MONDAY, JANUARY 4, 2021
URBAN RENEWAL AGENCY MEETING, 6:00 PM

Chair Burge called the Urban Renewal Agency meeting to order at 6:00 p.m.

Present: Scott Burge, Megan Greisen, Joel Haugen, Josh Poling, Brandon Lesowske, Pete McHugh, Tyler Miller, Interim City Manager Alexandra Rains, Finance Administrator Jill Herr, Police Chief Norm Miller, City Recorder Susan Reeves, Legal Counsel Peter Watts, and Anna Del Savio, Columbia County Spotlight.

Remote: Elaine Howard, Consultant.

Approval of minutes

Joel Haugen moved, and Megan Greisen seconded the motion. Motion passes 7-0. Scott Burge, aye; Megan Greisen, aye; Joel Haugen, aye; Josh Poling, aye; Brandon Lesowske, aye; Pete McHugh, aye, and Tyler Miller, aye.

Scappoose Urban Renewal District Annual Report

Interim City Manager Alexandra Rains stated ORS 457.460 requires urban renewal agencies to prepare and distribute an annual report each fiscal year by January 31 of the following year (the FY 2019/20 annual report is due by January 31, 2021). The annual report, attached as Exhibit A, must contain information on revenues and expenditures of the fiscal year and budget information for the next fiscal year. It must also provide a summary of the impacts on taxing districts and a statement of the maximum indebtedness remaining for the urban renewal area. Once completed, the summary information must be published twice in a local newspaper prior to March 1 of 2021. The full document must also be transmitted to all impacted taxing districts. Our consultant, Elaine Howard, has prepared our annual report and will distribute it to the applicable taxing districts. Staff will publish all notices as required. While researching information for completion of the annual report, Elaine notified staff that the District would be receiving more tax increment revenue than projected in the adopted Report on the Plan. Nick Popenuk and Ali Danko of Tiberius Solutions briefly looked at the data and it appeared that the certified frozen base and tax rate were within 1 % of the original projections, so the reason behind the increased revenue was unexpected growth in assessed value between when the frozen base was established (FYE 2020) and this current tax year (FYE 2021). Overall assessed value in the area appears to have increased by 11 % in the past year, which is significantly more than in recent past years, and more than what had been forecast. It appears that the bulk of this unexplained growth is due to personal and utility property value in the area (utility property is defined as the value of any privately-owned utility provider, including: communication, electric, gas, water, pipelines, air transportation, private railcars, railroads, heating, toll bridges, and small electrics. The Oregon Department of Revenue assesses the value of these properties annually, based on reports submitted by the owners. The value is not explicitly based on geography, but the State apportions assessed value to each tax code area each year based on factors, including the physical location of utility assets. Because utility value is calculated by the State each year, based on reports of value provided by the utilities themselves, the AV of utility accounts can be volatile, and difficult to forecast). Real property in the area is within 2% of what was originally projected, but utility values are 50% higher than anticipated, and personal property values are more than double what was anticipated for FYE 2021. Note that manufactured property is less than was forecast, but it's such a small share of total value in the area (0.03% of the total) that it's largely irrelevant to the analysis. The positive news is that this certainly leads to more tax increment finance revenue in FYE 2021 than was forecast. The potentially bad news is that personal and utility property values tend to be more volatile than real property accounts, and therefore this value could quickly disappear in coming years. However, since the real property value in the area is still tracking a little ahead of our original forecast, the Area as a whole appears to be in good shape.

Elaine Howard, Consultant went over the report. She explained this year's annual report is only about half of what it will it be next year because next year you will also have to detail your expenses and income for the year and you will also have to report the impact on the taxing jurisdictions. She explained this is your budget for next year and you are required to send it to all the taxing districts, including to the City itself. She explained it is pretty straightforward. She explained you always have to accomplish whether or not you are using any of your maximum indebtedness. She explained when you are preparing the annual report, she looked at projections for next year for what your income will be. The County produces something called SAL reports and she looked at that report and their estimate is a little over $96,000, where our projection for you in the budget is $25,000 so you will potentially receive about $71,000 more than what they projected and what you have in your budget. She explained she talked this over with Interim City Manager Alexandra Rains and Nick, their Finance person, and he did some very preliminary work to see why the amount is so much more, the good thing is it is more, not less. She explained they are thinking the difference is either in personal property, utility property or perhaps some growth we didn't know was going to happen. She explained we have limited time frame with the agency, and she thinks Alex is trying to determine whether Elaine pursues figuring that out or whether she figures it out in a separate process. She stated that is her annual report.

