

OREGON CITY URBAN RENEWAL AGENCY OREGON CITY, OREGON

FINANCIAL IMPACT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2024

Prepared by

City of Oregon City
Finance Department

Available at: www.orcity.org



Introduction

Urban renewal agencies must prepare an annual report for the governing body and the general public in accordance with Oregon Revised Statute 457.460 (ORS 457.460). This annual report should contain a financial summary including the following elements:

- ♦ the amount of moneys received during the preceding fiscal year;
- ♦ the purposes and amounts for which any money received were expended during the preceding fiscal year;
- ♦ an estimate of moneys to be received during the current fiscal year;
- ♦ a budget setting forth the purposes and estimated amounts for moneys that are to be expended during the current fiscal year;
- ♦ an analysis of the impact, if any, of carrying out the urban renewal plan on the tax collections for the preceding year.

The Urban Renewal Concept

Urban renewal is a process authorized by Oregon law (ORS 457) to finance improvements in those neighborhoods and districts that need special attention and revitalization and meet the ORS definitions of “blight”. Examples of blight include buildings that are unsafe or unfit for occupancy, inadequate streets, or environmentally contaminated areas. Tax increment financing is used in these areas to improve blighted conditions through public investments that stimulate private development. Due to the existing conditions, private real estate developers, property owners or business owners are unable to generate a sufficient profit on potential development in the area, thus stalling private investment.

The types of urban renewal activities undertaken generally include development of infrastructure and public amenities (i.e., streets, utility lines, lighting, public open spaces, building improvements, and parks). As the result of publicly-funded efforts, investment becomes feasible for private developers. Developments consistent with the City’s urban renewal plan are then allowed to go forward. Additionally, urban renewal allows a city to increase the level of public investment by providing funds that other regional, state or federal governments will match for a specific project.

It is intended that the private sector will provide the majority of redevelopment funding by selectively investing over a period of time. Initial public funding is committed together with incentives identified in the plan components to:

- ♦ Construct necessary infrastructure improvements,
- ♦ Attract private investment, and
- ♦ Provide amenities.

Tax Increment Financing

The major source of funding for urban renewal projects has been tax increment financing. Once a district is established, the tax valuation for the district is “frozen.” As property values appreciate, the increase in taxes (the “increment”) generated above the frozen base are used to pay for the outlay or debt on specific projects within the urban renewal plan. These tax increments are used to

fund capital projects or to repay municipal bonds issued to finance improvements that will revitalize the district. New taxes are not imposed to fund urban renewal.

This type of financing works by identifying an area where property values are not rising as rapidly as the rest of the community; drawing a border around it; planning for major public improvements like roadways, street lighting, parks, and other amenities; selling bonds to finance the public costs; implementing the plans for public improvement; and encouraging private investment in the area.

Three ballot measures -- Measure 5 (1990), Measure 47 (1996), and Measure 50 (1997) -- made significant changes to Oregon's system of property taxation. Those changes impacted tax increment revenue calculations and are reflected in the revenue calculations in this report.

