



CITY OF OREGON CITY URBAN RENEWAL COMMISSION AGENDA

Commission Chambers, 625 Center Street, Oregon City
Wednesday, August 19, 2020 at 6:00 PM

The public is strongly encouraged to relay concerns and comments to the Commission in one of three ways:

- *Email at any time up to 12 p.m. the day of the meeting to recorderteam@orc.org.*
- *Phone call (Monday – Friday, 8 am – 5 pm) to 503-496-1505, all messages will be relayed and/or citizens can sign-up to be called during the meeting to provide over-the-phone testimony.*
- *Mail to City of Oregon City, Attn: City Recorder, P.O. Box 3040, Oregon City, OR 97045.*

CALL TO ORDER

ROLL CALL

CITIZEN COMMENTS

DISCUSSION ITEM

1. Financial Update and Discussion Regarding Accumulated Reserves

COMMUNICATIONS

ADJOURNMENT

PUBLIC COMMENT GUIDELINES

Citizens are allowed up to 3 minutes to present information relevant to the City but not listed as an item on the agenda. Prior to speaking, citizens shall complete a comment form and deliver it to the Staff Member. When the Chair calls your name, proceed to the speaker table and state your name and city of residence into the microphone. To assist in tracking your speaking time, refer to the timer on the table.

As a general practice, the Urban Renewal Commission does not engage in discussion with those making comments.

Electronic presentations are permitted but shall be delivered to the City Recorder 48 hours in advance of the meeting.

ADA NOTICE

The location is ADA accessible. Hearing devices may be requested from the City Staff Member prior to the meeting. Individuals requiring other assistance must make their request known 48 hours preceding the meeting by contacting the City Recorder's Office at 503 657 0891

Agenda Posted at City Hall, Pioneer Community Center, Library, City Web site.

Video Streaming & Broadcasts: The meeting is streamed live on Internet on the Oregon City's Web site at www.orcity.org and available on demand following the meeting. The meeting can be viewed live on Willamette Falls Television on channel 28 for Oregon City area residents. The meetings are also rebroadcast on WFMC. Please contact WFMC at 503 650 0275 for a programming schedule



CITY OF OREGON CITY

Staff Report

625 Center Street
Oregon City, OR 97045
503-657-0891

To: Urban Renewal Commission
From: Finance Director Wyatt Parno

Agenda Date: 08/19/2020

SUBJECT:

Financial Update and Discussion Regarding Accumulated Reserves

STAFF RECOMMENDATION:

Receive financial information and then provide updated policy direction regarding the Agency's accumulated reserves. Three options include 1) use reserves to prepay outstanding debt for interest savings, 2) appropriate reserves for an upcoming project, and 3) continue to hold the reserves in unappropriated status.

Absent an identified near-term project, the Finance Department recommends using reserves to prepay outstanding debt for interest savings.

EXECUTIVE SUMMARY:

The economic impact of COVID-19 has resulted in a significant decline in investment earnings on the Urban Renewal Agency's \$6.4 million in accumulated reserves. As a result, the Urban Renewal Commission requested information on the Agency's financial status to consider updating policy direction on use of the reserves.

The Agency's reserves could be used to prepay debt commitments, which have scheduled payoff dates in 2023, including one large balloon payment. Prepayment of the debt would save approximately \$500,000 over the three years. Alternatively, the Commission could appropriate the reserves in anticipation of projects that would create tax increment value beyond the interest savings or provide a valuable public benefit.

BACKGROUND:

In early 2019, the Urban Renewal Budget Committee approved the Biennial Budget. The Budget was designed with flexibility to provide an opportunity for the Urban Renewal Commission to determine how best to proceed with the Agency given the circumstances surrounding Measure 3-514 (described within the attached budget narrative). Existing reserves and annual tax increment revenues were budgeted to accumulate in a reserve account for later appropriation at the will of the Commission.

Over the last several months, the national economy has been negatively impacted by the COVID-19 pandemic and interest earnings on the Agency's reserves have declined. Interest carrying costs of the Agency's outstanding debt are now significantly higher than interest earnings on the Agency's invested reserves.

The Agency has three outstanding debt series, each of which are scheduled for full repayment in 2023, including a large balloon payment in June of that year. With repayments due within the three-year term, from a financial perspective, it may be prudent to pay off the debt early for interest savings. If investment earnings remain low, the early payoff would result in approximately \$500,000 in savings.

Alternatively, the Urban Renewal Commission could appropriate the reserves for spending on projects or choose to take no action and maintain the budgeted reserves. While a specific project has not been identified, the Commission is undertaking a review of the Agency's options, including clarification of potential projects and a public engagement process.

In addition, it is anticipated that the Urban Renewal Agency will receive approximately \$3 million in tax increment revenue each year in November. The new revenue would accumulate within the next three years to pay off the debt in 2023. Therefore, it is important to determine if the Commission anticipates a near term need for the cash in reserves. If not, the reserves could be used to prepay the debt for interest savings. The Agency also has the option of an interagency borrowing from the City, should cash be needed for an immediate project.

OPTIONS:

1. Request that staff prepare a supplemental budget to appropriate the Agency's accumulated reserves as debt service to pay off the debt in whole or in part.
2. Request that staff prepare a supplemental budget to appropriate the Agency's accumulated reserves for anticipated projects.
3. Take no action; continue to hold the Agency's accumulated reserves in unappropriated status.

