

Lincoln City Nelscott East Urban Renewal Feasibility Study



Executive Summary

Purpose

The City of Lincoln City (City) has requested an urban renewal feasibility analysis of the Nelscott East Area at the south part of the city. The City adopted the Nelscott Gap Neighborhood Plan in 2017. This plan was accomplished with a robust community - driven process. It provides the City with vision, goals and implementation strategies to guide the future development of the Nelscott Gap Neighborhood Plan (2017) area. The Plan Goals include goals on Livability and Housing, Recreation and Health, Heritage and Inclusion, Economy, Transportation Choice, Lifelong Learning, Ecology and Natural Resources.

The Nelscott Gap Neighborhood Plan contains specific policies to create walkable, mixed-use districts, create and maintain parks and open spaces, implementation strategies and spaces to promote innovation, light manufacturing and employment in Nelscott, to provide “maker spaces” for residents and tourists to engage in creative work, and to provide transportation systems that allow for transportation choices by residents.

Boundary

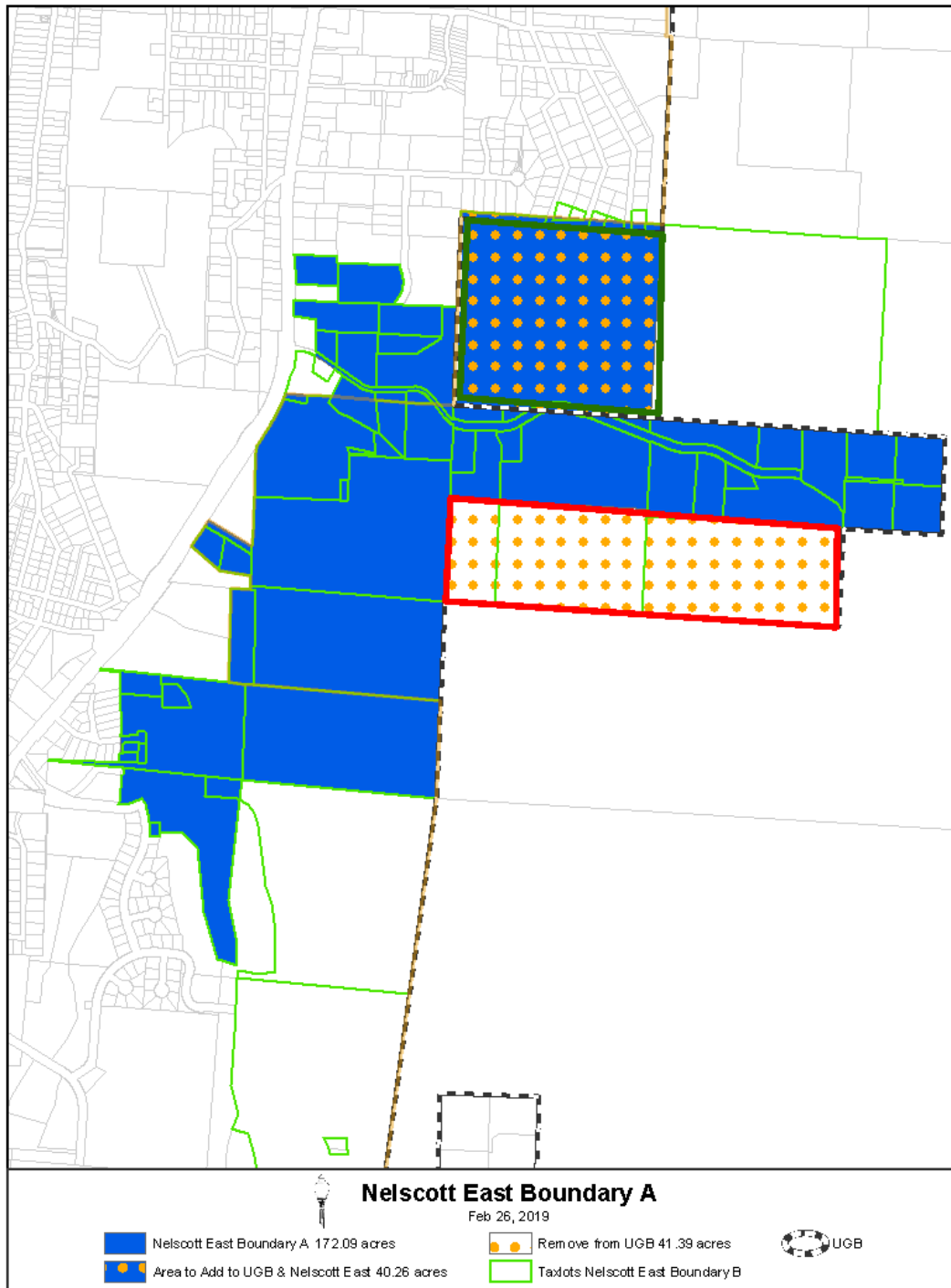
Two boundary options were analyzed for a Nelscott East Urban Renewal Area (Nelscott East URA). Unlike the Roads End Urban Renewal Feasibility Study, the two boundaries are discrete and either one or the other would be adopted, instead of one being adopted and the other added on at some point in the future.

Nelscott East Boundary A is shown in Figure 1. It has 172.09 acres and contains properties that are totally outside of the existing Y2000 Development Plan (Y2000 Plan) Urban Renewal Area boundary. Much of the boundary is outside the city limits of Lincoln City. The Nelscott Area Boundary A primarily includes properties located in the county, currently used for light industrial and manufacturing uses. Other properties include large-timbered parcels considered for planned unit development and a few parcels along Highway 101.

Nelscott East Boundary B, shown in Figure 2, has 349.03 acres. The additions add potential right of way to construct the Lincoln City ByWay as an alternative route to Highway 101 through the south portion of town and parcels to the south. As in Nelscott Boundary A, much of the boundary is outside the city limits of Lincoln City. The Nelscott East Area Boundary B includes the properties in the county accessed by SE 23rd Street and along the east side of Highway 101 from SE 20th to SE 29th. The Nelscott Area B would include properties around the Wastewater Treatment Plant, Schooner Creek Road, and along a corridor following the Lincoln Byway Alignment concept.

