

DATE: June 22, 2016
TO: Doug Montgomery, City of McMinnville
FROM: Nick Popenuk
SUBJECT: McMinnville 2016 Tax Increment Finance Forecast

This memorandum describes the results of financial analysis conducted by ECONorthwest for the City of McMinnville, regarding the McMinnville Urban Renewal Area (URA). The purpose of the analysis was to provide realistic expectations for future borrowing capacity of the URA, based on recent historical trends, and informed assumptions about likely future growth.

The primary task in the analysis was the projection of future tax increment finance (TIF) revenue, generated by increases in assessed value of property over time. Assumptions were made regarding the timing and terms of potential indebtedness that could be supported by the projected TIF revenue, and these estimates of indebtedness were used to create a financing plan, estimating how much revenue would be available for capital projects in future years.

This analysis provides a financial forecast for the next 30 years. This forecast allows the URA to conduct long-term strategic planning, as well as more immediate, short-term financial planning. Specifically, the URA has the opportunity to provide matching funds for a recently-approved general obligation bond to make improvements to Alpine Avenue. The timing of this project requires immediate information on the financial capacity of the URA to cover the necessary debt service payments for this project.

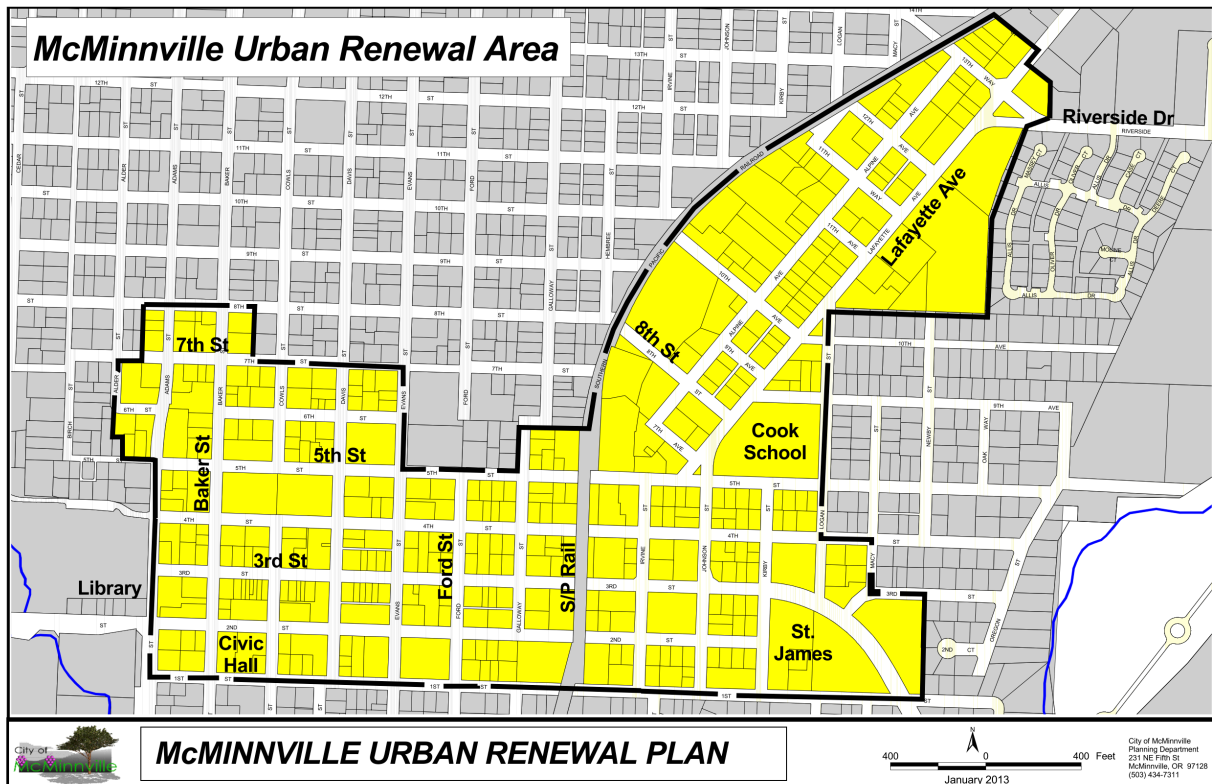
The remainder of this memorandum is organized into four sections:

- Background
- Assumptions for updated TIF forecast
- Results
- Implications

1 Background

The McMinnville Urban Renewal Plan was adopted by the McMinnville City Council July 23, 2013. The Plan identifies the URA boundary, from which TIF revenues would be generated to be reinvested in capital projects located within that boundary to alleviate conditions of blight. A map of the Area is shown in Exhibit 1.