BUDGET IMPACT:

Amount: Appropriation of up to \$6.4 million for debt service or anticipated projects (options 1 and 2).

FY(s): 2020-2021

Funding Source(s): Urban Renewal Agency Reserves

**Oregon City Urban Renewal Agency
Adopted Biennial Budget
July 1, 2019 through June 30, 2021**

Introduction

The Oregon City Urban Renewal Agency’s 2019-2021 Proposed Biennial Budget is balanced and has been prepared in accordance with Oregon Budget Law. For the period July 1, 2019 through June 30, 2021, the total budget is \$11,549,980.

The 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 is responsible for providing oversight for the District as specified in the Downtown/North End Urban Renewal Plan, amended in September 2007.

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.

Over the prior three years, Oregon City’s General Fund has paid the Agency’s bills including minimum staff time and contracts to operate. Following equitable financial practices, the proposed budget includes repayment of these costs. However, the budget does not include funding for any new urban renewal projects. The Commission has clearly stated their intent to comprehensively review the value of urban renewal as a tool to eliminate blight and enhance the downtown area. It is very important to the Commission to engage residents to determine acceptable uses for the Agency.

Budget Highlights

The proposed budget is funded by total biennial revenues of \$6.1 million (excluding beginning fund balance), 94% of which are from property taxes. Revenues increased by \$938,000, or 18%, over the previous budget. Tax increment increases are budgeted at 4.5% for each year of the biennium. Other revenue sources include income from property rentals and investment income.

Projected spending for the biennium totals \$4.2 million and is comprised of debt repayments, the loan repayment to Oregon City, minimum operating and legal costs and the Agency’s remaining obligation to the Cove project (a carryover of the prior budget capital outlay amount). Finally, the budget includes costs to operate Agency owned rental properties. A reserve for future expenditure of \$7.2 million is available for appropriation to projects or debt payoff pending the Urban Renewal Commission’s review.

The Downtown/North End Urban Renewal Plan includes an established debt limit of \$130.1 million as a maximum for urban renewal investment (“maximum indebtedness”). Debt outstanding on July 1, 2019 will be approximately \$7.0 million.

Respectfully,



Anthony J. Konkol III
Executive Director, OCURA

**Oregon City Urban Renewal Agency
Adopted Biennial Budget
July 1, 2019 through June 30, 2021**

Urban Renewal	2013-2015 Actual	2015-2017 Actual	2017-2019 Amended Budget	2019-2021 Proposed Biennium	2019-2021 Approved Biennium	2019-2021 Adopted Biennium
Resources						
Beginning Fund Balance	\$ 3,505,854	\$ 3,378,071	\$ 3,219,900	\$ 5,403,980	\$ 5,403,980	\$ 5,403,980
Property Taxes	4,302,884	4,589,259	5,038,000	5,759,000	5,759,000	5,759,000
Rental Income	116,354	144,669	120,000	207,000	207,000	207,000
Interest Income	43,312	73,794	50,000	180,000	180,000	180,000
Total Resources	\$ 7,968,404	\$ 8,185,793	\$ 8,427,900	\$ 11,549,980	\$ 11,549,980	\$ 11,549,980
Requirements						
Agency Administration	\$ 475,343	\$ 372,473	\$ -	\$ 440,000	\$ 440,000	\$ 440,000
Legal Services	269,722	120,679	-	120,000	120,000	120,000
Rental Expenses	20,430	59,465	82,000	80,000	80,000	80,000
Cost Reimbursement	-	-	-	867,490	867,490	867,490
Operating Materials and Supplies	60,158	19,860	-	-	-	-
Administrative Supplies	6,218	335	-	-	-	-
Community Programs and Grants	319,966	397,450	120,000	-	-	-
Capital Outlay	451,982	515,256	700,000	300,000	300,000	300,000
Principal and Interest	2,986,514	3,300,819	3,219,160	2,375,466	2,375,466	2,375,466
Operating Contingency	1,443,250	1,464,635	38,000	127,000	127,000	127,000
Reserved for Future Expenditure	1,934,821	1,934,821	4,268,740	7,240,024	7,240,024	7,240,024
Total Requirements	\$ 7,968,404	\$ 8,185,793	\$ 8,427,900	\$ 11,549,980	\$ 11,549,980	\$ 11,549,980

