City of John Day

Housing Development District Proposal

Response to the Regional Solutions Workforce Housing Initiative
RFI No. DASPS-2839-17

Nicholas Green, John Day City Manager
October 2, 2017

EXECUTIVE SUMMARY

The City of John Day is evaluating a new workforce housing initiative as a key component of its *Strategy for Growth*. Like many communities in eastern Oregon, the John Day housing market is characterized by smaller home sizes, aging housing stock and depressed market values. Additionally, our community's rental vacancy rate is currently at or near one percent; with many rental properties occupied by working families and individuals who have the capital and credit to build new homes, if given the right incentives.

Over the past 18 months, the average John Day home has sold for $88 per square foot. While low market prices make purchasing an existing home affordable to many residents, this also creates a strong disincentive to invest in new construction, which has an average build price of $155 per square foot. This cost-value disconnect discourages investments in new housing by creating an affordability gap for homebuyers and a profitability gap for homebuilders, both of whom take on significant negative equity for new home construction. As a result, over the last ten years only five new homes have been built within city limits, in spite of having approximately 158 acres of buildable residential land.

Overcoming this barrier to growth will require the City to incentivize private sector development of new homes and encourage existing homeowners to update and revitalize existing homes. To accomplish this, the City proposes to create a Housing Development District under ORS Chapter 457 – Urban Renewal. The key component of the housing development district will be a financial rebate of seven percent of the final assessed value of any new home or major improvements to existing homes that result in a 50 percent or greater increase in assessed value, payable after closing to the owner who places the house on the tax rolls. In addition, the City will pre-pay all system development charges for new housing that requires a connection to city services and will advertise the program to prospective builders.

Under this program, a new home with an assessed value of $200,000 would result in a cash rebate of $14,000 upon closing, plus an additional $7,056 if system development charges apply, for a net benefit of $21,056 or just over 10 percent of the assessed value. The financial incentives would be recapitalized by having the ad valorem tax increase on the improvements accrue to the housing development district until the rebate and SDCs are repaid, thus creating a perpetual investment fund. To accelerate housing growth under this program, any property owner may apply for the rebate without restricting the incentive to a given land area as currently required by ORS Chapter 457. The district's boundaries will include all residential land within the incorporated city limits. Residential units would dynamically enter the district upon receipt of the rebate and retire from it once the incentives and SDCs are repaid.

This proposal is a market-driven approach that would incentivize new home construction by reducing the affordability/profitability gap to the private sector. Additionally, the homebuyer or builder could construct any type of housing provided it is permanently fixed to a foundation and meets the standards of the City development code. Agencies like the County, School District and Hospital District will see immediate benefits from the increase in workforce housing for their employees, along with increased state shared revenue from new residents and K-12 student enrollment. No tax jurisdiction would lose any of its existing tax base and all realize significant future tax increases upon retirement of the district.

Implementing this proposal will require minor modifications to ORS Chapter 457. In addition, the City is seeking funding for technical assistance and consulting fees to create the housing district and to monitor the district's progress as a pilot project for the State. This model could be replicated in any community in Oregon and should significantly increase the supply of Oregon's workforce housing.

JOHN DAY'S HOUSING NEED

The City of John Day has approved the development of five new homes over the past ten years. Of these, three were site built homes and two were manufactured. The lack of workforce housing has become a significant deterrent to population growth. Inadequate housing supply is discouraging potential residents from seeking employment in our area. Rental vacancy rates are also hovering around one percent, affecting temporary and seasonal workers who are unable to find clean, market-rate rentals. The net result is that our "missing middle" housing market is contributing to economic decline.