Exhibit 1. Map of McMinnville URA Boundary



Source: City of McMinnville, McMinnville Urban Renewal Plan.

The Plan identifies eight goals for the area. The Plan also identifies specific projects to be funded with TIF revenue to help achieve these goals. These projects are organized in four categories:

- Public infrastructure and transportation improvements
- Planning and development assistance programs
- Debt service and project administration
- Property acquisition

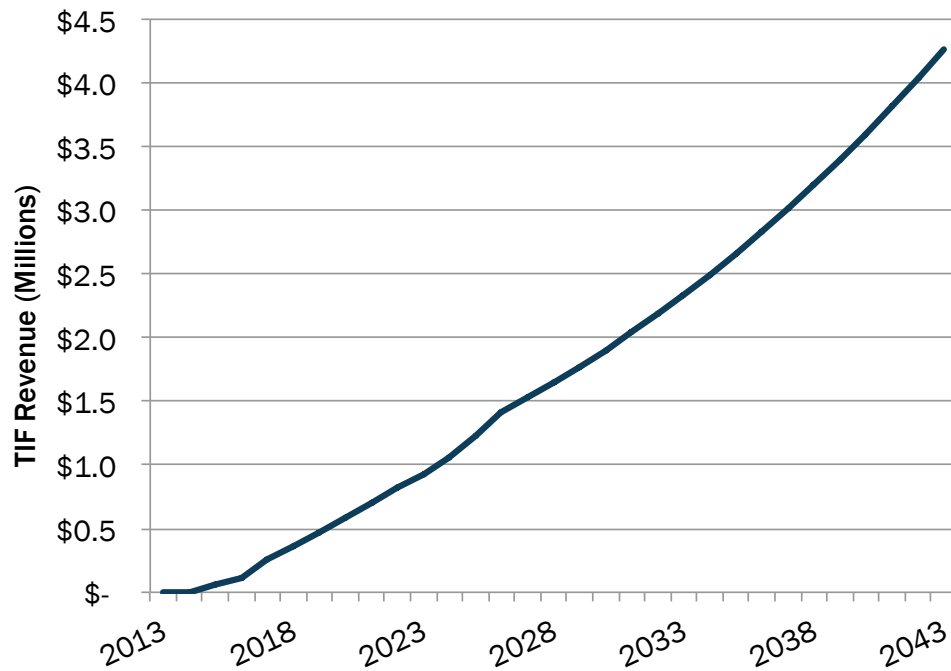
Collectively, the Plan estimates these projects would require \$30 million (nominal dollars) in costs to be covered by TIF revenue (excluding interest paid on debt incurred). The Report accompanying the Urban Renewal Plan included an estimate of annual TIF revenue, including a finance plan showing the assumed timing and value of debt to be used to accomplish the desired Plan projects within the \$30 million “maximum indebtedness.”

Exhibit 2 shows the original TIF forecast included in the Report accompanying the Plan. Exhibit 3 and Exhibit 4 show the original development assumptions that underpin the TIF forecast, including the timing of when the assessed value increases from new development would come on the tax roles. The original forecast assumed growth in assessed value from appreciation of existing property values (assumed to be 3% per year) and a substantial amount of new development that would occur in the area. This new development was assumed to total \$59

million (constant 2012 dollars) in real market value, including hotel, retail, commercial, and residential development.

The original forecast assumed some of this development would come on the tax roll as early as FYE 2016, and the development would continue to be phased in through FYE 2026. After FYE 2026, the forecast assumed some level of unspecified new development would continue to occur in the area, equal to 1.5% of the assessed value of real property in the area each year. When combined with the assumed 3.0% growth in assessed value from appreciation, this resulted in an assumed long-term growth rate of 4.5% per year for real property.

