NORTH HILLSBORO INDUSTRIAL

RENEWAL AREA

REPORT

ON THE

RENEWAL PLAN

NOVEMBER 2015

ACKNOWLEDGEMENTS

Hillsboro City Council, and
Hillsboro Economic Development Council (HEDC)

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- Darell Lumaco – Councilor, Ward 1
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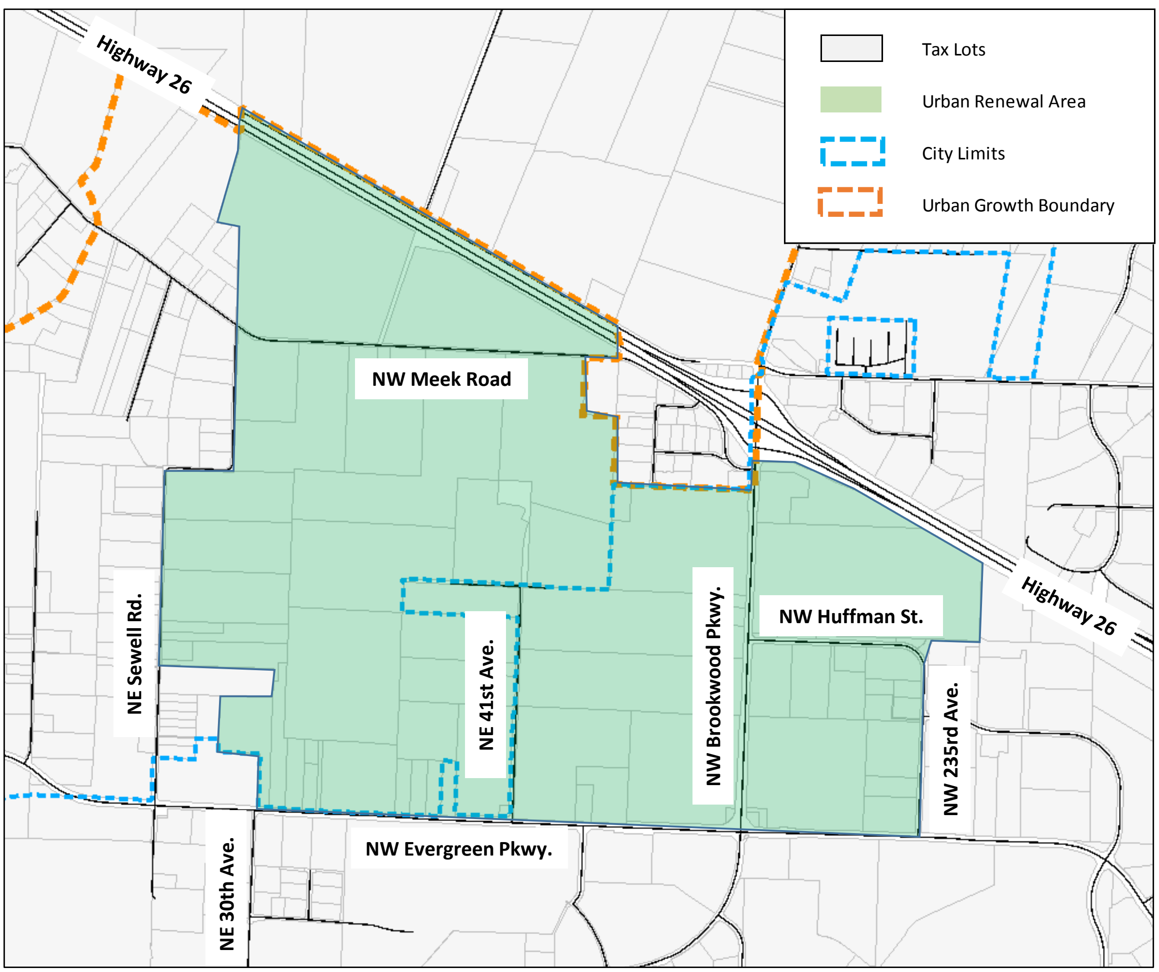
I. Introduction

This Urban Renewal Report (Report) accompanies the North Hillsboro Industrial Renewal Plan (Plan) and has been prepared to provide background information on the Plan to the Hillsboro Economic Development Council (HEDC), the City of Hillsboro (City) Planning Commission and City Council, and the community. The report has been prepared to comply with State law regarding Urban Renewal (ORS 457.085). It is intended to be used in conjunction with the North Hillsboro Industrial Renewal Plan.

II. Description of Existing Conditions

The North Hillsboro Industrial Renewal Area (Area) boundary shown in Figure 1 is a generally rectangular-shaped area located on the central north boundary of the City. The Area is generally bounded by Highway 26 and the Urban Growth Boundary to the north. It is bounded by NW 235th Avenue to the east, NW Evergreen Parkway to the south, and NE Sewell Road to the west.

Figure 1: North Hillsboro Industrial Renewal Area



Source: Metro RLIS, City of Hillsboro, Johnson Economics LLC

A. Physical Conditions

1. Description

The Area contains an estimated 1,090 acres, consisting of 71 individual parcels as well as public right of way. This represents 7.1% of the acreage within the City boundary at the time of Plan adoption.

The Area is located on two sides of the current City boundary and as such contains some land incorporated into the City of Hillsboro (380 acres) and some land located in unincorporated Washington County (710 acres).

All land is located within the Urban Growth Boundary of the Portland Metro region, and is designated as "Industrial" under the City Comprehensive Plan map. It is required that all parcels located on unincorporated County land, outside of City limits, will be annexed to the City at time of development over the duration of the Plan.

The land has an assessed value of $373.1 million for tax year 2015/16, or 3.3% of the City's total assessed value.

2. Topography

The Area is characterized by generally level or gently sloping terrain. There is a gradual grade change declining from the northern portion towards the south. The portions of the Area that are currently rural or vacant are characterized by large, flat parcels with few improvements, well-suited to the types of industrial development foreseen in the Renewal Plan, the Comprehensive Plan and other supporting City plans.

The Area is bisected from east to west by Waible Creek and the associated riparian areas around this waterway. The natural condition and width of the waterway varies throughout the Area. Provisions in the Plan are meant to protect, restore, and/or enhance changes to this waterway and riparian area to preserve it as a community asset.

The Area also features wetland areas. Provisions in the Plan are meant to facilitate on-site or off-site mitigation of these wetlands that may be necessary with redevelopment.

3. Seismic Risk

Seismic risk is an inherent risk in the Pacific Northwest including the Hillsboro area. There is potential risk to life and property due to seismic shaking and in some cases soft soil hazard. The northern Willamette Valley faces moderate risk of regular earthquakes in the range of 1.0 to 4.0 magnitude, and lower risk of occasional earthquakes in the range of 4.0 to 6.0 magnitude.

Areas west of the Cascade Mountain range, including all parts of the Portland Metropolitan area and the Willamette Valley are generally considered at risk of serious to severe damage in the case of a very large earthquake centered in the Cascadia Subduction Zone which is found off the West Coast of the United States and Canada. Such earthquakes may reach a magnitude of 8.0 to 9.0 and occur on a cycle of every few hundred years.