HOUSING CHARACTERISTICS

The City conducted a preliminary assessment of the John Day housing market in the spring of 2017. Within city limits, 29 homes sold from January 2016 to March 2017 (4.7% of the city's total residential housing market of 615 single-family homes). The average home sold had the following features: [1]

- 1,676 square feet (SF)
- 3 bedroom
- 2 bathroom
- Attached or detached single car garage
- 0.6 acre lot
- Connected to city water and sewer utilities
- Two sources of heat
- Sale price of $141,407 ($84/SF)
- Built in 1959 (58 years old)
- Listed for 266 days on the market prior to sale

Examining the average home sale during this period reveals three factors that combine to create disincentives for new home construction in John Day:

Small home sizes. At 1,676 SF, the average John Day home sold since 2016 is 791 SF (or 32%) smaller than the average single family home built in the western United States, which was 2,467 SF as of 2015.[2] John Day homes are smaller than what the average western homebuyer is seeking.

Aging housing stock. The average John Day home, built in 1959, is two decades older than the average Oregon home, which was built in the 1970s.[3] Furthermore, of the 29 homes sold in the past year, only five were built within the last three decades (the newest in 2007).

Depressed market values. While at face value, low home prices are attractive to potential buyers, they can create a disincentive for new home construction if the new home's cost significantly exceeds its real market value (RMV) upon completion. This is the case in John Day. The average sale price of a John Day home in 2016 at $84/SF was 46 percent lower than the average price per square foot for new home construction in the western United States ($155/SF as of 2015).[4] This cost-value disconnect discourages new housing due to the inability to recover construction costs in the market.

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[1] Homes sales during this period reflect the characteristics of the average John Day home within city limits
[2] U.S. Census Bureau *2015 Annual Characteristics of New Housing*
[3] https://www.zillow.com/blog/age-of-homes-181636/
[4] U.S. Census Bureau *2015 Annual Characteristics of New Housing*

BARRIERS TO DEVELOPMENT

The John Day City Council held two city council meetings during 2017 specifically devoted to housing and urban development. Both meetings included real estate developers, financial lenders, builders, employers and prospective homebuyers in addition to public officials from multiple tax jurisdictions.

Participants identified four major barriers to development at these meetings. In priority order they are:

- **Cost of new construction** relative to resale values (profitability/affordability gap);
- **Indirect expenses** such as system development charges (SDCs) and street improvement costs;
- **Availability of builders** due to many builders and subcontractors moving to other markets;
- **Permitting delays** resulting from fewer building inspectors and appraisers servicing our area.

Cost of new construction. To determine the impact of price on new construction in our community, the City developed a statistical model, known as a hedonic pricing model, to predict what the market value of a newly constructed home in John Day would be based on real estate transactions in our area. The model was designed using *Stata*, a data analysis and statistical software package, and was derived using attributes of homes sold in John Day and the surrounding communities since January 2016. The preliminary results of the model are shown in Table 1.

2016-17 RMV (Existing home with 3 beds; 2 baths; 1 garage; city utilities; 1676 SF; 58 years old; 0.6-acre lot)	**Predicted Real Market Value** (2017 newly built home with same attributes over various sizes)			
	1500 SF	1676 SF	2000 SF	2467 SF
$141,407 ($84/SF)	$245,400 ($164/SF)	$254,000 ($152/SF)	$270,000 ($135/SF)	$293,000 ($119/SF)

Table 1. Average home real market value compared to predicted market value for new site-built homes in John Day

Under current market conditions, the predicted market price for a new 1,676 SF home, similar in features to the average John Day home, is $254,000 ($152/SF). Compared to the average RMV for the 29 homes sold in 2016, this results in a price difference of $112,593 ($51/SF) between the predicted value of a new home and the RMV of the average John Day home.

This value gap is significant for several reasons. From the perspective of public agencies' current and future revenue streams, it equates to roughly $1,500 in annual property tax revenue (15.9374 mill rate x 0.832 Change Property Ratio x $112K) per home that would be realized from new construction. From the perspective of homebuyers, the $112K is the additional cost of their mortgage to buy the same home new versus 58 years old. For builders, it is the price barrier they must overcome to sell a spec home in John Day to a future homebuyer.

Indirect expenses. If the hedonic pricing model proves accurate, a new 2,000 SF home built in John Day would sell for approximately $270,000 ($135/SF). If the cost of construction is $150/SF, this means the profitability gap for new home construction would be $30,000. This is the amount of negative equity (or profit loss) a buyer (or builder) would assume for each new home. However, this does not include the "hidden" costs of construction. SDCs, building permit fees, land development fees and the land purchase price all contribute to the final cost. After including these charges, the final build price for a new 2,000 SF home could easily exceed $170/SF – increasing the cost-value gap to $60,000.