Exhibit 2. Original TIF revenue forecast, FYE 2013 to FYE 2043



Source: Report Accompanying McMinnville Urban Renewal Plan, July 2013

Exhibit 3. Original Assumptions: Projected development activity

Timing/Type	Amount	Real Market Value	RMV / Unit	Change Property Ratio	Assessed Value
FYE 2016					
Hotel		\$2,800,000		0.6030	\$1,688,400
FYE 2017					
Retail	16,500 SF	\$2,805,000	\$170	0.6030	\$1,691,415
Commercial	38,000 SF	\$2,718,900	\$72	0.6030	\$1,639,497
Multifamily Residential	50 Units	\$5,500,000	\$110,000	0.8180	\$4,499,000
Total		\$11,023,900			\$7,829,912
FYE 2018-2026					
Retail	35,500 SF	\$6,035,000	\$170	0.6030	\$3,639,105
Commercial	67,000 SF	\$6,030,000	\$90	0.6030	\$3,636,090
Multifamily Residential	220 units	\$24,200,000	\$110,000	0.8180	\$19,795,600
Townhomes	80 units	\$8,800,000	\$110,000	0.8950	\$7,876,000
Total		\$45,065,000			\$34,946,795

Source: Report Accompanying McMinnville Urban Renewal Plan, July 2013

Exhibit 4. Original Assumptions: Timing of assessed value increases from new development, FYE 2014 to FYE 2030

FYE	Exception AV (Nominal \$)	Original Forecast
2014	\$ -	
2015	\$ -	
2016	\$ 1,791,224	
2017	\$ 8,555,745	
2018	\$ 4,370,291	
2019	\$ 4,501,535	
2020	\$ 4,636,663	
2021	\$ 4,775,673	
2022	\$ 4,918,955	
2023	\$ 5,066,508	
2024	\$ 5,218,333	
2025	\$ 5,374,817	
2026	\$ 5,535,960	
2027	\$ -	
2028	\$ -	
2029	\$ -	
2030	\$ -	

Source: Report Accompanying McMinnville Urban Renewal Plan, July 2013

Exhibit 5 compares actual tax increment revenues extended in the area to original forecast. Note that because the first year that the URA was eligible to collect TIF was in FYE 2015, the URA has a very limited history to compare against the original forecast. For each of the first two years of TIF collection, actual collections were inline with the original forecast: including a difference of only \$1,120 in FYE 2016 (a difference of less than 1%). However, we do not anticipate that TIF collections for the McMinnville URA will continue to keep up with the original forecast. The following section of this memorandum describes the new assumptions that were used for the updated TIF forecast, resulting in a more conservative projection of TIF revenue in future years.

Exhibit 5. Comparison of historical TIF revenues received to original forecast, FYE 2015 and FYE 2016

FYE	Annual TIF Revenue		
	Original Forecast	Actual	Difference
2015	\$ 58,603	\$ 82,030	\$ 23,427
2016	\$ 118,320	\$ 117,200	\$ (1,120)

Sources:

Original Forecast: Report Accompanying McMinnville Urban Renewal Plan, July 2013

Actual TIF Revenue: McMinnville Budget Officer Report: Urban Renewal Debt Service Fund, 4/18/2016. FYE 2015 actuals, FYE 2016 amended budget.

2 Assumptions for updated TIF forecast

The primary reason for updating the TIF forecast is that the Area is currently experiencing less development activity than assumed in the original forecast. A review of building permits in the area for 2015 show only two sizable new developments have occurred, both of which have already been reflected in the assessed value on the FYE 2016 tax rolls.

There is no knowledge of any other construction projects that will increase the assessed value of the area in the immediate future. With no significant new development currently underway and no known development scheduled to occur this year, the earliest speculative development could occur would be in 2017. Due to the lag time between when development occurs, and when the resulting increase in assessed value comes on the tax roles, this means that the Area will not experience an increase in value other than from appreciation of existing properties until at least FYE 2019.

Since the original forecast incorporated development that is no longer occurring, the original TIF projections are no longer relevant for financial planning purposes. To inform decisions on the realistic timing and cost of short-term projects, the City needs an updated forecast of TIF revenue.

