that estimated development feasibility gaps and cleanup costs on underutilized sites. The results informed decisions about which funding and incentive tools could most effectively redevelop brownfields.
- For the Oregon Business Development Department (OBDD), Lorelei led the ECONorthwest team in evaluating the statewide economic impact of OBDD's investments in brownfields remediation and redevelopment.

- For Metro and in partnership with an environmental engineering firm, Lorelei identified and mapped the brownfields in the Portland Metro area, calculated the potential fiscal and other impacts of redevelopment of these sites, and identified and evaluated potential policy solutions to facilitate brownfield cleanup resulting in the efficient use of developable land.
- For the City of St. Helens, OR, Lorelei assisted with due diligence on City acquisition of a large, formerly-industrial waterfront site. She prepared a market analysis regarding opportunities for the site's redevelopment into a mixed-use waterfront community. As a follow up, Lorelei worked with partners to develop a successful grant application that will support more detailed implementation and master planning on the site.
- For the Capital City Development Corporation (CCDC), Lorelei led the ECONorthwest team in conducting a housing study to better understand opportunities and barriers to urban housing in Downtown Boise. The project included a peer cities comparison, a market analysis, the development of a statistical model to predict potential apartment rents, and determination of the feasibility of different multi-family housing and parking types.
- Lorelei is currently managing the formation of a community renewal area in downtown Olympia by providing market analysis, redevelopment strategy, and facilitation assistance. Also overseeing the development of a comparative redevelopment assessment for five key subareas.
- For the City of Beaverton, Lorelei helped craft a master plan for the Creekside District, making recommendations regarding location, public-private funding structure, opportunities for shared parking, and development agreements with key property owners. She is now assisting the city with drafting a solicitation to bring private developers to a city-owned property that will contain mixed-use development and public parking in a public-private partnership.
- For the City of San Antonio, led the ECONorthwest team in developing a parcel-specific real estate model that identified optimal uses and building types for currently underutilized properties and estimated the feasibility gap. ECONorthwest then developed site-specific strategies to close the feasibility gap and revitalize neighborhoods, including strategic and coordinated use of tax increment finance, community development block grant, and other funds.
- For the City of Hillsboro, OR, managed the ECONorthwest team in the development of a financial model that calculated return on investment for various public projects. The City was interested in better understanding how its investments in public infrastructure could be more strategically made to result in increases in tax base, achievement of community development goals, and other public goals. ECONorthwest lead the effort to develop a strategic investment strategy using the results of the model.
- Managed the consultant effort to develop a regional plan that will support the Southern Nevada region's goals for increased economic competitiveness. Oversaw market and economic analysis that will support the plan the development of the plan components,

developed meeting content, and oversaw the creation of two land use scenarios that illustrate the impact of proposed policy changes in the region.

- For the Community Investment Initiative, a group of private sector partners convened by the Metro regional government, is assisting with the development of an integrated infrastructure investment strategy that combines federal, state, regional, and local resources to narrow the gap between the Metro region's projected infrastructure needs and revenues.
- For the City of Beaverton and with developer Gerding Edlen, assessed the potential for an ecodistrict to catalyze private-sector development and revitalization of downtown Beaverton.
- For Metro, assisted in a strategic planning process to redefine Metro's role in promoting sustainable building and landscaping practices. The project included internal and external stakeholder focus groups, reviews of industry standards for green building practices, and an evaluation of current Metro programs to make recommendations for a more strategic approach to achieving the reduction of construction waste and toxics.
- In the Oxford Handbook of Urban Economics and Planning, published an article exploring the local government fiscal impacts of various growth patterns. "Fiscal Impact Analysis and the Cost of Alternative Development Patterns." Published 2012 by Oxford University Press.
- For the Oregon Association of Renewal Agencies, developed and presented analysis regarding the impacts of urban renewal on Oregon's school districts.
- For the City of Lake Oswego, Oregon, developed a strategy to fund the redevelopment of the Foothills District, a 120-acre industrial area adjacent to downtown Lake Oswego, into a vibrant mixed-use community. Defined projects, forecast future assessed value growth, evaluated multiple urban renewal boundary options, and created a financing plan that fits the complex schedule for infrastructure improvements and mixed-use private development. Using only development-derived sources (systems development charges and tax increment) the final study outlined an implementation strategy for Foothills development, and was adopted by Council in November of 2011.
- For the City of Beaverton, Oregon, prepared major components of an urban renewal plan and report for Beaverton's Central City area. Working with Technical Advisory and Community Advisory Committees, evaluated potential redevelopment and infrastructure improvement projects, estimated tax increment finance revenues, and developed plan goals and objectives. The Plan was adopted by Beaverton voters in November of 2011, and is guiding redevelopment efforts.
- For the City of Hillsboro, Oregon, worked with a multi-disciplinary team to assess redevelopment potential in the city's downtown core and create a finance and implementation tool kit for improving the built environment for businesses and residents. Juntunen managed the technical components of an urban renewal area feasibility study.
- For Portland State University, managed the development of a coordinated physical Framework Plan and Economic Development Strategy. The plan identified opportunities for