Availability of builders. Another negative outcome resulting from the decline in the housing market has been the loss of builders. Employment in Grant County decreased 6.3% from 2007 to 2015 primarily impacting construction (-56%), finance activities (-31%), and wholesale trade (-31.9%) sectors.[5] Many custom homebuilders have chosen to exit our market in search of higher returns in neighboring growth areas like Deschutes County or have entered other fields. Incentivizing new home construction in John Day should see a return of these builders and a boost to our job growth. Additionally, companies that specialize in high volume sales may be more likely to enter the John Day market if the financial incentives are aligned, leading to increased economic output

Permitting delays. Reduced home construction, coupled with low population densities in Grant County, has also increased the burden on inspectors and appraisers who are servicing a lower volume of permits across a wider geographical area. This can result in costly construction delays and inefficiencies; issues identified during the inspection process can be addressed quickly but the inspectors cannot return to the area for several days (or weeks). This is another indirect barrier that would likely be alleviated with greater growth in the housing market and increased demand for inspectors and appraisers.

A MARKET ILLUSTRATION

A simple illustration can be used to help connect the dots on our current housing market…

Let us suppose a job seeker is offered a position of employment by the local hospital. This young rural professional (*Yurpl*) is excited about the prospect of getting out of the city and moving to a quaint frontier community in eastern Oregon. The Yurpl had a successful interview and is offered the position. However, as they are searching for a home they run into a stumbling block – there are no rentals!

Willing to commit to the location and the position anyway, they decide to press forward and purchase a home in John Day. However, the Yurpl's spouse (being a city slicker) is hesitant to buy a 58-year-old home that could require a lot of maintenance. In addition, most of the available homes are much smaller than what they came from, and those that are the right size seem too overpriced.

Sensing some future spousal conflict, the Yurpl suggests that they move to the county, where they can build a nice, new manufactured home on a two-acre lot! Perhaps in their spare time they will take up ranching or raise chickens?

The Yurpl's spouse is considering this option, and in the meantime, the talented staff at the local hospital are actively soliciting any leads they can find on available rentals so they do not lose the opportunity of attracting this young family to their community. Meanwhile, the City suggests that for only $7,056 in system development fees, an additional $32,000 to purchase a lot, and a wish and a prayer that they can find a builder who is not booked solid for the next two years, this young couple could build a new home in John Day!

[5] Source: Oregon Employment Department, "2005-2015 Covered Employment and Wages Summary Reports". http://www.qualityinfo.org/olmisj/labforce; Accessed November 2016.

INCENTIVIZING NEW HOME CONSTRUCTION

The City has explored several options to help spur new home construction. They include:

- Reducing regulatory hurdles to increase efficiency in new home construction;
- Providing services to reduce land development costs (i.e. street improvements);
- Cash rebates to new homebuyers and builders;
- Economies of scale by attracting developers who can build multiple homes simultaneously; and
- Tax incentives, such as local improvement districts or urban renewal districts, which collateralize the cost of land development over time.

To bring these elements together into a concerted plan, the City is proposing to create a new Housing Development District under ORS Chapter 457 – Urban Renewal. ORS Chapter 457 authorizes local governments to address blighted conditions in areas of impaired economic value by creating an urban renewal district. Generally, Urban Renewal Districts require a city to: (1) conduct a feasibility study to determine that blighted areas exist and that there is a need for public action; (2) establish an urban renewal plan; and (3) create an agency to oversee the plan and monitor its effectiveness.

In addition to these steps, the City is requesting (by this proposal) to modify ORS Chapter 457 to allow for a more market-driven approach to housing development. In a typical feasibility study, the area under consideration only occupies a small portion of the city. ORS Chapter 457.420 specifically limits the amount of acreage and assessed value that may be included in an urban renewal district to 25 percent for cities under 50,000 residents.

