

OREGON CITY URBAN RENEWAL AGENCY OREGON CITY, OREGON

FINANCIAL IMPACT REPORT
FOR THE FISCAL YEAR ENDED JUNE 30, 2015

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). The report is to include a financial summary of the preceding year and the budget for the new fiscal year. It also includes an analysis of the financial impact of carrying out the urban plan on the tax collections for all taxing districts.

The following elements must be included as part of the financial summary:

- ♦ the amount of money 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. The purpose is to improve areas that are underdeveloped or have declined over time or where private development has stagnated or is not feasible. More specifically, it is a method of economically revitalizing areas of “blight” through public investments that stimulate private development. Examples of blight include buildings that are unsafe or unfit for occupancy, inadequate streets, or environmentally contaminated areas. Due to these conditions, private real estate developers, property owners or business owners are unable to generate a sufficient profit on potential development in the area. As a result, private investment stalls and the blighted conditions remain.

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 the 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.

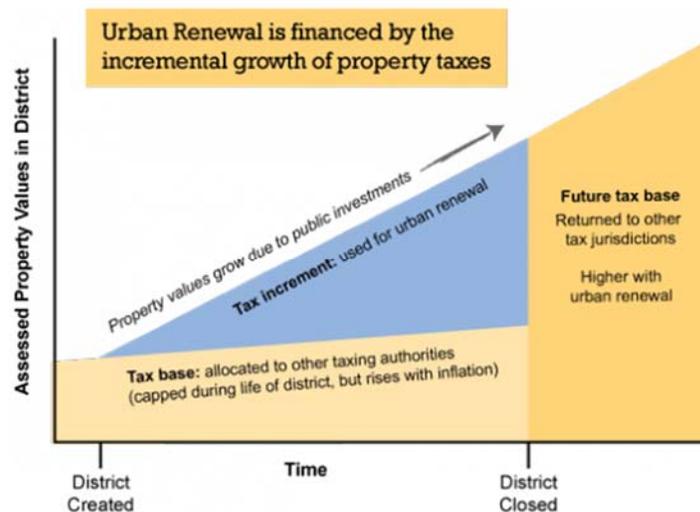
A variety of public financing approaches may include tax increment financing, Community Development Block Grants, Economic Development funds from state lottery proceeds, sale of property, local improvement districts, and a variety of bonds.

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 properties appreciate in value, 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.

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 line 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. Then, as property values rise and bring an increase in tax revenues, that increase sets the limit for the property taxes levied to pay off urban renewal bonds.



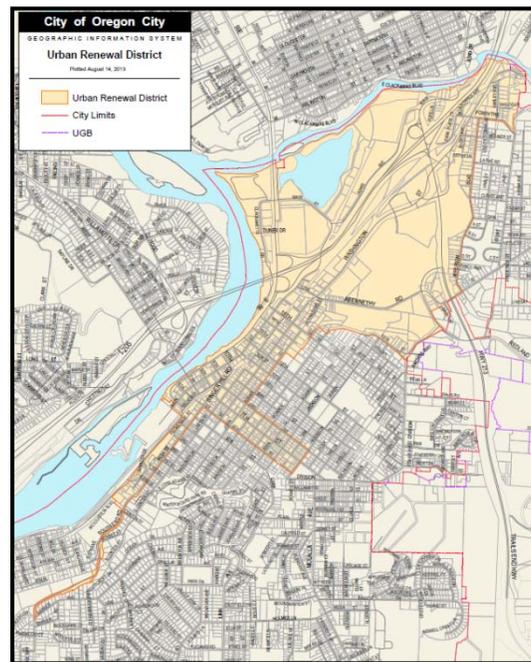
During the 1990’s, three Ballot Measures -- Measure 5 (1990), Measure 47 (1996), and Measure 50 (1997) – made significant changes to Oregon’s system of property taxation. Those changes have influenced urban renewal programs and tax increment revenue calculations. Those provisions provide the basic framework for 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 establishing the maximum indebtedness of the Plan in the amount of \$130,100,000. The City’s downtown/north end redevelopment area consists of approximately 845 acres, all within the Oregon City’s city limits. In general, the area includes the Downtown area, Clackamette Cove, the Landfill redevelopment site, the Washington/7th Corridor, and the Heritage Center area. The Agency is governed

by a seven-member Urban Renewal Commission that include the City's mayor and other City commission members.



