

DATE: July 25, 2016  
TO: Eric Swanson, City of Gladstone  
FROM: Nick Popenuk, ECONorthwest  
SUBJECT: FINANCIAL CAPACITY OF GLADSTONE URBAN RENEWAL PLAN

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## Limitations on urban renewal

Urban renewal plans include limitations to ensure that the effects of the plans on overlapping taxing districts are finite. Although some plans include a limitation on the duration of the plan (i.e., the number of years that the Plan is eligible to collect or spend tax increment finance revenues), such a limitation is not required by Oregon Revised Statutes (ORS). Instead, the statutory limitation on urban renewal is *maximum indebtedness*. This is defined in ORS 457.010 (9):

“Maximum indebtedness” means the amount of the principal of indebtedness included in a plan pursuant to ORS 457.190 and does not include indebtedness incurred to refund or refinance existing indebtedness.

It can be challenging to understand the definition of maximum indebtedness in ORS 457.010, and further clarification provided in ORS 457.190, and other section of ORS Chapter 457. Below, we summarize the key points regarding maximum indebtedness:

- Tax increment financing (TIF) is the primary source of revenue for urban renewal areas.
- TIF revenue can only be used to repay debt.
- Not all debt must be formal debt (e.g., municipal bonds or bank loans). Other forms of debt could include interfund loans, or contractual debt (e.g., an agreement to pay a certain amount for a certain good or service).
- All urban renewal plans must have a maximum indebtedness.
- Maximum indebtedness is a limitation on the cumulative principal amount of indebtedness incurred over the life of the Plan, with some exceptions:
  - Refinancing of previously-incurred debt, does not count towards maximum indebtedness.
  - Expenditure of non-TIF revenues, or debt secured by non-TIF revenues does not count towards maximum indebtedness.
- Maximum indebtedness is **NOT** the total amount of debt owed at a point in time. In other words, when you repay debt, the amount of maximum indebtedness used does not decrease.
- Maximum indebtedness is not adjusted for inflation. In other words, the fact that an urban renewal project costs twice as much today as when the urban renewal plan was first adopted, does not allow an urban renewal area to retroactively adjust the adopted maximum indebtedness value.

- Once an urban renewal area has reached its maximum indebtedness it can no longer incur any new debt to fund any more projects.
- Once an urban renewal area has sufficient resources to pay off the full amount of its maximum indebtedness, it cannot collect additional TIF revenues.

### Gladstone Maximum Indebtedness

The Gladstone Urban Renewal Plan has a maximum indebtedness of \$23,000,000. That is essentially the total amount of TIF revenue that can be spent on projects. However, the City of Gladstone had not kept track of the amount of indebtedness that had been incurred over the life of the Plan in previous years. This historical accounting was necessary to understand how much of the \$23,000,000 maximum indebtedness had been used, and how much was remaining.

ECONorthwest reviewed historical budget documents and audited financial statements for the Gladstone Urban Renewal Area, beginning in the first year that the maximum indebtedness was applicable (FYE 1998) through the most recent year that audited financial statements are available (FYE 2015). In this analysis, we categorized all revenues and expenditures according to whether or not they count towards the Area's maximum indebtedness.

### Results and Implications

The results of this analysis are documented in the table below. Through FYE 2015, the URA had incurred \$7,387,119 of indebtedness, resulting in \$15,612,881 of remaining financial capacity for additional indebtedness to fund future projects in the area. If the URA would like to fund projects with a total cost that exceeds this maximum indebtedness, it would require a substantial amendment to the Plan, and depending upon the amount of the increase, could require formal "concurrence" from affected taxing districts.