We are proposing to modify ORS Chapter 457 to allow for dynamic inclusion of any residential property within city limits. While remaining subject to the 25 percent assessed value cap, we would like to allow any property owner to apply for and receive a financial incentive for new home construction and for any major improvements resulting in a 50 percent or greater increase in assessed value. Dynamic inclusion would allow property owners to apply for the incentive, enter the district, and then immediately exit once the incentive fund has been recapitalized through the ad valorem tax increase. This approach allows the market to determine where and what to build, whether single or multi-family housing, and enables existing owners to take on major home improvement projects, such as additions and lot consolidations, anywhere within the city limits the development code permits.

A vignette for how such an incentive program would work is as follows:

- A homebuyer applies for an incentive rebate at the time they submit their Land Use Review (LUR) to the City Planning Official for new home construction.
- The City Planning Official reviews the home plans with the County Assessor and County Planning Department and determines an estimated assessed value (AV) for the new home and other proposed improvements.
- The City offers the homebuyer a 7% rebate based on the estimated ad valorem tax base, to be paid to the owner after closing and upon determination by the County Assessor of the new AV. SDC costs are also included in the incentive package, if applicable.
- 12 months later, the homebuyer closes on a new home. If the home has an AV of $200,000 and created a new connection to city services, the city would pay the homebuyer a $14,000 rebate and $7,056 in SDCs, for a total cash incentive of $21,056.

- The homebuyer pays the standard 15.9374 mill rate for their annual property tax just as they would on any other property. However, because the home is in an urban renewal district, the City's housing district collects the ad valorem assessed amount of roughly $3,187 (15.9374 x $200) on the improvements. The other tax jurisdictions continue to receive the same tax revenue as before on the land.
- This tax distribution continues until the City's housing district has been fully compensated for its cash incentive. The City will receive roughly $3,200 in the first year and that will typically increase three percent per year, thus taking between six to seven years to repay the $21,056 incentive. Upon repayment, the property tax will be distributed to each of the eight tax jurisdictions as before and each receives their full tax benefit from the new improvements.

Beginning in year seven, the initial incentive will have been repaid and the funds will be available for the next home. Thus, this mechanism creates a perpetual investment fund for new home construction in blighted areas. This type of incentive program encourages new housing construction because the homebuyer (or builder) is able to realize a ten percent cost savings versus if there were no incentive program. The city benefits by beginning to remove the blighted conditions that necessitated the urban renewal district and is able to extend additional incentives because the repayment rate within the district is five times faster than it would be otherwise.

While the other seven tax districts in the City do not receive immediate tax benefits from the district, these agencies will realize an increase in their tax revenue by year seven that would not exist but for the creation of the incentive program. Agencies like the School District also see immediate tax benefits if the families occupying the new home have school-aged children due to the increase in state shared revenue. Other tax jurisdictions that receive revenue based on per capita tax distributions, like the fuel tax, will also see near-term benefits from state shared revenue (see enclosure, *A Day in the Taxing Life*).

Our goal for this incentive program is to create 100 new residences in John Day over the next ten years, a 20-fold increase in home production over the prior decade. If successful, this increase should result in approximately 300 new residents, bringing John Day back to its mid-1970's peak population of just over 2,000 people. In other words, a ten-year concerted housing development effort will allow John Day, by the year 2028, to recover over half a century of population decline.

UNIQUE CHALLENGES

Our proposal will require several modifications to current law. Elaine Howard Consulting LLC and Tiberius Solutions LLC conducted a preliminary review of ORS Chapter 457 to determine the feasibility of this approach. Specific challenges they identified include but are not limited to:

- Procedures for **adding land** to the district and **removing land** upon completion, including provisions for **dynamically assigning properties to the program** within the scope of the plan;
- Establishing the **maximum indebtedness** for the housing district given the dynamic redistricting;
- Modifying the provision that a district may not add more than **20% of the original acreage** to allow for new housing to maximize participation;
- Projecting **fiscal impacts** on tax jurisdictions;
- Enumerating **existing homes to be altered or destroyed** and new units to be added; and
- Eliminate the requirement of a **substantial amendment for adding more than 1% of the existing area** to a housing development district in order to assign new properties to the district.

