



CITY OF  
**JOHN DAY**

**URBAN RENEWAL MEETING AGENDA**

**Tuesday May 21, 2024, 5:00 pm**

**John Day Fire Station**

**316 S Canyon Blvd, John Day, OR 97845**

**(541)575-0028** [www.cityofjohnday.com](http://www.cityofjohnday.com)

*This meeting is open to the public. This agenda includes a list of the principal subjects anticipated to be considered at the meeting. However, the agenda does not limit the ability of the URA Board to consider additional subjects. Meetings may be canceled without notice. Zoom Meeting participants should use the "raise your hand" feature during these times to alert the moderator that they would like to speak.*

**Join Zoom Meeting**

City of John Day is inviting you to a scheduled Zoom meeting.

<https://zoom.us/j/95867942253?pwd=dHE5c3djSEx4OFBuZndPQU5HMGN3QT09>

Meeting ID: 958 6794 2253

Passcode: 776959

**Call to Order: Regular Meeting 5:00 pm.**

1. Call John Day Urban Renewal Meeting to Order
2. Pledge of Allegiance
3. Roll Call
4. Amend or Accept Regular Agenda

**5. Public Comments (*Please Limit to 3 Minutes*)**

*Public Comments are an opportunity to present information or speak on an issue that is not on the agenda. Comments are limited to 3 minutes for each person. Visitors may state their comments and should not expect the council to engage in back and forth dialogue regarding the comment, council may either choose to add it to a follow up meeting or direct City Manager to follow up with the speaker.*

**6. URA fund update and Discussion**



## REQUEST FOR URA COMMITTEE ACTION

DATE ACTION REQUESTED: May 21, 2024			
Ordinance <input type="checkbox"/>	Resolution <input type="checkbox"/>	Motion <input type="checkbox"/>	Information X
Date Prepared: 5/13/2024		Dept.: Finance	
SUBJECT: URA Loan Discussion		Contact Person for this Item: Melissa Bethel, City Manager, <a href="mailto:bethelm@grantcounty-org.gov">bethelm@grantcounty-org.gov</a> 541 575 0028 ex 4224	

### SUBJECT: URA Business Oregon Loan

**BACKGROUND:** The URA was founded to provide incentives for the construction of new homes and the remodel of existing homes. This plan was formalized in a document dated June 12, 2018. At a later date, the URA board approved a plan to use a loan from the State of Oregon (Business Oregon) in the amount of \$1,851,797 to fund the development of three properties by private companies at a total cost of \$1,850,000. This decision to change the scope of the URA from a purely incentive based operation to one which included larger development action has caused the URA Board and City Council to have to make decisions about near term operational funding. The URA will likely be required to pay out all of its property tax income to fund the loan payment on this new debt, which will leave administrative operations and the continued payment of incentives to be subsidized by the City.

The City has elected to operate the URA out of a single cash account due to its accounting treatment as a blended component unit, however, the City and the URA are two separate legal entities. This merging of the cash accounts, coupled with less than desirable accounting records for the past 18 months, has blurred the lines separating City and URA resources. As a result the City has been subsidizing all activities by the URA without a written agreement documenting the limits of this subsidy. As they are two separate legal entities, there should be an agreement between the two describing the limits of the subsidy and the mechanism for repayment.

In the June 30, 2022 audit report for the City of John Day, the URA had an ending fund deficit of 598,725. This was the amount of the loan between the City of John Day and the URA which needed to be repaid with the original loan drawdown. This deficit fund balance was not correctly reflected in the in the estimated revenue and expense column of the FY23-24 budget. The difference between the amount reported in the estimate column and the actual was an overstatement of fund balance in the amount of \$1,197,402, this difference carried into the FY23-24 budget amount, resulting in a balance budget which contemplated total expenditures of \$1,464,902, when the budget should have been balanced with expenditures of \$267,500.

On 2/7/2023, the URA drew down \$924,699 of the Business Oregon loan to repay some of the City's subsidy to the URA. This debt is outstanding, though not in repayment. Repayment begins on December 1<sup>st</sup> immediately following the completion of the project, but not later than 12/1/2025. The amount estimated for debt service on the loan already taken is \$64,000. For 2024, the property tax revenue attributable to the URA was \$93,000 (collection should be roughly \$85-90,000). One other item of note when discussing the loan, is that the loan is in the name of the City of John Day and not the URA.