2.1 Consolidated tax rate

TIF revenue is calculated as the product of the consolidated tax rate and the increment assessed value of the urban renewal area. The consolidated tax rate is the sum of all eligible tax rates for taxing districts with boundaries that overlap the URA boundary. As described above, eligible

tax rates include only permanent tax rates, and local option levies or general obligation bonds that were approved prior to October 6, 2001. For the McMinnville URA, there are three outstanding general obligation bonds (all issued by the McMinnville School District), however, only one of these bonds was approved by voters prior to October 6, 2001, and that bond is scheduled to mature in FYE 2016. This means that for all future years of the updated forecast, only permanent rate levies are used for calculating the consolidated tax rate. Exhibit 6 shows the breakdown of the tax rates for Yamhill County Tax Code Area 40.51, which encompasses all of the McMinnville URA.

Exhibit 6. Consolidated tax rates for McMinnville URA, FYE 2016

Tax Code Area	40.51
General Gov't: Permanent Rates	
Yamhill County	2.5775
Yamhill Co. Extension Service	0.0449
Yamhill Co. Soil and Water	0.0354
City of McMinnville	5.0200
Chemekta Library	0.0818
General Government Subtotal	7.7596
Education: Permanent Rates	
SD 40: McMinnville	4.1494
Willamette Regional ESD	0.2967
Chemeketa CC	0.6259
<i>Subtotal</i>	5.0720
Education: Bond Rates	
SD 40: McMinnville	0.7807
<i>Subtotal</i>	0.7807
Education Subtotal	5.8527
Consolidated Rate	13.6123

Calculated by ECONorthwest with data provided by Yamhill County Department of Assessment and Taxation, FYE 2016

2.2 Increment assessed value

Because there is not forecast to be any future change in tax rates, any future change in TIF revenue will be the result of a change in increment assessed value. To forecast assessed value in the Area, we come up with different growth rates for each of four property types:

- **Real** property consists of land and buildings, and is what most people typically think of as taxable property.
- **Personal** property consists of machinery and equipment.
- **Utility** property includes the value of any property owned by utility companies (for example, electric utility providers, cable/satellite providers, and telecommunication companies).
- **Manufactured** property consists of mobile homes. The McMinnville URA does not contain any taxable manufactured property, and we do not anticipate any manufactured property value being added in the future. Therefore, this property type is excluded from the remainder of our analysis.

Real Property

Real property comprises 89% of the total assessed value in the McMinnville URA, and therefore is the focus of our efforts to forecast future growth in assessed value in the area. Note that assessed value in Oregon is different from the real market value of a property. Real market value is what we typically think of when we think of property values; it is the price that a property would sell for on the open market between a willing buyer and seller. Maximum assessed value, is based on the original assessed value of a property, inflated by 3.0% each year. The assessed value of a property is equal to the lower of the real market value or the maximum assessed value in a given year.

Most properties in Oregon in most years have real market values higher than maximum assessed values, which means their assessed values are equal to their maximum assessed values. This limits the growth in assessed value for most properties to exactly 3.0% per year. For an area to experience growth above 3.0% per year, it generally requires new development to occur.¹

In the short term, we assume no speculative development (as discussed above, due to the lack of building permits and no knowledge of new projects). Therefore, we assume the assessed value will grow at 3.0% per year through FYE 2018.

In the long term, we assume that some exception will occur, but less than was assumed in the original forecast, and over a longer period of time. Specifically, for the total dollar amount of new assessed value, we assumed \$35 million in today's dollars. This assumption was equal to the \$35M in value of new development that the original forecast assumed would occur from FYE 2016 to FYE 2026 (see Exhibit 3 earlier in this memo).² We forecast this new development would occur in equal amounts from FYE 2019 to FYE 2030, with all real property in the Area also experiencing 3.0% annual growth from appreciation during this time. Due to assumed inflation in future years, although we assume the development would occur in equal amounts each year, the nominal value of that development increases each year, and the cumulative value of that new development in nominal terms would be \$45 million instead of \$35 million, due to the impacts of inflation.

Exhibit 7 compares the schedule of future increases in assessed value from new development for the original forecast to the updated forecast. The original forecast assumed a higher total value of development over a shorter period than in the updated forecast.