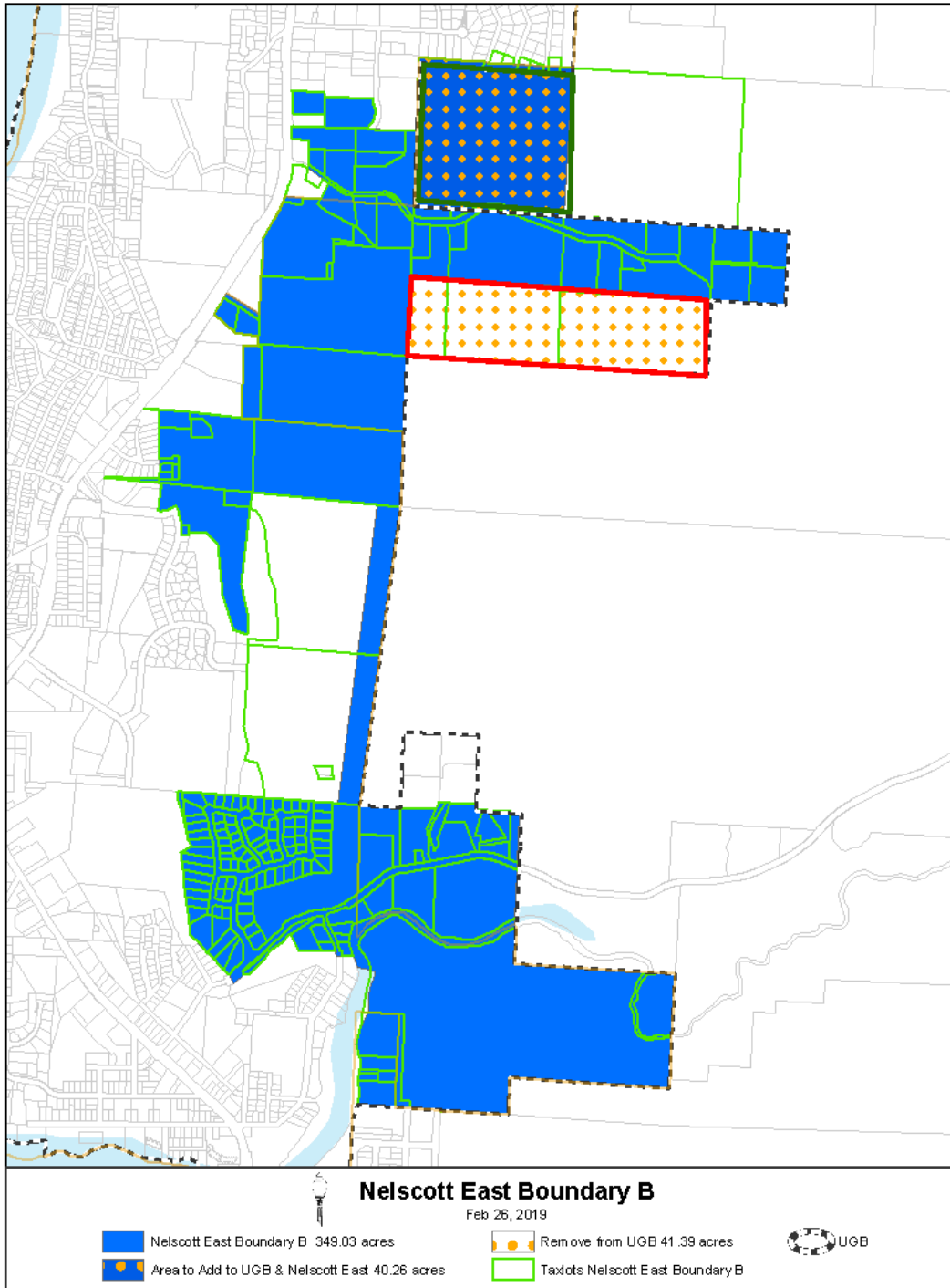
The majority of the Nelscott Area needs to either be annexed prior to the establishment of the urban renewal area or Lincoln County must jointly approve the Nelscott East Urban Renewal Plan in Boundary A or B.

Figure 1 – Nelscott East Boundary A



Source: City of Lincoln City GIS

Figure 2 – Nelscott East Boundary B



Source: City of Lincoln City GIS

TIF Forecast Summary

Exhibit 1 and Exhibit 2 summarize the results of the tax increment finance (TIF) forecast for the Nelscott East URA, Options A and B. The analysis shows that the URA Boundary Option A could generate \$8.6 million of TIF revenue over 25 years. That TIF revenue could support a maximum indebtedness of \$7.6 million. Adjusting for inflation and converting that figure into constant 2019 dollars, the URA could fund \$4.5 million in projects.

Exhibit 1. Summary of TIF Forecast Results, Nelscott East Boundary Option A

Total TIF	\$ 8,580,000
Maximum Indebtedness	\$ 7,630,000
\$ For Projects (2019\$)	\$ 4,510,000
Years 1-5	\$ 40,000
Years 6-10	\$ 400,000
Years 11-15	\$ 1,480,000
Years 16-20	\$ 1,390,000
Years 21-25	\$ 1,200,000

Note: Total TIF and Maximum Indebtedness are stated in year-of-expenditure (i.e., “nominal”) dollars. Funding for projects has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

Boundary Option B could generate \$16.9 million of TIF revenue over 25 years. That TIF revenue could support a maximum indebtedness of \$14.6 million. Adjusting for inflation and converting that figure into constant 2019 dollars, the URA could fund \$9.1 million in projects.

Exhibit 2. Summary of TIF Forecast Results, Nelscott East Boundary Option B

Total TIF	\$ 16,910,000
Maximum Indebtedness	\$ 14,640,000
\$ For Projects (2019\$)	\$ 9,120,000
Years 1-5	\$ 1,610,000
Years 6-10	\$ 850,000
Years 11-15	\$ 2,360,000
Years 16-20	\$ 2,160,000
Years 21-25	\$ 2,140,000

Note: Total TIF and Maximum Indebtedness are stated in year-of-expenditure (i.e., “nominal”) dollars. Funding for projects has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

Key Facts and Next Steps

- As there is property both outside of the Urban Growth Boundary (UGB) and outside of the city limits, two actions would be necessary to pursue approval of an urban renewal plan in this area. First, a UGB land swap approved by the State of Oregon would be required. Second, if the property was not annexed to the City prior to formation of an urban renewal area, Lincoln County would need to jointly approve the urban renewal plan.
- The statutory restrictions on acreage and assessed value relate to land within the city limits. For purposes of this feasibility study, the acreage and assessed value limitations are tabulated as if the property was all within the city limits. While the consultant team has worked with other localities where there is acreage not within the city limits, we have always computed the statutory limitations as if the area was fully within the city limits. This is a conservative interpretation of the statute, and one we recommend our clients follow.
- Nelscott East Boundary Option A is acceptable under ORS 457 restrictions on acreage. No changes need to be made to the Y2000 Plan to adopt the Boundary A option. A UGB swap is required for this boundary option.
- Nelscott East Boundary Option A is acceptable under ORS 457 restrictions on assessed value. The assessed value of Boundary Option A is projected to be \$8,112,785.
- There is sufficient capacity for assessed value increase to allow for a maximum indebtedness of \$7,630,000, which translates to \$4,510,000 in 2019 dollars.
- Nelscott East Boundary Option B is acceptable under acreage limitations given the understanding that the additional acreage shown in Option B is not added to the urban renewal area until the Y2000 Plan is amended to delete tax-exempt properties. If this boundary was adopted, there would still be capacity for an additional 64.57 acres to be in urban renewal in Lincoln City. A UGB swap is required for this boundary option. Once the Y2000 Plan is terminated, additional capacity would be available.
- Nelscott East Boundary Option B is acceptable under ORS 457 restrictions on assessed value. The assessed value of Boundary Option B is projected to be \$29,894,730.
- There are projects that could improve the Nelscott neighborhood for existing residents and could spur additional development.
- Next steps
 - Review of the Nelscott East Urban Renewal Feasibility Study by City Council.
 - Review of the Roads End Urban Renewal Feasibility Study by City Council.
 - Direction by City Council to either pursue development of an urban renewal plan in Nelscott or to table the discussion of this potential urban renewal area.