Enterprise Zone Benefits & Urban Renewal

Interim City Manager Alexandra Rains explained during the City Council meeting on December 14th, 2021, there was discussion regarding the impact of tax abatement programs, specifically Enterprise Zones, Urban Renewal Districts and areas where the two programs overlap, on the Scappoose Fire District. The City's newly established Urban Renewal District includes two tax lots owned by Cascade Holdings that are currently receiving 5-year Enterprise Zone abatements and, once the exemptions expire in 2022 and 2023 (see Exhibit A), those property tax revenues will flow, in their entirety, to the Urban Renewal District. It was then mentioned that the Scappoose Urban Renewal Agency could consider deferring collection of a portion of the property tax revenue from the two parcels once the abatement expires, thus allowing the revenue to be received by the overlapping taxing districts at their applicable permanent rate, before the Urban Renewal District expires. Should the Agency choose to defer this revenue, it would not pose a significant issue for the District's project budget as this revenue was not factored into the original projections and would be considered additional to expected revenues.
To aid in this discussion and for the Agency's general information, a portion of pages 17 and 18 of the Report on the Scappoose Urban Renewal Plan is included below:

$37M (in nominal, "year-of-expenditure" dollars). Regardless of how quickly TIF revenue is generated, the Area will exist until it has incurred and repaid $37M of indebtedness.

Thus, a result of this potential increase in assessed value for the Area is that the Area will achieve its MI sooner. We estimate that the projected timeframe of the Area would be decreased from 30 years to 25 years. This would have the added benefit of increasing funding for projects in real terms by approximately $4M. This is a result of the same amount of money being spent on projects over a shorter time period, leading to less inflation, and more money for projects in real terms.

Although the results of this E Zone analysis suggest that future growth in TIF in the Area may be faster than originally forecast, Tiberius Solutions LLC did not recommend any changes to the financial analysis included in the Plan and Report on the Plan. This is because none of the key variables are changing: frozen base, maximum indebtedness, aggregate impacts to taxing districts. Additionally, the financial forecast in the Plan and Report still rely on speculative future development over multiple decades and is inherently uncertain. The area may experience faster or slower growth than forecast, and E Zone benefits are only one of many variables that affect these outcomes.

Should the Agency wish to pursue the deferment of tax revenue from the two parcels owned by Cascade Holdings, staff would contract with Nick Popenuk of Tiberius Solutions to complete additional analysis that would involve obtaining all of the applicable disaggregated tax lot data. With that data, he would confirm with the Assessor which accounts are specifically subject to the Cascade Tissue Enterprise Zone and confirm the timing of when the abatement would expire. He would then need to make assumptions about how that property value would appreciate/depreciate in future years, which would be the most difficult part of the analysis, since industrial property tends to behave in unique ways. Once those details are confirmed, it would be simple math to show how much tax increment would be generated from the expiration of the Enterprise Zone abatement and what the impact to the Urban Renewal Area's cash flow would be, if that revenue was shared with the overlapping taxing districts.

FISCAL IMPACT: Completion of additional research by Nick Popenuk of Tiberius Solutions as described above would total approximately $1,000.00. The larger financial implications of the Urban Renewal District deferring tax revenue would be an end result of said research.

OPTIONS FOR AGENCY CONSIDERATION:

Instruct Staff to contract with Nick Popenuk to complete the financial analysis necessary to determine the financial impacts of deferring tax increment revenue from the two properties owned by Cascade Holdings,

OR

Decline to perform additional research and consider this option at a later time.

Brandon Lesowske stated his understanding is the Enterprise Zone is for a five-year period. He stated so we can choose to potentially not collect on the Urban Renewal side of that to allow it to go back into the other taxing districts.

