



North Bend Redevelopment Agency

The URBAN RENEWAL AGENCY of the City of North Bend, Oregon

Financial Impact Report of the City's Urban Renewal Plan for the fiscal year ended June 30, 2011

Date filed: January 31, 2012

City of North Bend Redevelopment Agency

The Urban Renewal Agency of the City of North Bend

Financial Impact Report of the City's Urban Renewal Plan for the fiscal year ended June 30, 2011

Introduction

Each year urban renewal agencies must prepare a report for the governing body and the general public in accordance with Oregon Revised Statute 457.460, which can be found by following this link <http://www.leg.state.or.us/ors/457.html>. The report is to include a financial recap of the preceding year and the budget for the current fiscal year. Additionally, it is to include an analysis of the financial impact of carrying out the urban renewal plan on the tax collections for each of the overlapping governmental units within the urban renewal district.

The following report meets these minimum requirements and provides other information about North Bend's urban renewal agency and its activities.

The Urban Renewal Concept

Tax increment financing is used in areas where private development has stagnated or is not feasible. Public funds are needed to change those conditions. The types of urban renewal activities undertaken generally include land assembly and 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.

Urban Renewal Financing

It is intended that the private sector will provide the majority of the redevelopment funding by selectively investing over a period of time. The City Council must commit public funding together with incentives identified in the plan components to: 1) construct necessary infrastructure improvements, 2) attract private investment, and 3) 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.

How Tax Increment Financing Works

The major source of funding for urban renewal projects has been tax increment financing. 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. For years to come, the area – now vibrant and prosperous – yields far more for the entire city in property tax revenues than it would have if urban renewal had never touched it.

History of Tax Increment Financing

During the 1990's, three Ballot Measures -- Measure 5, Measure 47, and Measure 50 -- made significant changes to Oregon's system of property taxation. Those changes have influenced urban renewal programs and tax increment revenue calculations. The provisions of the most recent of these changes to the property tax system, Ballot Measure 50, now are incorporated into Oregon's Constitution, and into Oregon Urban Renewal Statutes. Those provisions provide the basic framework for revenue calculations in this report.

Additionally, the 2007 and 2009 Oregon State legislative sessions resulted in significant changes to urban renewal agencies ability to make significant changes to their Plans without coordination and approval of overlapping taxing jurisdictions, or face significant limitations.

Ballot Measure 50's Influence on Tax Increment Financing

Under Ballot Measure 50 provisions, urban renewal plans adopted before December 6, 1996 were eligible to employ a different method of calculating their annual maximum tax increment revenues than plans adopted after that date. Urban renewal agencies can receive property taxes in two ways.

First, they are entitled to the amount of property taxes levied on the increase in property values (taxable assessed values) within the urban renewal area after the urban renewal plan for the area was adopted. This process is called the "division-of-taxes" method. Second, for urban renewal plans that were adopted prior to December 6, 1996, urban renewal agencies may receive funds from a Special Urban Renewal Levy on property within the city. Agencies that qualified for this grandfather status needed to have Council action to approve the choice of a tax collection option, and insert into their renewal plans an amount of maximum indebtedness.

The City of North Bend City Council adopted an ordinance May 26, 1998 adopting the maximum indebtedness of the Plan in the amount of \$11,800,723. The ordinance also included the Council's selection of the Option 1 tax increment collection methodology. This methodology includes the "Divide-the-taxes" methodology and a "Special Levy" to allow collection of the maximum authority as existed prior to the passage of Measures 47 and 50.

Tax Increment Calculations

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").

Revenues derived from the application of the tax rate for each affected taxing district to the amount of the incremental value may be collected by the urban renewal agency and deposited in its debt service fund. This revenue is used to repay indebtedness incurred in carrying out the projects.