¹ Oregon law allows for several exceptions to the 3% limitation on growth in maximum assessed value. Other "exception events" include improvements to existing structures, additions of new structures, subdivisions, and partitions.

² Note that the \$35M in long-term exception value assumed in the original forecast was in 2012 dollars, and the updated forecast uses the same value, but did not make any adjustments for inflation between 2012 and 2016, which results in a somewhat more conservative forecast of the future value of new development in the Area.

Exhibit 7. Timing of assessed value increases from new development, comparison of original and updated forecasts, FYE 2016 to FYE 2030

FYE	Exception AV (Nominal Dollars)	
	Original Forecast	New Forecast
2014	\$ -	\$ -
2015	\$ -	\$ -
2016	\$ 1,791,224	\$ -
2017	\$ 8,555,745	\$ -
2018	\$ 4,370,291	\$ -
2019	\$ 4,501,535	\$ 3,182,197
2020	\$ 4,636,663	\$ 3,277,718
2021	\$ 4,775,673	\$ 3,376,152
2022	\$ 4,918,955	\$ 3,477,497
2023	\$ 5,066,508	\$ 3,581,755
2024	\$ 5,218,333	\$ 3,689,217
2025	\$ 5,374,817	\$ 3,799,882
2026	\$ 5,535,960	\$ 3,913,750
2027	\$ -	\$ 4,031,113
2028	\$ -	\$ 4,151,970
2029	\$ -	\$ 4,276,614
2030	\$ -	\$ 4,405,044
Total	\$ 54,745,704	\$ 45,162,909

Sources:

Original Forecast: Report Accompanying McMinnville Urban Renewal Plan, July 2013
 New Forecast: ECONorthwest

Beyond FYE 2030 we assume the Area will continue to experience some new development in addition to inflation, but we do not have specific assumptions for the amount and type of development that would occur that far in the future. Additionally, it is reasonable to assume that long-term development after FYE 2030 will be relatively modest, as the Area should be largely built out at that point in time. In the original forecast, this long-term growth rate was assumed to be 4.5% per year for real property. In this updated forecast, we use a more conservative assumption of 3.5% per year after FYE 2030. This is equivalent to all properties experiencing 3.0% growth from appreciation, and new development equal to 0.5% of the total assessed value of the Area occurring each year.

Personal and Utility property

Personal and utility property can both be more volatile and difficult to forecast than real property on an annual basis. Individual personal property accounts depreciate rapidly over time, but new accounts are frequently created, as businesses invest in new machinery and equipment in an area. Unlike real property, machinery and equipment may also be portable, which means that valuable personal property accounts may appear in an area one year, but outside of an area the next.

Utility property is not assessed by local county assessors, but instead is assessed by the State Department of Revenue through a process known as “central assessment.” Through central assessment, the State estimates the global value of a utility company each year, and then estimates the value of that company attributable to Oregon, and allocates that value to each tax code area in the State, based on the relative amount of property that the company has located in each tax code area.

Personal and utility property accounts can both be highly volatile from year to year, but they comprise a relatively low amount of the total assessed value in a given area. In the McMinnville URA, utility property accounts for 1.4% of the total assessed value, and personal property accounts for 9.9% of the total assessed value in FYE 2016. Within the McMinnville URA, both utility and personal property values have decreased since FYE 2015. However, annual fluctuations tend to cancel out over time, resulting in no net change in value in the long term. Therefore, for the purposes of our analysis, we have assumed no change in the value of the utility and personal property accounts in the Area for the duration of the forecast period.

3 Results

Exhibit 8 shows the updated forecast of TIF revenue for the McMinnville URA, including gross and net TIF revenues. Gross revenues are calculated simply as the product of the consolidated tax rate and the increment assessed value. However, actual TIF revenue received by the URA in a given year is affected by several factors that result in a discrepancy from the projected gross revenues. These factors include rounding of tax rates (truncation), property tax limitations (compression), reduced tax bills if property pay owners pay upfront (discounts), unpaid tax bills (delinquencies), and receipt of prior year tax collections from previously delinquent accounts. Based on experience with similar jurisdictions across the State, we assume the combined effect of these factors would be a reduction of 5% of gross TIF revenues, resulting in the net TIF revenues shown in our forecast.

