

TO: City of John Day Planning Commission

FROM: Nick Green

DATE: May 24, 2018

SUBJECT: John Day Housing Incentives Plan

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## **PURPOSE**

The John Day Planning Commission is being asked to make a recommendation to the City Council regarding the Council's consideration and adoption of the proposed John Day Housing Incentives Plan (Plan). The Plan is designed for the John Day Housing Incentives Area (Area), an area of 178.56 acres that includes vacant buildable lands that qualify for the New Home 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 these two programs.

The focus of the Planning Commission's review is the conformance of the Plan with the John Day Comprehensive Plan. This action does not require a public hearing, and the Planning Commission is not being asked to approve the Plan, but rather make a recommendation to the John Day City Council on the conformance to the John Day Comprehensive Plan.

There are no explicit review criteria for a Planning Commission for the review of an urban renewal plan. The Oregon Revised Statute (ORS) ORS 457.085(4) states that "An urban renewal plan and accompanying report shall be forwarded to the planning commission of the municipality for recommendations, prior to presenting the plan to the governing body of the municipality for approval under ORS 457.095". The generally accepted practice is for the Planning Commission to provide input on the relationship of the Plan to the Local Goals and Objectives (Section XII of the Plan), and particularly to its conformance to the City of John Day Comprehensive 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

## **PUBLIC NOTICE**

Notice for this review was provided through a publication in the Blue Mountain Eagle. A copy of the Affidavit is enclosed.

## **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 Home 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.

The goals of the Plan are listed in Section IV of the attached Plan.

The proposed maximum indebtedness, the limit on the amount of funds that may be spent on administration, projects and programs in the Area is \$4,305,162. There is a proposed financing plan in the Report that shows that the Plan is financially feasible. It is understood that the Agency may make changes to the financing plan as needs and opportunities arise, typically during the annual budgeting process.

The Plan would be administered by the John Day Urban Renewal Agency (JDURA). Major changes to the Plan, if necessary, must be approved by the JDURA and City Council as detailed in Section VII Amendments to Plan.

## **RELATIONSHIP TO LOCAL OBJECTIVES**

The Plan relates to local planning and development objectives contained within the John Day Comprehensive Plan and the John Day Development Code. The following section describes the purpose and intent of these plans, the particular goals and policies within each planning document to which the proposed Plan relates, and an explanation of how the Plan relates to these goals and policies. The numbering of the goals, policies, and implementation strategies will reflect the numbering that occurs in the original document. Italicized text is text that *has* been taken directly from an original planning document. The Comprehensive Plan designations are shown in Figure 3 of the Plan. The proposed land uses conform to Figure 3, the comprehensive plan designations and the maximum densities and building requirements can be found in the John Day Development Code.

This is not a comprehensive list of all parts of the John Day Comprehensive Plan that are supported by this Plan. This list includes the major Goals and Policies from the comprehensive plans that are in conformance with the Plan however, there may be other Goals and Policies that are not listed, but are still in conformance with this Plan.

## **A. City of John Day Comprehensive Plan**

### **Citizen Involvement**

#### **Plan Details**

*Policy 3. To establish citizen advisory committees as deemed necessary or advisable to study community problems and make recommendations for their solution*

**Finding:** The Plan conforms to the John Day Comprehensive Plan because it established a Project Advisory Committee (PAC) and Technical Advisory Committee (TAC) in preparation to form the Urban Renewal Plan and Report. The PAC discussed the potential boundary, the programs, the financial model and a draft of the Plan and Report. The TAC reviewed the final documents prior to approval and adoption by the City Council.

### **Economic Element**

#### **Plan Details**

*Goal: Encourage steady managed growth.*

**Finding:** The Plan conforms to the John Day Comprehensive Plan because it provides a stimulus for increased housing stock and rehabilitation of existing housing stock in order to promote economic growth.

### **Housing Element**

#### **Plan Details**

*Policy 3. To encourage a supply of housing to allow for expected population growth and to provide for the housing needs of the citizens of the area.*

*Policy 4. To encourage residential development which provides prospective buyers with a variety of residential lot sizes, diversity of housing types, and a range in prices.*

*Policy 7. The City should promote the rehabilitation of existing housing, and the re-use of vacant land.*

**Finding:** The Plan conforms to the John Day Comprehensive Plan because it establishes two programs that will improve the quality of the housing stock in John Day. The first program is the New Home Incentive Program, which is discussed more fully in the programs section, but which will promote new residences in John Day. The second program is the Existing Home Remodel Incentive Program, which will promote the improvement of the city's existing housing stock.

## **PLANNING COMMISSION RECOMMENDATION AND VOTE**

Staff recommends that the Planning Commission:

1. Review and discuss the proposed John Day Housing Incentives Plan
2. Find that the Plan conforms to the John Day Comprehensive Plan, and recommend the Plan's adoption to the John Day City Council.

John Day Housing Incentives Plan Staff Report to Planning Commission

Recommendation/Suggested Motion(s):

“I move, based upon the information provided in the staff report and the provided attachments, that the John Day Housing Incentives Plan conforms with the John Day Comprehensive Plan and further recommend that the John Day City Council adopt the proposed John Day Housing Incentives Plan.”

Attachments:

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