Interim City Manager Alexandra Rains replied correct. She explained in 2022 and 2023 are when these abatements expire. She stated that funding, if you do nothing, flows entirely into the Urban Renewal District with the potential that it could shorten the life span because we could meet our maximum indebtedness faster. She explained you are talking maybe five years, so instead of thirty years it will be twenty five years or you could take a percentage of that and essentially defer to collect it and let it to go back to the overlapping taxing districts. She wouldn't know exactly what that would be until the additional research is done.

Brandon Lesowske stated one thing he would ask with the additional research is how often the frequency of that percentage can be changed, is it locked in for that five year period, or if it could be year to year because the value of that property could vary if development takes place. He would like us to be able to have flexibility in making choices and he thinks having that information presented to them will give them better insights on the decision moving forward.

Elaine Howard replied the manner in which you would do this is called a under levy and that happens every year and every year you get to specify how much you want the under levy by filling out a form from the assessor's office. She stated you could decide to do this every year for the full thirty years. She explained Nick and her had made an estimate of that amount and it is around $622,000 that would potentially go to the Urban Renewal Agency and you could either do that full amount or a percentage of that amount and then every year you can review that.

There was an issue with the virtual call-in with Elaine Howard.

Joel Haugen asked at what point do we calculate under levy, at what point of the cycle do we do that, when does that occur?

Due to technology issues Interim City Manager Alexandra Rains messaged Elaine the question. She explained Elaine replied before July 1 of 2021.

Legal Counsel Peter Watts explained of the examples that people point to for a successful Urban Renewal is Ronler Acres, which is where Intel is located, which was a failed subdivision and the promise Hillsboro City Council made to the taxing districts was as soon as the structure was paid off, they would end it which took nine and a half years, which is much faster than they anticipated and that is one the reasons that TVF & R likes to be consulted but generally is supportive of Urban Renewal done efficiently. He explained the opposite of that is Clackamas Town Center, which was put on a period of ten years, three times, totaling thirty years and the CCFD1 had received some Federal Grants to get them through the first twenty years and then had to cut positions after that and then there was a citizen initiative to essentially end the Urban Renewal in Clackamas County so they would have to get voter approval. He stated what he has observed is if Urban Renewal is done correctly it is a benefit to the taxing districts and if they see jurisdictions doing it correctly it rebuilds that trust. He explained where they really have problems with it is if the number of projects expand or if the district keeps reupping. He stated one thing you can do is change the boundary to bring certain properties back on to the tax rolls as well. He stated we can take a look at all the tools. He explained there should be some way that we can help the Fire District. He explained the School District receives all their money from the State, so Urban Renewal doesn't have the same local impact on them as it does the Fire District or a Library District or other special Districts.

Interim City Manager Alexandra Rains stated there doesn't need to be a decision tonight, this is not a rush. She explained since the conversation came up recently and she thought timing wise she would be able to provide this information, but it certainly is not a rush, but she wanted to make sure they had all the information.

It was the general consensus to spend the money to get more information.

Josh Poling stated it would be good after we get the information to make sure the Fire District is included in conversations.

Megan Greisen agrees with Josh Poling about making sure Fire Chief Pricher is contacted to let him know what was discussed this evening and these are the steps we are going to take to find out more information. She thinks it is important that he knows we are making these decisions and having these conversations and that we will make a decision at a later date and we are being proactive, and we hear his concerns.

Brandon Lesowske moved, and Josh Poling seconded the motion that they instruct Staff to contract with Nick Popenuk to complete the financial analysis necessary to determine the financial impacts of deferring tax increment revenue from the two properties owned by Cascade Holdings. Motion passes 7-0. Scott Burge, aye; Megan Greisen, aye; Joel Haugen, aye; Josh Poling, aye; Brandon Lesowske, aye; Pete McHugh, aye, and Tyler Miller, aye.

Adjournment

Urban Renewal Agency meeting adjourned at 6:22 p.m.

Scott Burge
Chair Scott Burge

Attested:
Susan M Reeves
City Recorder Susan M. Reeves, MMC