These challenges can be addressed through thoughtful planning and minor modifications to the ORS. For instance, procedures for updating legal descriptions and coordinating entry and exit of properties within the district can be developed with the County Assessor and Oregon Department of Revenue. Maximum indebtedness and fiscal impacts of the housing district can also be forecast by making basic assumptions about the number of anticipated incentives associated with the district. For the City of John Day, our maximum indebtedness for the housing district is estimated to be approximately $2.9M (Table 2).

Table 2. Preliminary Estimate for Maximum Indebtedness of John Day Housing District

Housing District Goal	100 new homes	Notes:
Estimated New Home Size	2,500 SF	(2015 Census Data)
Estimated Build Price	$155/SF	(2015 Census Data)
Total New Construction (RMV)	$38,750,000	= 100 homes x 2,500 SF x $155/SF
Estimated Assessed Value (AV)	$32,240,000	= RMV x 0.832 Property Change Ratio
7% Cash Rebate Incentives	**$2,256,800**	= .07 x AV
Prepaid SDCs	**$705,600**	= $7,056 per home x 100 homes
Maximum Indebtedness (MI)	**$2,962,400**	Sum of cash rebate + SDCs

Our maximum indebtedness equates to three percent of our 2016-17 total assessed value for real property of $97,422,307. This proposal keeps the City of John Day within the spirit of the law by remaining well below 25 percent of the total assessed value for the housing district. However, it will require removing the 25 percent land area restriction in the current ORS.

UNIQUE OPPORTUNITIES

The abundance of buildable residential lands is a unique opportunity for high growth construction in John Day. The City also launched on an aggressive new *Strategy for Growth* in 2017 that includes a major restructuring of our economy designed to attract new residents to John Day, specifically digital commuters and active retirees who want to live in a rural-frontier community.

Buildable lands. The City of John Day currently has 1,164 acres of undeveloped property within city limits and our urban growth boundary. Of this, 376 acres (or 32%) is zoned Residential and within city limits. Twenty-nine acres are readily buildable and an additional 129 acres could be developed into housing – bringing the total buildable area to approximately 158 acres. In addition, the age of John Day's current housing has led to an interest from several residents in our "burn-to-learn" program, whereby the City fire department destroys an existing home so that the property owner (typically a trustee) can sell the land for new residential development or in some cases rebuild a newer home on the same lot.

Community Development Investment Fund. The City created a $600,000 Community Development Investment Fund to revitalize unimproved and under-utilized land, buildings and community assets. The John Day City Council has committed to add $60,000 in revenue annually over the next ten years to the fund, which will have an account balance of $120,000 at the beginning of FY18. This funding will be sufficient to provide cash rebates for the first 6-8 homes, with an additional 2-3 homes added annually. While this funding will not be sufficient to realize our target goal of 100 homes, it will finance approximately one third of the target housing and will kick-start the housing district.

Innovation Gateway. The City recently acquired 80-acres of riverfront industrial property to create the *John Day Rural Innovation Gateway*, an innovation center that will create new opportunities for community, technology, education and commerce (Figure 2).

Figure 1. John Day's Rural Innovation Gateway, an 80-acre innovation center in the heart of John Day, OR

In addition to these strategic investments, the City is cutting its non-strategic spending by consolidating departments and investing in new technology to increase efficiency and reduce personnel costs. We are also aggressively identifying state and federal funding sources to accelerate the deployment of our *Strategy for Growth* and we are actively recruiting both public and private sector investment partners.

Among the most recent partnerships we are considering are: the creation of a new Agricultural Experiment Station and an open-campus environment with Oregon State University and the launch of our first commercial-scale hydroponics greenhouse. This joint venture will help John Day meet its local food security needs for fresh produce and could result in an expansion of our student population as well as increased private sector investment in controlled environment agriculture. To date, the City Council has committed over $105,000 toward the first greenhouse at the Innovation Gateway, a 6,000 SF facility that will use reclaimed water to produce over 30 tons of fresh produce annually (Figure 3).

