TUESDAY, FEBRUARY 20, 2024, 6:00 PM
URBAN RENEWAL AGENCY MEETING
COUNCIL CHAMBERS
33568 EAST COLUMBIA AVENUE
SCAPPOOSE, OREGON 97056

ITEM AGENDA TOPIC	Action
Call to Order	
Roll Call	
Approval of the Agenda	
Public Comment	
Approval Minutes	
1. October 16, 2023 Urban Renewal Agency meeting minutes	**Approval**
New Business	
2. Presentation on compression Consultant Elaine Howard	
3. Options on the compression issues Finance Administrator Carol Almer; Consultant Elaine Howard	**Approval**
Adjournment	

This meeting will be conducted in an ADA accessible room. If special accommodations are needed, please contact City Recorder, Susan M. Reeves at (503) 543-7146, ext. 224 in advance.
TTY 1-503-378-5938

MONDAY, OCTOBER 16, 2023, 6:00PM
URBAN RENEWAL AGENCY MEETING
COUNCIL CHAMBERS
33568 EAST COLUMBIA AVENUE
SCAPPOOSE, OREGON 97056

Disclaimer: These minutes are intended to summarize the conversations that took place in this meeting rather than provide a full transcript. Anyone wishing to view the full conversation can find a recording of this meeting on YouTube at www.youtube.com/watch?v=7yOTwUBs5fY&t=348s

Call to Order

Chair Backus called the Urban Renewal Agency meeting to order at 6:00pm.

Roll Call

Chair Joseph A. Backus; Agency Member Kim Holmes; Agency Member Andrew Lafrenz; Agency Member Marisa Jacobs; City Manager Alexandra Rains; Community Development Director Laurie Oliver Joseph; Associate Planner NJ Johnson; City Recorder Susan M. Reeves; and Assistant to City Manager Isaac Butman.

Excused: Agency Member Megan Greisen; Agency Member Tyler Miller; and Agency Member Jeannet Santiago.

Approval of the Agenda

<u>Agency Member Holmes moved, and Agency Member Jacobs seconded the motion to approve the agenda. Motion passed (4-0). Chair Backus, aye; Agency Member Holmes, aye; Agency Member Lafrenz, aye; and Agency Member Jacobs, aye.</u>

Public Comment

There were no public comments.

<u>Approval Minutes</u>

September 18, 2023 Urban Renewal Agency meeting minutes

Agency Member Lafrenz moved, and Agency Member Jacobs seconded the motion to approve the September 18, 2023 Urban Renewal Agency meeting minutes. Motion passed (4-0). Chair Backus, aye; Agency Member Holmes, aye; Agency Member Lafrenz, aye; and Agency Member Jacobs, aye.

Old Business

Review and Discuss Grant Program Criteria & Application Form

Associate Planner NJ Johnson explained we have done a lot of review and discussion about the emphasis of the Urban Renewal grant program, as well as the specifics. For example, what allowable projects can take place in the Urban Renewal District with grant money. He stated we have now come to a point where were here tonight, thanks from all the discussions from you all and also the Economic Development Committee where we are to a point where we can look for approval of the program guidelines, criteria and also the application form. He stated what has been clear through this entire process is that the focus of the grant program is going to be about approving the aesthetics of the Urban Renewal District. He went over the major updates/changes to the application.

Agency Member Holmes asked would the Economic Development Committee be able to ask additional questions and do a little more vetting?

Associate Planner NJ Johnson replied yes, and the process allows both the Economic Development Committee and the Urban Renewal Agency to ask the applicant to show up for meetings, so it provides a little bit of flexibility there.

Agency Member Holmes moved, and Agency Member Jacobs seconded the motion to approve the guidelines, criteria, and application form for the Urban Renewal Grant application form as written. Motion passed (4-0). Chair Backus, aye; Agency Member Holmes, aye; Agency Member Lafrenz, aye; and Agency Member Jacobs, aye.

Adjournment

Chair Backus adjourned the Urban Renewal Agency meeting at 6:13 pm.

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Chair Joseph A. Backus

Attest:

____
City Recorder Susan M. Reeves, MMC

COMPRESSION

Compression is an Oregon tax system issue that that reduces the amount of taxes that can be collected in a given year if the collection amount is going to exceed the pre-set maximum established by Measure 5 and adjusted by Measure 50. The calculations, causes, and effects of compression are extremely complicated. If real market values and assessed values are converging, urban renewal can cause increases in compression. However, urban renewal can also be a tool to help facilitate growth that ultimately reduces compression. Urban renewal can also decrease compression in the schools category when school taxes are re-classified as general government taxes under urban renewal.