If the Nelscott East options are to be pursued:

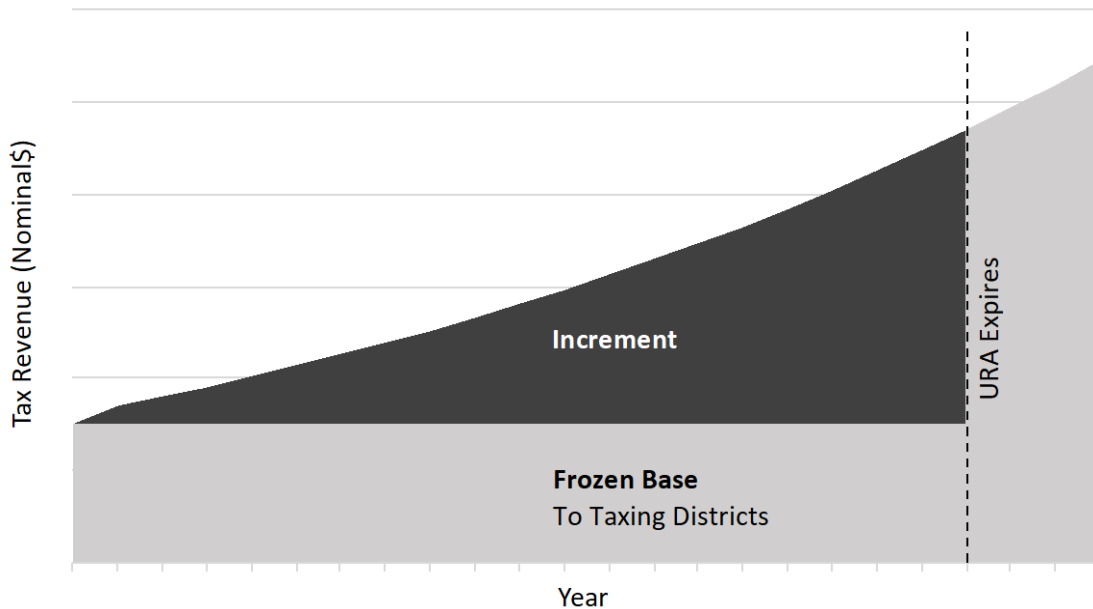
- Development of an urban renewal plan would include community input, further City Council/Agency input, coordination with Lincoln City staff including departments such as Public Works, Planning, Parks & Recreation, and Finance, and working with impacted taxing districts.
- Complete a UGB land swap with the State of Oregon.
- Either annex the properties into the city or coordinate with Lincoln County for their joint approval of the urban renewal plan.
- Remove tax-exempt properties from the Y2000 Plan for Nelscott East Boundary B.
- Consideration by City Council of adoption of new Urban Renewal Plan.

Background

How Urban Renewal Works

ORS 457 authorizes municipalities in Oregon to create urban renewal areas (URAs). When a URA is established, the assessed value within the URA boundary becomes the “frozen base” assessed value. When assessed value in the URA grows over time, the difference between the total assessed value and the frozen base is considered “increment” assessed value. Each year, property tax revenue from the frozen base in the URA is distributed normally to all overlapping taxing districts, and the URA receives all the property tax revenue generated from the increment, called Tax Increment Finance (TIF) revenue. TIF revenue can only be spent on capital projects located in the URA. After the URA expires, all tax revenue is distributed to the overlapping taxing districts. Exhibit 3 illustrates the general tax revenue distribution within a URA boundary over the life of the URA.

Exhibit 3. Example Urban Renewal Revenue Distribution



Urban renewal is a division of taxes; it does not create a new tax or increase the existing tax rate. Therefore, the financial impacts of an urban renewal area are borne by overlapping taxing districts, and not by individual tax payers. TIF revenue collected by a URA results in revenue foregone by the overlapping taxing districts.

Financial Restrictions and Limitations on Urban Renewal

TIF revenue can only be spent on capital projects, not operations. For example, TIF revenue could be used to pave a new road but could not be used to pay for ongoing maintenance activities for that road. Additionally, TIF revenue can only be spent on projects located within the URA, and those projects must be to the benefit of the URA.

Urban renewal plans are required to have a “maximum indebtedness”, which functions as a limit on the cumulative amount of TIF that can be spent on projects in the URA. Maximum Indebtedness is the total amount of funds that may be spent on projects, programs and administration over the life of an urban renewal area. Note that maximum indebtedness does not function as a revolving credit limit. In other words, once the Agency has spent funds, those expenditures go against the maximum indebtedness limit. Paying off debt for old projects does not free up additional maximum indebtedness to be used on future projects.

Some plans choose to also impose a time limit, either on the length of time that TIF revenue can be collected, or on the length of time that new debt can be incurred. However, time limits are not required by ORS, and many urban renewal plans do not have any such time limit. In the absence of a time limit, urban renewal plans exist until they have reached their maximum indebtedness and paid off all debt. Typical life spans for URAs are between 20 and 40 years. Thus, urban renewal is not considered a quick-fix for revitalizing blighted areas, but a long-range economic development funding tool.

Analysis and Results

This section describes the methodology and results of the analysis.

URA Boundary – Nelscott

City staff provided the consultant team with the proposed Nelscott URA boundary to include in the analysis, shown in Figures 1 and 2.

The total acreage of the Nelscott East Boundary A is 172.09 acres and includes \$8.1 million in assessed value in in fiscal year end 2019. This URA, in addition to Lincoln City’s existing URAs, comprise 4.0% of the City’s total assessed value and 21.97% of the City’s acreage, both below the statutory limit of 25%.

The total acreage of the Nelscott East Boundary B is 349.03 acres and includes \$29.9 million in assessed value in in fiscal year end 2019. This URA, in addition to Lincoln City’s existing URAs, comprise 5.3% of the City’s total assessed value and 26.65% of the City’s acreage. While the assessed value is below the statutory limit of 25%, the acreage is not. The removal of tax-exempt properties from the Y2000 Plan would need to be approved prior to adoption of the Nelscott East Boundary B.