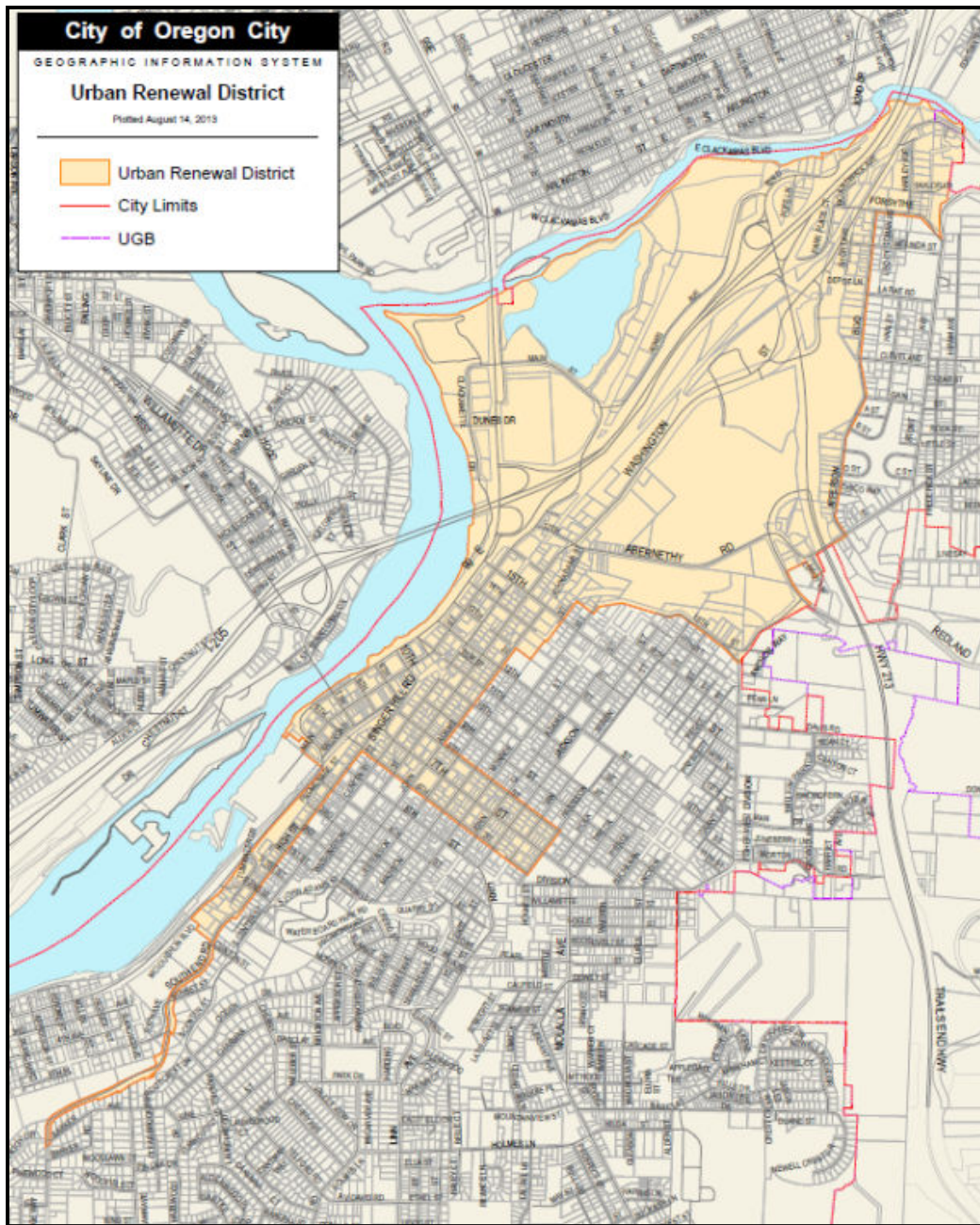
To determine the amount of the taxes levied, the total assessed value within each urban renewal area is segregated by the county assessor into two parts: (a) the total taxable assessed value in the district at the time the urban renewal plan was adopted (the base or "frozen" value); and (b) the difference between the frozen base value and the current total assessed value (the incremental value or "excess"). The urban renewal agency is entitled to the amount of property taxes levied on the increase in property values within the urban renewal area. This revenue is used to pay for the projects designated in the urban renewal plan or to repay indebtedness incurred in carrying out the projects.

Oregon City's Urban Renewal Plan

The City of Oregon City established the Downtown/North End Urban Renewal District pursuant to Oregon Revised Statutes (ORS) Chapter 457, the Oregon Constitution, and all applicable laws and ordinances on December 19, 1990, after adoption of Ordinance 90-1062. Subsequently, the City adopted Ordinance 07-1014, in 2007 increasing the maximum indebtedness of the Plan to \$130,100,000. The Agency's total amount of indebtedness incurred at June 30, 2024, was \$22,278,288. The City's downtown/north end redevelopment area consists of approximately 845 acres, all within Oregon City's city limits. For the 2023-2025 biennium, the total budget is \$10,426,800. In December 2022, the City adopted the 11th Amendment to the Urban Renewal Plan with Ordinance 22-1010 identifying priority projects to be pursued in the Urban Renewal District which can be found at <https://www.orcity.org/267/2023-Urban-Renewal-Plan>.