The recession of the 2000's, by decreasing the real market value of many properties, has caused compression losses to increase throughout Oregon. Compression occurs when tax rates exceed tax limitations and assessed values and real market values inch closer together. Measure 5 as adjusted by Measure 50 imposed tax rate limits of $10 per $1,000 of real market value for General Government categories and $5 per $1,000 for Education categories. Urban Renewal is calculated in the General Government category. This classification reallocates the Education portion of taxes within an urban renewal district from Education and moves it into the General Government category. Urban renewal taxes divided from levies to repay general obligation bonds that are exempt from Measure 5 are also included in the General Government category. This has the effect of increasing the General Government tax rate, but reducing the Education and Exempt tax rate.

The Measure 5 tax rate limits are exceeded in many areas in the state, but this did not cause significant reductions in taxes collected (compression) until the difference between assessed values and real market values decreased. Compression occurs first on local option levies, then on permanent rate levies. While compression is a concern for all taxing jurisdictions, it is especially a concern for special districts that have local option levies, as those are compressed before any other levies are compressed.

An example of how compression works is shown below. In the first scenario a house with a real market value of $200,000 and assessed value of $190,000 experiences compression while a house with a real market value of $250,000 and assessed value of $190,000 does not experience compression.

1. Scenario I

Assessed Value (**AV**) $190,000	Taxes levied
Real Market Value (**RMV**) $200,000	
Actual tax rates:	
General Government taxes ($12.50 per $1,000 of ***AV***)	$2,375
Education taxes ($6.50 per $1,000 of ***AV***)	$1,235
Tax rate limits:	
General Government tax limit ($10 per $1,000 of ***RMV***)	$2,000
Education tax limit ($5 per $1,000 of ***RMV***)	$1,000
Compression General Government (M-5 loss)	$(375)
Compression Education (M-5 loss)	$(235)

In this scenario, both the general government and education taxes have to be compressed. In this situation, taxing jurisdictions are scheduled to collect $610 ($375 + $235) over the established taxation limit. To ensure the limit is not exceeded, the actual taxes collected are compressed down to the maximum $2,000 and $1,000 limits, and the taxing jurisdictions lose out on $610 of revenue.

If the real market value is higher (i.e. assessed value is a lower percentage of the real market value), compression is less likely to occur. In the scenario below, compression does not occur as the real market value of $250,000 allows enough capacity to levy the full amount of the taxes for tax rates in excess of the Measure 5 limits. This example is still based on a $190,000 assessed value.

2. Scenario II

Assessed Value (**AV**) $190,000	Taxes levied
Real Market Value (**RMV**) $250,000	
Actual tax rates:	
General Government taxes ($12.50 per $1,000 of ***AV***)	$2,375
Education taxes ($6.50 per $1,000 of ***AV***)	$1,235
Tax rate limits	
General Government tax limit ($10 per $1,000 of ***RMV***)	$2,500
Education tax limit ($5 per $1,000 of ***RMV***)	$1,250
Compression General Government (M-5 loss)	$0
Compression Education (M-5 loss)	$0

As shown above, there are two variables to watch when considering compression, the tax rates and the relationship of the RMV to AV of properties. The effect of the recession can be seen in the two scenarios above. The property in these scenarios provides $3,610 to local taxing jurisdictions when its real market value is $250,000, however, when that value drops to $200,000 (similar to what many properties have done throughout the recession), the taxes on the property are compressed down to $3,000, and the taxing jurisdictions are faced with declining revenues. Also, new local option levies can exacerbate the situation when they are passed, as they increase the tax rates, but not the tax limits.

The only ways to reduce compression are to reduce tax rates, to increase the real market values of properties, or raise the taxing limitations, that would take a state-wide vote. However, there are not that many plan areas around the state are within areas where the total general government tax rate is under $10 and therefore there is no compression at all. According to data from the Department of Revenue, of the 102 plan areas that received division of tax revenue in 2011-12, 22 suffered no compression loss and another 31 had compression losses of under $100. For the special levies, out of a state-wide total of 22, 10 had no loss and 5 had losses of under $100. According to Tom Linhares, Executive Director of the Multnomah County Tax Supervising Commission, The City of Portland has 92% of all of the compression losses statewide.