Our forecast calls for steady increases in TIF revenue over time. Estimated year-end actual TIF revenues received by the McMinnville URA in FYE 2016 were \$115,200. We forecast those revenues would increase to \$144,423 in FYE 2017. By FYE 2043, the final year included in the original forecast period, we project the URA will generate \$2,532,787 per year. It is important to note that this forecast is still based on speculative development. If this development does not occur, these financial projections will need to be revisited.

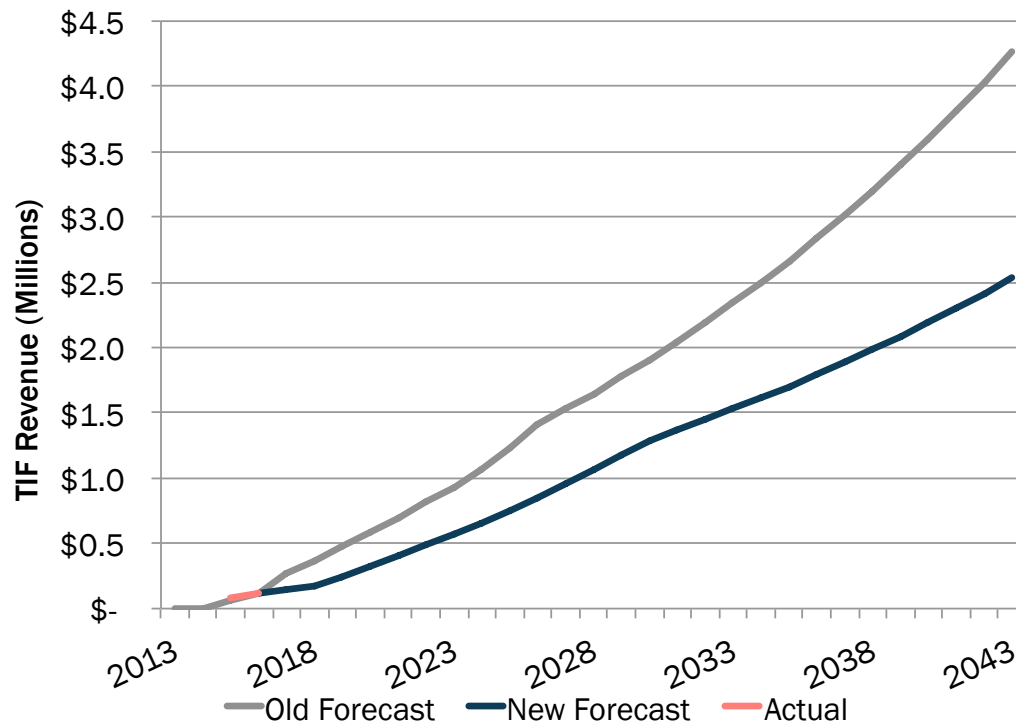
Exhibit 8. McMinnville URA TIF revenue forecast, FYE 2016 to FYE 2043

