



To: John Day Urban Renewal Agency Budget Committee
From: Nicholas Green, City Manager
Date: April 19, 2022
Re: FY23 Budget Message – Urban Renewal Agency

Ordinance No. 18-172-02 of the City of John Day established the John Day Urban Renewal Agency (URA). 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 2021-2022, 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 \$2,235 for water and \$5,119 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.



PROGRAM ADJUSTMENTS

Resolution No. 2021-04, adopted by the board on June 8, 2021, added two new programs to the URA's scope through an Area Plan Amendment.

Land Development Incentive Program – The URA may provide Developer/Builder/Property Owner Incentives for horizontal improvements to develop new housing within the Plan Area. This will be completed through a development agreement with the developer/builder/property owner that stipulates the amount and timing of the development and the amount and timing of the incentive.

To increase the economic viability of land development for homes within the URA Plan Area, this program allows the URA to complete infrastructure improvements including but not limited to streets, sidewalks, water, sewer, stormwater, power, broadband and parks projects determined by the board to help facilitate housing development (the “horizontal improvements”) and facilitate right-of-way land acquisitions for the horizontal improvements.

These incentives can be:

- A direct contribution of funds;
- A rebate of a portion of property taxes paid;
- Contributions to the developer for infrastructure development;
- An agreement for the Agency to complete infrastructure improvements that are otherwise required as a condition of development approval;
- A combination of the above.

Infrastructure Investment Program – The URA may also complete infrastructure horizontal improvements to help facilitate housing development and may complete improvements specified in a development agreement that tie the improvements to specific housing development.

Both project components are budgeted for in this year's budget.

KEY TERMS

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.



- **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.
- **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 after the Assessor's Office has updated the county's changed property ratio.

ANTICIPATED EXPENDITURES

The proposed budget, including the details described below, is enclosed as Fund 34 in the City of John Day Budget. This change was recommended by our auditors, who view it as a blended component unit of the City government for budget and auditing purposes, even though it is operated as a separate legal entity under state law.

Twenty (20) properties have participated in the URA program since its inception. Thus far, they have resulted in a \$1.85 million increase in assessed value for John Day, with 17 new dwelling units built or under construction and six major remodels/renovations/additions completed. This program has proven to be highly successful at incentivizing both new home construction and major remodels of our existing properties. System Development Charge (SDC) revenue for the City of John Day has also increased by \$61,000 as a result of new connections. We are estimating \$22,300 in incentive payments for these properties in FY23.

The URA's only debt is a \$100,000 loan from the City to the URA to cashflow incentives. This is an interest only loan with principal due in five years. We have applied for a new loan to finance the land development and infrastructure incentives in FY23

ANTICIPATED REVENUES

The County Assessor is estimating URA tax receipts to be \$63,000 based on the improvements within the URA boundaries. We are also budgeting for \$2,000 in application fees and estimate \$8,868 will carry forward as net working capital from the current year.



Our goal is to maintain a scalable funding source, so that as we open additional housing at Ironwood Estates, Mahogany Ridge and Holmstrom Heights, we will be able to continue to fuel these incentives and spur much-needed growth in our housing sector.

This year, the URA will finance the following improvements in these three subdivisions:

- 1) **Charolais Heights East End Extension and Holmstrom Road.** This project element creates four residential lots fully improved with city spec streets and utilities.
- 2) **The Ridge - Phase 1.** This project includes the expansion of streets and utilities for The Ridge, to develop approximately 18.3 acres with 10 multi-family and single family residential lots.
- 3) **Ironwood Estates - Phase 2.** This project includes the expansion of streets and utilities for Ironwood Estates Phase 2, to develop approximately 15.2 Acres for 17 single family residential lots.

These projects will be financed through a \$1.85 million loan from Business Oregon and will be expended as follows:

Charolais Heights/Holmstrom Road. Improves the end of the street to current City standards; adds sewer, water, power, and fiber services for four additional lots; and improves emergency access to 7th Street with a street right-of-way and base rock to create an all-weather road. Create 750 linear feet of pavement, new water/sewer lines, storm drain and misc. utilities. Estimated construction cost for this project is \$351,797.13

The Ridge. The project will create 2,500 linear feet of new pavement with supporting utility infrastructure installed to city spec. Previous development in the area has stubs for the sewer and water lines to the property. Power and fiber-optics are located overhead at HWY 26 and will be provided underground along the new streets along with new water and sewer lines.

Ironwood Estates. This project will construct 1,750 linear feet of new pavement by building two new cul-de-sacs and associated utilities for the Phase 2 development. Fiber optic cable will be extended to existing lots in the areas and will also be provided to these new lots by the City through a separate grant award from the Economic Development Administration.

The combination of the three project areas will result in approximately 5,000 linear feet of new streets, with associated stormwater, water, sewer, power and fiber optic infrastructure. City will use a common trench and trench specification wherever possible. The majority of these public



improvements will be installed by the land owners/developers under contract with private construction firms or with their own laborers.

Joint development agreements between the City of John Day, John Day Urban Renewal Agency, and each developer will be created in association with this project financing. As a result, there will be three agreements, consisting of one each for the Holmstrom Ranch, The Ridge, and Ironwood Estates.

John Day has also contracted with Tidewater Contractors, LLC to build the improvements at Holmstrom Ranch/E. Charolais Heights, which is a separate contract that was awarded in November 2021.

The joint development agreements with the Holmstrom Ranch, Mahogany Ridge Properties, and Iron Triangle LLC (for Ironwood Estates) are intended to offset the cost of what would otherwise be a fully private development. These entities indirectly share in the revenues of these improvements through cost avoidance, as a portion of each development's costs for the horizontal improvements will be offset by public funding. However, they will not directly benefit from the water, sewer or state shared revenue generated by these improvements. Those direct revenues will accrue to the City of John Day as the owner of the infrastructure.

John Day's Urban Renewal Agency, which is a blended component unit of the City of John Day, will use tax increment financing and loan funds from the John Day General Fund (full faith and credit) as the collateral for these bonds.

Initially, these improvements are being made to private property, but within a designated right of way that was approved by the John Day Planning Commission, which has approved the Preliminary Plats for each development. Before these properties can be subdivided and sold, the Final Plats must be recorded for each subdivision, which will convert the private property into a public right of way. As a result, upon completion of the improvements financed by these projects, the land will be publicly owned before any private party transactions can take place to sell individual lots.

RECOMMENDED MOTIONS

- 1) I move to adopt the Urban Renewal Budget for FY2023 [as submitted] or [as amended by budget committee].



CITY OF
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- 2) I move to adopt Budget Committee Resolution No. 2022-01 (**Tab 6**), which approves the request of the Grant County Assessor for the John Day Urban Renewal District Area for the maximum amount of revenue that may be raised by dividing the taxes under section 1c, Article IX of the Oregon Constitution ORS Chapter 457.