TIF Forecast

The forecast of TIF revenue is a five-step process:

- Step 1. Determine the consolidated tax rate
- Step 2. Determine the assessed value of the frozen base
- Step 3. Forecast future growth in assessed value
- Step 4. Calculate tax increment finance revenue
- Step 5. Estimate borrowing capacity

Determine Consolidated Tax Rate

The consolidated tax rate for all new urban renewal areas is equal to the sum of all permanent tax rates, as well as any general obligation bond levies approved by voters prior to October 6, 2001. Local option levies, and any general obligation bond levies approved since October 6, 2001 (including any bonds that may be approved in the future) are not impacted by urban renewal. Note that for the proposed Nelscott boundary no overlapping taxing districts that have general obligation bonds approved by voters before October 6, 2001. Thus, only permanent rate levies are included in the consolidated tax rate for the calculation of TIF.

Both Boundary A and Boundary B include property located in the following tax code areas (TCAs): 402, 407, 412, 414, 417, 461, and 493. There are 14 property accounts in Boundary A and 16 property accounts in Boundary B that are split between two TCAs. In this analysis, all value from each split property was allocated to the TCA with the lower consolidated tax rate, to maintain a more conservative TIF forecast. The resulting final TCAs used in this analysis for both boundaries were 402, 414, 461, and 493.

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Exhibit 4 shows the consolidated tax rate for each tax code area TCA in fiscal year end 2019 for both URA Boundaries A and B.

Exhibit 4. Consolidated Tax Rate by Tax Code Area, Nelscott East URA Boundaries A and B, fiscal year end 2019

Jurisdiction Name	Tax Code Area			
	402	414	461	493
Lincoln County General	\$ 2.8202	\$ 2.8202	\$ 2.8202	\$ 2.8202
Lincoln County Solid Waste	\$ -	\$ -	\$ -	\$ -
Lincoln County Extension Service	\$ 0.0451	\$ 0.0451	\$ 0.0451	\$ 0.0451
Lincoln County Animal Services	\$ 0.1100	\$ 0.1100	\$ 0.1100	\$ 0.1100
Lincoln County Transportation Service	\$ 0.0974	\$ 0.0974	\$ 0.0974	\$ 0.0974
City of Lincoln City	\$ 4.0996	\$ 4.0996	\$ -	\$ -
N Lincoln Fire and Rescue	\$ 0.6783	\$ -	\$ -	\$ 0.6783
North Lincoln Health	\$ 0.5184	\$ 0.5184	\$ 0.5184	\$ 0.5184
Devil's Lake - Out Water Improvement	\$ 0.1280	\$ 0.1280	\$ -	\$ -
Lincoln County Library	\$ -	\$ -	\$ 0.2465	\$ 0.2465
<i>Subtotal</i>	<i>\$ 8.4970</i>	<i>\$ 7.8187</i>	<i>\$ 3.8376</i>	<i>\$ 4.5159</i>
Lincoln County School Unit	\$ 4.9092	\$ 4.9092	\$ 4.9092	\$ 4.9092
Oregon Coast Community College	\$ 0.1757	\$ 0.1757	\$ 0.1757	\$ 0.1757
Linn-Benton-Lincoln ESD	\$ 0.3049	\$ 0.3049	\$ 0.3049	\$ 0.3049
<i>Subtotal</i>	<i>\$ 5.3898</i>	<i>\$ 5.3898</i>	<i>\$ 5.3898</i>	<i>\$ 5.3898</i>
Total	\$ 13.8868	\$ 13.2085	\$ 9.2274	\$ 9.9057

Determine the Assessed Value of the Frozen Base

When a new URA is created, the assessor sets the frozen base using the most recently published tax roll data. We assume that if the City adopts a new urban renewal plan, it would do so before the release of the fiscal year end 2020 tax roll data in October 2019. Under this assumption, the frozen base would be established using fiscal year end 2019 assessment data. Exhibit 5 and Exhibit 6 show the estimated assessed value of properties in the proposed Nelscott East URA boundaries for fiscal year end 2019 by tax code area. We estimate the frozen base value of the URA Boundary A to be \$8.1 million and estimate the frozen base value of the URA Boundary B to be \$29.9 million.

Exhibit 5. Assessed Value by Tax Code Area, Nelscott East URA Boundary A, fiscal year end 2019

TCA	Property Type				Total
	Real	Personal	Manufactured	Utilities	
402	\$ 1,145,390	\$ 12,285	\$ 3,891	\$ 18,258	\$ 1,179,824
414	\$ 514,760	\$ -	\$ -	\$ -	\$ 514,760
461	\$ 345,930	\$ 41	\$ 3,675	\$ 37,251	\$ 386,898
493	\$ 5,261,680	\$ 44,353	\$ 192,196	\$ 533,075	\$ 6,031,304
Total	\$ 7,267,760	\$ 56,679	\$ 199,762	\$ 588,584	\$ 8,112,785

Exhibit 6. Assessed Value by Tax Code Area, Nelscott East URA Boundary B, fiscal year end 2019

TCA	Property Type				Total
	Real	Personal	Manufactured	Utilities	
402	\$ 19,548,340	\$ 209,660	\$ 66,410	\$ 311,612	\$ 20,136,022
414	\$ 514,760	\$ -	\$ -	\$ -	\$ 514,760
461	\$ 368,680	\$ 44	\$ 3,917	\$ 39,701	\$ 412,342
493	\$ 7,704,650	\$ 64,946	\$ 281,431	\$ 780,578	\$ 8,831,606
Total	\$ 28,136,430	\$ 274,650	\$ 351,759	\$ 1,131,891	\$ 29,894,730

Note that ORS limits the frozen base assessed value of urban renewal areas to no more than 25% of total citywide assessed value (AV) for cities with population of less than 50,000. As stated above, with the addition of the Nelscott East URA Boundary A or B, the City's URAs will comprise 4.0% or 5.3% of the total AV in the City, respectively.

Forecast Future Growth

Two elements contribute to growth in assessed value: appreciation of existing property value and new construction (referred to as “exception value” in this analysis).

In most situations, Oregon’s property tax system allows individual properties to appreciate a maximum amount of 3.0% per year. Most properties achieve that maximum growth rate of 3.0% each year. For the purposes of this analysis, we assume that the assessed value of real property will appreciate at 3.0% per year.

In addition to the annual appreciation of existing property, we include exception value (new construction) for each boundary based on conversations with City staff, summarized in Exhibit 7. Key assumptions include:

- Light-Industrial Development (*in Boundaries A and B*): 50 acres of development over 30 years, construction beginning in calendar year 2024. Total assessed value estimated to be \$1,096,250 per year in constant 2019 dollars, based on examples of comparable development citywide.
- Residential & Mixed-Use Development (*in Boundaries A and B*): 13.75 acres of development over 30 years, construction beginning in calendar year 2024. Total assessed value estimated to be \$482,213 per year in constant 2019 dollars, based on examples of comparable development in the Lincoln Palisades area.
- Single Family Residential Development in the Bay View Subdivision (*in Boundary B only*): 29 lots remaining to be developed, 10 per year, beginning in calendar year 2020. Total AV per lot based on prior development in the same subdivision estimated to be \$304,957 in constant 2019 dollars.