the university to further integrate into the physical landscape of the City of Portland and to become a more prominent and effective regional economic driver as it grows.

- In a volunteer elected position, served as Land Use Chair for the St. Johns neighborhood association, leading efforts to evaluate development opportunities from a community perspective and interfacing with the city's permitting and development staff.
- For the U.S. Department of Housing and Urban Development (HUD), worked with the National Center for Smart Growth Education and Research to evaluate methods for identifying barriers to affordable housing provision. Specifically, the project considered local-level land use codes and their effects on multi-family housing development. The American Planning Association recently released this research as a Planning Advisory Service publication.

M.U.R.P., Portland State University
Certificate, Commercial Real Estate, University of Washington
Graduate Certificate, GIS, University of Wisconsin-Madison
B.A. Geography, University of Wisconsin-Madison

Erik Rundell is a project manager, policy analyst and urban planner specializing in land use, demographic, economic and market analysis, as well as fiscal impacts and funding strategies. He works with clients to understand and address their unique challenges and develop strategies for realizing near- and long-term opportunities. Erik is actively involved in the Puget Sound planning community and currently serves on the City of Seattle Urban Forestry Commission and the Capitol Hill EcoDistrict Steering Committee in Seattle.

Representative Projects

Economic Development and Market Analysis

- Capital City Development Corporation, Downtown Boise Housing Study – Conducted and managed study looking at the market for multi-family housing, achievable rents, and opportunities and challenges associated with housing development in Downtown Boise.
- Spokane Transit Authority, Economic and Land Use Impacts of the Central City Line – Conducted a market analysis for development in downtown Spokane and quantified the anticipated economic development impacts of a proposed bus rapid transit through downtown Spokane on development.
- Southern Nevada STRONG, Opportunity Site Analysis – Evaluated opportunities for implementing redevelopment in the Las Vegas region. Specifically focused on transit-oriented development opportunities along Maryland Parkway where the Regional Transit Commission is considering a high-capacity transit line.
- Port of Douglas County, Capital Facilities Plan & Economic Feasibility Study – Assessed economic development opportunities for a large area of vacant land along the Columbia River. Created an implementation plan for the coordinated development of infrastructure to support the development of the area in line with the economic development vision for the region.
- City of Olympia, Martin Way Corridor Study – Developed a strategy for making near- and long-term infrastructure improvements to support safety, access, and long-term development of the Martin Way corridor based on the local market conditions and development potential, transportation needs, stormwater issues, and input of residents and businesses.
- City of Olympia, Community Renewal Area Plan – Conducted a market analysis for the feasibility development for different uses in five different subareas within the city, and

analyzed the development feasibility and fiscal impacts of different development concepts within Downtown Olympia.

- City of Kenmore, Regional Business Zone Market Analysis – Evaluated the market for different development types and economic development opportunities in Kenmore and made recommendation on changes to the City’s Regional Business zone to remove barriers to potential opportunities envisioned in the City’s economic development plan.
- City of Seattle Office of Economic Development, South Lake Union Public-Private Investment Analysis – Researched the changes in the redevelopment of the South Lake Union neighborhood over time to identify key public actions and analyzed the fiscal payback of infrastructure investments made by the City over time.
- Thurston Regional Planning Council, Commercial Market Study - Analyzed commercial development patterns over time, land value change over time, and employment trends within Thurston County as a part of a study evaluating the redevelopment potential of commercial corridors. Developed profiles of individual nodes and commercial centers within the corridors assessing the redevelopment potential of each node and its potential relative to other nodes.