Urban renewal can help eliminate or offset the effects of compression in two ways, by raising the real market values of properties and by encouraging new development. Increasing real market values are dependent on a strong real estate market, which typically follows a strong economy. New development is an obvious benefit to taxing jurisdictions as it provides another source upon which to levy taxes. New development is also beneficial to school districts that are using the construction excise tax. It is the desire of many special districts and urban renewal agencies that the impact of urban renewal help facilitate growth in the community that will increase its economic vitality and both increase the real market values of properties and add new development to the tax rolls.

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CITY OF SCAPPOOSE

Council Action & Status Report

Date Submitted: **February 13, 2024**

Agenda Date Requested: **February 20, 2024**

To: **Urban Renewal Agency**

From: **Carol Almer, Finance Administrator**

Subject: **Urban Renewal Compression issues**

TYPE OF ACTION REQUESTED:

[ ] **Resolution** [ ] **Ordinance**

[ ] **Formal Action** [X] **Report Only**

ISSUE:

The Urban Renewal Agency (URA) tax assessments increased from $246,113 to $917,051 in fiscal year 2024 primarily due to Cascades Tissue coming off of the Enterprise Zone tax exemption, and back into the valuation assessment of the URA. This increase in tax revenue to the URA has resulted in compression to other Districts within the URA. The Agency has several options to handle this. The Agency needs to make a decision before the 2024-2025 budgets are prepared to allow the City and outside Agencies to budget accordingly for the increased or decreased tax revenues. If Cascade Tissues files or has filed an appeal, all tax revenues will be held by the County until the appeal is resolved. Any appeal will not eliminate compression.

ANALYSIS:

The Urban Renewal Agency has several options to consider. See **Exhibit A** for more details, as well as information on the positives and negatives of all options except number 1.

1. Hold off making any changes this fiscal year. This preserves potential additional revenues to fund projects in the URA as the district purpose was intended to do. Additional development in the City slated for completion over the next few years may address the current compression issues.

2. Remove the Cascade Tissue property from the URA boundary.
    a. Will require a minor amendment approved by the Agency.
    b. Would put Cascades Tissue property back on the regular tax rolls.
    c. Will cause a loss of revenues to the URA starting next year.
    d. Would likely stop compression.
3. Permanently under levy. Under levy means the Agency chooses to use a lower assessed value when computing tax which reduces the amount of money the Agency receives and increases the amount of money other tax districts receive; this could address the current compression issue.
    a. Requires a resolution by the Agency that identifies the amount of the under levy.
    b. Before under levying, the Agency is required to confer and consult with all impacted taxing districts.
    c. Provides increased revenue to all taxing districts.
    d. Provides decreased revenue to the URA.

4. Annually under levy. Uses the same process as permanently under levying but must be calculated and processed every year. This option is very labor intensive and is strongly not recommended by staff due to the time and effort required.
    a. Requires a resolution by the Agency that identifies the amount of the under levy.
    b. Before under levying, the Agency is required to confer and consult with all impacted taxing districts.
    c. Provides increased revenue to all taxing districts.
    d. Provides decreased revenue to the URA.

5. Disband the URA.
    a. Not recommended, but an option.

FISCAL IMPACT:

The fiscal impact will depend on how the URA decides to proceed. All options except option 1 will reduce the future tax revenues received by the Urban Renewal Agency.

REQUEST:

Staff requests the Agency determine which course of action to take related to this issue, and direct staff to take action to implement their choice. The direction will determine if we need to schedule additional meetings and prepare resolutions prior to the May 13, 2024, Urban Renewal Agency budget meeting, unless staff recommendation is approved.

STAFF RECOMMENDATION

Staff recommends that the Agency select option number 1; do nothing at this time. This is due mainly to the unknowns about the property in question at this time, and continuing to include this property in the District aligns with the purpose of the original plan. There are new properties in development currently that will impact compression and tax revenues that may offset any issues currently faced by the overlapping tax districts.

EXHIBIT A

ELAINE HOWARD CONSULTING, LLC

MEMO

TO:	Alexandria Rains, City Manager Carol Almer, Finance Director
FROM:	Elaine Howard
RE:	Cascades Tissue and Compression Issues
DATE:	November 13, 2023

Background:

The FY 2023/2024 assessor's tax records are now available and show a dramatic increase in the funding for the Scappoose Urban Renewal Area (URA). The prior year's URA distribution was $246,113, this year's distribution is $917,051. This increase in tax revenues for the URA is a result of Cascades Tissue coming off of the Enterprise Zone property tax exemption. As a note, the Columbia County Assessor (Assessor) informed us that Cascades Tissue appealed their assessed value in St. Helens when the property came off the Enterprise Zone exemption. It is possible that they may also do that for the Scappoose property. When there is an appeal, all tax revenues are held in a special account by the Tax Collector until the appeal is completed.