FYE	Assessed Value	Frozen Base	Excess Value	Tax Rate	Tax Increment Finance Revenue			
					Gross TIF	Adjustments	Net TIF	Cumulative TIF
2016	\$ 95,635,028	\$ 86,331,273	\$ 9,303,755	13.6123	\$ 126,646	\$ (11,446)	\$ 115,200	\$ 115,200
2017	\$ 98,178,936	\$ 86,331,273	\$ 11,847,663	12.8316	\$ 152,024	\$ (7,601)	\$ 144,423	\$ 259,623
2018	\$ 100,799,161	\$ 86,331,273	\$ 14,467,888	12.8316	\$ 185,646	\$ (9,282)	\$ 176,364	\$ 435,987
2019	\$ 106,680,190	\$ 86,331,273	\$ 20,348,917	12.8316	\$ 261,109	\$ (13,055)	\$ 248,054	\$ 684,041
2020	\$ 112,833,171	\$ 86,331,273	\$ 26,501,898	12.8316	\$ 340,062	\$ (17,003)	\$ 323,059	\$ 1,007,100
2021	\$ 119,269,176	\$ 86,331,273	\$ 32,937,903	12.8316	\$ 422,646	\$ (21,132)	\$ 401,514	\$ 1,408,614
2022	\$ 125,999,606	\$ 86,331,273	\$ 39,668,333	12.8316	\$ 509,008	\$ (25,450)	\$ 483,558	\$ 1,892,172
2023	\$ 133,036,207	\$ 86,331,273	\$ 46,704,934	12.8316	\$ 599,299	\$ (29,965)	\$ 569,334	\$ 2,461,506
2024	\$ 140,391,368	\$ 86,331,273	\$ 54,060,095	12.8316	\$ 693,678	\$ (34,684)	\$ 658,994	\$ 3,120,500
2025	\$ 148,077,848	\$ 86,331,273	\$ 61,746,575	12.8316	\$ 792,307	\$ (39,615)	\$ 752,692	\$ 3,873,192
2026	\$ 156,108,791	\$ 86,331,273	\$ 69,777,518	12.8316	\$ 895,357	\$ (44,768)	\$ 850,589	\$ 4,723,781
2027	\$ 164,498,025	\$ 86,331,273	\$ 78,166,752	12.8316	\$ 1,003,004	\$ (50,150)	\$ 952,854	\$ 5,676,635
2028	\$ 173,259,793	\$ 86,331,273	\$ 86,928,520	12.8316	\$ 1,115,432	\$ (55,772)	\$ 1,059,660	\$ 6,736,295
2029	\$ 182,409,058	\$ 86,331,273	\$ 96,077,785	12.8316	\$ 1,232,832	\$ (61,642)	\$ 1,171,190	\$ 7,907,485
2030	\$ 191,961,231	\$ 86,331,273	\$ 105,629,958	12.8316	\$ 1,355,401	\$ (67,770)	\$ 1,287,631	\$ 9,195,116
2031	\$ 198,300,541	\$ 86,331,273	\$ 111,969,268	12.8316	\$ 1,436,745	\$ (71,837)	\$ 1,364,908	\$ 10,560,024
2032	\$ 204,861,727	\$ 86,331,273	\$ 118,530,454	12.8316	\$ 1,520,935	\$ (76,047)	\$ 1,444,888	\$ 12,004,912
2033	\$ 211,652,554	\$ 86,331,273	\$ 125,321,281	12.8316	\$ 1,608,073	\$ (80,404)	\$ 1,527,669	\$ 13,532,581
2034	\$ 218,681,060	\$ 86,331,273	\$ 132,349,787	12.8316	\$ 1,698,260	\$ (84,913)	\$ 1,613,347	\$ 15,145,928
2035	\$ 225,955,564	\$ 86,331,273	\$ 139,624,291	12.8316	\$ 1,791,603	\$ (89,580)	\$ 1,702,023	\$ 16,847,951
2036	\$ 233,484,676	\$ 86,331,273	\$ 147,153,403	12.8316	\$ 1,888,214	\$ (94,411)	\$ 1,793,803	\$ 18,641,754
2037	\$ 241,277,307	\$ 86,331,273	\$ 154,946,034	12.8316	\$ 1,988,206	\$ (99,410)	\$ 1,888,796	\$ 20,530,550
2038	\$ 249,342,680	\$ 86,331,273	\$ 163,011,407	12.8316	\$ 2,091,697	\$ (104,585)	\$ 1,987,112	\$ 22,517,662
2039	\$ 257,690,341	\$ 86,331,273	\$ 171,359,068	12.8316	\$ 2,198,811	\$ (109,941)	\$ 2,088,870	\$ 24,606,532
2040	\$ 266,330,170	\$ 86,331,273	\$ 179,998,897	12.8316	\$ 2,309,674	\$ (115,484)	\$ 2,194,190	\$ 26,800,722
2041	\$ 275,272,393	\$ 86,331,273	\$ 188,941,120	12.8316	\$ 2,424,417	\$ (121,221)	\$ 2,303,196	\$ 29,103,918
2042	\$ 284,527,594	\$ 86,331,273	\$ 198,196,321	12.8316	\$ 2,543,176	\$ (127,159)	\$ 2,416,017	\$ 31,519,935
2043	\$ 294,106,727	\$ 86,331,273	\$ 207,775,454	12.8316	\$ 2,666,092	\$ (133,305)	\$ 2,532,787	\$ 34,052,722

Calculated by ECONorthwest

Exhibit 9 compares the updated forecast to the original forecast, and historical actual TIF revenues. Although actual revenues were close the projected amounts in the original forecast for the first two years of TIF collection, the updated forecast assumes that future TIF collections will be significantly lower than what was anticipated in the original forecast. The updated forecast shows slower growth than was assumed in the original forecast. The cumulative impact of these more conservative growth assumptions would be \$20M less in TIF revenue collected over this forecast period.