Table 1. Gladstone Maximum Indebtedness Remaining

<b>Maximum Indebtedness: Authorized</b>	<b>\$ 23,000,000</b>
<b>All Non-Debt-Service Expenditures</b>	
Community Development	\$ 3,310,571
Transfer Out	\$ 700,000
Personal Services	\$ 1,768
Materials and Services	\$ 254,271
Capital Outlay	\$ 2,683,759
Transfer - Capital Assets	\$ 457,808
Subtotal	\$ 7,408,177
<i>Less Expenditure of Non-TIF Revenues</i>	<i>\$ (21,058)</i>
<b>Maximum Indebtedness: Used</b>	<b>\$ 7,387,119</b>
<b>Maximum Indebtedness: Remaining</b>	<b>\$ 15,612,881</b>

Calculated by ECONorthwest with annual budget documents and audited financial statements provided by the City of Gladstone. Analysis includes each year from FYE 1998 to FYE 2015.

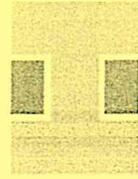
# Gladstone Urban Renewal Plan

## Overview, Update, and Next Steps



**GLADSTONE**

*Home of the Pom Pom Tree*



**ELAINE HOWARD  
CONSULTING, LLC**

**ECONorthwest**

ECONOMICS • FINANCE • PLANNING

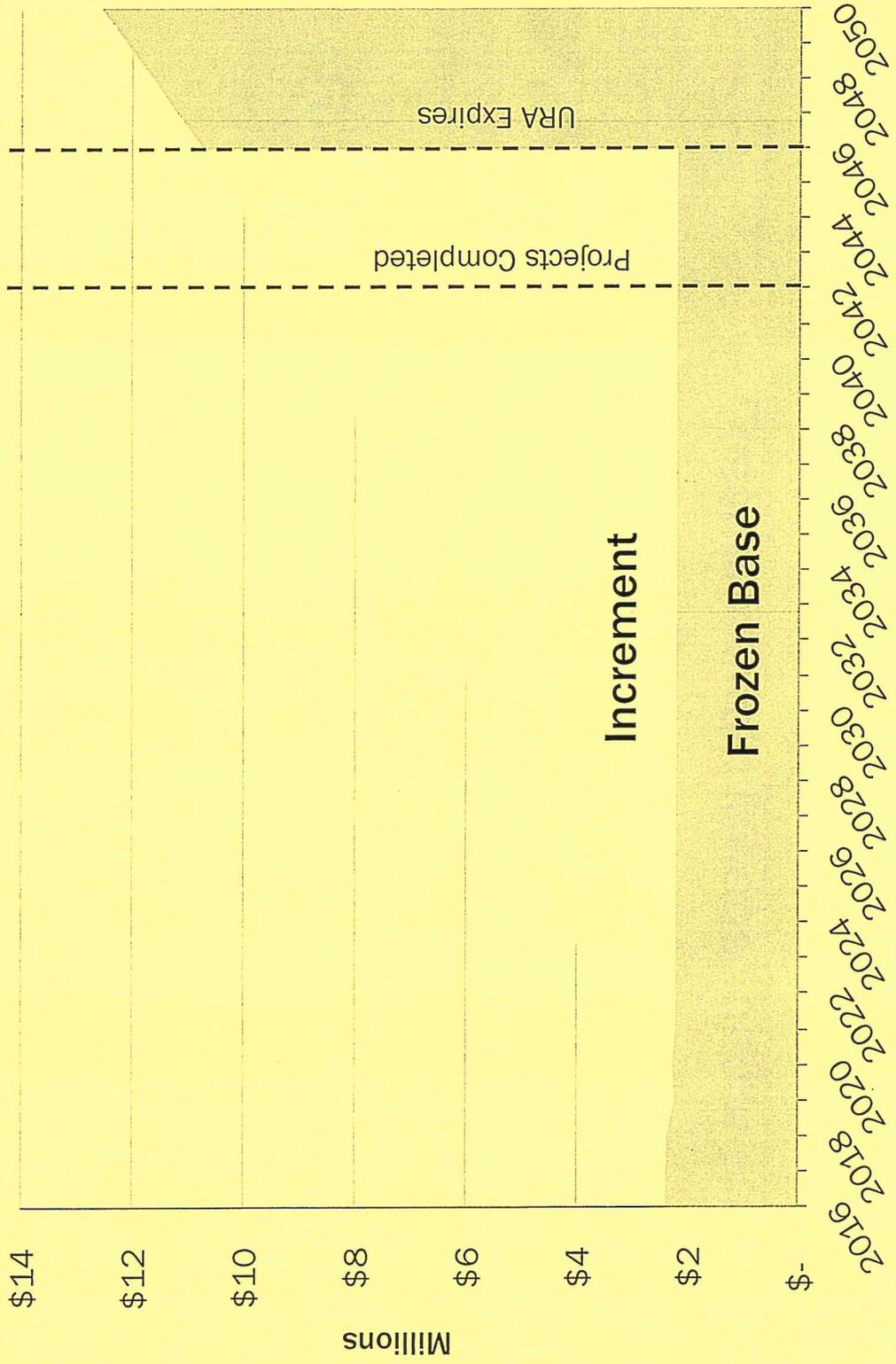