Exhibit 1. Excess Value and Tax Collections

Fiscal Year	Excess Value	Tax Revenue
FY 2022/2023	$20,658,827	$246,113
FY 2023/2024	$76,841,099	$917,051

Source: Columbia County SAL Reports

Compression:

Compression is the process used to reduce property taxes to the Measure 5 limits. Measure 5 introduced tax limits starting in 1991-92. Prior to Measure 5, compression did not exist. Reductions in taxes due to compression are the difference between what taxing districts wish to raise through property taxes (tax extended) and the amount they actually raise (tax imposed). The passage of Measures 5, 47 and 50 in Oregon produced tax rate limits of $10 per thousand real market values for general government and $5 per thousand of real market values for education. Compression occurs when tax rates exceed these limits and when the delta between real market values and assessed values is small. Compression impacts local option levies first, then permanent rate levies. While compression is a concern for all taxing jurisdictions, it is especially a concern for special districts that have local option levies, as those are compressed before any other levies (permanent rate levies) are compressed.

For each property, the assessor compares education taxes with the education limit and other governmental taxes with the general government limit. If property taxes exceed the Measure 5 limits, then taxes are compressed in a specific order. First, local option taxes are compressed, possibly to zero. If there are no local option taxes or they have been reduced to zero, the tax rates from the permanent tax rates for each taxing district are proportionately reduced.

Because of the increased revenues coming to the URA, the general government tax rate has increased beyond the $10 per thousand of real market value limitation (urban renewal moves education taxes to general government taxes within the URA). According to the Assessor, the general government tax rate in FY 2023/24 is 10.1557. Since the rate is above the $10 limit, the Assessor must do a compression analysis on a property-by-property basis to determine impacts of compression. If a property is in compression, the Assessor reduces the funding on local option levies until that property reaches the $10 per thousand of real market value rate. This has impacted the local option collections for the Columbia County 911 levy, the Scappoose RFPD local option levy and has some impacts on the permanent rate levies as shown below.

Exhibit 2. Compression noted on Columbia County SAL 4a Reports

Taxing District	Permanent Rate Compression	Local Option Compression
Columbia County	(10,662)	
Columbia 4H & Extension	(437)	
Columbia 9-1-1 Comm District	(1,951)	(45,309)
Columbia Vector	(977)	
Scappoose Library	(0)	
Columbia SWCD	(764)	
Scappoose City	0	
Scappoose JT RFPD	(2)	(11,059)
NW Regional ESD	(9,133)	
Scappoose 1 JT School	(36,864)	
Portland Community College	(12,588)	

Source: Columbia County SAL Reports Note: There is compression throughout the county on levies that are not impacted by the Scappoose Urban Renewal Area. While the Scappoose Urban Renewal Area is causing some of the compression, it is not responsible for all the compression on county-wide taxing districts.

Options:

If the City of Scappoose or the Scappoose Urban Renewal Agency (Agency) want to make changes to their urban renewal division of taxes to address the compression issue and/or the Cascades Tissue property assessed value addition to the URA division of taxes, it has the following options:

1. The Agency can remove the Cascades Tissue property from the URA boundary. This would result in no URA collections of excess value from this property in the future as all increased assessed value would go to all taxing districts according to their levy amounts.

Implementation:

This could be accomplished through a minor amendment adopted by resolution by the Agency. The Agency would then send the resolution which identifies the property to be removed to the Assessor to process that change which is simply making a code area change in the Assessor's records for that property.

Pros:

- This would put the Cascades Tissue property back on the regular tax rolls which would provide the taxes on their assessed value to be shared by all overlapping taxing districts.
- This would temporarily eliminate the compression issue caused by the increase in tax revenues for the Agency as a result of Cascades Tissue coming out of Enterprise exemptions. At the point that future tax revenues reach the point of exceeding the $10 per thousand limit, compression would again be an issue.

- In the event of an appeal, the impact is not on the Agency, but on all overlapping taxing districts. The Assessor informed us on 11/1/2023 that if the Cascades Tissue were in the URA, they would still have to calculate the rates as if there is no appeal, but those funds would be held by the Tax Collector. This would further reduce the tax rate of all overlapping taxing districts. By removing the property from the URA, this simplifies the process for the Assessor and eliminates the compression issue as the rate would no longer be above the $10 per thousand amount.

