

TO: City of John Day City Council
FROM: Nicholas Green, City Manager
DATE: June 12, 2018
SUBJECT: John Day Housing Incentives Plan

PURPOSE

The John Day city council will hold a hearing on June 12, 2018 to gain input regarding the Council's consideration and potential adoption of the proposed John Day Housing Incentives Plan (Plan) and to vote on the 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 John Day Urban Renewal Agency (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 Incentive Program and current residential land that qualifies for the Existing Home Remodel Incentive 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.

PUBLIC NOTICE

Notice of the city council public hearing was provided in utility bills mailed on May 29, 2018.

PROCESS TIMELINE

The process for approval has included 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 on May 9, 2018.
4. 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.
5. John Day Urban Renewal Agency review of the proposed Plan and accompanying Report and Agency motion to forward Plan through public review process on May 22, 2018.
6. Review and recommendation by the John Day Planning Commission. The Planning Commission reviewed the Plan on May 24, 2018 and voted that the Plan conformed to the John Day Comprehensive Plan.
7. Notice to all citizens of John Day of a hearing before the city council. Notice of the city council public hearing was provided in utility bills mailed on May 29, 2018.
8. Hearing by City Council and adoption of the proposed Plan and accompanying Report by a non-emergency ordinance. 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.

ORDINANCE ADOPTING THE PLAN

The ordinance adopting the Plan requires the City Council to make certain findings, which are listed in the last “Whereas” paragraph. These findings are based on various documents and events. The findings are as follows.

1. The process for the adoption of the proposed Plan, a copy of which is attached to the ordinance, and by this reference incorporated herein, has been conducted in accordance with the provisions of Chapter 457 of the Oregon Revised Statutes;

As described in the Process Timeline Section above, the City has followed the procedures as outlined by ORS 457.

2. The area designated in the Plan as the Area is blighted, as defined by ORS 457.010(1) and is eligible for inclusion within the Plan because of conditions described in Section XI of the Report including obsolescence, deterioration, dilapidation, and a prevalence of depreciated values resulting from underdevelopment and underutilization of property within the Area;

This is the basic justification for the Plan and the Council's finding is meant to make that justification explicit. In John Day, the need for urban renewal arises from the need for rehabilitation of existing homes and assistance in the construction of new homes.

3. The rehabilitation and redevelopment described in the Plan to be undertaken by the Agency is necessary to protect the public health, safety and welfare of the City because absent the completion of the urban renewal projects, the Area will fail to contribute its fair share of property tax revenues to support City services and will fail to develop and/or redevelop according the goals of the comprehensive plan;

This finding states the public purpose of the Plan which is for the property in the Area to develop and redevelop. Property which is not developed or not fully developed and occupied does not contribute as much property taxes as fully developed property. The improvement of property in the Area will add to the tax base in the Area and further support additional economic activity in the Area.

4. The Plan conforms to the John Day Comprehensive Plan and John Day's Strategy for Growth as a whole, and provides an outline for accomplishing the projects described in the Plan, as more fully described in Section XII of the Plan;

This finding is supported by Section XII of the Plan and the Planning Commission's conclusion that the Plan conforms to the John Day Comprehensive Plan.

5. No residential displacement will occur as a result of the acquisition and disposition of land, provision has been made for displaced persons in the Relocation Section of the Report as required under applicable state and federal law;

The Plan does not provide for acquisition of property that would cause displacement. Should the Plan be amended to include such acquisition, the Agency would be obligated to provide relocation assistance.

6. The Plan does not authorize acquisition of real property.

7. Adoption and carrying out the Plan is economically sound and feasible in that funds are available to complete the Plan projects using urban renewal tax increment revenues 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 shown in Sections III, IV, V, VI, and VII of the Report;

The Report contains information on the projected revenues and projected expenditures under the Plan and supports a finding that the Plan is economically sound and feasible.

8. The City of John Day shall assume and complete activities prescribed to it by the Plan;
The Plan is predicated on investment by the City into the John Day Community Development Fund.
9. The Agency consulted and conferred with affected overlapping taxing districts prior to the Plan being forwarded to the City Council.

The Agency sent a copy of the Plan and the Report to the affected overlapping taxing districts on May 16, 2018. The letter included an invitation to provide comments in writing on the Plan and Report on the Plan. No written comments were received.

The ordinance also calls for publication of a notice that the Council has adopted the ordinance, for the recording of the Plan by the Grant County Clerk and for transmitting the Plan to the Grant County Assessor.

CITY COUNCIL RECOMMENDATION AND VOTE

Staff recommends that the city council:

1. Review and discuss the proposed John Day Housing Incentives Plan
2. Take public testimony on the Plan
3. Vote on the Plan adoption