# Urban Renewal 101 - Overview

- What is urban renewal?
  - Concentrated use of property tax revenue in blighted areas
- What is the constraining factor?
  - Maximum Indebtedness (MI)
- How long has Gladstone had urban renewal?
  - Plan adopted March 1990
- What types of programs/projects are eligible?
  - Capital projects: public facilities, streets, utilities, parks, other uses
  - Public buildings are sometimes funded with urban renewal
  - Acquisition and improvement of property, rehab of existing buildings

# Urban Renewal 101 - Finance

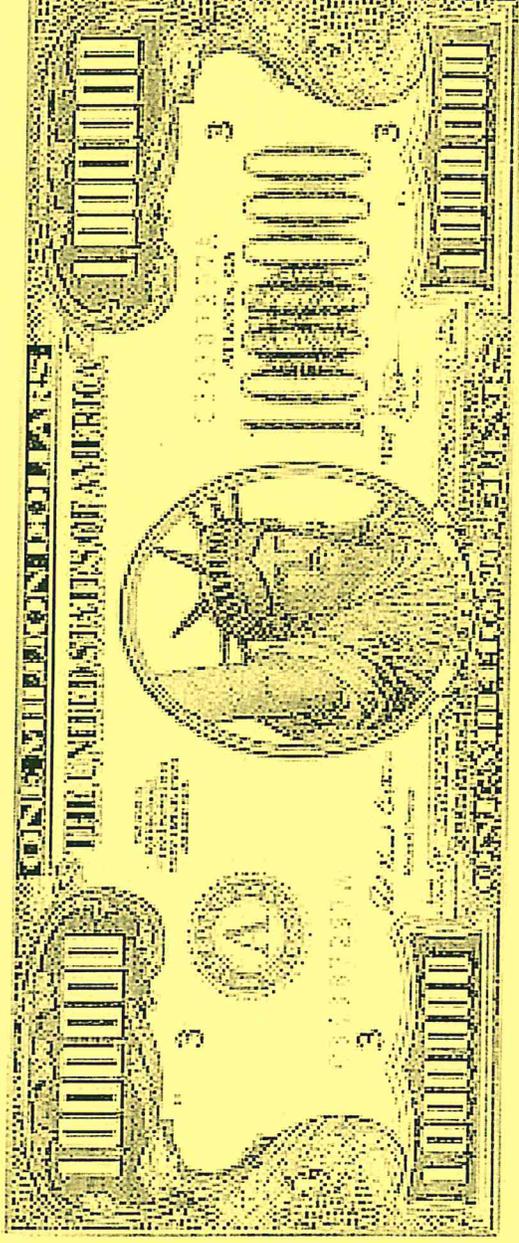
- How are urban renewal plans financed?
  - Tax increment financing (TIF)
  - Frozen Base
- Effects on taxing districts?
  - GO bonds and Local Option Levies not affected
  - Permanent rate taxes on increment are allocated to the URA, not the other tax districts
- Effects on tax payers?
  - Most property tax payers will see no increase in property tax bills
  - Property taxes will be allocated differently, resulting in an urban renewal line item on tax bills