4. Zoning

The entirety of the Area is covered by the "Industrial" Comprehensive Plan Designation. Those areas which are within the City Limits fall within the "Industrial Park" (I-P) or "Industrial Sanctuary" (I-S) zones. A section of the Area also falls within the "Shute Road Special Industrial District" (SSID) overlay. As properties located outside of the City Limits, but within the Area boundary are developed they will be annexed under the I-P, I-S, or SSID zoning designations.

In general, these zones allow for flexible development of allowed industrial uses, and a limited amount of supportive commercial development, while prohibiting new residential uses. The zoning districts available in the Industrial Comprehensive Plan designation are meant to encourage development of high technology and other industrial uses, including large lot development.

The source for complete details on zoning designations within the City and Area is the Hillsboro Community Development Code, Subchapter 12. Changes to zoning or zoning provisions within the Area shall follow the same procedures of any City zoning decision.

5. Building Stock and Land Use

The lands within the current City boundary feature a mixture of industrial and high-technology development, as well as remaining vacant developable parcels which are currently under agricultural use.

Developed industrial users in the Area range from relatively small light manufacturing and warehousing businesses to large high-tech manufacturers. Facilities are generally modern, but many sites feature expansion, redevelopment, and infill opportunities. The existing businesses tend to be housed in one or more one- to two-story industrial or warehousing facilities, with some accompanying office space, served by surface parking.

Vacant lands, including the lands located in un-incorporated Washington County, are agricultural in nature, consisting mostly of cultivated acreage, as well as some forested parcels, and one utility sub-station. Building improvements in the Area consist mainly of rural housing types such as farm houses, and out buildings related to agricultural or small scale rural industrial uses. These uses are expected to redevelop over coming decades into land uses in keeping with the industrial zoning and community goals for the Area.

There are two designated historic sites in the Area. The Methodist Meeting House was the site of religious and governmental activities in the mid-1800s. Its exact location is unknown, but it is believed to be east of NW 253rd Avenue, within the city limits and is listed on the City's Cultural Resource Inventory. The Shute House II (Haag House) was built around 1890 by John W. Shute, a local banker. The house and the nearby barn and garage are on the Washington County Cultural Resource Inventory, and will be added to the City Inventory upon annexation.

6. Lot Patterns

The Area features a mixture of lot sizes ranging from 0.3 acres to 82.1 acres. The parcels feature a wide variety of shapes and ownership patterns reflecting the largely rural development pattern. Some of the current patterns may facilitate development into an industrial district as envisioned in adopted plans, but some will not. In addition, creek and wetland constraints further truncate or limit the usefulness of some parcels in the Area.

Because of these constraints on some individual tax lots, property assembly and reconfiguration will likely be necessary to accommodate large site users and large multi-tenant industrial or business parks on sites of appropriate size, access and marketable layout. For instance, no single taxlot in the Area can currently accommodate a single user of 100 or more acres, as called for in adopted plans. Those parcels of 40+ acres which do exist may also require some consolidation and reconfiguration to efficiently serve other large-lot users.

7. Transportation

The Area features a mixture of arterial streets and local streets of varying age and condition. The southern boundary is located on the south side of NW Evergreen Parkway, an improved four travel-lane arterial street with turning lane, bike lanes, and signalized intersections. The Area is bisected from north to south by NW Brookwood Parkway, which is currently being expanded from four to six lanes with complete build out of sidewalks and bike lanes from Highway 26 to Evergreen. Brookwood Parkway provides access to an interchange with Highway 26 to the north.

The southeast portion of the Area includes NW 235th Avenue and NW Huffman Street, east of Brookwood Parkway. These are improved streets with two travel lanes and bicycle lanes. The north portion of NW 235th Avenue and all of NW Huffman Street feature a central turning lane.

All improved streets feature sidewalks except for those adjacent to large undeveloped parcels. Development of those parcels will entail the completion of sidewalk facilities. The most noticeable gaps are the north side of Evergreen Parkway.

The largest portion of the Area, located north of Evergreen Parkway and west of Brookwood Parkway, is currently served by rural roads and lanes which are inadequate for the type of large-scale modern industrial uses envisioned in the Plan. These roads, including NW Meek Road, NE 41st Avenue (previously NW 253rd Avenue), are two-lane rural roads of tarmac or gravel serving unincorporated rural land. These roads lack sidewalks or bicycle facilities. NE 30th will be a new road that serves the western portion of the Area.

A key goal of the Plan is to provide transportation facilities to enhance connectivity and mobility as the Area redevelops.

8. Utilities

The level of utility service such as water, storm water and sanitary sewer facilities, follows the same general pattern as the street system discussed above. The recently improved streets such as NW Evergreen Parkway, NW Brookwood Parkway, NW Huffman Street (east of Brookwood), and NW 235th Avenue have utility capacity currently serving the industrial businesses that are already in the Area.

The unincorporated rural portions of the Area lack sufficient utility infrastructure to serve industrial development. As with streets, a key goal of the plan is to serve these areas with the high capacity utilities required by large industrial users, in a manner responsive to development timing.

B. Social and Economic Conditions

The following section provides an overview of current demographic and economic data in the Area.

Households and Population

The Area currently contains an estimated 22 housing units, generally farm houses and other forms of rural housing with a few newer housing units. Nearly all of these units are located outside the city boundaries. This is a density of one housing unit per 32 acres in the unincorporated portion of the Area, which is far below urban levels.

Census data is not available specific to a geography as small as the Area, and therefore precise information on the demographic characteristics of these households is not available.

The closest available data set from the U.S. Census is for the Census Block Group which includes the rural portions of the Area, but also a large area to the West, as well as one residential neighborhood in the City of Hillsboro. The Census estimates a total of 486 households within this Block Group[1] (Block Group 1, Tract 326.03); 464 households more than those estimated in the Area. Because most of these households are outside of the Area, and most in an urban rather than rural setting, the general demographic characteristics of the Block Group are unlikely to closely match the demographics of the small number of Area households.

Given the uncertainty of how these broader characteristics translate to the few households in the Area, only the population of the Area has been estimated at 70 people, based on the Block Group average household size of 3.16 people. Income characteristics for the Area itself are not available.