Below is a recap of the assessed values for North Bend's urban renewal area and the computed tax increment for the last two years:

Schedule of Assessed Value and Levy Authority
Fiscal Years Ended June 30, 2011 and 2010

	Fiscal Year Ended June 30,	
	2011	2010
Total Assessed Value	\$ 53,700,691	\$ 52,047,053
Less: " Frozen base"	30,341,265	30,341,265
Incremental or "excess" value	\$ 23,359,426	\$ 21,705,788
 Maximum Urban Renewal Authority	 \$ 543,427	 \$ 504,957
 Levy - Divide-the-taxes	 \$ 365,285	 \$ 320,615
Special Urban Renewal Levy	178,142	184,342
Total Tax Increment	\$ 543,427	\$ 504,957

For FY 2011-12, North Bend’s urban renewal agency was certified to collect \$359,218 from the division-of-taxes and \$209,047 from the Special Urban Renewal Levy.

Effect of Urban Renewal on Taxing Districts

Carrying out an urban renewal plan has an effect the County Assessor’s calculation for each taxing district that shares values with North Bend’s Urban Renewal Agency. A portion of property taxes that were to be received by the taxing bodies that levy property taxes within North Bend’s urban renewal area are redirected to North Bend’s urban renewal agency.

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 North Bend’s Urban Renewal Agency.

North Bend’s Urban Renewal Plan

The urban renewal plan was prepared by the City of North Bend Redevelopment Agency – the urban renewal agency of the City of North Bend – pursuant to Oregon Revised Statutes (ORS) Chapter 457, the Oregon Constitution, and all applicable laws and ordinances. The redevelopment area identified for urban renewal consisted of approximately 350 acres, all within the North Bend city limits. In general, the area borders the bay front from Lindberg Avenue north to Pony Slough and extends west as far as Marion Avenue. The area included 214 tax lots when the City Council adopted the plan on August 23, 1994 (Ordinance 1823).

Financial Reports

The financial reports that follow account for the activities of North Bend’s Urban Renewal Agency. In accordance with ORS 457.460 (1), these reports were prepared by the Finance Department of North Bend 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 North Bend City Hall.

Schedule of Revenue, Expenditures and Changes in Fund Balance
for the Fiscal Year Ended June 30, 2010
Budget and Actual

	Fiscal Year 2011	
	Actual	Budget
Beginning fund balance	\$ 1,887,902	\$ 1,436,684
Prior period adjustment	(145,302)	-
Revenue		
Property taxes	533,004	470,717
Intergovernmental	-	500,000
Interest	13,483	15,000
Total revenue	546,487	985,717
Expenses		
Personal services	20,000	20,000
Materials and services	27,724	41,200
Capital outlay	94,575	500,000
Contingency	-	1,831,160
Debt service		
Principal	11,845	11,845
Interest	18,195	18,196
Total expenses	172,339	2,422,401
Net change in fund balance	374,148	(1,436,684)
Ending fund balance	<u>\$ 2,116,748</u>	<u>\$ -</u>

Schedules of Impact of the Division of Taxes on Overlapping Taxing Jurisdictions

FY 2011

Taxing Jurisdiction	Permanent Rate	UR Rate	Division of Taxes	Total Levy of Taxing Jurisdiction	Division of Taxes % of Total Levy	Shared Value
City of North Bend	6.1831	0.2370	144,402	3,620,156	3.99%	609,292,833
Coos County	1.0799	0.0414	25,225	4,618,169	0.55%	609,292,833
Port of Coos Bay	0.6119	0.0234	14,257	1,483,420	0.96%	609,292,833
Coos Library	0.7289	0.0279	16,999	3,117,125	0.55%	609,292,833
4H	0.0888	0.0034	2,072	379,751	0.55%	609,292,833
Coos County Airport	0.2400	0.0092	5,605	1,026,355	0.55%	609,292,833
South Coast ESD	0.4432	0.0169	10,297	1,895,335	0.54%	609,292,833
N. Bend School District	4.1626	0.1633	97,194	4,578,651	2.12%	595,185,706
Southwestern College	0.7017	0.0269	16,390	2,964,964	0.55%	609,292,833
N. Bend School District Bonds	0.9415	0.0369	21,962	1,035,603	2.12%	595,185,706
Coos County Bonds	0.4560	0.0174	10,602	1,950,074	0.54%	609,292,833
Sub-total	15.6376		365,006			
Truncation Loss			280			
Compression/rounding			(1)			
Total Division of Taxes			365,286			