Figure 2. Proposed 6,000 SF commercial-scale greenhouse using both vertical and horizontal agriculture at the Innovation Gateway; a future prototype for the first OSU Controlled Environment Agriculture (CEA) Experiment Station in Oregon

RESOURCE AND FINANCING NEEDS

The City will need to undertake four major tasks to create the housing development district.

1) **Modify ORS Chapter 457** to enable the housing development district (Oct 17 – Jun 18)
2) **Conduct a feasibility study** of the proposed housing district (Jan 18 – Mar 18)
3) **Develop an urban renewal plan** based on the modified ORS (Apr 18 – Jun 18)
4) **Launch and monitor** the housing development district (July 2018)

Modify ORS Chapter 457. The City of John Day is coordinating with multiple stakeholders to identify the appropriate modifications to ORS Chapter 457. Specific partners include the League of Oregon Cities (Intergovernmental Relations Associates Wendy Johnson and Erin Doyle), Regional Solutions Coordinator Courtney Crowell, Business Oregon SE Regional Development Officer Scott Fairley, and industry representatives from the Oregon Economic Development Association (OEDA). Representative Cliff Bentz (R – District 60) and Representative Pam Marsh (D – District 5) have indicated their willingness to co-sponsor a bipartisan amendment to ORS Chapter 457 to enable the housing development district within the general urban renewal context.

Conduct a Feasibility Study. Concurrent with the ORS modification, the City will conduct an urban renewal feasibility study. The study will refine the approach for the housing district and incorporate public involvement including meetings with: city staff and elected/appointed officials (a technical advisory committee); business district participants; residents; and taxing jurisdictions (a community advisory committee). Stakeholder participation ensures the approach has been vetted with both public officials and community stakeholders.

Develop an Urban Renewal Plan. Once the feasibility study is complete, the City Council can authorize the creation of an urban renewal plan. An urban renewal plan includes but is not limited to: a description of each urban renewal project to be undertaken; an outline of the major project activities; a discussion of relevant objectives within the context of the City's Comprehensive Plan; a detailed financial analysis; and consideration of technical and political issues associated with the proposed housing development district.

Launch and Monitor. Because the City of John Day will likely be the first community to implement a housing development district under the revised ORS, we would like to include some continued consulting engagement from industry representatives and state officials who can help evaluate the program's effectiveness. This may include case studies, establishment and reporting of key metrics and outcomes, and amendments to the district and/or urban renewal plan to increase its effectiveness.

The estimated cost for technical assistance, consulting fees and administrative expenses is $43,500:

- $7,500 for urban renewal feasibility study;
- $21,000 for urban renewal plan; and
- $15,000 for administrative expenses and city data gathering responsibilities related to the proposal and creating the housing development district.

If the program succeeds and the rate of applications out-paces the funding available in our Community Development Investment Fund, the City may also need additional funding to fuel incentives. This funding could be provided as a no-cost or low-interest loan from the State to the housing development district that would be repaid from the proceeds of the new construction.

SUMMARY

John Day is uniquely positioned to capitalize on the benefits of a new type of housing development district using a modified urban renewal construct. By creating greater flexibility within ORS Chapter 457 for housing development, the City can use tax increment financing to create a perpetual investment fund and realize our goal of building 100 new homes over the next decade. With minor modifications to current law and a modest financial outlay of state and local revenue, this approach could become a replicable housing model across the state that may address long-standing supply and demand issues in Oregon's workforce housing market.

CITY OF JOHN DAY

MEMORANDUM

TO: JOHN DAY CITY COUNCIL
FROM: NICHOLAS GREEN, CITY MANAGER
SUBJECT: A DAY IN THE TAXING LIFE
DATE: APRIL 18, 2017
CC:

EXECUTIVE SUMMARY

This memo provides a primer on the tax value of a John Day household. The purpose is to demonstrate the return on investment from attracting new residents.