It is anticipated that over the duration of the plan and beyond, residential and agricultural uses in the Area will redevelop as the industrial uses grow as envisioned in adopted long-term plans, and that few or no residential uses will remain in the Area. Redevelopment of sites within the Area is envisioned to be accomplished by private land owners and developers who shall ultimately

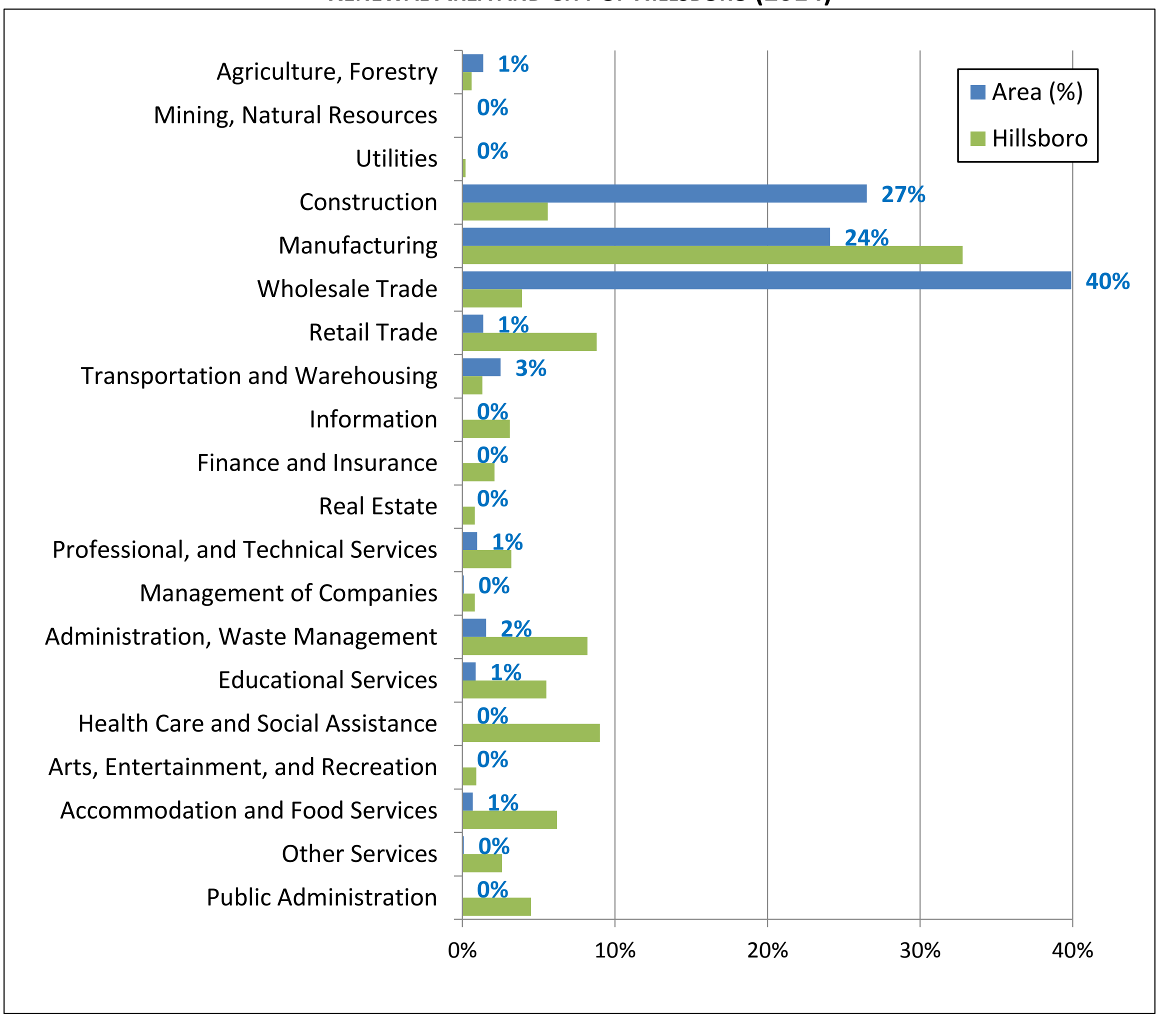
[1] US Census, 2009-2013 American Community Survey 5-Year Estimates. Note: The block group includes some urbanized areas of newer homes in Hillsboro, so it is possible that demographic and income characteristics differ in the rural sections of the Area. However, precise data is not available on the limited scale of the Area.

determine the pace of redevelopment. Other than the acquisition of public right-of-way, this plan calls for no acquisition, demolition, or clearance of properties in the Area other than from willing sellers of land.

Businesses and Employment

According to the Oregon Employment Department's 2014 assessment the Area was home to an estimated 28 commercial businesses, including industrial and agricultural businesses. In the same timeframe, the businesses in the Area employed an estimated 1,030 employees earning an average of $88,000 per year. The following figure presents a breakdown of these employees by industry sector, compared to the breakdown of employment in the City of Hillsboro.

FIGURE 2: EMPLOYMENT BY SECTOR
RENEWAL AREA AND CITY OF HILLSBORO (2014)



Source: Oregon Employment Department, US Census

As Figure 2 shows, the industrial portion of the Area has a high concentration of employment categorized as being in the Construction, Manufacturing, and Wholesale sectors, fitting with its industrial nature. The Area features few or no employers in other commercial sectors such as retail, food services, or health care. The estimated average annual wage of employees working in the Area is $88,000.

As noted, almost all of this employment is located in developed sections of the Area, within current City boundaries. These areas hold some potential for infill and redevelopment opportunities for new businesses bringing additional employment.

However, a majority of the Area (roughly 80%) is currently undeveloped, or developed with low-density rural uses which are expected to eventually redevelop in keeping with the industrial zoning. These rural uses of the Area currently feature very low employment relative to their potential employment density under future industrial land uses. Given that adequate infrastructure can be provided (a primary goal of the Plan), these areas will be well-suited in topography and location to accommodate industrial and business park redevelopment as envisioned.

The Area represents the unfulfilled potential for economic development for the community, including major new employers bringing the potential for thousands of new well-paying jobs, revenues to local taxing jurisdictions, and the add-on effects of new business and household spending, as well as potential for growth and expansion of support businesses such as vendors and suppliers. Redevelopment of the Area is in support of local, regional and state goals as outlined in the Plan.

C. Renewal Area Qualifications

ORS 457.420 specifies that the Area identified in the Plan along with any other urban renewal areas in the City may not exceed 15% of the City's land area or 15% of the City's assessed value.

The City of Hillsboro contains approximately 15,345 acres within its City limits. Based on the County Assessor's tax lot data, as well as estimates of public right of way, the total acreage in the Area boundary is an estimated 1,090 acres. The Area boundary represents 7.1% of the total area in Hillsboro. The City of Hillsboro also administers the Downtown Hillsboro Urban Renewal Area, which is 1,108 acres (7.2%). With the addition of the North Hillsboro Industrial Renewal Area, the City's combined area amounts to 14.3% of the City's acreage, and is within the 15% acreage limitation allowed to urban renewal areas under state statute.

As noted above, the total assessed valuation within an urban renewal area is limited to no more than 15% of the total municipal assessed value. A review of the Washington County 2015/2016 Assessor's records indicates that the City of Hillsboro contained a total taxable assessed value (TAV) of $11,449,266,294. The Area comprises a total TAV of $373,140,805. The resulting Area's share of City taxable assessed value is 3.3%. Combined with the taxable assessed value of the Downtown Urban Renewal Area (4.5%), the total taxable assessed value in urban renewal areas is under 8%, well under the 15% limitation allowed under state statute.