The Urban Renewal Agency is a separate legal entity from the City of Oregon City that is established under State law. Oregon Revised Statutes Chapter 457.035(1) creates "a public body corporate and politic to be known as the urban renewal agency" for each municipality.

The Oregon City Urban Renewal Commission (OCURC) is responsible for providing oversight for urban renewal activities in the District as specified in the Plan. The OCURC is composed of seven voting members: Oregon City's Mayor, four City Commissioners and two additional members from the community.



The Vision Statement of the Oregon City Urban Renewal Commission

Within the Urban Renewal District (“the District”) it is envisioned that residents will live, work, and play while having access to various amenities including vibrant visitor experiences that will attract the public during both the day and night; well-presented historical venues will provide visitors with different vantage points of the community’s past; enjoyable recreational opportunities of various types and venues will be established; livable environs will exist that enhances one’s quality of life, efficient transportation options will move people in and around the District; and sound investments in public infrastructure will be made to complement and support private investment.

Urban Renewal Impact

The Urban Renewal Agency's goals include the elimination of blight within the Area and implementation of the objectives of Oregon City's Comprehensive Plan, including designation of the City as a "Regional Center" within the State's largest metropolitan area. The Area continues to thrive with infrastructure and surface enhancements and community programs like farmers markets, special events, and holiday celebrations.

The Clackamette Cove Project generated a significant increase in tax increment revenue to support enhanced activities within the Urban Renewal Area. Completion of the Cove Project included the construction of 244 units of garden-style apartments, approximately 8,000 square feet of office space and a 3,000 square foot recreational building along with infrastructure improvements.

On November 8, 2016, voters approved Measure 3-514, which was intended to limit the use of urban renewal in Oregon City. On July 18, 2017, the Circuit Court determined that the measure is preempted by Oregon Revised Statutes Chapter 457. The Court found that the measure is inconsistent with State law and the Agency's expenditures are not restricted. This decision was appealed to the Oregon Court of Appeals. On November 15, 2022, the Court of Appeals declared that a portion of the measure, specifically part E of Section 59 in the Oregon City Municipal Code is unenforceable as preempted by state law.

The Urban Renewal Commission approved the 11th amendment to the Urban Renewal Plan on December 21, 2022. This amendment updated the project plan to three primary projects, which are the Rossman Landfill, Clackamette Cove, and the Stimson Property, and several secondary projects, including the County Courthouse on Main Street, Improvements to the End of the Oregon Trail Interpretive Center, and downtown railroad Quiet Zone, and development of the vacant 12th and Main Street property.

On May 16, 2023, voters rejected Measure 3-597, which requested the approval for the Urban Renewal Agency to borrow up to \$44 million for projects in the Urban Renewal Plan. During the 2023-25 biennial budget adoption process, the Urban Renewal Commission declared an Incremental Assessed Value of \$0 for fiscal year 2023-24 with prior year collections as \$46,000. For fiscal year 2024-25, the Urban Renewal Commission declared an Incremental Assessed Value of \$55,165,000, which was intended to be 25% of the estimated Incremental Assessed Value and anticipates approximately \$828,000 in levy collections with prior year collections at \$26,000.

Unspent funds resulted in an increase in fund balance during the year. Additionally, the adopted budget for the 2023-25 biennium includes expenses for capital projects, legal and administrative costs, and operating expenses for properties owned by the Agency that are funded from rental income.