Land Use Planning and Development

- City of Shelton, Industrial Lands Analysis – Conducted an analysis of the demand for industrial lands by type of industrial use, assessed the supply of suitable sites, and provided assessment of strategies available to support industrial development within the context of Washington’s Growth Management Act.
- Kitsap County/City of Bremerton, Gorst Subarea Plan and Planned Action EIS – Developed different development scenarios for the unincorporated UGA and evaluated the impacts of the land use changes as part of a Planned Action EIS.
- City of Kent, Downtown Subarea Action Plan Update Planned Action SEIS – Developed different land use scenarios for downtown Kent and evaluated the impacts of these scenarios as part of a Planned Action EIS.
- City of Shoreline, Analysis of Commercial Density Standards – Determined changes in zoning on capacity within the commercial zones and implications for the City’s transportation model.
- City of Covington, Northern Gateway Study - Assessed the buildable land capacity for commercial and residential uses and the demand for residential and commercial uses within the city.

Fiscal and Economic Analysis

- Pierce County, Facilities Master Plan Lifecycle Cost Analysis - Conducted a lifecycle cost analysis of scenarios evaluating leasing, owning and/or constructing new buildings for

Pierce County administrative departments. Assessed potential financing options to fund the various scenarios, and evaluated their impact on the lifecycle costs of each scenario.

- City of Shoreline, Landscape Conservation and Local Infrastructure Program Assessment – Evaluate the potential to use transfer of development rights and the Washington LCLIP incentive zoning program to incent development and the program’s potential to generate new revenue for the City.
- City of Issaquah, Infrastructure Funding Strategy – Assessed the needs and costs of providing infrastructure, parks and open space related to the Central Issaquah plan for redeveloping the city center and identified funding tools available.
- Pierce County, Fiscal Evaluation of Pierce County Rural Separator Area - Determined housing units, commercial building square feet, assessed value, and taxable retail sales by sub-geography in Pierce County for a baseline assessment of how County government costs and revenues are distributed. Conducted a buildable lands analysis as part of evaluating different development scenarios for the Rural Separator zone area.

DATE: December 30, 2015
TO: Jon Holan and Paul Downey
FROM: Abe Farkas and Erik Rundell
SUBJECT: Forest Grove Times Litho Site Redevelopment Community, Fiscal, and Economic Impacts

1 Overview

This memorandum summarizes the fiscal and economic impacts and effects of the proposed Forest Grove Apartment mixed use development in downtown Forest Grove. The City of Forest Grove desired an analysis of the fiscal and economic impacts to understand the property tax revenues and positive economic impact of the project to assess if potential financial support using tax increment financing (TIF) funds can be justified. The memorandum is organized around two main sections:

- **Economic Impacts** calculate the incremental property tax revenues, jobs, and economic activity associated with the project.
- **Economic Effects** describe the potential positive economic outcomes for Forest Grove upon completion of the project.

The following subsections first provide an overview of the proposed project and then a summary of the methods for identifying the economic impacts and effects used by the analysis.

1.1 Project Overview

The proposed project includes two phases. Phase I is a four-story mixed used building. Phase II has two possible buildout scenarios. One option (Phase II A) is an additional, primarily residential mixed use building. The second option (Phase II B) is a boutique hotel development. Each phase is summarized below:

Phase I (Mixed Use Apartments)

- 63,882 square feet (2,500 square feet of retail space, 78 apartments)
- Construction start: summer 2016
- Construction complete: fall 2017

Phase II A (Mixed Use Apartments)

- 59,027 square feet (2,500 square feet of retail, 50 apartments)
- Estimated Construction start: fall 2017
- Construction complete: fall 2018

Phase II B (Hotel)

- 59,027 square feet (2,500 square feet of retail, 55 room hotel)