D. Impacts on City Services and Costs

The Plan establishes a framework for encouraging private development and redevelopment of land and rehabilitation of buildings within the Area. Service needs and costs are based on the land use designations contained in the Comprehensive Plan, and it is not anticipated that Plan activities will increase growth beyond what is already allowed for under current designations. Therefore, the Plan is not expected to result in service demands or costs beyond what is already envisioned by the City for the Area.

In general, implementation of the Plan should have a positive impact on the cost-effective delivery of municipal services. Redevelopment within the Area will be overwhelmingly industrial in nature, including some very large employers with high taxable assessed value in both property and equipment. Industrial land use is generally considered to provide strong tax revenue generation with low service costs relative to residential or commercial uses. Therefore this land use, once built out, can be a net provider of revenues for services in other parts of the community.

The impacts of the Tax Increment Financing (TIF) mechanism on the City of Hillsboro and other taxing jurisdictions are detailed in Section VII of this report.

III. Reasons for Selection of the Renewal Area

The broader area of North Hillsboro, adjacent the Renewal Area, has the preeminent concentration of industrial and high technology employment in the state of Oregon. It has long been home to some of the region's largest private employers. As of 2014, industrial businesses in the northern reaches of Hillsboro housed an estimated 48% of the City's total jobs and 84% of the City's manufacturing jobs. Total employment is over 32,000 with an annual average wage of nearly $110,000. Nearly one-fifth of the region's manufacturing employment is located in the district. Overall average wages are 216% greater than the average wage in the Portland region.[2]

The Area is seen as the next phase of the industrial development in Hillsboro, and one of the few locations in the region that could offer consolidated sites of 50 or more acres for "large lot users". Continued redevelopment of the Area into a world-class industrial center will be instrumental to achieving the future economic development goals of the City as envisioned in the adopted Hillsboro Comprehensive Plan, the North Hillsboro Industrial Area Community Plan and Hillsboro 2035 Community Plan.

The Area has the potential to support a significant number of new businesses, including major employers, and thousands of new jobs in relatively high-paying industries. (See the Plan for a full discussion of the relationship to local objectives.) In addition to local goals, the Area has also been recognized through extensive regional and state efforts as providing important industrial land supply needed to meet the 20-year employment needs of the entire region. Beginning in 2002 properties in the Area have been brought into the Urban Growth Boundary expressly to provide this industrial supply.

A. Reasons for Selecting the Area

The North Hillsboro Industrial Renewal Area represents one of the few significant development opportunities for industrial sites in the Portland area to meet the region's needs and the public's vision for job creation and economic growth. In order to fulfill this vision, the Area requires a full complement of public infrastructure, none of which exist today:

- A connected transportation system
- Water, sanitary sewer, storm water, and other public services, including new pump stations
- Trails and open space improvements
- Natural resource enhancement and environmental sustainability

The Area currently has inadequate streets, open spaces and utilities to support the safety, health and welfare of the community. Streets, water lines, sanitary sewer lines and pump station(s), and storm water systems all need to be added to support redevelopment of the Area for its designated use as industrial, especially for single users of large lots.

Attracting single industrial users with traditional developer-financed infrastructure is very unlikely because of the regional policy that requires assemblage of properties into large lots for a portion

[2] Figures from City of Hillsboro Economic Development Department

of the Area. The standard industrial development model relies on developer-driven purchase of parcels, which can be easily served with infrastructure, arranged in a variety of lot size configurations and/or subdivided, before being sold over time as smaller parcels for redevelopment. In this standard model the developer takes the front-end risk of bringing infrastructure to a site, which is returned at the time of sale.

However, retaining sites for large lot, single users is unpredictable; meaning, the large sites cannot profitably be developed in anticipation of the arrival of a single user. At the same time, when a large user does arrive, parcels need to be assembled and serviced quickly with high-capacity infrastructure. Such users consider many different locations nationally and internationally, including sites with readily available infrastructure service. To competitively recruit and meet the needs of these types of users, there must be assurance that the needed infrastructure can be paid for and built quickly and dependably before the new user opens its doors.

Tax increment financing is a viable funding source to address these implementation challenges, and provide a dependable source of financing to bring new and expanded infrastructure into the Area. This financing tool also allows for investments in resource enhancements, including potential wetland mitigation and public trails / open space improvements across the Area. Ideally, these types of public improvement projects can be planned and potentially implemented early on, to set the stage for future redevelopment.

B. Addressing Conditions of Eligibility for Urban Renewal

ORS 457.010 defines conditions that must be present in order for an area to be eligible to adopt an urban renewal program. The Area meets the statutory definition of need and eligibility in the following ways:

- Existing conditions within the Area include significant obstacles to the successful development of a competitive world-class industrial district that can attract and accommodate employers of all sizes, including large-lot users. Achieving this transformation is in keeping with adopted local and regional plans as well as statewide policies for land use, employment, and economic development (ORS 457.010(1)(a)(E)).
- The Area features inadequate or improper public infrastructure to meet anticipated needs of industrial development on this scale. It is highly unlikely that private industrial developers can provide this scale of infrastructure in a responsive manner to prospective large-lot users, which demand timeliness and reliability in making location decisions. These conditions demonstrate the existence of inadequate transportation facilities and utilities to meet public benefit and add value. (ORS 457.010(1)(e)).
- The Area currently features some areas where lot patterns and lay outs, as well as constraints from wetlands, riparian areas and storm water issues will inhibit the efficient division or aggregation of the properties into usable large industrial lots, and other well-configured medium-sized development sites (ORS 457.010(1)(c)).
- Area-wide solutions to wetland and storm water management and community open space are necessary to unencumber industrial redevelopment sites, and particularly the large-lot sites required by local and regional policies. These conditions demonstrate the

laying out of property or lots in disregard to contours, drainage or other physical conditions of the terrain (ORS 457.010(1)(d)).

- The Area currently includes areas where the condition of the title, the diverse land ownership, the street and lot layouts, and other conditions prevent envisioned redevelopment of the land according to adopted plans. There are lots of irregular form and shape and inadequate size or dimensions for property usefulness and development (ORS 457.010(1)(c)).
- The Area is not being utilized in keeping with the Industrial Comprehensive Plan designation and expectations of regional land use policy defined when the Area was brought into the Urban Growth Boundary. The current rural and agricultural uses have value, however under current uses these areas cannot meet the extensive economic development potential of the envisioned industrial uses, which will provide for the welfare of the community locally and regionally (ORS 457.010(1)(h)).
- There are properties under-developed to an extent that tax receipts are inadequate for the cost of infrastructure and public improvements that are needed to fulfill the redevelopment policy direction, contained in the adopted Comprehensive Plan and industrial zoning districts (ORS 457.010(1)(g)).

