



To: John Day Urban Renewal Agency Budget Committee
From: Nicholas Green, City Manager
Date: April 6, 2021
Re: FY22 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 increased 1.17 percent this year from \$2,209 to \$2,235 for water (a \$26 increase), and from \$5,058 to \$5,119 for sewer (a \$61 increase). These charges were updated for inflation in FY21 through Resolution No. 21-855-03.

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.
- **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 (**Tab 4A and 4B**). 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.

Seventeen (17) properties have participated in the URA program since its inception. Thus far, they have resulted in a \$1.24 million increase in assessed value for John Day, with twelve (12) new dwelling units built or under construction and five (5) 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 \$42,825 as a result of new connections. We are estimating \$35,000 in incentive payments for these properties in FY22, with an additional \$17,800 in SDC payments to the City of John Day (\$8,824.80 known).

The URA entered into two loan agreements with Old West Federal Credit Union last year, a term loan of \$60,000 (taken on 09-21-2020) with six annual payments of \$9,427.81; and a Line of Credit



Instrument of \$40,000 that matures December 31, 2021. Initial payments were made on both instruments last year.

We are budgeting to pay off the balance of \$37,500 for the Old West Federal Line of Credit and we have budgeted \$12,493 to for loan payments (paying both the payment due plus extra principal to reduce interest). The balance owed on this loan after these payments will be approximately \$38,000.

ANTICIPATED REVENUES

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

This year, we are proposing to lend \$100,000 in SDC revenues from the City of John Day to the URA for water (30%) and sewer improvements (70%) at Ironwood Estates. This will allow the developer to open up 17 new buildable lots accessible from Valley View Drive (**Tab 12, Slide 10**). This is a ten-year, interest only loan at 0.5 percent interest loan, with the principal due at year 10. This interest rate can be evaluated annually during the budget process. These funds will only be expended if we successfully enter into a development agreement with Iron Triangle LLC and/or the Young family to open up this development beginning this year and if the loan is approved by a resolution of the John Day Urban Renewal Agency and John Day City Council.

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.

RECOMMENDED MOTIONS

- 1) I move to adopt the Urban Renewal Budget for FY2022 [as submitted] or [as amended by budget committee.
- 2) I move to adopt Budget Committee Resolution No. 2021-01 (**Tab 13**), 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.