



To: John Day Urban Renewal Agency Budget Committee
From: Nicholas Green, City Manager
Date: 05/21/2020
Re: FY21 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 2020-2021, 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 in 2019 from \$1,841 to \$2,209 for water, and from \$4,215 to \$5,058 for sewer. These charges were updated for inflation in FY20 through Resolution No. 19-826-27, which was the first time they had been amended since the original ordinance establishing the SDCs ten years earlier.

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.

FY2020-2021 ANTICIPATED INCENTIVE & LOAN PAYMENTS

Twelve (12) properties have participated in the URA program since its inception. Thus far, they have resulted in a \$1.18 million increase in assessed value for John Day and an increase of nine new dwelling units. This program has proven to be highly successful at incentivizing both new home construction and major remodels of our existing properties.

We are estimating \$48,000 in incentive payments for these properties in FY21, with an additional \$16,185 in SDC payments to the City of John Day. The URA will also repay the City \$22,000 for the loan for the initial round of incentive payments. The proposed budget, including these details, is enclosed as Tab 10.

Moving forward, we will be requesting a line of credit instrument from Old West Federal Credit Union to help the URA finance this incentive program. Our goal is to have 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. The estimated repayment for this line of credit instrument is enclosed in Tab 11.



RECOMMENDED MOTIONS

- 1) I move to adopt the Urban Renewal Budget for FY2021 [as submitted] or [as amended by budget committee.
- 2) I move to adopt Budget Committee Resolution No. 2020-01, 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.