**CITY OF JOHN DAY**

**TECHNICAL ADVISORY COMMITTEE MEETING**

**JOHN DAY, OREGON**

May 8, 2018

**COMMITTEE MEMBERS PRESENT**

Brent Smith, Oregon Dept. of Fish & Wildlife

Shannon Adair, John Day City Council

Bruce Ward, GC Chamber of Commerce

Angie Jones, GC Transportation District

Derek Daly, Blue Mtn. Hospital District

Robert Waltenburg, Grant County ESD

**STAFF/ATTENDEES:**

Aaron Lieuallen, City of John Day

Rick Hanners, Blue Mountain Eagle

City Manager Nicholas Green explained the intention of the Technical Advisory Committee is to provide feedback and recommendations, regarding the John Day Housing Incentives Plan, before it is presented to the John Day City Council. Green highlighted the background for the housing problems in John Day. By providing incentives for new home construction and significant remodels, the City will be able to encourage development by narrowing the profitability gap, through a low-risk cost-recovery program.

There was discussion among the committee about a letter to the editor arguing the housing plan will not work. Green noted there is very little risk because no incentive is provided until the property value increase is on the tax rolls. The only potential source of failure could be in homeowners not paying their property taxes, in which case the Urban Renewal Agency would put a lien on the house and if the taxes were not brought current, the County would ultimately foreclose on the home. There was a question and discussion about the cash flow if there was significant involvement in the program all at once. City Manager Green noted they have identified this is a potential problem and spoken with Business Oregon; if twelve joined in the first year, it would be a win-win all around. The City has budgeted for three homes for remodel and three for new construction in the first year. If adopted in June, the program will be retroactive to the beginning of the current tax year. Rebates (incentives) will be paid after taxes are sent out in the fall. A lack of involvement would prompt the agency to evaluate why the program is not successful; they would not increase the incentive, which is quite sufficient, but rather look for other non-financial hurdles with new construction or shortcomings in the program. Discussion continued about the potential hurdles including: issues finding a builder, long wait times to get an appraisal, or lack of return on investment, due to variable market trends.

There was discussion about encouraging façade improvements, which aid the curb appeal but may not necessarily increase the assessed value enough to qualify for the program. It was clarified that the incentive will be paid to whoever the owner of the property is, once the investment goes on to the tax rolls; the effect on builders and buyers will be determined by the market. It was also confirmed that the county assessor is up to date and preparing for how the program would be implemented.

City Manager Green noted that the report includes a term “maximum-indebtedness” which implies the Urban Renewal agency will be going into debt but the only way money would need to be borrowed is if the program is so successful the City temporarily needs assistance with cash flow. Most urban renewal programs would take the increase tax revenue from a property improvement for the life of the program; this one will only accrue the tax needed to reimburse for the incentive. The need for some kind of program to stimulate construction is very evident by the lack of any significant development since the 1990’s. Many variables have changed in the last thirty years and the current conditions are not suitable for stimulating construction or renovation. Without assistance: homes will continue to age, until they need to be torn down and population will stagnate or decline, without livable housing for new residents. If successful, the program could be implemented anywhere. The program is geared towards single family and smaller multi-family homes; with an anticipated 100 homes of that type, the indebtedness restricts the program from incentivizing housing like a large apartment complex, but that is technically possible. There was further discussion about the “sweet spot” of housing that is currently needed. The general consensus was that homes between $150,000 and $250,000 were not available and would be the range a working class family moving to town would be looking for. It was also noted that properties not currently included in the urban renewal area could be added later through an amendment.

City Manager Green clarified that the “administrative fee” is the cost allocated in the Community Development Fund for costs that could occur, if the estimated development takes place. The actual charge accrued to the Agency, and therefore withheld in the increased tax base, would reflect the amount of involvement in the program. Green also noted the Community Advisory Committee requested only site built homes be included, because manufactured homes do not face the same barrier from cost of new construction and do not bring job creation to the area. Manufactured homes are not prohibited anywhere in city limits, rather, they simply would not qualify for the incentive program.

On the subject of tax deferment he noted, every city in Oregon has the authority to implement an urban renewal agency that could result in deferred taxes; the taxpayers, through an initiative on the ballot, could repeal this decision. The significant effort in creating the program is to help ensure all potential negative impacts to the districts have been identified and mitigated, so that voters don’t feel the need to repeal. This approach to urban renewal ensures the only impact to tax districts comes with an assurance of tax base growth, in addition to population growth which also boosts the economy. Councilor Adair noted the John Day City Council is excited about the program. They see the risk as palpable, with no financial risk, and continue to ask questions and encourage the community to ask questions and provide input. There were questions about the actual application of the tax freeze. City Manager Green explained the districts will see the natural increase in assessed value but first it will go to the Agency. The Agency will under-levy the tax freeze to return the natural increase to the districts along with the increased tax from improvements upon repayment of the incentive and will work with the tax assessor to determine those amounts and the timing. A typical urban renewal would freeze the tax and collect any increase for twenty years. In contrast this agency will under-levy the increase for: predicted yearly increases in assessed value, for the whole urban renewal district; all properties that are not involved in the program; and once the incentive is paid back, those properties which have been included in the incentive program.

There was discussion about lending institutions that might accept the risk and fully finance builders, potentially with the guarantee of an incentive once complete. Discussions evolved into other ways that the city could get creative and find ways to help mitigate the risk to builders in order to get houses on the market. Caution was encouraged regarding city involvement in specifics for builder financing. Additional discussion was had about the possibilities of how, if successful, this type of approach could be implemented beyond John Day.

**Angie Jones moved to forward the John Day Incentive Plan and Report to the John Day Urban Renewal Agency. The motion was seconded and passed unanimously.**