Exhibit 9. Comparison of historical actual TIF revenues and original and updated forecasts, McMinnville URA, FYE 2013 to FYE 2043



Sources:

Actual revenue: McMinnville Budget Officer Report, FYE 2017

Original forecast: Report Accompanying McMinnville Urban Renewal Plan, July 2013

New forecast: ECONorthwest, 2016

4 Implications

This forecast serves dual purposes. One purpose is to provide a long-term forecast of potential future revenues, to assist the URA in making strategic decisions about when funding might be available for future projects. The second purpose is to inform the URA's upcoming decision to incur debt to pay for Alpine Avenue capital improvements. We organize the implications of this analysis, according to each of those two purposes.

4.1 Short-term implications

The URA has the financial capacity to fund this phase of desired improvements to Alpine Avenue. Specifically, the City would like to use the URA to fund \$2.0 million of improvements, to leverage other funding for Alpine Avenue provided by the recent passage of a general obligation bond for transportation improvements citywide. The City's financial advisors estimate that the desired \$2.0 million contribution from the URA would require annual debt service payments between \$100,000 and \$150,000 per year, for a period of 15-years. Given the lack of other significant expenditures anticipated for the URA after FYE 2017, the existing fund balance in the URA debt service fund, and the anticipated growth in TIF revenues in future years, the URA should have capacity to cover these debt service payments.

This determination of financial capacity is based primarily on the short-term projections of TIF revenue through FYE 2018. These next two years of revenue show strong growth in TIF revenue, even while assuming no new development coming on the tax rolls in the Area during that time period. This is to be expected, as a relatively small percentage increase in total assessed value, will lead to a much larger percentage increase in increment assessed value and TIF revenue, especially in the early years of an urban renewal area. For example, from FYE 2015 to FYE 2016, total assessed value in the McMinnville URA increased from \$92.8 million to \$95.6 million, an increase of 3.0%. This increase, however, translated to a 44% increase in increment value.

Note that a borrowing of this magnitude, this early in the life of an urban renewal is not without risks. Many lenders and financial advisors focus on historical revenue collections, rather than projected future revenues when evaluating borrowing capacity. Historical revenue collections for the URA have been insufficient to cover the proposed debt service payments. Given Oregon's property tax system, and our experience with forecasting urban renewal revenues across the State of Oregon, and the conservative assumptions used in this updated forecast, we have a high level of confidence that the URA will receive the projected levels of TIF revenue in the short-term. However, if these increases in TIF revenue do not materialize, and if the URA were committed to these debt service payments, then the URA would need to rely on other funds (likely City funds) to cover the debt service. We reiterate that given the revenue projections and assumed debt service schedule, we do not believe this is a likely scenario, but nonetheless it is a risk that should be considered before incurring debt for an urban renewal area.

4.2 Long-term implications

Long-term, the financial success of the urban renewal area depends upon new taxable development occurring in the Area. The more conservative growth assumptions used in this updated forecast result in a decrease of \$20M in TIF revenue through FYE 2043, when compared to the original forecast.

Forecasting the actual value of new development that will occur in the area over the course of the next several decades is an inherently uncertain exercise. While the assumptions used in this forecast are more conservative than those used in the original Plan, there is no guarantee that they will come to fruition. Thus, these long-term forecasts are best used for strategic planning purposes. When it comes to day-to-day management of the urban renewal area, and budgetary decisions, a greater importance should be placed on the short-term forecast that does not depend on speculative future development.

An important implication is that the URA should produce updated forecasts on a fairly regular basis, to ensure that the projections reflect current market conditions, and that the URA has a reasonable expectation of future revenues.