- Estimated Construction start: fall 2017
- Construction complete: end of 2018

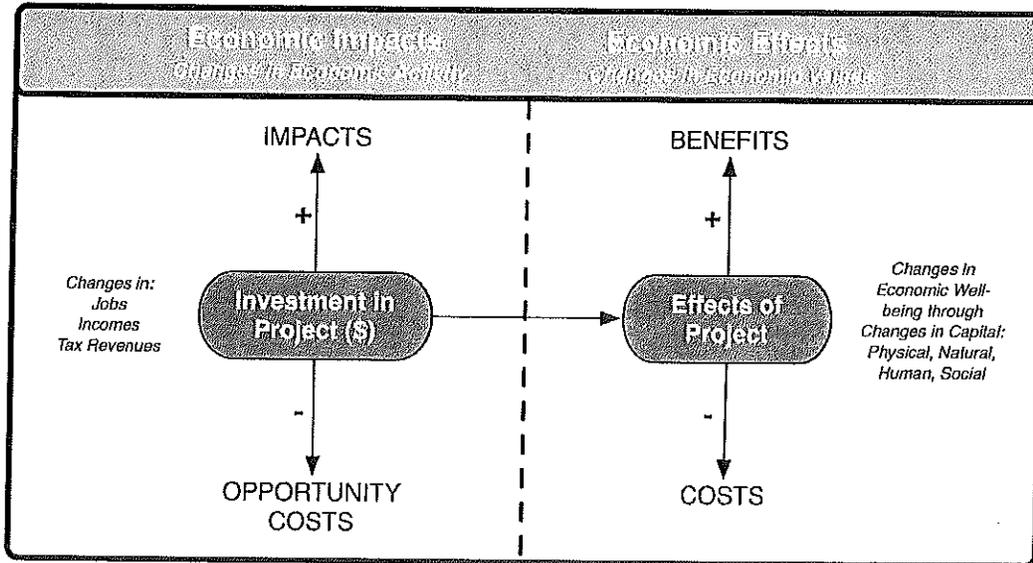
1.2 Methods

This memorandum focuses on identifying and, to the extent possible, quantifying the positive economic impacts and economic effects associated with the public and private investment in this project. Economic impacts are the changes in economic activity that result from an investment of dollars. They are often measured with proprietary econometric models that account for changes in jobs, incomes, tax revenues, and the like. These models account for the “multiplier effect” of these changes: a new job added to the economy means more spending, which in turn induces additional new jobs to support that new spending.

Economic effects are changes in the economy that result from the project itself. For a development project, economic effects are changes like improved vitality and additional foot traffic in an area that increases the opportunities for retail on adjacent properties, or improved natural habitat or environmental outcomes because of low impact development practices on a site, etc. Economic effects are harder to measure than economic impacts because they cannot be tied directly to a specific dollar investment, but are very important outcomes of new projects. Economic effects are the ones typically assessed and measured in a benefit-cost analysis.

Exhibit 1 provides an overview of the relationship between economic impacts and effects.

Exhibit 1. Economic Impacts and Effects Overview



Source: ECONorthwest

Exhibit 1 also highlights an important fact about economic impacts and effects: they have both positive and negative attributes. As mentioned above, this memorandum focuses on the positive impacts and the benefits of the investment in this project. The reasons:

-
- The public-sector contributions to the project are fairly straightforward: they could come in the form of loans, grants, land write-downs, or fee forgiveness, as is seen to be necessary to achieve this higher-density, mixed use project. However, at this early stage of ongoing negotiations with the developer, the public-sector contributions may not be entirely known. They will be better understood as the project evolves. Public sector contributions to the project are measured as “opportunity costs” in an impact analysis: those dollars are not available for other public-sector projects at this time because they will instead be spent on this investment in this project. This analysis instead uses the total development costs as a measure of the investment, and therefore presents impacts of the combined public and private sector investment.
 - The negative effects (costs) are more speculative. They are things like increased traffic and emissions to serve the site, perceived changes in the view shed for nearby businesses, negative impacts from truck delivery or patrons to new businesses, etc. Some of these negative impacts are (at least theoretically) mitigated through the permitting process (i.e., transportation system development charges that help offset the traffic impacts; design work to make the building better fit the character of Forest Grove’s downtown), and others are subjective (e.g., not all people will necessarily see changes to the view shed as a negative impact). We acknowledge that these negative effects are present, but do not attempt to measure them in this memorandum.