The Urban Renewal Plan states the following overall renewal goals:

- ♦ To improve traffic capacity and safety, pedestrian facilities, park and recreation facilities, and other public facilities within the Area in order to serve existing and future residents, businesses, visitors and workers
- ♦ To improve the Renewal Area as a commercial and employment center, and stimulate private development within the Area
- ♦ To fulfill Metro Region 2040 Growth Concepts that are consistent with the City's Comprehensive Plan

The Core Values created by the Urban Renewal Commission are as follows:

- Qualitative and quantitative return on investment
- Cultivating Resources, Processes and Investment in Underutilized or Affected Areas
- Make the Urban Renewal District a Destination
- Job Creation; Permanent and Temporary
- Economic Development
- Historical and Cultural Interpretation

Urban Renewal Impact

A number of significant public investments have been made to stimulate private development in the area, including roadway enhancements on Main Street, McLoughlin Boulevard and 7th Street. Community amenities have been built or upgraded, such as the McLoughlin Promenade, Clackamas River Trail or the South Metro Amtrak Station. Additionally, urban renewal partners with businesses to enhance storefronts and rehabilitate or adapt buildings to new uses. Over 60 businesses have improved their buildings, elevating the image of the district while often preserving the unique history and character of the area.

The Downtown/North End Urban Renewal District has already played a key role in stimulating the revitalization of the historic core of Oregon City. As downtown continues to grow, urban renewal investments and partnerships have laid the foundation for Oregon City to realize its status as one of seven regional centers envisioned in the Metro 2040 Growth Concept. Through public investments and business development partnerships, urban renewal will continue to be a catalyst for making Oregon City a more economically vital, livable and sustainable place.

Selected accomplishments include:

- Executed Purchase and Sale Agreements for each of the publically owned infill lots in downtown for the purpose of developing a mixed-use project.
- Completed tenant improvements at the train station
- Established the Vertical Housing Development Zone to in the MUD Zoning District to incentivize mixed use development with a residential component
- Signed and executed a DDA with the developers of The Cove project
- Brought the Oregon Economic Development Association Spring Conference to Oregon City for the first time that enhanced awareness of Oregon City Urban Renewal projects.
- Established the Oregon City Enterprise Zone to incentivize industrial development and expansion
- Successfully participated in the Community Investment Initiative Pilot Program that has ultimately helped the City begin streamlining its development process. Participation in this program has led to the creation of the Internal Development Policy Review Group. The group is made up of departments within the City that are most impacted by development to discuss City-wide development priorities and issues
- Planned, organized and hosted the first ever Economic Development “Developer Forum” to open lines of communication between the City and the developer community
- Leveraged \$1.4 million of private sector investment over the past two years in the District through urban renewal incentive programs

Effect of Urban Renewal on Taxing Districts

Carrying out an urban renewal plan has an effect on the amount of property taxes received by the overlapping taxing districts of Oregon City’s urban renewal areas. A portion of property taxes that were to be received by the taxing bodies that levy property taxes within Oregon City’s urban renewal areas are redirected to Oregon City’s urban renewal agency for the agency’s projects and programs.

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 schedules show the impact of the division of taxes on the overlapping taxing jurisdictions for the prior fiscal year and the current fiscal year. The schedules include each taxing entity’s:

- ♦ Permanent taxing rate
- ♦ Calculated urban renewal 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.

**Financial Impact of the Division of Taxes on Overlapping Taxing Jurisdictions
 Fiscal Year Ending June 30, 2015**

Taxing District	Permanent Rate	Bonds Outside	Total	Incremental TAV (thousands)	Urban Renewal Tax Rate	Shared TAV (thousands)	Division of Taxes	Division of Taxes % of Total Levy within City
Clackamas County	\$ 2.4042	\$ -	\$ 2.4042	\$ 128,141	\$ 0.1145	\$ 2,690,169	\$ 308,077	4.76%
County Extension & 4-H	0.0500	-	0.0500	128,141	0.0023	2,690,169	6,407	4.76%
County Library	0.3974	-	0.3974	128,141	0.0189	2,690,169	50,923	4.76%
County Soils	0.0500	-	0.0500	128,141	0.0023	2,690,169	6,407	4.76%
City of Oregon City	4.4090	-	4.4090	128,141	0.2100	2,690,169	564,974	4.76%
City of Oregon City Bond	-	0.1118	0.1118	128,141	0.0053	2,690,169	14,326	4.76%
ESD Clackamas	0.3687	-	0.3687	128,141	0.0175	2,690,169	47,246	4.76%
Fire #1 Clackamas County	2.4012	-	2.4012	128,141	0.1143	2,690,169	307,692	4.76%
Fire #1 Clackamas County Bond	-	0.0562	0.0562	128,141	0.0026	2,690,169	7,202	4.76%
Clackamas Community College	0.5582	-	0.5582	128,141	0.0265	2,690,169	71,528	4.76%
Clackamas Community College Bond	-	0.1497	0.1497	128,141	0.0071	2,690,169	19,183	4.76%
Port of Portland	0.0701	-	0.0701	128,141	0.0033	2,690,169	8,983	4.76%
Sch 62 - OC	4.9629	-	4.9629	128,141	0.2363	2,690,169	635,952	4.76%
Sch 62 - OC Bond	-	1.4526	1.4526	128,141	0.0691	2,690,169	186,138	4.76%
Srv 2 Metro	0.0966	-	0.0966	128,141	0.0046	2,690,169	12,378	4.76%
Srv 2 Metro Bond	-	0.0886	0.0886	128,141	0.0042	2,690,169	11,353	4.76%
Vector Control	0.0065	-	0.0065	128,141	0.0003	2,690,169	833	4.76%
Totals	\$ 15.7748	\$ 1.8589	\$ 17.6337		\$ 0.8391		\$ 2,259,602	
Less: Truncation Loss								
Truncation Loss							(2,293)	
Compression Loss							(3,293)	
Total Levy							\$ 2,254,016	

