TO: John Day Urban Renewal Agency

FROM: Nick Green, City Manager

DATE: May 22, 2018

SUBJECT: John Day Housing Incentives Plan

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# PURPOSE

The John Day Urban Renewal Agency (JDURA) is tasked to review the proposed John Day Housing Incentives Plan and to decide whether to recommend the Plan be forwarded through the public review process of urban renewal plans, including presentation to the Planning Commission for their review of conformance with the John Day Comprehensive Plan and to the John Day City Council for consideration of a non-emergency ordinance to adopt the Plan.

# BACKGROUND

The City of John Day is facing a wide range of socioeconomic challenges that most cities across Oregon do not have to deal with. These include significant unemployment rates, a majority of residents living in low-to-moderate income households, and housing conditions characteristic of urban blight – specifically a large amount of undeveloped land and aging housing stock within the city limits. Over the past 30 years, the city has also seen a significant population decline.

In addition to these challenges, there has been a lack of new home construction and major remodels, caused in part by low market values and high construction costs that disincentivize private sector development. Current market conditions disincentivize new construction because the potential cost of a new home is so far above the potential sales price it creates an affordability gap for homeowners and a profitability gap for home builders. Lack of new development in turn has contributed to low tax receipts for the City and other local tax jurisdictions, which places a financial burden on their ability to provide public services.

Recognizing these problems, the John Day city council approved a Strategy for Growth in January 2017. The strategy included creating financial incentives to improve the local housing stock as a major step toward staving off the population decline that has been occurring over the past 30 years. The formation of an urban renewal area provides a financing tool to assist in funding the city’s programs to address the problems with John Day’s housing market.

**APPROACH**

The proposed approach includes two different incentive programs – one for new home construction and one for major renovations.

*The New Home Incentive Program.* This program will allow activities including but not limited to incentivizing new residence development. Specific program guidelines will be drafted and reviewed at the discretion of the Agency. These guidelines are expected to include: a cash rebate on new home construction of seven percent of the increase in the property’s assessed value (AV) and payment of system development charges on behalf of the property owner.

*Existing Home Remodel Incentive Program.* This program will allow activities including but not limited to incentivizing significant remodels of existing residences in John Day. Specific program guidelines will be drafted and reviewed at the discretion of the Agency. These guidelines are expected to include: substantial improvements to home facades, structural repairs, major remodels and new additions that add additional rooms and living space. The Agency contemplates a 15 percent incentive based on the increase in AV for these kinds of improvements. The minimum AV increase to qualify for the incentive is expected to be $10,000. Because this is a market-driven approach, the Agency may consider increasing the incentive percentage or other measures to encourage rehabilitation based on the willingness of homeowners to participate in this program.

By offering these programs within the boundaries of an urban renewal area, the City of John Day can recover 100% of its financial investments through tax increment financing (TIF) revenues –the new taxes generated by the increase in property values from the time the urban renewal area is first established. This approach offers three significant advantages. First, it creates a perpetual investment fund – once the TIF revenue received from the programs has equaled the incentives, the funding becomes available to future homebuyers and builders. Second, this is an asset-backed investment strategy – no incentives are given by the urban renewal agency until there is a new home or major renovation and its increased property tax value has been realized. Third, unlike a traditional urban renewal program, this specific program fully allocates the TIF revenue to each taxing jurisdiction upon repayment of the initial incentive (expected to be seven years) versus at the end of the 20-year urban renewal period. In year eight, the other tax jurisdictions begin benefitting financially from the increased tax revenue that would not have occurred but for this program.

**PROCESS**

When a city forms an urban renewal area, two documents are prepared, an urban renewal plan and report. In John Day these are called the John Day Housing Incentives Plan (Plan) and the Report on the John Day Housing Incentives Plan (Report). The Plan is the formal legal document which dictates what can and cannot be done in terms of projects, programs, and administration of the John Day Urban Renewal Area (Area). It is adopted by the John Day City Council through a non-emergency ordinance. Any amendments or changes to the Area are made to the Plan by either a resolution or through an ordinance, as stipulated in the Amendments Section of the Plan.

The Plan designed for the Area includes vacant buildable lands for the New Housing Stock Program and current residential land that qualifies for the Existing Housing Stock Program. The reason for urban renewal is to provide a financing mechanism to fund programs to both increase and improve the housing stock in the City of John Day and to pay for some of the administration for running those programs.

The Report is a technical document and is a snapshot in time for when the Plan is adopted. It details information on the technical aspects of the Plan, including financial feasibility of the Plan and the existing physical and social conditions of the Area. The Report is not required to be amended when the Plan is amended unless the amendment is a substantial amendment to the Plan as described in the Amendments Section of the Plan.

The Area, shown in Figure 1 of the Plan, consists of approximately 178.56 acres of land including rights of way.

**PROCESS TIMELINE**

The process for approval will include the following steps, in accordance with ORS 457.

* 1. Preparation of a Plan including opportunity for citizen involvement.
  2. Presentation of the Plan to the John Day Technical Advisory Committee on May 8, 2018.
  3. Presentation of the Plan to the Grant County Court for a briefing; held on May 9, 2018.
  4. JDURA review of the proposed Plan and accompanying Report on May 22, 2018.
  5. Forwarding a copy of the proposed Plan and the Report to the governing body of each taxing district. The formal taxing districts letters were sent out on May 16, 2018.
  6. Review and recommendation by the John Day Planning Commission on May 24, 2018.
  7. City Council Notice of Public Hearing on May 29, 2018.
  8. Hearing by John Day City Council and adoption of the proposed Plan and accompanying Report by a non-emergency ordinance. The hearing and vote by City Council will occur on June 12, 2018. The ordinance must be a non-emergency ordinance, which means that the ordinance does not take effect until 30 days after its approval and during that period of time may be referred to John Day voters if a sufficient number of signatures are obtained on a referral petition.

# STAFF RECOMMENDATION

Staff recommends that the John Day Urban Renewal Agency pass the following motion.

Draft motion: I move to forward the John Day Housing Incentives Plan to the John Day Planning Commission for their review of the Plan’s conformance to the John Day Comprehensive Plan and then to the John Day City Council for a hearing and their review and vote on adoption.

Attachments:

1. John Day Housing Incentives Plan
2. Report Accompanying the John Day Housing Incentives Plan