Effect of Urban Renewal on Taxing Districts

Carrying out an urban renewal plan impacts the amount of property taxes received by the overlapping taxing districts of Oregon City's urban renewal areas. The division of tax process results in property taxes that would otherwise have been received by the taxing districts that levy property taxes within the urban renewal area instead being paid to the Urban Renewal Agency of Oregon City. The taxing districts forego a share of property tax income during the life of an urban renewal plan so the Urban Renewal Agency can carry out activities that increase property values in the long-term. When an urban renewal plan is closed, the higher tax assessed values of the properties formerly within the plan area generate more tax revenue to all the taxing districts.

Passage of Ballot Measure 50 (Article XI, Section 11 of the Oregon Constitution) resulted in converting most property taxes (i.e., tax bases) from a levy-based system to a rate-based system. Schedules are provided later in this Report of the "*post*" Measure 50 financial impact by taxing district for Oregon City's Urban Renewal Agency. The following schedule shows the impact of the division of taxes on the overlapping taxing jurisdictions for the current fiscal year. The schedule includes each taxing entity's:

- ♦ Levied taxing rate
- ♦ Calculated urban renewal tax rate that is effectively redirected from the permanent rate of the taxing entity to the urban renewal agency
- ♦ Calculated property taxes from each taxing entity that is redirected to the urban renewal agency
- ♦ Total levy of each entity
- ♦ Percentage of the division of taxes to the total levy of each entity
- ♦ Total amount of property taxes to the urban renewal agency from each urban renewal area

The shared value reflects the common value of the underlying properties that are within the City of Oregon City and the overlapping taxing entity. For fiscal year ended June 30, 2024 there were no taxes levied and therefore no division of taxes.

Financial Reports

The following financial schedules account for the activities of Oregon City's Urban Renewal Agency. In accordance with ORS 457.460 (1), these reports were prepared using the same basis of accounting it uses to prepare its financial statements, which is the modified accrual basis of accounting. This report is available after the conclusion of the audit each year by January 31st from the Finance Department at City Hall. Copies of the Agency's complete audited financial statements and other financial records are available online at <https://www.orcity.org/266/Urban-Renewal>.

Financial Information for the Year Ended June 30, 2024

As summarized below, the Agency generated approximately \$0 in tax increment property taxes in fiscal year ended June 30, 2024. After discounts and adjustments, collections including delinquent taxes of \$39,000, total property tax revenues were approximately \$39,000. This represents a decrease of approximately \$3.20 million when compared to the 2023 fiscal year. Oregon City's Urban Renewal Agency receives property taxes according to the division of taxes method calculation. These property taxes are used to finance various urban renewal projects and activities.

Oregon City Urban Renewal Agency
Financial Impact Report
Fiscal Year Ended June 30, 2024

Operating expenses increased over that same period by approximately \$97,000 while no capital project expenses were incurred mainly due to the Agency's deferral of projects while the Commission determines the project prioritization of the program. As of December 1, 2020, the Urban Renewal Agency had retired all its outstanding bonded debt. Total taxes are anticipated to be \$854,000 in fiscal year 2024-25, consistent with the budget. Oregon City's Urban Renewal Agency budget for fiscal years 2024 and 2025 was adopted on a biennial basis and is shown below along with financial information for the 2023 and 2024 fiscal years.

	Actual 2022-23	Actual 2023-24	Biennial Budget 2023-25
Revenues:			
Property taxes	\$3,237,853	\$ 38,783	\$ 888,000
Miscellaneous	406,427	692,566	372,000
Total revenue	3,644,280	731,349	1,260,000
Expenditures:			
Materials and services	304,145	401,181	794,000
Capital projects	-	-	9,632,800
Contingency	-	-	64,000
Total expenditures	304,145	401,181	10,490,800
Revenues over (under) expenditures	3,340,135	330,168	(9,230,800)
Net change in fund balance	3,340,135	330,168	(9,230,800)
Beginning fund balance and contingency	5,932,312	9,272,447	9,230,800
Reserved ending fund balance	\$9,272,447	\$9,602,615	\$ -

Note: Figures are based upon audited financial statements.