IV. Relationship Between Projects to be Undertaken and Existing Conditions in the Area

The following project categories are designed to address the existing conditions in the Area and alleviate conditions of "blight" as defined above and in accordance with ORS 457.010. The project categories include:

- Transportation Projects
- Public Utility Projects
- Trail and Open Space Improvements
- Natural Resource Enhancement and Sustainability Projects
- Property Acquisition and Disposition
- Public Buildings or Facilities
- Technical and Financial Assistance for Industrial Improvements
- Area Planning and Administrative Costs

These projects are directly related to overcoming the limitations of existing conditions, in order to prepare for and facilitate the industrial development of the Area as envisioned in local and regional objectives. Existing conditions hamper this development with inadequate infrastructure; parcels that are laid out in disregard to natural resources, drainage and other physical characteristics of the terrain; and challenging lot and ownership patterns. The projects are meant to responsively meet the infrastructure needs of industrial users and preemptively solve a range of area-wide natural resource, wetland, and storm water issues, so that these sites are closer to development-ready for prospective users.

Some improvements may extend outside of the boundaries of the Area to the extent that the improvements are necessary to meet the service needs of the Area as it redevelops in accordance with the Plan, or to alleviate the external impacts generated from the development envisioned within the Area.

Other project categories provide for potential public facilities to serve the Area, technical assistance to businesses and developers, and the HEDC's administrative costs. These categories are related to assisting the build-out of the Area as envisioned and ensuring local land users have sufficient services.

The HEDC, or its approved designee, will be responsible for managing the projects and programs throughout the Area. Administrative costs reflect the projected expense over the life of the Plan.

V. PROJECT COSTS & TIMING

The Report accompanying the Plan must identify anticipated projects including estimated costs and timeline for completion. Estimated budget and project timelines represent best and good faith estimates at the time of adoption. These estimates may change due to changing market or economic conditions over the life of the Plan. Because engaging in many of the Plan projects will be timed to coordinate directly to private investments, the schedule for projects is speculative.

The primary anticipated source of funding for carrying out this Plan and its projects, in part or in whole, is Tax Increment Financing as authorized in Section 1c, Article IX of the Oregon Constitution and ORS 457. In addition, the HEDC may borrow money and accept advances, loans, grants and any other form of financial assistance from the federal government, the state, the county or other public body, or from any sources, public or private, for the purposes of undertaking and carrying out the projects and intents of the Plan. The Plan also authorizes any other financing methods, public or private, allowed to an Urban Renewal Agency under ORS 457.

The following is a description of each of the possible projects, with estimated budget and completion date:

1) TRANSPORTATION PROJECTS

Physical road improvements and related improvements to increase accessibility, allow sufficient traffic circulation, improve mobility, and reduce congestion from existing and new development. Projects may include right-of-way acquisition, and the construction, extension, improvement or other physical changes to transportation infrastructure including but not limited to streets, intersections, bike facilities, sidewalks, lighting, signaling, signage, landscaping, access and other improvements.

Specific identified projects include, but are not limited to:

- NE Huffman Street – Extension from NW Brookwood Parkway to Jackson School Road.
- NE 41st Avenue (aka 253rd) – Improvement and extension from NW Evergreen Parkway to Highway 26.
- NE 30th Avenue (aka 264th) – Extension from NW Evergreen Parkway to NW Meek Road.
- NW Meek Road – Improvement and extension from NE 30th Avenue to NE 41st Avenue.
- Internal connectivity street(s) between NW Evergreen, NW Bennett and NW Huffman.
- Intersection signaling – on Huffman Street and on Evergreen Parkway.

Estimated Project Costs: *$55,000,000*
Estimated Project Timeline: *In phases over life of district, 25 years*

2) PUBLIC UTILITY PROJECTS

Physical improvements which improve, extend, or increase capacity of public utilities and utility-related land, easements and facilities in order to serve the Area and/or accompany transportation improvements as appropriate. Projects may include, but are not limited to, physical above- or below-ground improvements which facilitate the provision of water, storm water, sewer, and other public services to the Area, including regional storm water solutions.

Specific identified projects include, but are not limited to:

- NE Huffman Street – Extension of facilities to accompany transportation improvements
- NE 41st Avenue (aka 253rd) – Extension of facilities to accompany transportation improvements
- NE 30th Avenue (aka 264th) – Extension of facilities to accompany transportation improvements
- NW Meek Road – Extension of facilities to accompany transportation improvements
- Extension of facilities to accompany internal connectivity street(s) between NW Evergreen, NW Bennett and NW Huffman.
- Regional storm water solutions
- Sanitary sewer pump stations, and conveyance

Estimated Project Costs: *$95,000,000*
Estimated Project Timeline: *In phases over life of district, 25 years*

3) TRAIL AND OPEN SPACE IMPROVEMENTS

Projects related to the provision of trail and open space improvements, including but not limited to the acquisition of right of way, grading, paving, lighting, furniture, access points, landscaping, signage and public art. May include improvement of riparian areas and other open space areas.

Estimated Project Costs: *$15,000,000*
Estimated Project Timeline: *Years 1 - 10*

4) NATURAL RESOURCE ENHANCEMENT AND SUSTAINABILITY PROJECTS

Projects related to mitigating the impacts of development, enhancing the natural resources of the Area and supporting sustainable strategies for site and building development. Activities may include the enhancement and mitigation of impacts on wetlands and floodplains; vegetated corridors and resource overlay areas; and Waible Creek and its tributaries. These projects may include, but are not limited to, enhancement and mitigation efforts including site work, land acquisition, building design and construction and, any necessary scientific or consultant studies, surveys, or plans.

Estimated Project Costs: *$10,000,000*
Estimated Project Timeline: *Life of district, 25 years*

5) PROPERTY ACQUISITION AND DISPOSITION

Acquisition of key property within the Area in the furtherance of Plan goals and objectives and to accomplish the categories of projects described in this section. Properties in this category will be acquired from willing sellers for uses such as land assembly and land banking for economic development purposes. These projects may include, but are not limited to, funding the costs of purchase, lease, or option, and transactional costs of negotiation, purchase, carrying costs, financing, planning, improving, marketing and/or selling, leasing, optioning or other disposition of the property.

Estimated Project Costs: *$10,000,000*
Estimated Project Timeline: *Life of district, 25 years*

6) PUBLIC BUILDINGS OR FACILITIES

Projects to partially or wholly fund the provision of public facilities, which may include facilities for work force training, public safety, administrative facilities, field offices, or other physical public facilities.

Estimated Project Costs: *$ 5,000,000*
Estimated Project Timeline: *15 - 20 years*

7) TECHNICAL AND FINANCIAL ASSISTANCE FOR INDUSTRIAL IMPROVEMENTS

Technical and financial assistance for industrial redevelopment and development in the form of site, market, and feasibility studies; predevelopment analyses; engineering, planning, and/or design activities; environmental assessments; and/or investigation of barriers to redevelopment in support of the goals of the Plan. .

Estimated Project Costs: *$5,000,000*
Estimated Project Timeline: *Life of district, 25 years*

8) URBAN RENEWAL PLANNING AND ADMINISTRATIVE COSTS

Funding to pay for the on-going administrative costs of the Plan including but not limited to management, public outreach, finance and budgeting, and all other administrative costs associated with implementing the Plan. In addition, administrative costs may include but are not limited to, additional planning processes, technical studies, architectural, engineering, design, and economic services, marketing materials, and other processes required to procure these services.