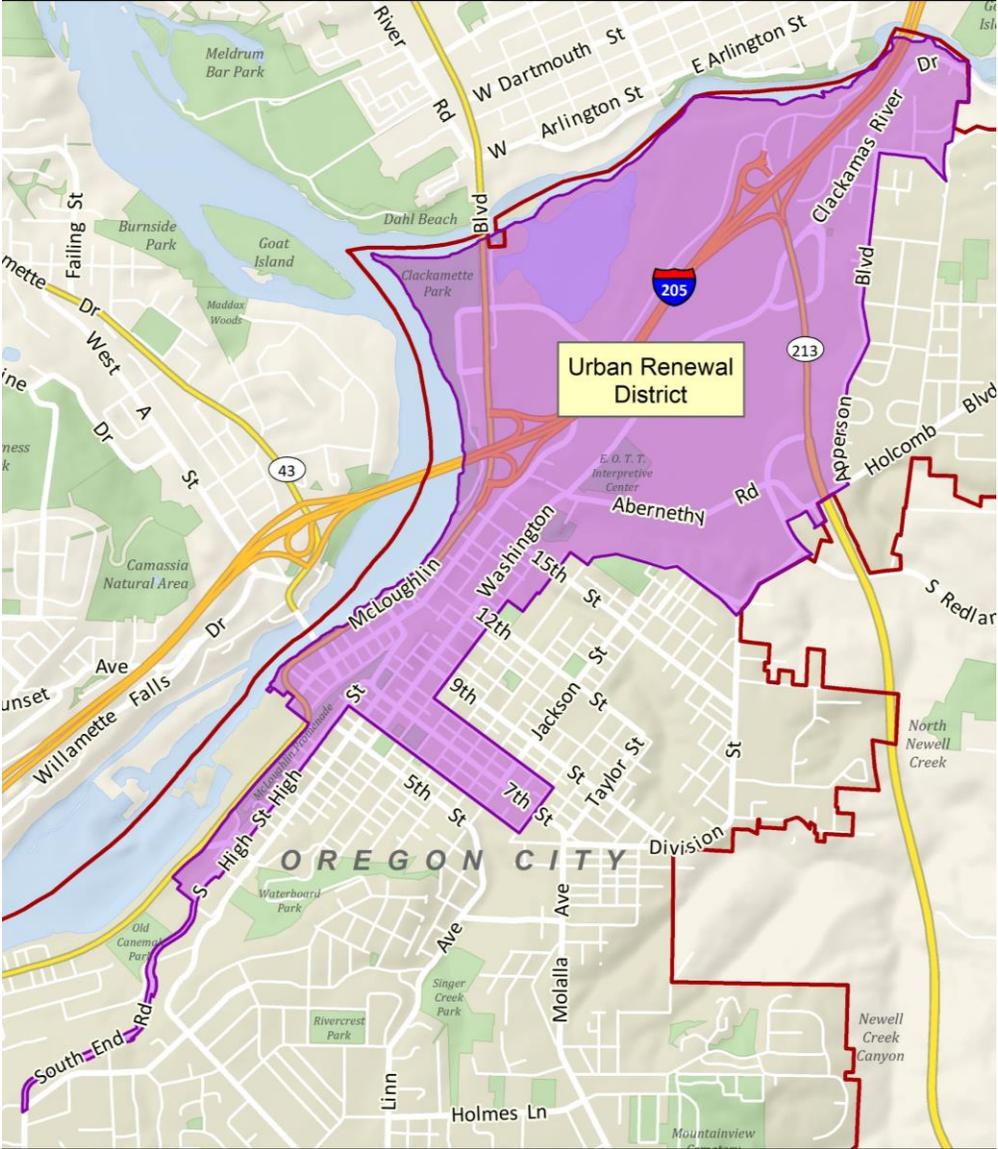
BUDGET HIGHLIGHTS

- ❖ Agency Administration includes minimum staff time/contracts to operate (policy meetings, contract management, investments, debt service, financial audits, impact reports, etc).
- ❖ Legal Services are costs to administer the remaining project and support the Commission.
- ❖ Rental Expenses are costs to manage and maintain properties (Amtrak Station, Clackamas Landscape, two houses).
- ❖ Cost Reimbursement is a one-time repayment of the loan from Oregon City's General Fund to pay Agency expenses the last three years (while legal status was uncertain).
- ❖ Capital Outlay relates to the remaining Cove Project obligation (carryover of unspent funds).
- ❖ Principal and Interest payments are as follows:

US Bank Taxable	\$ 513,416
US Bank Tax Exempt	272,697
Bank of America	<u>1,589,353</u>
	<u>\$2,375,466</u>