*Exhibit 7. Exception Value from New Construction,
Nelscott East URA Boundaries A and B (2019 dollars)*

Calendar Year Constructed	Fiscal Year End on Tax	Total AV (2019\$ dollars)	
		Boundary A	Boundary B
2019	2021	\$ -	\$ -
2020	2022	\$ -	\$ 3,049,570
2021	2023	\$ -	\$ 3,049,570
2022	2024	\$ -	\$ 2,744,613
2023	2025	\$ -	\$ -
2024	2026	\$ 1,578,463	\$ 1,578,463
2025	2027	\$ 1,578,463	\$ 1,578,463
2026	2028	\$ 1,578,463	\$ 1,578,463
2027	2029	\$ 1,578,463	\$ 1,578,463
2028	2030	\$ 1,578,463	\$ 1,578,463
2029	2031	\$ 1,578,463	\$ 1,578,463
2030	2032	\$ 1,578,463	\$ 1,578,463
2031	2033	\$ 1,578,463	\$ 1,578,463
2032	2034	\$ 1,578,463	\$ 1,578,463
2033	2035	\$ 1,578,463	\$ 1,578,463
2034	2036	\$ 1,578,463	\$ 1,578,463
2035	2037	\$ 1,578,463	\$ 1,578,463
2036	2038	\$ 1,578,463	\$ 1,578,463
2037	2039	\$ 1,578,463	\$ 1,578,463
2038	2040	\$ 1,578,463	\$ 1,578,463
2039	2041	\$ 1,578,463	\$ 1,578,463
2040	2042	\$ 1,578,463	\$ 1,578,463
2041	2043	\$ 1,578,463	\$ 1,578,463
2042	2044	\$ 1,578,463	\$ 1,578,463
2043	2045	\$ 1,578,463	\$ 1,578,463
Total		\$ 31,569,260	\$ 40,413,013

TIF Projections

Gross TIF revenue is calculated as the product of the increment assessed value and the consolidated tax rate each year. However, actual TIF received (i.e., net revenue) in a given year tends to be lower, due to discounts (from paying taxes early), delinquencies (unpaid taxes), truncation loss (lost revenue due to rounding of tax bills), and compression loss (for properties where the taxes imposed would exceed constitutional limits). Our forecast of net TIF revenue assumes a 5.0% adjustment factor to convert from gross to net revenue, based on our experience with other jurisdictions across the State.

Exhibit 8 and Exhibit 9 show the forecast of TIF revenue through fiscal year end 2045. We assume the first year that the URA would collect TIF is fiscal year end 2021. This represents a 25-year period of TIF collection. The following tables indicates the URA would go into effect in fiscal year end 2021. However, due to the complexity of the UGB land swap and annexation issues, it might take longer for the URA to complete the tasks necessary prior to the adoption of a URA plan.

Exhibit 8. TIF Revenue, Nelscott East URA Boundary A, fiscal year end 2019-2045

FYE	Assessed Value				Tax Rate	Tax Increment Finance				
	Total	Frozen Base	Increment - Used	Increment - Not Used		Gross TIF	Adjustments	Net TIF (Current Year)	Net TIF (Prior Year)	Net TIF (Total)
2019	\$ 8,112,785	\$ 8,112,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	\$ 8,330,818	\$ 8,112,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ 8,555,392	\$ 8,112,785	\$ 442,607	\$ -	\$ 10.7348	\$ 4,751	\$ (238)	\$ 4,514	\$ -	\$ 4,514
2022	\$ 8,786,702	\$ 8,112,785	\$ 673,917	\$ -	\$ 10.7348	\$ 7,234	\$ (362)	\$ 6,873	\$ 68	\$ 6,940
2023	\$ 9,024,952	\$ 8,112,785	\$ 912,167	\$ -	\$ 10.7348	\$ 9,792	\$ (490)	\$ 9,302	\$ 103	\$ 9,405
2024	\$ 9,270,349	\$ 8,112,785	\$ 1,157,564	\$ -	\$ 10.7348	\$ 12,426	\$ (621)	\$ 11,805	\$ 140	\$ 11,944
2025	\$ 9,523,109	\$ 8,112,785	\$ 1,410,324	\$ -	\$ 10.7348	\$ 15,139	\$ (757)	\$ 14,383	\$ 177	\$ 14,560
2026	\$ 11,724,805	\$ 8,112,785	\$ 3,612,020	\$ -	\$ 12.3884	\$ 44,747	\$ (2,237)	\$ 42,510	\$ 216	\$ 42,725
2027	\$ 14,050,797	\$ 8,112,785	\$ 5,938,012	\$ -	\$ 12.8069	\$ 76,047	\$ (3,802)	\$ 72,245	\$ 638	\$ 72,883
2028	\$ 16,506,547	\$ 8,112,785	\$ 8,393,762	\$ -	\$ 12.9995	\$ 109,115	\$ (5,456)	\$ 103,659	\$ 1,084	\$ 104,743
2029	\$ 19,097,689	\$ 8,112,785	\$ 10,984,904	\$ -	\$ 13.1114	\$ 144,027	\$ (7,201)	\$ 136,826	\$ 1,555	\$ 138,380
2030	\$ 21,830,177	\$ 8,112,785	\$ 13,717,392	\$ -	\$ 13.1851	\$ 180,865	\$ (9,043)	\$ 171,822	\$ 2,052	\$ 173,874
2031	\$ 24,710,146	\$ 8,112,785	\$ 16,597,361	\$ -	\$ 13.2378	\$ 219,713	\$ (10,986)	\$ 208,727	\$ 2,577	\$ 211,305
2032	\$ 27,744,073	\$ 8,112,785	\$ 19,631,288	\$ -	\$ 13.2777	\$ 260,659	\$ (13,033)	\$ 247,626	\$ 3,131	\$ 250,757
2033	\$ 30,938,627	\$ 8,112,785	\$ 22,825,842	\$ -	\$ 13.3093	\$ 303,795	\$ (15,190)	\$ 288,606	\$ 3,714	\$ 292,320
2034	\$ 34,300,680	\$ 8,112,785	\$ 26,187,895	\$ -	\$ 13.3350	\$ 349,215	\$ (17,461)	\$ 331,755	\$ 4,329	\$ 336,084
2035	\$ 37,837,309	\$ 8,112,785	\$ 29,724,524	\$ -	\$ 13.3565	\$ 397,016	\$ (19,851)	\$ 377,165	\$ 4,976	\$ 382,142
2036	\$ 41,555,960	\$ 8,112,785	\$ 33,443,175	\$ -	\$ 13.3749	\$ 447,300	\$ (22,365)	\$ 424,935	\$ 5,657	\$ 430,592
2037	\$ 45,464,466	\$ 8,112,785	\$ 37,351,681	\$ -	\$ 13.3909	\$ 500,173	\$ (25,009)	\$ 475,164	\$ 6,374	\$ 481,538
2038	\$ 49,570,885	\$ 8,112,785	\$ 41,458,100	\$ -	\$ 13.4050	\$ 555,746	\$ (27,787)	\$ 527,959	\$ 7,127	\$ 535,086
2039	\$ 53,883,523	\$ 8,112,785	\$ 45,770,738	\$ -	\$ 13.4176	\$ 614,134	\$ (30,707)	\$ 583,427	\$ 7,919	\$ 591,346
2040	\$ 58,411,092	\$ 8,112,785	\$ 50,298,307	\$ -	\$ 13.4290	\$ 675,454	\$ (33,773)	\$ 641,682	\$ 8,751	\$ 650,433
2041	\$ 63,162,567	\$ 8,112,785	\$ 55,049,782	\$ -	\$ 13.4393	\$ 739,831	\$ (36,992)	\$ 702,839	\$ 9,625	\$ 712,465
2042	\$ 68,147,348	\$ 8,112,785	\$ 60,034,563	\$ -	\$ 13.4488	\$ 807,392	\$ (40,370)	\$ 767,023	\$ 10,543	\$ 777,565
2043	\$ 73,375,119	\$ 8,112,785	\$ 68,262,334	\$ 6,452,032	\$ 13.4576	\$ 886,143	\$ (44,000)	\$ 842,143	\$ 11,505	\$ 853,648
2044	\$ 78,856,007	\$ 8,112,785	\$ 70,743,222	\$ 10,588,385	\$ 13.4657	\$ 950,027	\$ (47,000)	\$ 903,027	\$ 11,278	\$ 914,305
2045	\$ 84,600,450	\$ 8,112,785	\$ 76,490,665	\$ 14,920,679	\$ 13.4733	\$ 1,023,510	\$ (50,000)	\$ 973,510	\$ 11,543	\$ 985,053
Total						\$ 8,905,553	\$ (445,278)	\$ 8,460,276	\$ 115,084	\$ 8,575,359