2 Economic Impacts

2.1 Property Tax Revenues

The property tax revenue analysis calculated the Tax Increment Funds (TIF) flowing to the Forest Grove Urban Renewal Agency generated by the Forest Grove Apartments for two different options:

- No development occurs on the site (baseline), and
- The development of the site goes forward as planned with two different buildout scenarios.

Under the “no development” situation, property values of existing properties are assumed to continue to increase, generating incremental revenues for the URA. The difference between this baseline and incremental revenues from the development of the Tokola project is the additional property tax benefit of the project. The TIF calculations include the Vertical Housing Tax Credits proposed for the project.

Exhibit 2 below shows the 20-year estimated property tax revenues for the Forest Grove Urban Renewal Agency if no development occurs (baseline revenues) and the incremental revenues for each subsequent phase of the proposed Forest Grove Apartments project. All values are in nominal (not adjusted for inflation) dollars. The table also shows the incremental annual revenues from the local option levy going to the general fund. The local option levy is not

included in the consolidated TIF property tax rate. As a result, the City will accrue local option levy revenues on top of the TIF revenues going to the Agency.

Under the no new development baseline scenario the Agency would realize a net present value of \$5.6 million in property tax revenue over 20 years¹. The Agency would realize this additional TIF revenue just through appreciation of existing property, even if no development occurs. On its own, the addition of Phase I (Mixed Use Apartments) of the project would add \$739,454 to that total. Phase II A (Mixed Use Apartments) would add \$529,063 and Phase II B (Hotel) would add \$448,248. The total net present value of the project's incremental property tax revenues range from \$1.2 to \$1.3 million over 20 years.

Exhibit 2. 20-Year Urban Renewal Area TIF Revenue Comparison

FYE	Local Option Levy, No Development	TIF Baseline, No Development	Phase I (Mixed Use)	Phase 2A (Mixed Use)]	Phase 2B (Hotel)
	General Fund	Net TIF	Additional TIF	Additional TIF	Additional TIF
2016	\$3,340	\$27,101	\$0	\$0	\$0
2017	\$9,491	\$75,231	\$0	\$0	\$0
(Phase I) 2018	\$15,826	\$125,311	\$0	\$0	\$0
(Phase II A or B) 2019	\$22,352	\$177,002	\$44,720	\$0	\$0
2020	\$37,332	\$230,272	\$46,071	\$34,701	\$29,736
2021	\$44,503	\$285,126	\$47,458	\$35,745	\$30,632
2022	\$51,889	\$300,139	\$42,947	\$32,348	\$27,721
2023	\$59,496	\$351,254	\$44,234	\$33,317	\$28,551
2024	\$67,332	\$403,901	\$45,562	\$34,318	\$29,408
2025	\$75,402	\$458,129	\$46,928	\$35,346	\$30,290
2026	\$83,715	\$513,982	\$48,336	\$36,407	\$31,199
2027	\$92,277	\$571,512	\$49,786	\$37,499	\$32,135
(VHTC Ends) 2028	\$101,096	\$630,768	\$51,280	\$38,624	\$33,099
2029	\$110,180	\$691,800	\$118,009	\$89,228	\$75,000
2030	\$119,536	\$754,665	\$121,549	\$91,904	\$77,250
2031	\$129,173	\$819,415	\$125,196	\$94,661	\$79,567
2032	\$139,099	\$886,108	\$128,951	\$97,500	\$81,953
2033	\$149,323	\$954,800	\$132,821	\$100,427	\$84,414
2034	\$159,853	\$1,025,554	\$136,806	\$103,439	\$86,946
2035	\$170,699	\$1,098,432	\$140,909	\$106,541	\$89,553
Cumulative	\$1,641,915	\$10,380,502	\$1,371,563	\$1,002,006	\$847,454
Net Present Value	\$892,231	\$5,646,899	\$739,454	\$529,063	\$448,248

Source: ECONorthwest, Washington County Assessor, Tokola Properties

2.2 Job Creation

The project would create new jobs within Forest Grove through the construction of the project, the occupation of the building by commercial uses, as well as additional spending in Forest Grove that may have occurred elsewhere if not for the project.