Estimated Project Costs: *$2,000,000*
Estimated Project Timeline: *Life of district, 25 years*

FIGURE 3: SUMMARY OF ESTIMATED PROJECT COSTS

	Project Category	Cost	
1	Transportation Projects	$55,000,000	28%
2	Public Utility Projects	$95,000,000	48%
3	Trail and Open Space Improvements	$15,000,000	8%
4	Natural Resource Enhancement and Sustainability Projects	$10,000,000	5%
5	Property Acquisition and Disposition	$10,000,000	5%
6	Public Buildings or Facilities	$5,000,000	3%
7	Technical and Financial Assistance for Industrial Improvements	$5,000,000	3%
8	Urban Renewal Planning and Administrative Costs	$2,000,000	1%
		$197,000,000	100%

VI. RELOCATION REPORT

According to ORS 457.085 (3)(i) a relocation report shall include:

(A) An Analysis of existing residents or businesses required to relocate permanently or temporarily as a result of agency actions under ORS 457.170;

(B) A description of the methods to be used for the temporary or permanent relocation of persons living in, and businesses situated in, the Area in accordance with ORS 35.500 to 35.530; and

(C) An enumeration, by cost range, of the existing housing units in the Area to be destroyed or altered and new housing units to be added.

The HEDC does not intend to undertake activities in the Area that would require relocation under ORS 457.085. Therefore, no relocation report is included in this Report.

If such necessity arises during the execution of this Plan, all relocation activities will be undertaken and payments made in accordance with the requirements specified in the ORS 35.500 et seq. If temporary or permanent relocation of residents or businesses are required by action of the Hillsboro Economic Development Council (HEDC) under this Plan, the HEDC will follow the City of Hillsboro Real Property Acquisition Policies and Procedures, which were drafted in accordance to applicable local, state, and federal laws. The HEDC will prepare and maintain information in its office relating to the relocation program and procedures, including eligibility for and amounts of relocation payments, services available, and other relevant matters.

VII. FINANCIAL ANALYSIS OF THE PLAN

A. Anticipated Tax Increment Revenues

The following table presents the estimated projection of Tax Increment Financing (TIF) revenues to the Area over a 25-year period beginning tax year 2015/16 (base year), and ending tax year 2040/41.

The tax increment is the difference between the total assessed value in the Area in a given year, and the total assessed value in the Area at the time the Plan is approved. At the time of approval, ad valorem tax revenue from all applicable taxing jurisdictions is “frozen” at current levels, and all additional revenue which results from growth of assessed value in the Area provides TIF revenue to the HEDC to fund activities of the Plan.

The following table (Figure 4) presents projected TIF revenue based on a set of assumptions of how the industrial uses within the Area will develop over time. These development assumptions are based on typical development forms, densities and site coverage for different types of land users including industrial, high technology, business parks, and office space, among others. These typical forms were used to generate assumptions of the scale and phasing of redevelopment in the Area.

The value of existing land and improvements is assumed to appreciate at a standard 3% per year for real property, and depreciate at a rate of 7% per year for industrial equipment. The use of existing economic development incentive programs which currently apply in the Area (Enterprise Zone and Strategic Investment Program) were assumed for most future development.

Under the assumptions for industrial build-out of the Area and general annual appreciation, TIF revenue is projected to be over $290.5 million over a 25-year period (Figure 4). Revenue sharing with other taxing jurisdictions is mandatory after annual TIF revenue passes 10% of the adopted maximum indebtedness of the Plan, and may not exceed 12.5% of maximum indebtedness. The revenue sharing is projected to begin in Year 17.

The Levy Rate of $12.6814/$1,000 of assessed value reflects the total permanent levy rate for taxing jurisdictions within the annexed sections of the Area (within City Boundaries in 2014/15[3]). This is the total levy which is subject to division of taxes under the Plan. It does not include the rates of exempt local levies and general obligation bonds dating after October 2001, as these are exempt from division of taxes under the urban renewal statutes. (The exempt levies for all applicable taxing jurisdictions amount to a total rate of $4.3681/$1,000 of assessed value.)

[3] The official 2015/16 tax rates were not yet published at the time of analysis and adoption.

FIGURE 4: PROJECTED TAX INCREMENT REVENUE
NORTH HILLSBORO INDUSTRIAL RENEWAL AREA, 25-YEAR FORECAST

URA Year	Tax Year	*Levy Rate:* 12.6814 (per $1,000 TAV)
	2015-16 (Base Year)	$0
1	2016-17	$4,674
2	2017-18	$16,303
3	2018-19	$34,755
4	2019-20	$56,608
5	2020-21	$358,437
6	2021-22	$355,039
7	2022-23	$3,842,098
8	2023-24	$3,774,561
9	2024-25	$3,726,656
10	2025-26	$10,638,897
11	2026-27	$11,627,305
12	2027-28	$14,869,226
13	2028-29	$15,000,260
14	2029-30	$14,888,865
15	2030-31	$15,013,431
16	2031-32	$16,502,274
17	2032-33	*$17,501,612*
18	2033-34	*$18,197,804*
19	2034-35	*$18,213,741*
20	2035-36	*$18,242,348*
21	2036-37	*$21,527,065*
22	2037-38	*$21,527,065*
23	2038-39	*$21,527,065*
24	2039-40	*$21,527,065*
25	2040-41	*$21,527,065*
	25-Year Revenue	**$290,500,219**

Source: City of Hillsboro, Washington County Assessor, JOHNSON ECONOMICS LLC

B. Financial Feasibility

Under the assumptions for industrial build-out of the Area and combined with general annual appreciation, TIF revenue is projected to be over $290.5 million over a 25-year period (Figure 4).

The estimated total cost for the projects included in the Plan is $197 million. TIF revenue will be used to build and/or cover the debt service to fund these projects in part or in whole, over the life of the Plan and until debt service is retired.

The amount of debt assumed by the Area is subject to the maximum indebtedness specified in the Plan which is $172.2 million. Other funding sources may be leveraged to assist in completion of Plan projects as allowed by Oregon Revised Statutes (ORS).

It is projected that the TIF generated in the Area shall be more than sufficient to fund projects included in the Plan, and service debt undertaken under the Plan.

C. Anticipated Year in Which Indebtedness Will Be Retired

The HEDC reserves the right to assume new indebtedness, up to the maximum amount stated in the Plan, until the projects in the Plan are complete, which may extend debt payment beyond the period shown in the above table. TIF revenue will be dedicated to retiring the debt service of the Area until no such debt remains.

The duration of indebtedness will depend on the terms of bond issuance during the life of the Plan. If bonds of 20-year duration are issued near the time when final Plan projects are completed, the debt service for this issuance may extend an additional 20 years.

Revenue sharing with taxing jurisdictions as required by statute is projected to begin prior to the completion of all Plan projects and the retirement of debt. In the projections shown in Figure 4, revenue sharing is projected to begin in Year 17. At the time of completion of all Plan projects, any TIF revenue above and beyond that required for debt service may be shared with taxing jurisdictions.