Financial Update and Discussion Regarding Accumulated Reserves

Urban Renewal Commission 8-19-20

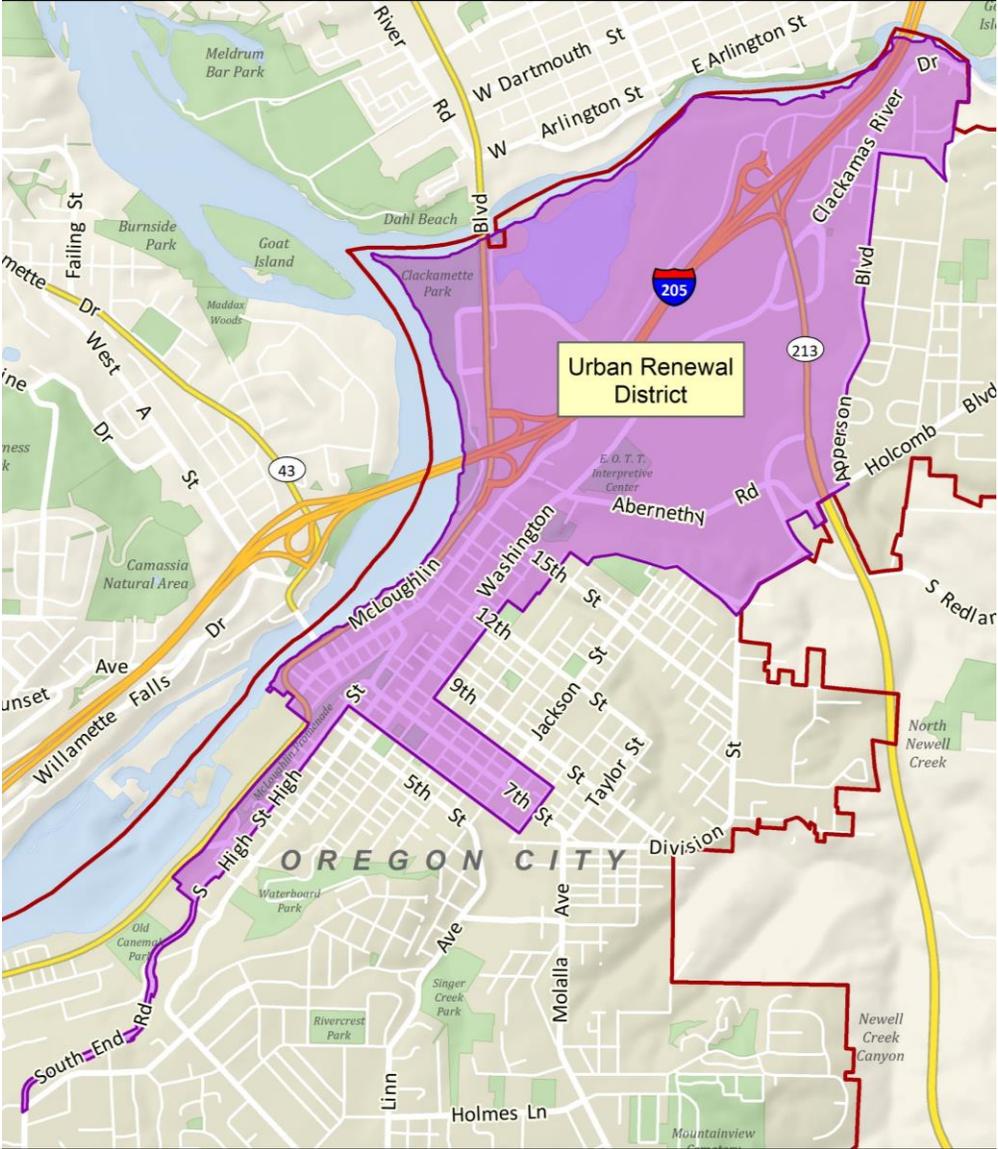


General Information



Financial Position
(Reserves and Debt)

Agenda



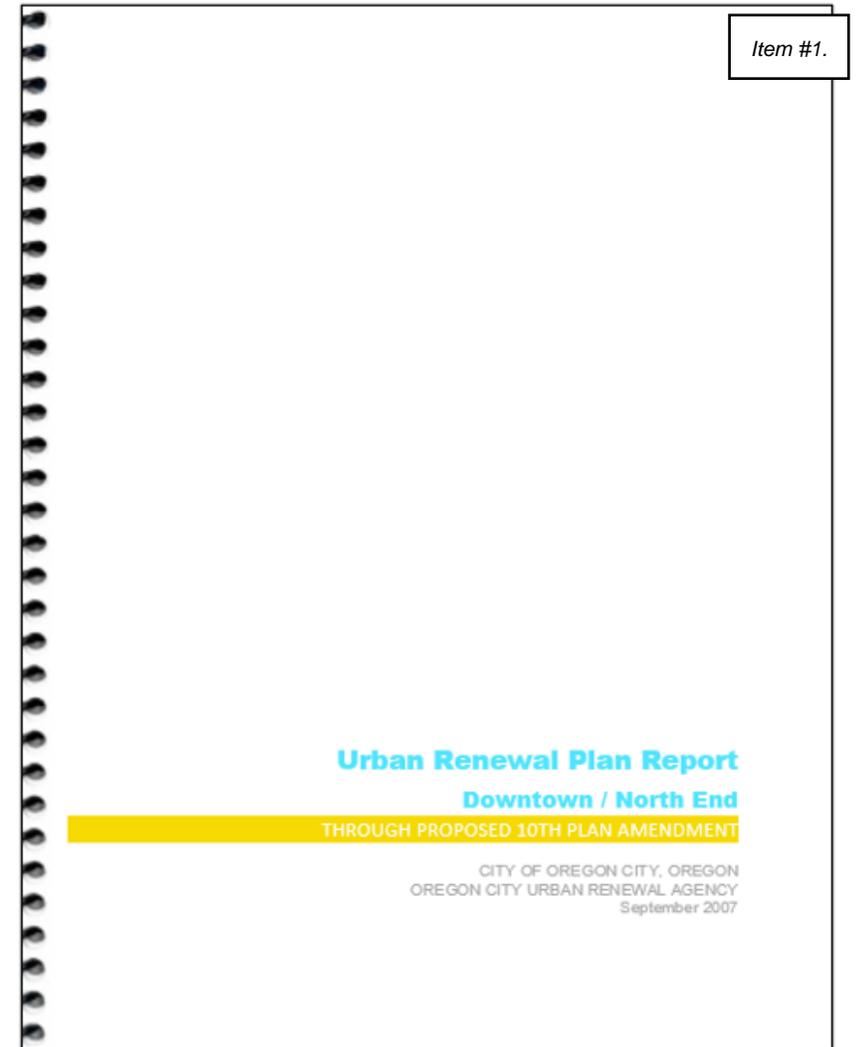
General Information



Financial Position
(Reserves and Debt)