Note: all values shown in year-of-expenditure dollars.

Exhibit 9. TIF Revenue, Nelscott East URA Boundary B, fiscal year end 2019-2045

FYE	Assessed Value				Tax Rate	Tax Increment Finance				
	Total	Frozen Base	Increment -			Gross TIF	Adjustments	Net TIF		Net TIF (Total)
			Used	Not Used				(Current Year)	(Prior Year)	
2019	\$ 8,112,785	\$ 8,112,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2020	\$ 8,330,818	\$ 8,112,785	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2021	\$ 8,555,392	\$ 8,112,785	\$ 442,607	\$ -	\$ 10.7348	\$ 4,751	\$ (238)	\$ 4,514	\$ -	\$ 4,514
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2023	\$ 9,024,952	\$ 8,112,785	\$ 912,167	\$ -	\$ 10.7348	\$ 9,792	\$ (490)	\$ 9,302	\$ 103	\$ 9,405
2024	\$ 9,270,349	\$ 8,112,785	\$ 1,157,564	\$ -	\$ 10.7348	\$ 12,426	\$ (621)	\$ 11,805	\$ 140	\$ 11,944
2025	\$ 9,523,109	\$ 8,112,785	\$ 1,410,324	\$ -	\$ 10.7348	\$ 15,139	\$ (757)	\$ 14,383	\$ 177	\$ 14,560
2026	\$ 11,724,805	\$ 8,112,785	\$ 3,612,020	\$ -	\$ 12.3884	\$ 44,747	\$ (2,237)	\$ 42,510	\$ 216	\$ 42,725
2027	\$ 14,050,797	\$ 8,112,785	\$ 5,938,012	\$ -	\$ 12.8069	\$ 76,047	\$ (3,802)	\$ 72,245	\$ 638	\$ 72,883
2028	\$ 16,506,547	\$ 8,112,785	\$ 8,393,762	\$ -	\$ 12.9995	\$ 109,115	\$ (5,456)	\$ 103,659	\$ 1,084	\$ 104,743
2029	\$ 19,097,689	\$ 8,112,785	\$ 10,984,904	\$ -	\$ 13.1114	\$ 144,027	\$ (7,201)	\$ 136,826	\$ 1,555	\$ 138,380
2030	\$ 21,830,177	\$ 8,112,785	\$ 13,717,392	\$ -	\$ 13.1851	\$ 180,865	\$ (9,043)	\$ 171,822	\$ 2,052	\$ 173,874
2031	\$ 24,710,146	\$ 8,112,785	\$ 16,597,361	\$ -	\$ 13.2378	\$ 219,713	\$ (10,986)	\$ 208,727	\$ 2,577	\$ 211,305
2032	\$ 27,744,073	\$ 8,112,785	\$ 19,631,288	\$ -	\$ 13.2777	\$ 260,659	\$ (13,033)	\$ 247,626	\$ 3,131	\$ 250,757
2033	\$ 30,938,627	\$ 8,112,785	\$ 22,825,842	\$ -	\$ 13.3093	\$ 303,795	\$ (15,190)	\$ 288,606	\$ 3,714	\$ 292,320
2034	\$ 34,300,680	\$ 8,112,785	\$ 26,187,895	\$ -	\$ 13.3350	\$ 349,215	\$ (17,461)	\$ 331,755	\$ 4,329	\$ 336,084
2035	\$ 37,837,309	\$ 8,112,785	\$ 29,724,524	\$ -	\$ 13.3565	\$ 397,016	\$ (19,851)	\$ 377,165	\$ 4,976	\$ 382,142
2036	\$ 41,555,960	\$ 8,112,785	\$ 33,443,175	\$ -	\$ 13.3749	\$ 447,300	\$ (22,365)	\$ 424,935	\$ 5,657	\$ 430,592
2037	\$ 45,464,466	\$ 8,112,785	\$ 37,351,681	\$ -	\$ 13.3909	\$ 500,173	\$ (25,009)	\$ 475,164	\$ 6,374	\$ 481,538
2038	\$ 49,570,885	\$ 8,112,785	\$ 41,458,100	\$ -	\$ 13.4050	\$ 555,746	\$ (27,787)	\$ 527,959	\$ 7,127	\$ 535,086
2039	\$ 53,883,523	\$ 8,112,785	\$ 45,770,738	\$ -	\$ 13.4176	\$ 614,134	\$ (30,707)	\$ 583,427	\$ 7,919	\$ 591,346
2040	\$ 58,411,092	\$ 8,112,785	\$ 50,298,307	\$ -	\$ 13.4290	\$ 675,454	\$ (33,773)	\$ 641,682	\$ 8,751	\$ 650,433
2041	\$ 63,162,567	\$ 8,112,785	\$ 55,049,782	\$ -	\$ 13.4393	\$ 739,831	\$ (36,992)	\$ 702,839	\$ 9,625	\$ 712,465
2042	\$ 68,147,348	\$ 8,112,785	\$ 60,034,563	\$ -	\$ 13.4488	\$ 807,392	\$ (40,370)	\$ 767,023	\$ 10,543	\$ 777,565
2043	\$ 73,375,119	\$ 8,112,785	\$ 58,810,302	\$ 6,452,032	\$ 13.4576	\$ 791,443	\$ (39,572)	\$ 751,871	\$ 11,505	\$ 763,376
2044	\$ 78,856,007	\$ 8,112,785	\$ 60,154,836	\$ 10,588,385	\$ 13.4657	\$ 810,027	\$ (40,501)	\$ 769,525	\$ 11,278	\$ 780,803
2045	\$ 84,600,450	\$ 8,112,785	\$ 61,566,986	\$ 14,920,679	\$ 13.4733	\$ 829,510	\$ (41,476)	\$ 788,035	\$ 11,543	\$ 799,578
Total						\$ 8,905,553	\$ (445,278)	\$ 8,460,276	\$ 115,084	\$ 8,575,359