Any and all of these projections and dates are subject to change based on unforeseen events, changes in market and economic conditions, and policy considerations.

D. Statement of Fiscal Impact on Other Jurisdictions under ORS 457.420-440

Tax increment financing will divert property tax revenue to the HEDC from local taxing jurisdictions to support redevelopment in the Area. These jurisdictions experience temporary foregone revenues as property taxes are diverted to pay for projects in the Area. Therefore, the use of tax increment financing creates a fiscal impact on the taxing districts that levy taxes within the Area. In general terms, it can be concluded that the Area will have a negative financial impact on affected jurisdictions during the life of the Plan and a positive financial impact on these jurisdictions after the Plan is retired.

The amount of time the Area will collect TIF revenues is affected not just by the bond market and real estate cycles, but also by the revenue sharing provisions in ORS 457.470. When certain thresholds of annual tax increment revenue collections are achieved, the division of property taxes is adjusted to share a portion of the revenue with the overlapping taxing jurisdictions. This could have the effect of extending the amount of time it will take for the Area to pay for the project investments, but the shared revenues will lessen impacts that taxing jurisdictions may experience while a portion of the property tax revenues are diverted to pay for Plan projects[4].

Special conditions for impacts on school districts

School districts are affected differently than other taxing jurisdictions. The State of Oregon manages the State School Fund for all K-12 public schools in the state and allocates monies to districts on a per-pupil basis, not based upon the taxes collected in that district. So while the Hillsboro School District's permanent tax rate is used in the calculation for TIF revenue, the division of taxes does not *directly* affect the district's budget. Property taxes collected on behalf of the Hillsboro School District (HSD) and all other Oregon school districts are included in the state funding formula (along with other education revenue sources such as the Oregon Lottery and income tax receipts). The North Hillsboro Industrial Renewal Area will collect tax increment revenues off the HSD divisible rate, and could have a marginal impact on the statewide State School Fund, but would not directly correlate to revenues forgone by the HSD.

Figure 5 (following page) shows the projected impacts on revenue over a 25-year period. This assumes completion of Plan projects and indebtedness by Year 26. This schedule is speculative and may be impacted by borrowing decisions, amendments to the projects or other elements of the Plan, and other unforeseen factors. (See Exhibit 1 for annual estimates of fiscal impact.)

- Figure 5 shows the taxing jurisdictions of the Area and their current permanent tax rates and temporary levies from prior to October 2001. These rates do not include local levies adopted and general obligation bonds issued since October 2001, which are exempt from division of taxes under the urban renewal statutes. Taxing jurisdictions will continue to receive revenue from these exempt sources from the Area, including sharing the benefits of any growth to taxable assessed value resulting from redevelopment in the Area.

- Column 1 in Figure 5 shows the estimated "frozen base" revenue that taxing jurisdictions will continue to receive over the duration of the Plan, based on assessed value at the time

[4] ORS 457 contains provisions by which taxing districts may collectively waive their rights to share in tax increment revenues.

of adoption. In total, the frozen base amounts to an estimated $4.75 million in annual revenue that the taxing jurisdictions will continue to receive over the duration of the Plan.

- Column 2 shows the projected total revenue that would result in Year 26 based on the TIF projections shown in Figure 4. Based on the projected build-out of the Area resulting from Plan activities, annual revenue to the taxing jurisdictions in Year 26 would total $31.1 million, or $26.4 million higher than in the base year. If realized, this would be over a 6-fold increase in annual tax revenue over the assessed value at the time of adoption.

FIGURE 5: FORECASTED ANNUAL REVENUE TO TAXING JURISDICTIONS, 26TH YEAR

		1	2			3	
		Estimated	Revenue Year 26			Revenue Foregone	
Taxing Jurisdiction	Divisible Tax Rate (per 1,000)	2015/16 Revenue (Frozen Base)[1]	Annual (Assuming end of debt service)		Growth in Annual Rev. (Base to Year 26)	Over 25-Year Period	Average Annual
Hillsboro School District [2]	5.9389	$2,216,046	$13,214,389	+	$10,998,343	-$123,340,478	-$4,933,619
City of Hillsboro	3.6665	$1,368,121	$9,739,001	+	$8,370,881	-$90,895,858	-$3,635,834
Washington County	2.2484	$838,970	$5,972,227	+	$5,133,257	-$55,739,874	-$2,229,595
Portland Comm. College	0.4185	$156,159	$1,111,625	+	$955,465	-$10,374,994	-$415,000
Metro	0.1852	$69,106	$491,930	+	$422,825	-$4,591,276	-$183,651
NW Regional ESD	0.1538	$57,389	$408,525	+	$351,136	-$3,812,841	-$152,514
Port of Portland	0.0697	$26,157	$186,200	+	$160,043	-$1,737,843	-$69,514
Wash.Co. RFPD #2 [3]	*1.1219*	*$14,531*	*na*		*na*	*-$7,056*	*-$282*
Totals:		***$4,746,479***	***$31,123,899***	+	***$26,377,420***	***-$290,500,219***	***-$11,620,009***

Sources: Washington County Assessor, Johnson Economics LLC

[1] Frozen Base does not include post-10/2001 levies and general obligation bonds which are exempt from division of taxes for urban renewal. Revenue from these exempt sources will continue to accrue to the taxing jurisdictions, including any increases from projected development resulting from urban renewal projects and activities.

[2] School district funding is supplmented from the state level by the State School Fund (SSF) to better equalize per-pupil funding across the state. The revenue impacts presented here may have a marginal impact on the statewide school fund, but a very small or no direct impact on the amount of funding per pupil reapportioned to the local district. The SSF would also benefit from new income taxes generated from new businesses in the Area, even while urban renewal is in place.

[3] The Washigton County Rural Fire Protection District #2 is the only taxing district which applies to the unicorporated areas of the URA, but not the City-annexed areas. This jurisdiction will continue to apply to areas that remain unincorporated until the time of redevelopment. At that time, the parcel will be annexed and the Fire District levy will no longer apply to that parcel. Because of this it will not receive revenue from the URA after all parcels are annexed.

NOTE: All of the assumptions regarding how and when the Area will develop are by definition speculative. This analysis presents a good-faith projected estimates iof impacts. The actual growth of TIF revenues and impacts on taxing jurisdictions will be more or less than the projected rate presented here.

- Column 3 shows the estimated total fiscal impact on taxing jurisdictions over the 25-year period. (Note that the figures in Columns 1 and 2 are annual, and Column 3 presents *25-year total* and average annual figures.) The estimated impact is $290.5 million over this period. Roughly 40% of this impact is anticipated from the school district's divisible levy rate. As noted above, the impacts on the Hillsboro School District will be considerably mitigated due to the statewide school funding mechanism.

There is an important caveat to Column 3. The projection presented in Column 3 *assumes the build-out of the Area into a successful industrial district as envisioned by the Plan and dependent on Plan projects and activities.* In other words, the projected revenues foregone are significantly higher *because of* the projected positive impacts of redevelopment. In the absence of tax increment financing afforded under the Plan, the growth in tax revenue from the Area would presumably be much less than that presented in Column 3.