# Urban Renewal 101 - Finance

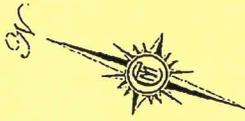


# Plan Update

- Added all previous amendments to Plan:
  - Eliminated duration provision
  - New provision for voter approval of any expenditure on public buildings over \$1M
  - Library amendment: 10.55 acres, processed as minor amendment, needs a “serves and benefits” statement



# CITY OF GLADSTONE WITH URBAN RENEWAL DISTRICT



SCALE  
1 INCH = 500 FEET

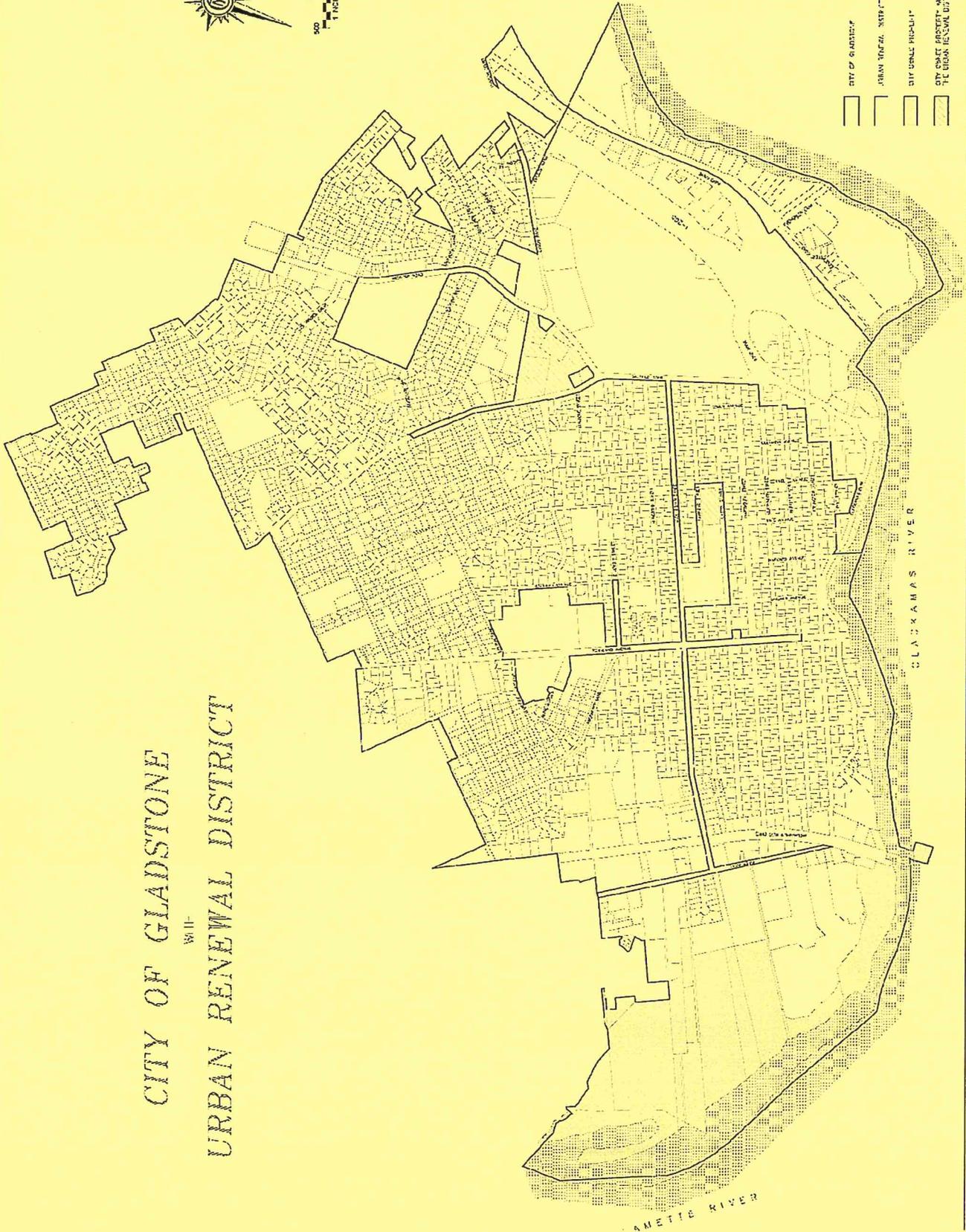


EXHIBIT  
CITY OF GLADSTONE  
URBAN RENEWAL DISTRICT

CITY OF GLADSTONE  
CLACKAMAS COUNTY, OREGON  
CLARK, JAMES C. CLERK, JR.  
NOR. T. WEST AERIAL P. 217  
VIZIA SURVEYORS

CITY SURVEYING AND CONSULTING  
1315 E. 11th St., S.E.  
CLACKAMAS CO., OREGON  
P. O. BOX 100, CLACKAMAS, OREGON 97015

- CITY OF GLADSTONE
- URBAN RENEWAL AREA
- CITY OF GLADSTONE
- CITY OF GLADSTONE

# Acres Issues

Date	Acres added	New acreage	
Original Acreage	-	284.535	Original Acreage
Feb 8 2005	2.8	287.335	20% of Original
July 12 2005	2.28	289.615	Sum of Acres added
December 13 2005	1.585	291.2	Potential Acres to Add
October 10 2006	1.73	292.93	
March 13 2007	2.62	295.55	
April 10 2007	2.21	297.76	
May 8 2007	1.44	299.2	
June 9 2009	1.05	300.25	
October 12 2010	10.55	310.8	
			284.535
			56.907
			26.265
			30.642

# Maximum Indebtedness

- Limit on total expenditures of TIF on projects
- NOT the total outstanding debt at one point in time