The construction of Phase I would result in 70 construction jobs on the site. The construction of Phase II A and II B would result in 49 and 41 construction jobs, respectively. Phase II A would

¹ NPV calculations assume a 5.0% discount rate.

have more jobs because of the higher construction cost. When finished, the retail space and apartments in Phase I would result in 3.8 and two full-year equivalent jobs. The apartments in the Phase II A option would result in two additional positions. The hotel option in Phase II B would result in 11 additional jobs.

When direct spending and indirect and induced effects are included, the project would result in 297 jobs for the Phase I and Phase II A scenario, and 296 jobs for the Phase I and Phase II B scenario.²

2.3 Total Positive Economic Impacts

The total positive economic impacts of the project are based on the job estimates and cost to construct the project, which are then used to estimate the related employee compensation, spending, and economic activity in Washington County. Economic impacts measure businesses' spending on payroll, goods and services, and capital projects. ECONorthwest used the IMPLAN model, which reports the following measures of economic impacts:

- *Jobs*, according to IMPLAN's methodology, are measured in terms of full-year-equivalents (FYE). One FYE job equals work over twelve months in a given industry. Job impacts from operations are for one year of normal operations.
- *Employee Compensation* includes workers' wages and salaries, as well as other benefits such as health, disability, and life insurance; retirement payments; and non-cash compensation.
- *Output* represents the value of goods and services produced, and is the broadest measure of economic activity. Output can roughly be thought of as sales. In addition, for businesses to provide output, they must purchase intermediate goods and labor services.

In addition, economic impact analysis employs specific terminology to identify the different types of economic impacts. The three terms of interest are as follows.

- *Direct Impacts* are those associated with the payroll and employment of the proposed project and include the direct output of the activities.
- *Indirect Impacts* are the goods and services purchased for operations. This spending generates the first round of indirect impacts. This spending leads to additional rounds of indirect impacts. These indirect effects are often referred to as supply-chain impacts.
- *Induced Impacts* are the purchases of goods and services from household incomes. The direct and indirect increases in employment and income enhance the overall purchasing power in the economy, thereby inducing further consumption and investment-driven stimulus.

The overall positive economic impact of the project would be \$40.1 million to \$48.5 million in Washington County depending on the scenario. Phase I would result in \$28.7 million in total economic activity and 177 full-year equivalent jobs (FYE). The Phase II A (Apartments) option would result in \$19.7 million in total economic activity and 120 additional FYEs. The hotel in Phase II B (Hotel) would result in \$11.4 million in total economic activity and 119 additional FYEs. Exhibit 3 through Exhibit 5 show the direct, indirect, and induced impacts for each phase.

Exhibit 3. Phase I Economic Impacts, Washington County

Type of Impact	Direct	Indirect	Induced	Total
Output	\$16,128,418	\$7,678,519	\$4,948,948	\$28,755,884
Employee Compensation	\$4,826,192	\$3,106,975	\$1,658,340	\$9,591,507
Employment	76	61	40	177

Source: IMPLAN, ECONorthwest, Tokola Properties

Exhibit 4. Phase 2A Economic Impacts, Washington County

Type of Impact	Direct	Indirect	Induced	Total
Output	\$11,062,102	\$5,330,639	\$3,352,594	\$19,745,335
Employee Compensation	\$3,307,659	\$2,162,054	\$1,123,434	\$6,593,146
Employment	51	42	27	120

Source: IMPLAN, ECONorthwest, Tokola Properties

Exhibit 5. Phase 2B Economic Impacts, Washington County

Type of Impact	Direct	Indirect	Induced	Total
Output	\$5,118,581	\$3,796,214	\$2,465,025	\$11,379,820
Employee Compensation	\$2,983,385	\$1,538,435	\$826,562	\$5,348,382
Employment	52	47	20	119

Source: IMPLAN, ECONorthwest, Tokola Properties

3 Economic Effects

Economic effects are positive effects of the project that are difficult to quantify, but are present in the long-term result of additional positive economic impacts. It is expected the Forest Grove Apartments would have additional positive effects beside the property tax revenues, jobs, and spending discussed above. Economic effects would include the potential to catalyze additional development and contribute to Forest Grove realizing its vision for increasing the quality of life, supporting a vibrant downtown, and supporting the goals of the region's growth concept. These effects could then lead to additional development projects and further positive economic impacts.