EXHIBIT 1

EXHIBIT 1: ESTIMATED FISCAL IMPACT ON TAXING JURISDICTIONS FROM TIF REVENUES, YEARS 1 - 25

	Dev. Assumptions + 3.0% TAV Growth	Hillsboro School District		City of Hillsboro		Washington County		Portland Comm.		Metro		NW Regional ESD		Port of Portland		Wash. Co. Fire District	
		Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue
Base	2015-16 (Base)	5.9389	$0	3.6665	$0	2.2484	$0	0.4185	$0	0.1852	$0	0.1538	$0	0.0697	$0	1.1219	$0
1	2016-17	5.9389	$1,985	3.6665	$1,225	2.2484	$751	0.4185	$140	0.1852	$62	0.1538	$51	0.0697	$23	1.1219	$436
2	2017-18	5.9389	$7,221	3.6665	$4,458	2.2484	$2,734	0.4185	$509	0.1852	$225	0.1538	$187	0.0697	$85	1.1219	$884
3	2018-19	5.9389	$15,646	3.6665	$9,659	2.2484	$5,923	0.4185	$1,103	0.1852	$488	0.1538	$405	0.0697	$185	1.1219	$1,347
4	2019-20	5.9389	$25,657	3.6665	$15,840	2.2484	$9,713	0.4185	$1,808	0.1852	$800	0.1538	$664	0.0697	$303	1.1219	$1,823
5	2020-21	5.9389	$151,201	3.6665	$111,435	2.2484	$68,335	0.4185	$12,719	0.1852	$5,629	0.1538	$4,674	0.0697	$2,131	1.1219	$2,313
6	2021-22	5.9389	$150,740	3.6665	$111,095	2.2484	$68,127	0.4185	$12,681	0.1852	$5,612	0.1538	$4,660	0.0697	$2,124	1.1219	$0
7	2022-23	5.9389	$1,631,254	3.6665	$1,202,233	2.2484	$737,243	0.4185	$137,225	0.1852	$60,726	0.1538	$50,431	0.0697	$22,986	1.1219	$0
8	2023-24	5.9389	$1,602,579	3.6665	$1,181,100	2.2484	$724,284	0.4185	$134,813	0.1852	$59,659	0.1538	$49,544	0.0697	$22,582	1.1219	$0
9	2024-25	5.9389	$1,582,240	3.6665	$1,166,111	2.2484	$715,092	0.4185	$133,102	0.1852	$58,902	0.1538	$48,915	0.0697	$22,295	1.1219	$0
10	2025-26	5.9389	$4,516,888	3.6665	$3,328,945	2.2484	$2,041,402	0.4185	$379,971	0.1852	$168,150	0.1538	$139,640	0.0697	$63,646	1.1219	$254
11	2026-27	5.9389	$4,936,648	3.6665	$3,638,308	2.2484	$2,231,112	0.4185	$415,282	0.1852	$183,776	0.1538	$152,617	0.0697	$69,561	1.1219	$0
12	2027-28	5.9389	$6,313,083	3.6665	$4,652,740	2.2484	$2,853,190	0.4185	$531,071	0.1852	$235,016	0.1538	$195,170	0.0697	$88,956	1.1219	$0
13	2028-29	5.9389	$6,368,716	3.6665	$4,693,742	2.2484	$2,878,333	0.4185	$535,751	0.1852	$237,087	0.1538	$196,890	0.0697	$89,740	1.1219	$0
14	2029-30	5.9389	$6,321,421	3.6665	$4,658,886	2.2484	$2,856,958	0.4185	$531,772	0.1852	$235,327	0.1538	$195,428	0.0697	$89,073	1.1219	$0
15	2030-31	5.9389	$6,374,308	3.6665	$4,697,864	2.2484	$2,880,861	0.4185	$536,221	0.1852	$237,296	0.1538	$197,063	0.0697	$89,819	1.1219	$0
16	2031-32	5.9389	$7,006,432	3.6665	$5,163,738	2.2484	$3,166,548	0.4185	$589,397	0.1852	$260,828	0.1538	$216,605	0.0697	$98,726	1.1219	$0
17	2032-33	5.9389	$7,430,724	3.6665	$5,476,442	2.2484	$3,358,307	0.4185	$625,090	0.1852	$276,623	0.1538	$229,722	0.0697	$104,704	1.1219	$0
18	2033-34	5.9389	$7,726,309	3.6665	$5,694,288	2.2484	$3,491,896	0.4185	$649,955	0.1852	$287,626	0.1538	$238,860	0.0697	$108,869	1.1219	$0
19	2034-35	5.9389	$7,733,076	3.6665	$5,699,275	2.2484	$3,494,954	0.4185	$650,524	0.1852	$287,878	0.1538	$239,070	0.0697	$108,965	1.1219	$0
20	2035-36	5.9389	$7,745,222	3.6665	$5,708,226	2.2484	$3,500,443	0.4185	$651,546	0.1852	$288,330	0.1538	$239,445	0.0697	$109,136	1.1219	$0
21	2036-37	5.9389	$9,139,826	3.6665	$6,736,049	2.2484	$4,130,733	0.4185	$768,863	0.1852	$340,247	0.1538	$282,559	0.0697	$128,787	1.1219	$0
22	2037-38	5.9389	$9,139,826	3.6665	$6,736,049	2.2484	$4,130,733	0.4185	$768,863	0.1852	$340,247	0.1538	$282,559	0.0697	$128,787	1.1219	$0
23	2038-39	5.9389	$9,139,826	3.6665	$6,736,049	2.2484	$4,130,733	0.4185	$768,863	0.1852	$340,247	0.1538	$282,559	0.0697	$128,787	1.1219	$0
24	2039-40	5.9389	$9,139,826	3.6665	$6,736,049	2.2484	$4,130,733	0.4185	$768,863	0.1852	$340,247	0.1538	$282,559	0.0697	$128,787	1.1219	$0
25	2040-41	5.9389	$9,139,826	3.6665	$6,736,049	2.2484	$4,130,733	0.4185	$768,863	0.1852	$340,247	0.1538	$282,559	0.0697	$128,787	1.1219	$0
	Total Fiscal Impact:		**$123,340,478**		**$90,895,858**		**$55,739,874**		**$10,374,994**		**$4,591,276**		**$3,812,841**		**$1,737,843**		**$7,056**
	2015 Dollars:		**$71,207,300**		**$52,474,400**		**$32,178,800**		**$5,989,500**		**$2,650,600**		**$2,201,200**		**$1,003,300**		**$6,100**

Source: Washington County Assessor, Johnson Economics LLC

* All projections are speculative, based upon assumptions of development types and timing used on this analysis. This is a good-faith estimate of potential impacts on taxing jurisdictions. Actual realized impacts will be less or more than the figures presented here. Roughly 40% of the projected impact is anticipated from the school district's divisible levy rate. As noted in the Report, the impacts on the Hillsboro School District will be considerably mitigated due to the statewide school funding mechanism.