Cons:

- This would result in a loss of annual revenue to the URA starting in the fiscal year after the boundary is changed.
- This would result in an increased time frame for the URA to reach its Maximum Indebtedness. The original plan, when adopted, assumed a term of 30 years. We revised projections of the timeframe to 25 years when it was noted that the Enterprise Zone exemption for the Cascades Tissue property would positively impact the URA reducing the estimated duration. It you no longer collected from Cascades Tissue, the term would revert back to the estimated 30 years.

2. The Agency can decide to permanently underlevy per ORS 457.455. An underlevy is accomplished by adjusting the amount of assessed value the Agency directs the Assessor to use when computing their division of taxes on the UR-50 form which is due every July. This would permanently increase the frozen base of the URA and release those tax revenues to the overlapping taxing districts.

Implementation:

This could be accomplished through a resolution by the Agency. The Agency would then send the resolution which identifies the amount of the underlevy to the Assessor who will change the frozen base of the URA. This new frozen base amount will appear on any future UR 50 form which is filled out by the Agency. The Scappoose Finance Director would work closely with the Columbia County Assessor to determine the appropriate amount to put on the UR 50 form. This amount could be the full assessed value of the Cascade Tissues property or a portion of that assessed value, depending on the direction provided by the Agency.

Before any underlevy, the Agency is required to consult and confer with all impacted taxing district affected by the urban renewal plan. (Consult and confer is required so the other taxing districts can assess the impact on them and account for any budgetary increases as a result of the underlevy. There have also been situations for school districts where an underlevy negatively harms their local option levy due to compression, so consulting with them is important for their planning.)

Pros:

- This would provide increased revenue to all taxing districts from the amount of assessed value placed in the frozen base.
- This would temporarily eliminate the compression issue. At the point that future tax revenues reach the point of exceeding the $10 per thousand limit, compression would again be an issue.

Cons:

- This would result in a loss of annual revenue to the URA starting in the fiscal year the UR 50 form is submitted to the Assessor. Increased revenue could allow projects to be undertaken at an earlier date, saving dollars on inflation over time and providing improvements that will stimulate more investment at an earlier date.

- This would result in an increased time frame for the URA to reach its Maximum Indebtedness. As noted above, the original plan, when adopted, assumed a term of 30 years. We revised projections of the timeframe to 25 years when it was noted that the Enterprise Zone exemption for the Cascades Tissue property would positively impact the URA reducing the estimated duration. It you no longer collected from Cascades Tissue, the term would revert back to the estimated 30 years.

3. The Agency can decide to annually underlevy per ORS 457.455. An underlevy is accomplished by adjusting the amount of assessed value the Agency directs the Assessor to use when computing their division of taxes on the UR-50 form which is due every July. This would on an annual basis increase the frozen base of the URA and release those tax revenues to the overlapping taxing districts.

Implementation:

This could be accomplished through a resolution by the Agency. The Agency may invite input from the budget committee when considering this issue. The Finance Director would complete the UR 50 form with a reduced amount of assessed value on which division of taxes are calculated. The Scappoose Finance Director would work closely with the Columbia County Assessor to determine the appropriate amount to put on the UR 50 form. This amount could be the full assessed value of the Cascade Tissues property or a portion of that assessed value, depending on the direction provided by the Agency.

Before any underlevy, the Agency is required to consult and confer with all impacted taxing districts affected by the urban renewal plan.

Pros:

- This would provide increased annual revenue to all taxing districts from the amount of assessed value under levied.
- This could temporarily eliminate the compression issue depending on the amount under levied.

Cons:

- This would leave the Cascades Tissue property in the URA and any impact of an appeal would directly impact all taxing districts as their tax rate will be lowered. This is fairly complicated, but the Assessor explains “ Since the value is already on the roll and this property is still in the URA, if they appeal for 2023 and are successful, it doesn't impact any of the adjusted rates that resulted from the higher value for the URA. What happens is that the URA keeps its higher rate of $1.0485 per thousand of assessed value. There would be less assessed value to apply every district’s rate to which would result in a loss of revenue”.
- This would result in a loss of annual revenue to the URA starting in the fiscal year the UR 50 form is submitted to the Assessor. Increased revenue could allow projects to be undertaken at an earlier date, saving dollars on inflation over time and providing improvements that will stimulate more investment at an earlier date.
- This would result in an increased time frame for the URA to reach its Maximum Indebtedness.
- This does not provide certainty to other taxing districts because they will never be sure if you will underlevy the next year or not. Depending on the certainty of the underlevy they

may or may not have included that increased amount of revenue in their annual budget. If you start the consult and confer process before districts' budgets are finalized, this could help with this issue.