WATER & SEWER REVENUE

The two highest sources of income for the City are its water and sewer charges. The 2017 residential base rates are $36 per household (Water) and $45 per household (Sewer). We currently estimate the number of household units at 1,037 (units include individual apartments, RV/manufactured home spaces and single-family homes).

Residential water rates vary based on consumption. Because of these fluctuations, one has to determine the blended rate (aka effective rate) over various usage ranges. The effective rate for a John Day household in 2016 was $0.012763 per gallon based on a total consumption of 61,185,747 gallons. Assuming the same water usage levels at 2017 water rates, the estimated water contribution per household will be $63.76 per month, bringing the average annual utility revenue for both water and sewer to $1305.12 per household.

PROPERTY TAX REVENUE

Property taxes in the City are distributed to eight tax jurisdictions based on their respective mill rates (tax per $1000 assessed value). Table 1 shows the 2016-17 property tax for a single-family home in John Day with an assessed value of $150,000.

Table 1. Property Tax Revenue Spread

Tax Jurisdiction	Mill Rate	Total Taxes	Share of Tax Revenue
Education Service District	3.7557	$563.36	24%
City of John Day	2.9915	$448.73	19%
Blue Mountain Hospital District	3.3523	$502.85	21%
Grant County	2.8819	$432.29	18%
School District #3	1.6468	$247.02	10%
Parks & Recreaction District	0.7484	$112.26	5%
Mid County Cemetary District	0.3010	$45.15	2%
Ext & 4-H	0.2598	$38.97	2%
Effective Tax Rate	*15.9374*	*$2,390.61*	*100%*

STATE SHARED REVENUE

The City's certified population estimate for 2017 is 1,735 residents. This is the official estimate used to determine our State Shared Revenue (SSR). Distributions for 2017-18 revenue sources are estimated at $81.62 per resident, distributed as follows:

- Liquor Revenues = $17.15
- Cigarette Tax Revenues = $1.20
- 9-1-1 Tax Revenues = $5.66
- Highway Fund Revenues (Gas Tax) = $57.61

The State also provides approximately $7,800 per student to the local school district in which they enroll. This amount varies based on a number of factors but can be used as a planning factor for future incentives.

TAX VALUE OF A JOHN DAY HOUSEHOLD

The tax value of a new household can be estimated by making assumptions about the value of the home they will occupy and size of the household. Assuming an assessed value of $150,000 and an equal probability of attracting households ranging from one to four people (with three and four person households having two children aged K-12) the tax value of a John Day household including all revenue sources described herein is shown in Table 2.

Table 2. Expected Tax Value of a John Day Household

Agency	One Person	Two Person	Three Person	Four Person	Avg. Household	Revenue Share
School District #3	$247.02	$247.02	$8,047.02	$15,847.02	$6,055.85	64%
City of John Day	$1,502.35	$1,583.97	$1,998.71	$2,080.33	$1,791.34	19%
ESD	$563.36	$563.36	$563.36	$563.36	$563.36	6%
Blue Mtn. Hospital	$502.85	$502.85	$502.85	$502.85	$502.85	5%
Grant County	$432.29	$432.29	$432.29	$432.29	$432.29	5%
Parks & Rec	$112.26	$112.26	$112.26	$112.26	$112.26	1%
Mid Co Cem	$45.15	$45.15	$45.15	$45.15	$45.15	0.5%
Ext & 4-H	$38.97	$38.97	$38.97	$38.97	$38.97	0.4%
Total	*$3,444.23*	*$3,525.85*	*$11,740.59*	*$19,622.21*	*$9,583*	*100%*

SUMMARY

The net tax benefit of a new household is $9,583 in annual tax revenue. If the City could realize an increase of 50 households, revenue across all public agencies would increase $479,161 per year. For 100 households, the value would increase to $958,322. Of this revenue, the largest beneficiaries are the School District (64%) and the City (19%); followed by ESD (6%), Blue Mountain Hospital (5%) and the County (5%). These major and minor stakeholders each benefit from growth in the number of John Day households and have a financial incentive to collaborate with the City to incentivize growth, particularly among 3+ person households.