Agenda

- Oregon Constitution
- ORS Chapter 457
- Urban Renewal Plan (2007)
- Best Practices



➤ Urban Renewal Plan (2007)

Maximum Indebtedness (In Millions)

Original (2007 Project List)	<u><u>\$ 130.1</u></u>
Inflation Adjustment ¹	\$ 165.7
Spent to Date ²	<u>(22.3)</u>
Remaining ²	<u><u>\$ 143.4</u></u>

¹ CPI for All Urban Consumers (CPI-U); Area: West (2007 to 2019).

² Estimate, subject to further review.

2007 Project List

1	Rossman Landfill	\$ 30,000,000
2	Clackamette Cove	8,000,000
3	Metro Transfer Station	-
4	Amtrak Station	1,000,000
5	County Shops	5,100,000
6	City Property McLoughlin	2,000,000
7	Stimson Property Redevelopment	10,000,000
8	Oregon City Shopping Center	2,000,000
9	Kruger Lumber	1,000,000
10	End of Oregon Trail	1,000,000
11	Historic Downtown	37,500,000
12	Falls Access & Viewing	3,000,000
13	7th Street Projects	5,500,000
14	Civic Complex	10,000,000
	Public Administration and related costs	11,400,000
	Debt Issuance costs	2,600,000
		<u><u>\$ 130,100,000</u></u>

Maximum Indebtedness General Information

➤ Annual Revenue Estimates

Urban Renewal Area - \$3 Million

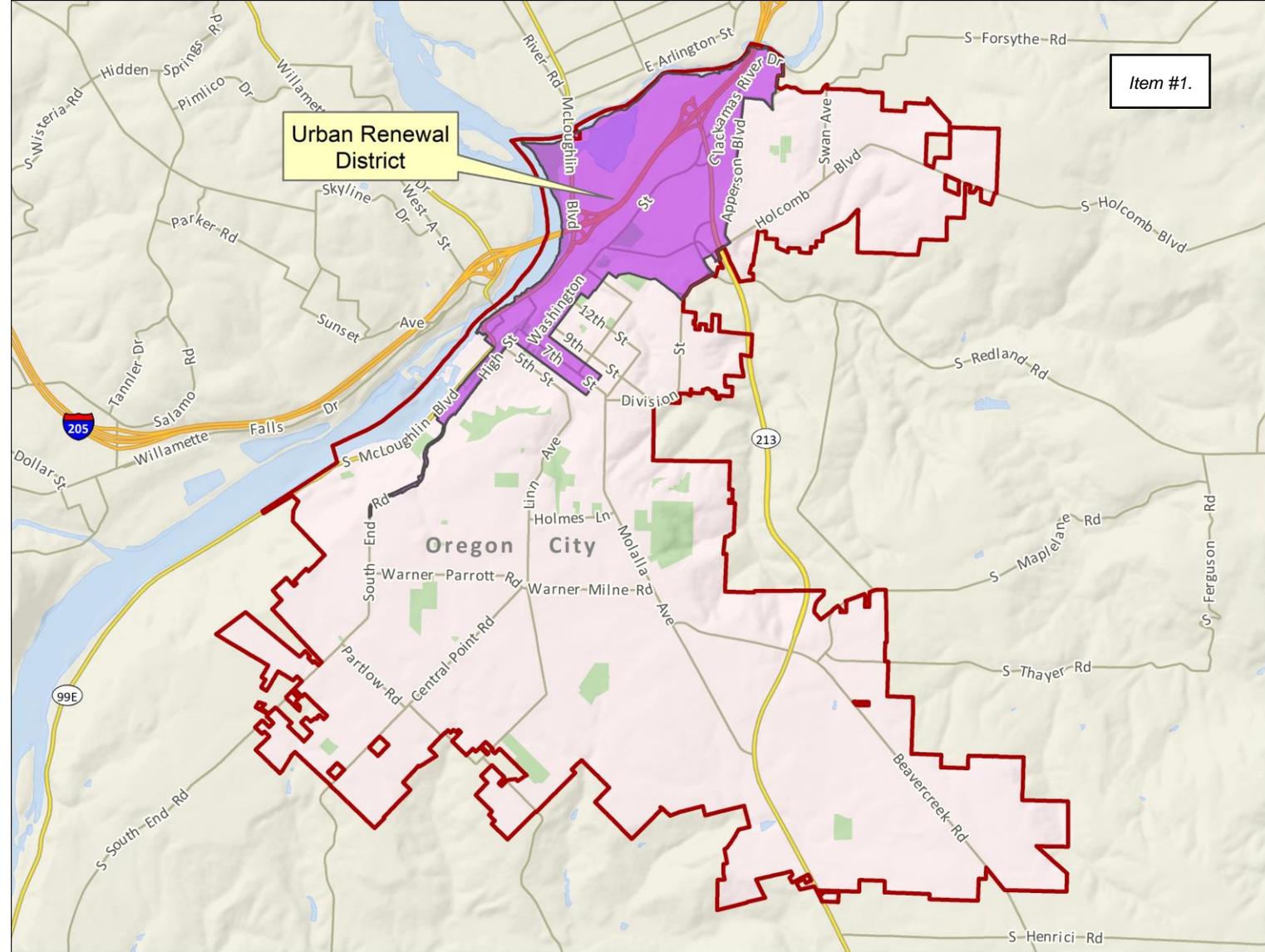
Oregon City - \$800,000

Overlapping Districts (County, Fire District, etc.)