Authorized: \$23,000,000

Used: \$7,387,119

Remaining: \$15,612,881

- Note: \$5,763,700 in beginning fund balance

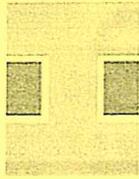
# The future of urban renewal: Options

- Existing projects vs new projects?
- Existing boundary vs expansion?
  - May add up to 30.64 total acres
  - Over 3.1 acres is substantial amendment
- Existing MI vs increased MI?
  - Substantial amendment
  - May require “concurrency”
- Close the URA?

# Process for Substantial Amendment

- 4-6 month timeline
- Same process as original UR Plan
- Public Input? Options
- Agency consideration
- Consult and confer with taxing districts
- Planning Commission meeting
- County Commission meeting (no action)
- City Council hearing and adoption

# Questions?



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OLCC Existing Liquor Stores and Distance from Gladstone City Hall				
Store Number	City/ Locality	Distance from Gladstone City Hall (in miles)	Driving Time (in minutes)	Address
1101	Clackamas	2.5	8	16142 SE 82 <sup>nd</sup> Dr.
1105	Oak Grove	3.6	9	14632 SE McLoughlin Blvd
1240	West Linn South	4.6	13	21130 S. Salamo Rd.
1212	West Linn North	4.9	13	19373 SW Willamette Dr.
1172	Oregon City	5.5	10	1678 Beavercreek Rd.
1098	Happy Valley	5.5	12	10415 SE 82 <sup>nd</sup> Ave.
1238	Clackamas Sunnyside	5.9	11	12046 SE Sunnyside Rd.
1094	Milwaukie	6.0	15	10804 Oak St.