FY 2010

Taxing Jurisdiction	Permanent Rate	UR Rate	Division of Taxes	Total Levy of Taxing Jurisdiction	Division of Taxes % of Total Levy	Shared Value
City of North Bend	6.1831	0.2256	134,197	3,540,458	3.79%	594,844,584
Coos County	1.0799	0.0394	23,437	4,506,129	0.52%	594,844,584
Port of Coos Bay	0.6119	0.0223	13,265	1,446,079	0.92%	594,844,584
Coos Library	0.7289	0.0265	15,763	3,041,501	0.52%	594,844,584
4H	0.0888	0.0032	1,904	370,538	0.51%	594,844,584
Coos County Airport	0.2400	0.0087	5,175	1,001,455	0.52%	594,844,584
South Coast ESD	0.4432	0.0161	9,577	1,849,353	0.52%	594,844,584
N. Bend School District	4.1626	0.1555	90,346	4,465,556	2.02%	581,000,127
Southwestern College	0.7017	0.0256	15,228	2,892,594	0.53%	594,844,584
City of North Bend Bonds	0.0344	0.0012	714	19,698	3.62%	594,844,584
Coos County Bonds	0.4941	0.0180	10,707	2,061,745	0.52%	594,844,584
Sub-total	14.7686		320,312			
Compression/rounding			9			
Total Division of Taxes			320,321			

Schedule of Special Urban Renewal Tax Levies Fiscal Years 2011 and 2012

Fiscal Year	Special Levy Rate	Amount Rate will Raise	Special Levy	Truncation Loss	Taxable Assessed Value
2012	0.3369	209,047	209,079	32	620,501,042
2011	0.2923	178,096	178,142	46	609,292,833

NOTICE OF AVAILABILITY OF FINANCIAL IMPACT REPORT OF This notice is a summary of the information available in the Financial Impact Report of the City of North Bend Redevelopment Agency, prepared pursuant to ORS 457.460. Copies of the full report are available at the Finance Department – North Bend City Hall, to all interested persons during regular business hours. As summarized below, FY 2010-11 total resources exceeded requirements by \$374,148. Expenditures were made for repayment of contracted city services, debt service, capital improvements, and other items. For next fiscal year, 2011-12, the Agency’s budgeted resources are balanced with requirements at \$3,175,635. The Agency uses the funds it receives from Option 1, which includes the division-of-taxes method of calculating property taxes together with an Urban Renewal Special Levy for any difference between the Agency’s maximum authority and the division-of-taxes method, to finance various urban renewal projects and activities. Property taxes received totaled \$533,004 in FY 2010-11 and are budgeted at \$535,000 in FY 2011-12.

North Bend Urban Renewal Agency
 Adopted Budget
 Fiscal Year 2012

	Actual FY 2011	Budget FY 2012
Beginning fund balance	\$ 1,887,902	\$ 2,126,635
Prior period adjustment	(145,302)	-
Revenue		
Property taxes	533,004	535,000
Intergovernmental	-	500,000
Interest	13,483	14,000
Total revenue	546,487	1,049,000
Expenses		
Personal services	20,000	50,000
Materials and services	27,724	71,300
Capital outlay	94,575	1,000,000
Debt service		
Principal	11,845	362,451
Interest	18,195	18,195
Contingency	-	1,673,689
Total expenses	172,339	3,175,635
Net change in fund balance	374,148	(2,126,635)
Ending fund balance	<u>\$ 2,116,748</u>	<u>\$ -</u>