



Where Life is Sweet

Mayor and Members of the City Council
STAFF REPORT
For the Meeting of July 24, 2023

Title/Subject

Adoption of Ordinance No. 2347, creating the North Hermiston Urban Renewal Area, is scheduled.

Summary and Background

The city council held a public hearing on the formation of the North Hermiston Urban Renewal Area at the July 10 regular council meeting. Following the conclusion of the public hearing, the city council directed staff to prepare an ordinance for consideration at this council meeting.

During the July 10, hearing, the council questioned the financial tables on page 13 of the report. The report has been amended to reflect the issues raised by the council. Specifically, the total resources in Table 7, 8, and 9 have been lowered and an explanatory note added detailing that outside funding may be utilized if available. The early principal payments are included as the life of the district is projected at 16 years and will likely pay principal ahead of a 20-year traditional schedule.

The information is repeated from the July 10 staff report.

On March 13, 2023, the city council accepted the feasibility report for the proposed new urban renewal area in the north portion of the city between Elm Ave and Theater Lane. After accepting the report, the council directed staff to prepare an urban renewal plan for this area. The report is now complete and a public hearing on the proposed new area is required.

Attached to this staff report are both the urban renewal report which details the financial impacts of the urban renewal district formation and administration, and the urban renewal plan which is focused on the physical projects within the urban renewal area. The plan has been prepared by a consulting team made up of representatives from Elaine Howard Consulting, Johnson Economics, and city staff. The plan is prepared according to the requirements for urban renewal plans in ORS Chapter 457.

The underlying reasoning for the North Hermiston Urban Renewal Area is to address blighted lots, encourage redevelopment, alleviate congestion on N First St (Highway 395), and improve water infrastructure. The existing transportation network in the NURA is inefficient and hampers future development. By providing new transportation connections, the transportation network will be safer and more efficient and development parcels will be created to allow for

new development to occur within NURA. The construction of a new looping water line will also allow for new development capacity within the NURA. Council is being asked to hold a hearing on July 10, 2023, to gain input regarding the Council's consideration and potential adoption of the proposed North Hermiston Urban Renewal Plan (Plan) and to vote on the ordinance to adopt the Plan at the July 24, 2023, meeting.

Urban Renewal is not a new tax but reallocates existing tax revenues which are collected above the "frozen" tax base in place at the time of district formation. Urban Renewal diverts the tax revenues from new development within the area to the Urban Renewal Agency, rather than allowing them to go to existing districts, like the City, County, etc. That revenue is what is used to pay for projects and programs in the NURA Plan. In order to front-load these projects and stimulate development capable of paying for itself, staff proposes to borrow up to \$5 million to install the necessary streets and utilities. In which case, the subsequent NURA revenue would predominantly be aimed at paying off that debt.

It is anticipated that the Plan will take sixteen years of tax increment collections to implement. The maximum amount of indebtedness that may be issued for the Plan is not to exceed \$5,000,000 (Five Million dollars). Detailed financial analysis is in the Report Accompanying the North Hermiston Urban Renewal Plan (Report).

Under the state's school funding model, schools operating budgets are held harmless by Urban Renewal since state income-tax funding backfills any shortfalls in local budgets to ensure consistent per-student revenues for schools.

The draft report includes a section on Revenue Sharing, which is a new requirement since the downtown Urban Renewal Area was created in 2013. Under the revenue sharing requirements, the new urban renewal district will only collect 100% of the tax increment until its assessed value reaches a set proportion of the maximum indebtedness for the area, at which point, the tax increment begins to be shared with other taxing entities. The revenue estimates in the plan demonstrate that existing taxing districts begin receiving revenue in 2034. This means there would be nine years where the NURA receives all the new revenue and existing entities receive zero.

Finally, it is important to note that Urban Renewal only applies to permanent tax rates, not bonds. Therefore, new development that is facilitated by installing the necessary infrastructure, will be paying for the school and fire district bonds.

The financial forecast in the plan is very conservative, estimating a 3% assessed value growth from existing development and the known proposed development. The Area has the capacity to repay the city loan over the sixteen-year timeframe given these financial projections.

Notice to citizens of consideration of an ordinance was given via the city's utility billings. Notice was also placed on the City of Hermiston website.

The process for approval has included the following steps, in accordance with ORS 457.

1. Preparation of a Plan including opportunity for citizen involvement.
2. Agency review of the proposed Plan and accompanying Report on May 22, 2023.
3. Forwarding a copy of the proposed Plan and the Report to the governing body of each taxing district. The formal taxing districts letters were sent out on May 23, 2023.

4. Review and recommendation by the Hermiston Planning Commission. The Planning Commission reviewed the Plan on June 12, 2023 and voted that the Plan conformed to the Hermiston Comprehensive Plan.
5. Presentation of the Plan to the Umatilla County Commission in a briefing on June 21, 2023.
6. Notice to all citizens of Hermiston of a hearing before the City Council via municipal utility billing.
7. Hearing by Hermiston City Council and adoption of the proposed Plan and accompanying Report by a non-emergency ordinance. The hearing will be held on July 10, 2023, and the ordinance reading and vote by City Council will occur on July 24, 2023. The ordinance must be a non-emergency ordinance, which means that the ordinance does not take effect until 30 days after its approval and during that period of time may be referred to Hermiston voters if a sufficient number of signatures are obtained on a referral petition.
8. Following adoption of the urban renewal ordinance, a notice of adoption will be published. The plan will be forwarded to Umatilla County for recording and filing with the county assessor.

Tie-In to Council Goals

The plan and urban renewal projects are intended to facilitate general economic development in Hermiston, specifically increasing retail and commercial opportunities. Improving mobility and transportation is also a council goal.

Fiscal Information

The maximum indebtedness for the district, meaning all that may be spent or borrowed for projects is \$5,000,000. It is anticipated that this amount will be borrowed early in the life of the district and then repaid in the out years using tax increment revenue. The complete financial impacts are described in detail on pages 7-14 of the attached urban renewal report.

Alternatives and Recommendation

Alternatives

The city council may choose to:

- Adopt the North Hermiston Urban Renewal Plan and Report and implement the new urban renewal area through the adoption of Ordinance No. 2347.
- Reject Ordinance No. 2347 and stop formation of the new urban renewal area.

Recommended Action/Motion

Staff recommends that the city council adopt Ordinance No. 2347 through two readings at this council meeting.

Submitted By:

Clinton Spencer, Urban Renewal Director