➤ Urban Renewal

\$ 3 Million

Future Value

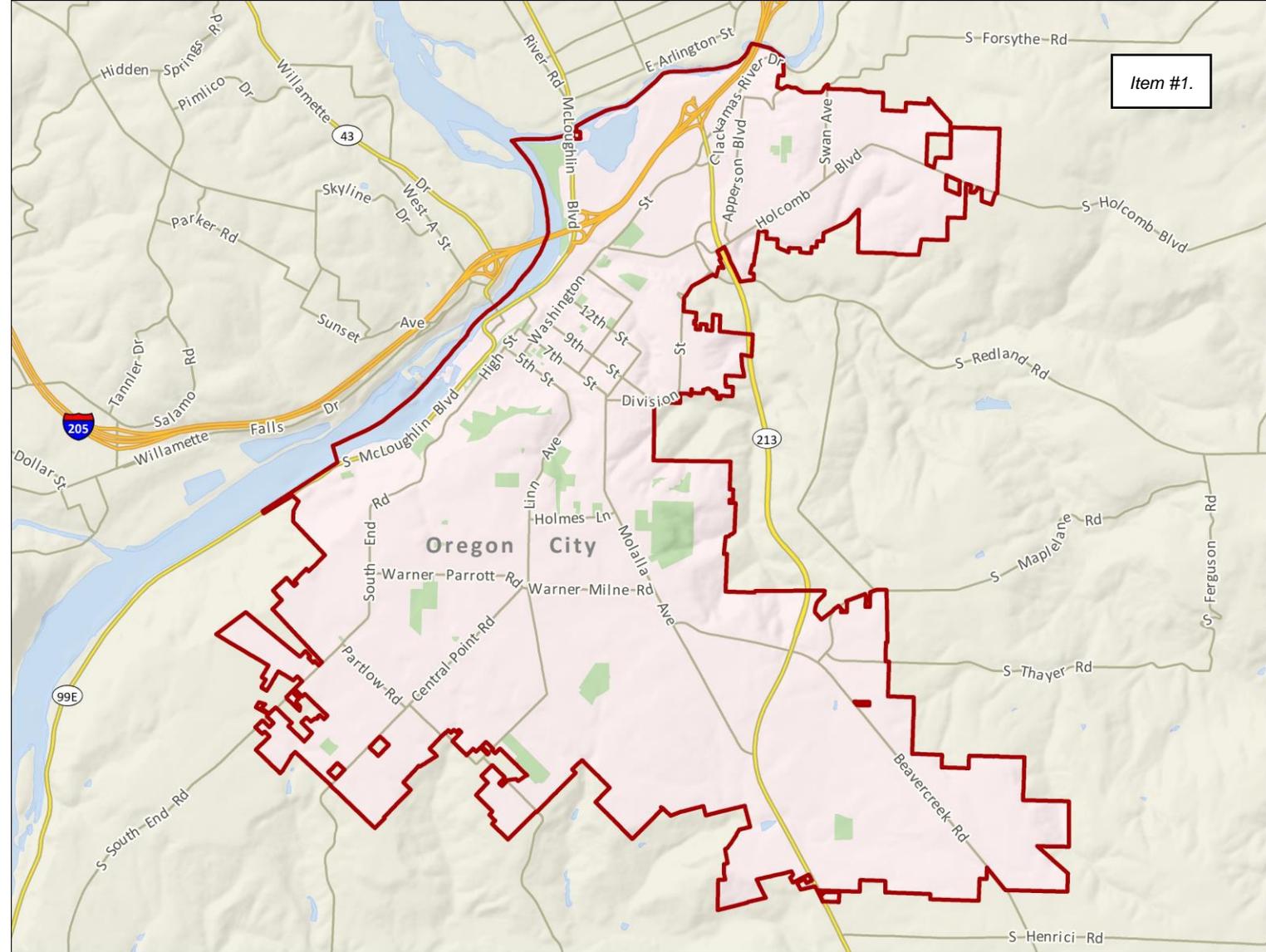


Revenue Impacts General Information

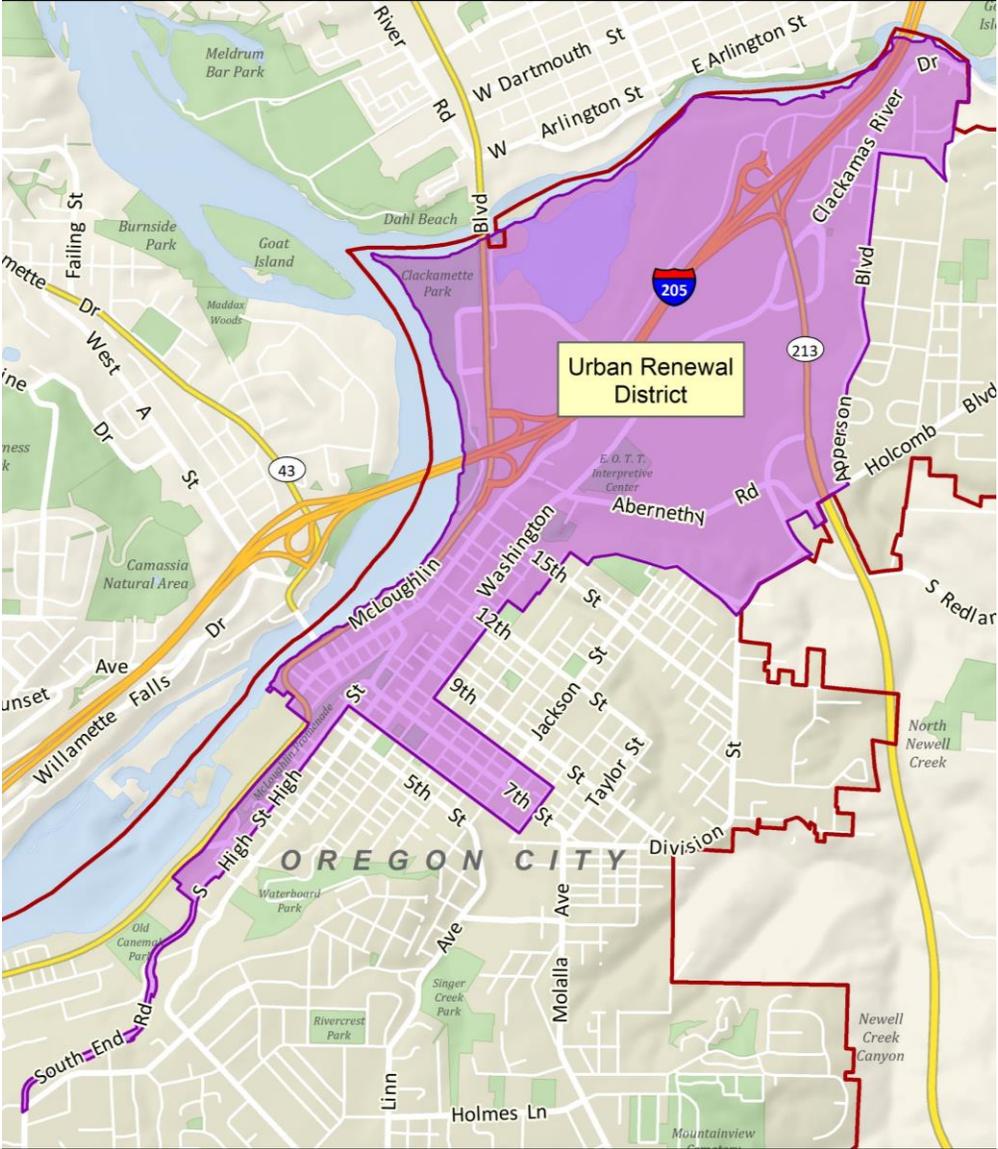
➤ Oregon City

\$ 800,000

Current Services



Revenue Impacts General Information



General Information



**Financial Position
(Reserves and Debt)**

Agenda

- Initiative Measure and Court Decision
- Biennial Budget
- COVID-19 Impact
- Reserves and Debt

Measure 3-514 Results:

Yes	7,913	51%
No	<u>7,533</u>	49%
Total	15,446	

➤ Reserves and Debt

Cash Reserves

		Rate
Deposits	\$ 46,471	0.16%
Investments	6,364,639	1.00%
	<u>\$ 6,411,110</u>	

Outstanding Debt

	Principal	Rate
Bonds, Series 2008	\$ 5,140,000	4.95%
Bonds, Series 2013 T	664,328	4.55%
Bonds, Series 3013 TE	369,592	3.05%
	<u>\$ 6,173,920</u>	

Summary

Financial Position (Reserves and Debt)

➤ Available Cash or Interest Savings

	Available Cash			Interest Savings
	Year 1	Year 2	Year 3	
Hold Reserves	\$ 8,300,000	\$ 10,200,000	\$ 8,630,000	
Pay Debt	\$ 3,140,000	\$ 6,140,000	\$ 9,140,000	\$ 510,000
	\$ 5,160,000	\$ 4,060,000	\$ (510,000)	

Summary Options

Financial Position (Reserves and Debt)

➤ Hold Reserves

Hold Reserves	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	
Beginning Cash	\$ 6,400,000	\$ 8,300,000	\$ 10,200,000	
Annual Tax Increment	3,000,000	3,000,000	3,000,000	
Debt Principal	(900,000)	(900,000)	(4,400,000)	(6,200,000)
Carrying Cost	<u>(200,000)</u>	<u>(200,000)</u>	<u>(170,000)</u>	<u>(570,000)</u>
Available Cash	<u>\$ 8,300,000</u>	<u>\$ 10,200,000</u>	<u>\$ 8,630,000</u>	
		Interest Savings	<u>\$ -</u>	