In April 2024, due to the lack of cash in the City/URA, the lack of readily accessible documentation detailing the current commitments for incentive payments and the knowledge that much of the URA's revenue will need to be used shortly for debt service, the URA incentive program was paused so that the URA board could meet to consider these issues and provide direction to staff. Staff was able to determine that the URA is currently obligated to pay incentives on certain qualifying construction that may take place in the future on the properties covered by the development agreement.

## **DISCUSSION:**

Factors to consider:

- The URA is in need of cash to repay the City and continue operations
- The Debt service on the additional \$925,000 in loan proceeds, if taken out and added to what the URA has already borrowed, is estimated to cost \$128,000 per year.
- Current property tax revenues are \$93,000.
- What to do about the incentive programs?

The URA is in need of cash to repay the City: taking an additional draw of the loan to repay the City would improve the City's cash position, however, if the URA takes out more debt than the property tax revenue can support, the City will then need to continue subsidizing the URA's debt service payment thereby continuing to reduce funds available for City operations. The URA is also obligated to pay the incentive payments on future qualifying residential construction on certain developments already undertaken (amount unknown) and to pay the City for the system development charges (SDCs) related to these developments, an amount greater than \$200,000. SDCs are restricted cash and cannot be used to fund operations, therefore, these SDCs are an obligation of the URA, but do not improve the City's cash position.

The URA's estimated financial summary for the next five years are as follows:

**Scenario #1:**

Assumption: Remaining \$925,000 taken out of Business Oregon Loan

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Tax Revenues	\$ 96,037	\$ 116,903	\$ 138,934	\$ 166,952	\$ 196,525
City Subsidy	-	23,597	2,066	-	-
Overhead Costs	12,000	12,500	13,000	13,500	14,000
Repayment to City	-	-	-	25,452	211
Debt Service	-	128,000	128,000	128,000	128,000
Available for incentives	84,037	-	-	-	54,314

\* Tax revenues are from the Tiberius Solutions URA plan moved forward one year to better align with actual experience.

\* Loan transactions are excluded from this presentation.

\* Overhead costs include city staff time, legal and accounting/audit. All of these costs have previously been allocated to the URA.

Please note that this model assumes that the entire debt will be repaid to the City out of the \$925,000 Business Oregon Loan along with the SDCs owed. This leaves a total of \$138,351 available over the next five years for incentives, some of which are currently obligated. Please also note that the model forecasts tax revenues exceeding the debt service payment in FY 2027.

**DISCUSSION, CONTINUED:**

**Scenario #2:**

Assumption: No additional debt taken out of Business Oregon Loan

URA still owes City for \$925,000 in costs paid for by the City

	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029
Tax Revenues	\$ 96,037	\$ 116,903	\$ 138,934	\$ 166,952	\$ 196,525
City Subsidy	-	-	-	-	-
Overhead Costs	12,000	12,500	13,000	13,500	14,000
Repayment to City	84,037	40,403	61,934	89,452	118,525
Debt Service	-	64,000	64,000	64,000	64,000
Available for incentives	-	-	-	-	-

\* Tax revenues are from the Tiberius Solutions URA plan moved forward one year to better align with actual experience.

\* Loan transactions are excluded from this presentation.

\* Overhead costs include city staff time, legal and accounting/audit. All of these costs have previously been allocated to the URA.

In both of the scenarios above, the tax revenue estimate is relying on future tax growth as projected in the original URA plan. The addition of the developments should increase tax revenue beyond the original projection, however, there is no way to know how quickly this will be realized as the development agreements did not include any timelines or requirements for the developers to build out homes. In other words, those properties could sit indefinitely as bare lots and the URA has no recourse and no significant increase in tax revenue. In the first scenario, the City is repaid immediately and the URA has cash to pay incentives in the FY25 budget year, but not again until the FY29 budget year without further City subsidy due to the burden of the debt load versus the tax revenue growth. In the second scenario, the URA still owes the City the debt, but it has no cash except for future revenues. Through the end of 2029, the City has only been repaid a total of \$394,451. The Board may choose any variation between these options, but it was deemed reasonable to present the two extremes on the option spectrum.

In both scenarios, the dollars available for incentive payments is low and the board will need to provide direction on how, when or if these incentives should be paid. However, we need to note that certain incentives are already obligated and funds should be reserved for the repayment of those as yet unknown obligations.

**ACTION ITEMS:**

- Should the remaining debt be drawn down?
- Should the incentive program be suspended further, modified, or continue as originally planned?