Estimate Borrowing Capacity

Net TIF revenue (as shown in Exhibit 8 and Exhibit 9) gives a general idea of the revenue generated by the Nelscott East URA each year. However, those numbers are insufficient to understand the total funding available for projects over the life of the URA. Typically, the majority of project funding comes from loans, which allows capital projects to be built sooner, but obligates future TIF revenue for payments of principal and interest on those loans. This is how the Y2000 Plan has been funded.

To estimate borrowing capacity, we created a hypothetical finance plan for each boundary: showing how much funding could become available for projects over time, based on generic assumptions for debt, including the amount, timing, and terms of future bonds or loans. This finance plan provides an estimate of total funding available for urban renewal projects. We used the following assumptions, based on our experience with similar jurisdictions in Oregon:

- Inflation rate: 3.0%
- Minimum debt service coverage ratio: 1.5 times annual TIF revenue
- Interest rate on loans: 5.0%
- Duration of loans: As long as possible, not to exceed 20 years, and no less than 10 years.

Timing and amount of loans:

- Boundary A
 - First loan in fiscal year end 2031
 - Last loan in fiscal year end 2036 (10 years before URA is estimated to terminate)
- Boundary B
 - First loan in fiscal year end 2031
 - Middle loan in fiscal year end 2031
 - Last loan in fiscal year end 2036 (10 years before URA is estimated to terminate)

Note that there are infinite versions of financing assumptions that could have been modeled. Ultimately, if the City adopts an urban renewal plan, the financing assumptions will be tailored to meet the specific needs of the URA.

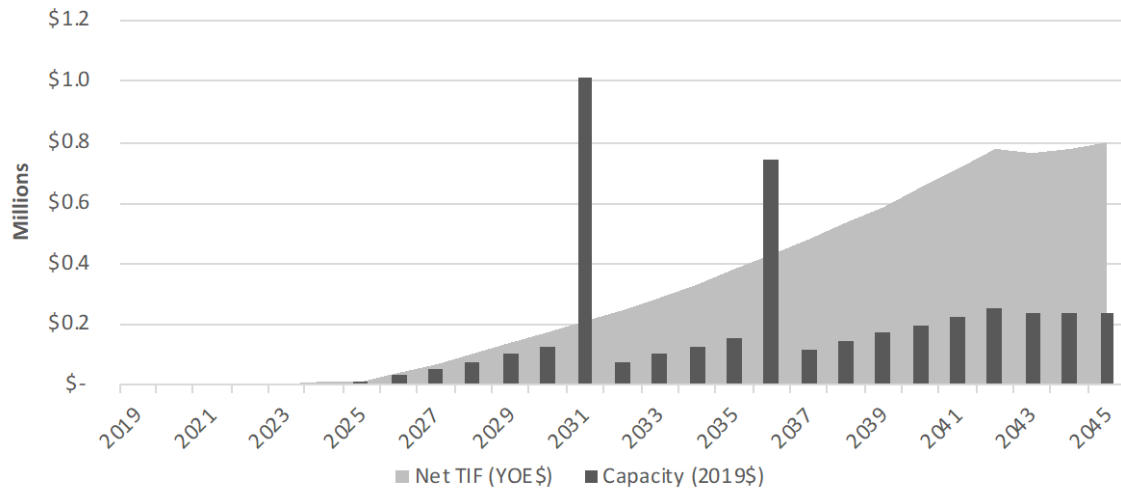
Exhibit 10 and Exhibit 11 show funding available for projects in both year-of-expenditure dollars and constant 2019 dollars (i.e. “real” dollars adjusted for inflation) for Boundary Option A. Exhibit 10 shows potential borrowing capacity in five-year increments, and some of that comes from the four loans detailed above. The borrowing capacity also includes anticipated “pay as you go” or “du jour” borrowing in smaller amounts than the loans shown in Exhibit 8. The timing of loans and use of “pay as you go” or “du jour” loans cannot exceed accumulated tax increment revenues or maximum indebtedness.

Exhibit 10. Estimated Borrowing Capacity, Nelscott East URA Boundary A

Total TIF	\$	8,580,000
Maximum Indebtedness	\$	7,630,000
\$ For Projects (2019\$)	\$	4,510,000
Years 1-5	\$	40,000
Years 6-10	\$	400,000
Years 11-15	\$	1,480,000
Years 16-20	\$	1,390,000
Years 21-25	\$	1,200,000

Note: Total TIF and Maximum Indebtedness are stated in year-of-expenditure (i.e., “nominal”) dollars. Funding for projects has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

Exhibit 11. Estimated TIF Revenue and Borrowing Capacity, Nelscott East URA Boundary A



Note: Net TIF stated in year-of-expenditure (i.e., “nominal”) dollars. Funding capacity has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

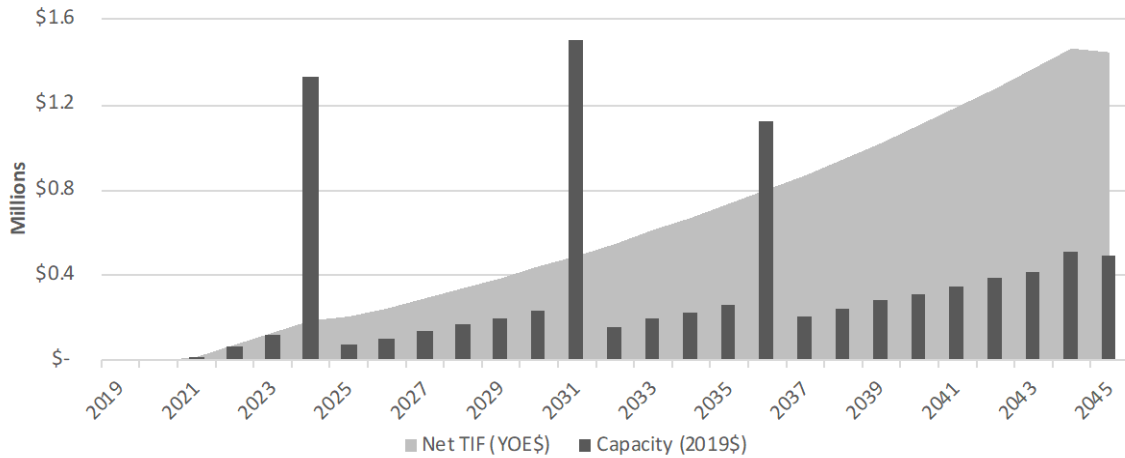
Exhibit 12 and Exhibit 13 show funding available for projects in both year-of-expenditure dollars and constant 2019 dollars (i.e. “real” dollars adjusted for inflation) for Boundary Option B.