Options

Financial Position (Reserves and Debt)

➤ Pay Debt

Pay Debt	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>	
Beginning Cash	\$ 6,400,000	\$ 3,140,000	\$ 6,140,000	
Annual Tax Increment	3,000,000	3,000,000	3,000,000	
Debt Principal	(6,200,000)	-	-	(6,200,000)
Carrying Cost	<u>(60,000)</u>	<u>-</u>	<u>-</u>	<u>(60,000)</u>
Available Cash	<u>\$ 3,140,000</u>	<u>\$ 6,140,000</u>	<u>\$ 9,140,000</u>	
		Interest Savings	<u>\$ 510,000</u>	

Options

Financial Position (Reserves and Debt)

- Borrow from the City
- Approach Banks to Renegotiate

Alternative Options

Financial Position (Reserves and Debt)

Policy Direction

Item #1.

- Appropriate Reserves to Pay Off Debt
- Appropriate Reserves for Potential Project
- Take No Action; Continue to Hold Reserves
- Other Option

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Kattie Riggs

Subject: Fire Dis#1

From: Frank O'Donnell
Sent: Tuesday, August 18, 2020 11:17 AM
To: Tony Konkol <tkonkol@orcify.org>
Subject: Fwd: Fire Dis#1

This is the other John Williams email I referenced.

Frank ODonnell

Sent from my iPhone

Date: August 18, 2020 at 11:10:46 AM PDT
To: Frank O'Donnell <fodonnell@orcify.org>
Subject: Fwd: Fire Dis#1

----- Original Message -----

Subject: Fire Dis#1
From: John Williams [REDACTED]
Sent: Thursday, August 6, 2020, 12:56 PM
CC:

Commissioners:

Please note: copied from the financial rec-cap of Fire District #1:

"Revenue that is diverted to Urban Renewal Districts continues to be of great concern to the Fire District. In Fiscal Year 2019/2020, diverted revenue was \$1,151,805 and the estimated diverted revenue for Fiscal Year 2020/2021 is \$1,300,563. The Urban Renewal Districts include the City of Happy Valley, North Clackamas Revitalization Area, City of Milwaukie, Oregon City, and a very small portion of Gladstone. Diverted revenue puts an increasing strain on the Fire District's ability to adequately maintain services as current revenue is being out-paced by expenditures.

John Williams

--
[REDACTED]

Kattie Riggs

Subject: Conversation continued

From: Frank O'Donnell
Sent: Tuesday, August 18, 2020 11:16 AM
To: Tony Konkol <tkonkol@orcity.org>
Subject: Fwd: Conversation continued

Please distribute Mr. John Williams email to the entire UR Commission for their information and review. In addition to the basic info on UR to be presented by the consultant this email and Mr. Williams previous email on the influence of UR on Fire District funding should be addressed.

Regards,

Frank O'Donnell
 Commissioner, Oregon City
 Urban Renewal Chair

Sent from my iPhone

Begin forwarded message:

Subject: Fwd: Conversation continued

----- Original Message -----

Subject: Conversation continued
From: John Williams [REDACTED]
Sent: Monday, August 17, 2020,

Wyatt,

Reminder: The Oregon State Constitution, Chapter IX, 1c says governments MAY select to use TIF...and, if they do, they SHALL use TIF revenues to pay DEBT. There is no sidebar in the Constitution that says anything about "maximum indebtedness". ORS457 says TIF must be used for payment of debt, and again there is no reference to "max debt". The state association of UR agencies says, TIF is NOT a revenue stream, but is used to pay debt. And the association makes no reference to "max debt".

Turn it another way. **The incremental tax collected is to be used for financing debt.** TIF is especially not for "operating expenses", either by the UR Commission or the City of Oregon City.

So if the Urban Renewal Commission, the Manager, or your own conscience does not like "to pay big bucks" to financing institutions, and insists in paying Oregon City expenses, the Commission and all should get out of the game. To put it bluntly, it is a purposeful misuse of tax money, and to continue using TIF, knowingly, for anything except as directed by law, carries penalties.

Wyatt, you read the legislatures explanations in the 1960 voters pamphlet. They said TIF was not a NEW TAX. They created a system they thought would NOT cost the taxpayers anything...increment financing.

The legislator designers were enabling substantial tax producing PROJECTS, requiring financing by bonds,etc. which would require VOTING on by the people and paid for hopefully by creation of new taxable value...TIF.

Instead, when, in the 1990s, UR's discovered the formula would not work as hoped (no Federal dollars, new tax limitation, etc.) UR agencies around the state, including OC, twisted the law(violated) and spent TIF on city hall buildings, libraries, beautification, paved streets, fiddled around with building facelifts, and forgive me, payoffs to property owners and friends, all the time reducing local government services and claiming they were creating new taxable values! Balloony!

The "increment" in the downtown plan would have been created by rising market values WITHOUT OCUR!

Wyatt, the worst moral violation for me is the \$1,000,000, just this year, stolen from State school funds by OCUR, funding coffee bars and wine bars, etc., while local schools come up short. I pay my state taxes for schools, not urban renewal (more than half of the state budget funds schools). Over \$100,000,000 of state school funds were diverted by all UR activities in the state this last year.

Thus ends my rant.

John

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