Financial Reports

The following financial reports 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 -- modified accrual basis of accounting. At the end of each fiscal year, June 30th, and after the conclusion of the audit, this financial impact report is prepared which shows the urban renewal tax impact by taxing district. Copies are available by January 31st from the Finance Department at Oregon City City Hall.

As summarized below, total revenue for the fiscal year ended June 30, 2015 was \$2.275 million. 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. Total taxes received totaled \$2.1096 million in fiscal year 2014-15 and are anticipated to increase to \$2.225 million in fiscal year 2015-16.

Oregon City's Urban Renewal Agency budget for fiscal years 2014 and 2015 has been adopted on a biennial basis, however the annual estimates are shown below.

Oregon City Urban Renewal Agency
 Financial Impact Report
 Fiscal Year Ended June 30, 2015

Statement of Revenue and Expenditures and Changes in Fund Balance

	Actual 2013-14	Actual 2014-15	Total Biennial Actual	Budget 2013-14	Budget 2014-15	Total Biennial Budget
Revenues:						
Property taxes	\$2,107,364	\$2,195,520	\$4,302,884	\$2,142,363	\$2,195,922	\$4,338,285
Miscellaneous	80,040	79,627	159,667	69,000	318,000	387,000
Total revenue	2,187,404	2,275,147	4,462,551	2,211,363	2,513,922	4,725,285
Expenditures:						
Development project incentives	-	-	-	1,000,000	-	1,000,000
Other materials and services	409,262	742,575	1,151,837	432,688	418,260	850,948
Materials and services	409,262	742,575	1,151,837	1,432,688	418,260	1,850,948
Capital outlay	127,904	324,078	451,982	879,800	825,000	1,704,800
Debt service	1,306,159	1,680,355	2,986,514	1,422,447	1,680,433	3,102,880
Total expenditures	1,843,325	2,747,008	4,590,333	3,734,935	2,923,693	6,658,628
Revenues over (under) expenditures	344,079	(471,861)	(127,782)	(1,523,572)	(409,771)	(1,933,343)
Other financing sources						
Proceeds from the issuance of debt	-	-	-	-	-	-
Net change in fund balance	344,079	(471,861)	(127,782)	(1,523,572)	(409,771)	(1,933,343)
Beginning fund balance and contingency	3,505,854	3,849,933	3,505,854	4,258,920	2,735,348	4,258,920
Ending fund balance	\$3,849,933	\$3,378,072	\$3,378,072	\$2,735,348	\$2,325,577	\$2,325,577

Note: Figures are based upon audited financial statements.

Detail on Major Projects

	Actual 2013-14	Actual 2014-15	Total Biennial Actual	Budget 2013-14	Budget 2014-15	Total Biennial Budget
Development Project Incentives	\$ -	\$ -	\$ -	\$ 1,000,000	\$ -	\$ 1,000,000
Capital outlay:						
Amtrak station	14,951	72,708	87,659	38,000	15,000	53,000
Downtown capital programs	-	128	128	400,000	320,000	720,000
McLoughlin Blvd project phase II	107,752	250,522	358,274	440,000	490,000	930,000
Clackamette Cove	5,202	720	5,922	-	-	-
Main Street 5th - 10th	-	-	-	1,800	-	1,800
Total	\$ 127,904	\$ 324,078	\$ 451,982	\$ 1,879,800	\$ 825,000	\$ 2,704,800

Note: Figures are based upon audited financial statements.

Adopted Budget Summary of Resources and Requirements 2015-2017 Biennium

	<u>Total Biennial Budget</u>
Resources:	
Beginning fund balance	\$ 3,038,390
Property taxes	4,516,520
Miscellaneous	154,000
Total resources	<u>\$ 7,708,910</u>
Requirements:	
Grant program	640,000
Other materials and services	962,004
Materials and services	<u>1,602,004</u>
Capital outlay	1,300,000
Debt service	3,318,233
Debt service reserve	1,140,000
Operating contingency	348,673
Total requirements	<u>\$ 7,708,910</u>