Exhibit 12. Estimated Borrowing Capacity, Nelscott East URA Boundary B

Total TIF	\$	16,910,000
Maximum Indebtedness	\$	14,640,000
\$ For Projects (2019\$)	\$	9,120,000
Years 1-5	\$	1,610,000
Years 6-10	\$	850,000
Years 11-15	\$	2,360,000
Years 16-20	\$	2,160,000
Years 21-25	\$	2,140,000

Note: Total TIF and Maximum Indebtedness are stated in year-of-expenditure (i.e., “nominal”) dollars. Funding for projects has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

Exhibit 13. Estimated TIF Revenue and Borrowing Capacity, Nelscott East URA Boundary B



Note: Net TIF stated in year-of-expenditure (i.e., “nominal”) dollars. Funding capacity has been adjusted for inflation and shown in constant 2019 (i.e., “real”) dollars.

Key Facts and Next Steps

- Nelscott Boundary Option A is acceptable under ORS 457 restrictions on acreage.

Exhibit 14. Summary of Acreage – Boundary A

City Acreage	3830.44
25% limitation	957.61
Y2000 Development Plan	669.71
Available Acreage	287.90
Nelscott A Boundary	172.09
Remaining acreage	115.81

- Nelscott Boundary Option A is acceptable under ORS 457 restrictions on assessed value. The assessed value of Boundary Option A is projected to be \$8,112,785. The amount of assessed value available to go into urban renewal is \$317,735,441.

Exhibit 15. Summary of Assessed Value – Boundary A

City Assessed Value	\$1,788,938,018
Y2000 Development Plan Excess Value	\$272,837,163
City Assessed Value Minus Excess Value	\$1,516,100,855
25% limitation	\$379,025,214
Y2000 Development Plan Frozen Base	\$61,289,773
Total available assessed value	\$317,735,441
Nelscott A Boundary	\$8,112,785
Remaining assessed value	\$309,622,656

- There is sufficient capacity for assessed value increase to allow for a new urban renewal area in Nelscott with a maximum indebtedness of \$7,630,000 which translates to \$4,510,000 in 2019 dollars for projects.

Exhibit 16. Summary of Tax Increment and Maximum Indebtedness - Boundary A

Total TIF	\$ 8,580,000
Maximum Indebtedness	\$ 7,630,000
\$ For Projects (2019\$)	\$ 4,510,000
Years 1-5	\$ 40,000
Years 6-10	\$ 400,000
Years 11-15	\$ 1,480,000
Years 16-20	\$ 1,390,000
Years 21-25	\$ 1,200,000

- Nelscott Boundary Option B is acceptable under acreage limitations given the removal of tax-exempt acreage from the Year 2000 Plan area. There would be 64.63 acres remaining in the 25% limitation if this boundary was adopted. ¹

Exhibit 17. Summary of Acreage – Boundary B

City Acreage	3830.44
25% limitation	957.61
Y2000 Development Plan	669.71
Available Acreage	287.90
Acreage to remove from Y2000	125.76
Total available acreage	413.66
Nelscott B Boundary	349.03
Remaining acreage	64.63

¹ Alison Robertson, Urban Renewal Executive Director, has been working with Columbia Bank on the removal of tax-exempt properties. They have agreed that the removal of these properties is acceptable under their bond covenants. These properties total 125.755 acres.

- Nelscott Boundary Option B is acceptable under ORS 457 restrictions on assessed value. The assessed value of Boundary Option B is projected to be \$29,894,730.

Exhibit 18. Summary of Assessed Value – Boundary B

City Assessed Value	\$1,788,938,018
Y2000 Development Plan Excess Value	\$272,837,163
City Assessed Value Minus Excess Value	\$1,516,100,855
25% limitation	\$379,025,214
Y2000 Development Plan Frozen Base	\$61,289,773
Total available assessed value	\$317,735,441
Nelscott B Boundary	\$29,894,730
Remaining assessed value	\$287,840,711

Exhibit 19. Summary of Tax Increment and Maximum Indebtedness - Boundary B

Total TIF	\$ 8,580,000
Maximum Indebtedness	\$ 7,630,000
\$ For Projects (2019\$)	\$ 4,510,000
Years 1-5	\$ 40,000
Years 6-10	\$ 400,000
Years 11-15	\$ 1,480,000
Years 16-20	\$ 1,390,000
Years 21-25	\$ 1,200,000

- There are projects that could improve the Nelscott Gap Neighborhood area for existing residents and could spur additional development. Those projects for Boundary A include:
 - Water, sanitary sewer, or storm projects to facilitate orderly development of the Area
 - Streets
 - Parks, creek restoration and culvert replacement
 - Assistance with development of employment areas
 - Assistance with development including light industrial, mixed-use/commercial, and residential development such as workforce affordable housing
- Projects for Boundary B include those for Boundary A and the addition of:
 - Redevelopment funding for under-developed areas.

- Construction of a 2.5-mile alternative transportation route to Highway 101 known as the Lincoln City ByWay that could eventually remove through traffic from Cutler City, Taft and Nelscott.

Next steps

- Review of the Nelscott Urban Renewal Feasibility Study by City Council.
- Review of the Roads End Urban Renewal Feasibility Study by City Council.
- Direction by City Council to either pursue development of an urban renewal plan or to table the discussion of these potential urban renewal areas.
- If directed by City Council, hire an urban renewal consultant for preparation of the urban renewal plan.
 - If the Nelscott East options were to be pursued:
 - Preparation of an urban renewal plan that would include community input, further City Council/Agency input, coordination with Lincoln City staff including departments such as Public Works, Planning, Parks & Recreation, and Finance, and working with impacted taxing districts.
 - Complete a UGB land swap with the State of Oregon.
 - Either annex the properties into the city or coordinate with Lincoln County for their joint approval of the urban renewal plan.
 - Remove tax-exempt properties from the Y2000 Development Plan for Nelscott East Boundary B.
 - Consideration by City Council of adoption of new Urban Renewal Plan.