



MEMORANDUM

TO: JOHN DAY URBAN RENEWAL AGENCY BUDGET COMMITTEE
FROM: NICHOLAS GREEN, CITY MANAGER
SUBJECT: FY2019-2020 URA BUDGET MESSAGE
DATE: APRIL 12, 2019
CC:

EXECUTIVE SUMMARY

Ordinance No. 18-172-02 of the City of John Day established the John Day Urban Renewal Agency. The agency is managed by the John Day City Council pursuant to ORS 457.045(3) and John day Ordinance No. 18-173-03, which vests the council with the authority to act as the John Day Urban Renewal Agency board and administer incentive programs to promote new housing development within the city limits.

The John Day Urban Renewal board is authorized to use urban renewal tax increment revenues (TIF) derived from a division of taxes pursuant to Section 1c, Article IX of the Oregon Constitution and ORS 457.440, and other available funding as more fully described in Sections III, IV, V, VI, and VII of the John Day Urban Renewal Report.

This budget message details the URA programs and incentives currently in place, estimates incentive payments for fiscal year 2019-2020, and recommends motions to approve TIF revenues and expenditures.

PROGRAM BACKGROUND

The URA currently offers two different housing incentive programs – one for new home construction and one for major renovations. Eligible properties must be located within the boundaries of the urban renewal area.

The New Home Incentive Program provides a seven percent cash rebate on new home construction based on the increase in the property's assessed value. It also includes payment of system development charges (SDCs) on behalf of the property owner, which are currently \$1,841 for water and \$4,215 for sewer.

The Existing Home Remodel Incentive Program provides a 15 percent cash rebate based on the increase in the property's assessed value on substantial improvements to home facades, structural repairs, major remodels and new additions that add additional rooms and living space. The minimum increase in assessed value to qualify for this program is \$10,000.

Key terms related to these programs are defined below.

- **Frozen Value.** This is the tax value at the time the urban renewal area was created or when a new property enters the area for the first time. Frozen

value is the tax value prior to the eligible improvements. In future years, this number will increase because of the city's commitment to under levy properties within the URA so that TIF revenues are only collected for eligible improvements to properties in the program and not on the entire URA area.

- **Exception Value.** This is the new tax value created by the property owners through their own investment in their properties, either as a result of new home construction or major remodels.
- **Percent Complete.** This is the assessor's estimate of the project's percent completion as of January 1, 2019.
- **Estimated Rebate.** The anticipated rebate based on seven percent of Exception Value for new home construction or 15 percent of Exception Value for major remodels.
- **SDC Estimates.** The water and sewer SDC estimates are based on anticipated new connections to city utility services. These payments will be made by the URA to the City of John Day on behalf of the property owner.
- **Final Rebate.** This is the total incentive payment to the property owner, which will be determined in September 2019 after the Assessor's Office has updated the county's changed property ratio.

QUALIFYING REMODELS

The Assessor's Office needs to have a basis by which they can accurately determine a qualified remodel/rehab for the urban renewal incentive. First off, the contractor/owner would need to allow the county appraiser access to the interior of the structure prior to work taking place. The assessor would then document the beginning condition of the building to provide a base value to work from. At the completion of the remodel/rehab, the assessor would again need access to the interior of the structure to determine the amount of change that has taken place and if it qualifies as an exception for tax purposes.

Since the qualifying exception amount has a minimum \$10,000 increase in real market value (beyond the annual 3% increase) it may behoove the contractor/owner to ask the appraiser before beginning work if the intended improvements will meet the minimum standard. Provided the intended improvements take place, the RMV will be determined by the appraiser and will result in an increase of value, either reaching the minimum or not.

Property owners who do not allow the assessor to inspect the property prior to the improvements may be deemed ineligible if the assessor's office cannot determine the extent to which qualifying improvements have been made.

FY2019-2020 ANTICIPATED INCENTIVE PAYMENTS

Three new homes and one major remodel were eligible for incentive payments as of January 1, 2019 (Enclosure 1). The URA anticipates issuing \$44,322.13 in rebates and \$12,112 in SDC payments for these properties, for a total incentive program outlay \$56,434.13 in FY20. These are anticipated payments and will not be finalized under October 2019 when the final changed property ratio is applied by the county assessor.

New applicants for the 2019 construction year (2020 incentives) are also anticipated, including one new home on 4th Avenue, one new home on E. Main Street, and potentially a second duplex at Canton Street. This would add four additional residences to the city in year two of the program that will be eligible for incentive payments in FY21. At least one major remodel is also expected for Charolais Heights next fiscal year. As a result, the URA is on track to reach its goals for new home construction and major remodels during the first two years of the program (3 homes per year).

URA BUDGET

The URA budget includes materials and services expenses for: advertising, auditing, incentive payments, legal expenses, other professional services (including bookkeeping), supplies and incentive payments (SDCs and rebates).

Revenues for the Agency will be derived from a loan from the John Day Community Development Fund. City has budgeted for a line of credit that would allow the URA to borrow funds only when needed and to make payments as revenues allow.

RECOMMENDED MOTIONS

- 1) I move to adopt the Urban Renewal Budget for FY2020 [as submitted] or [as amended by budget committee]
- 2) I move to adopt Resolution No. 2019-01



CITY OF JOHN DAY

ENCLOSURE 1. PROPERTIES ELIGIBLE FOR INCENTIVES IN FY2019-2020

Owner(s)	Address	Map & Lot No.	2017-18 Frozen AV	Exception Value	Percent Complete	Qualifying Program	Estimated Rebate	SDC (Water)	SDC (Sewer)
John Brazil	167 NW Charolais Hts	13S31E23 BD00200	\$91,443	\$179,028	100%	New Home	\$12,531.96		
Sally & Jeffrey Knowles	603 NW Canton St. #2A/2B	13S31E23 CA02600	\$32,330	\$96,585	50%	New Home	\$6,760.95	\$3,682.00	\$8,430.00
Nicholas & Morgan Green	205 Valley View Dr.	13S31E22 A03400	\$29,090	\$260,851	85%	New Home	\$18,259.57		
Jesse & Michal Madden	313 NW Bridge St.	13S31E23 CD06100	\$70,111	\$45,131	100%	Major Remodel	\$6,769.65		