3.1 Catalytic Potential

Forest Grove Apartments would be the first new mixed use building in downtown Forest Grove in a long time. The success of the development, both financially and in demonstrating demand for that type of building, has the potential to catalyze development of other sites. In addition, the building will help prove the market for market-rate, mixed use apartments in the downtown, and establish a new comparable for future projects. For example, after the

completion of the 4th and Main project in downtown Hillsboro, a new full block, mixed use project is now proposed for the downtown.

3.2 Community Vision and Goals

The Forest Grove Apartments would be the first step towards realizing the City's vision of a successful and vibrant Town Center as outlined in the Urban Renewal Plan. A vibrant Town Center also is key to the goals of the City's Comprehensive Plan of an efficient development pattern, a mixture of uses, vital economy, and maintaining a high quality of life for residents.

4 Conclusions

The incremental property tax revenues of the project would likely exceed the initial public investment of almost \$1.0 million. The net present value of the incremental property tax revenues the Urban Renewal Agency would see in return, directly attributed to the project, would range from \$1.2 to \$1.3 million in present-day dollars. It is a positive indicator that the project would likely return to the initial public investment through additional property tax revenues. However, a specific project does not necessarily need to return the full amount in public contribution. If the project catalyzes additional development that does not require public participation, the net gain in property tax revenues will likely exceed the initial investment over the long-term. Public participation in early projects does not set a precedent for identical participation in future projects. Early "pioneering" projects have more risk and are built under different market conditions than later projects, which often necessitate deeper public participation for early projects to be feasible. Later partnered projects would be assessed on their own attributes and market conditions at that time.

In addition to the TIF revenues, the project is estimated to generate new jobs and spending that would contribute \$40.1 million to \$48.5 million to the local economy. By being a pioneering mixed use building in downtown Forest Grove, the project would likely help further the City's vision for the vibrant Town Center and help catalyze additional future projects as well.

Times Litho Site Redevelopment

City of Forest Grove

Financial Feasibility
Assessment

ABOUT "ECO"

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About ECO

- Comprehensive view of development process
- Experience with numerous public and private clients and understand their perspectives
- Understand development and fiscal impacts and role for the city in shaping development



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Financial Feasibility

PRIVATE EQUATION

Benefits (Rent, Future development)

- Developer Costs

- Land →
- Site Preparation
- Financing
- Permits and SDCs →
- Construction
- Parking
- Public Improvements →
- Operation & Maintenance
- Cost Over-runs

Return (+/-)

PUBLIC EQUATION

Benefits (Fiscal, Economic, Catalytic, Quality of life)

- Public Costs

- Land acquisition
- Demolition
- Financial gap (capped obligations)

Return (+/-)

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Financial Feasibility

Key Assumptions

- Total Phase I cost of almost \$15.5 million
- Private equity of \$3.4 million
- Vertical Housing Tax Credit reduces property taxes by 60% for 10 years
- Projected apartment rental range:
 - \$1.25 per square foot (~\$1,600 per unit) for 3-bedroom units
 - \$1.52 per square foot (~\$800 per unit) for studios

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Conclusions

Assessment

- Total project cost and assumptions are reasonable
- The project does require public participation to be viable
- Projected profit in low end of normal range
- Percent projected TIF participation (10%) on low end of other similar projects

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Financial Feasibility

- Overall financial gap of about \$1.8 million
- Projected TIF participation is \$1.5 million, 10.0% of total (examples range from 9-50%)
- Developer Fee 4.8% (Typical range 4-7%)
- Soft costs are 34% of hard costs (Typical range 25-37%)
- Cash-on-cash return of 5.3% (Typical range 5-10% or more)

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Thank You

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Financial Feasibility

- Astoria, Liberty Theater: \$9M, 22% TIF support



- Madras, Inn at Cross Keys: \$4.7M, 11% TIF support



- The Dalles, Commodore Building: \$5.3M, 9% TIF support



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Financial Feasibility

- Salem, Hollywood Station: \$20M, > 50% TIF support



- Salem, North Broadway: \$15M, 25-30% TIF support



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