

Plan Amendment: Expand Boundary

- ORS determines allowable boundary expansion:
 - Original Area Acreage: **284.5 acres**
 - 20% of Original Acreage (Maximum Addition): **56.9 acres**
 - Previous Additions: **29.21 acres**
 - Remaining Capacity (Current): **27.69 acres**
 - Proposed 2024 Addition: **21.5 acres**
 - Remaining Capacity (Future): **6.19 acres**

TO: Jacque Betz
FROM: Elaine Howard
CC: Tiberius Solutions, LLC and John Southgate LLC
RE: Urban Renewal Update
DATE: March 18, 2024

The Gladstone Urban Renewal Agency (Agency) hired Elaine Howard Consulting, LLC to review the boundary, provide financial projections, and review projects for a potential amendment to the Gladstone Urban Renewal Plan (Plan). Elaine Howard subcontracted with Tiberius Solutions LLC to prepare the financial analysis. John Southgate of John Southgate LLC, who provides development consulting services to the Agency, assisted in reviewing the components of the potential amendment. This amendment would focus on the downtown core of Gladstone, making improvements to Portland Avenue and allowing the Agency to offer assistance to promote development in the Urban Renewal Area (Area).

1. Boundary

The consultant team worked with Agency staff to identify a potential boundary expansion area that met statutory restrictions. The boundary limitations were approximately 28 acres. The proposed expansion area is shown in Exhibit 1. It is 21.5 acres and includes properties on either side of Portland Avenue from Abernethy Lane to just beyond East Arlington Street. This area can be added through a substantial amendment to the Plan. If this acreage is added, there is still capacity for approximately six acres that may be added in a future amendment, shown in Exhibit 2.

ORS 457.220 (3) states: "No land equal to more than 20% of the total land area of the original plan shall be added to the urban renewal areas of plan by amendments." Twenty percent of the original area is equal to 56.907 acres. As shown in Exhibit 2, the total acreage added to-date is 29.215 acres, leaving a potential 27.692 acres to be added to the Area. This analysis for a future amendment would add 21.5 acres, leaving approximately six acres to add in the future.

Exhibit 1. Potential Expansion Area



Source: Tiberius Solutions

Exhibit 2. Acreage Calculations

	Acres
Original Area Acreage	284.535
20% of Original Acreage	56.907
Previous Additions	
Feb 8, 2005	2.8
July 12, 2005	2.28
December 13, 2005	1.585
October 10,, 2006	1.73
March 13 2007	2.62
April 10, 2007	2.21
May 8, 2007	1.44
June 9, 2009	1.05
October 12, 2010	10.55
December, 2016	2.95
Total Acres Added	29.215
Potential New Addition	21.5
Remaining	6.192

Source: Elaine Howard Consulting

2.0 Financial Analysis
2.1.1 No Plan Amendment

Tiberius Solutions LLC prepared a financial analysis of the Area that included a review of the remaining Maximum Indebtedness (MI) and projections for future tax increment revenues and timeline for meeting the MI. MI is the total amount of tax increment revenues that may be spent on programs, projects and administration of an urban renewal plan. The Authorized MI is \$23,589,427. The cumulative MI used through fiscal year ending (FYE) 2023 is \$20,250,878.84, with \$3,338,548.16 remaining (shown in Exhibit 3). The Area is generating approximately \$1,000,000 a year in tax increment revenues.

Exhibit 3. Maximum Indebtedness Analysis

Maximum Indebtedness Amount	\$ 23,589,427.00
MI used through FYE 2023	\$ 20,250,878.84
Remaining MI as of FYE 2023	\$ 3,338,548.16
Beginning Fund Balance	\$ 2,990,007.00
Projected Annual Increment in FYE 2024	\$ 1,091,573.00

Source: Tiberius Solutions

The Area has two existing long term debt obligations, Fund 390 Urban Renewal District Fund – Civic Center Construction and Fund 100 – General Fund - Civic Center Construction. The payments on Fund 390 continue through FYE 2027 and on Fund 100 they continue through FYE 2030, with a much smaller payment in FYE 2030.

Exhibit 4. Debt Obligations

Obligation	Payments through
Fund 390 Urban Renewal District Fund – Civic Center Construction	FYE 2027
Fund 100 – General Fund - Civic Center Construction	FYE 2030

Source: Tiberius Solutions

The Area currently has a beginning balance of \$2,990,007 of tax increment revenues that have not been counted against its MI, and will be increase MI used once spent. Therefore, the Area is forecast to reach its maximum indebtedness in FYE 2025. Tiberius Solutions did not include specific project expenditures in their analysis, but the City anticipates that there would be sufficient funding to undertake all final projects in FYE 2025. After the MI is reached, all future tax increment revenues would be used to pay off the existing debt obligations shown in Exhibit 4 through FYE 2030. This analysis assumes that after the MI is reached in FYE 2025, the Agency would only collect enough tax increment revenues each year to pay the existing debt obligations. This is called “underlevying,” where the Agency would not take the full amount of tax increment proceeds available.

2.1.2 Plan Amendment

The maximum allowable MI increase for a Plan without concurrence from other taxing districts is determined by a formula prescribed in ORS 457.220 (4) - inflating the original MI annually by the index used in the urban renewal report to compute the future costs of projects that will be financed under the plan (3%) and calculating twenty percent of that amount. Exhibit 5 shows this calculation for the Gladstone Plan. City Council may increase the Plan’s MI by \$7,136,224 for a new total MI of \$30,725,651. If the City Council approves the MI increase, the Agency would have approximately \$9.3 million to spend on future projects, \$6 million more than if the MI was not increased, and the division of taxes is forecast to last through FYE 2033 when the division of taxes (and resulting impacts on taxing districts) for the Area would be terminated.

Exhibit 5. Maximum Indebtedness Increase Amounts

Original MI	\$ 23,589,427.00
Original MI Inflated	\$ 35,681,124.90
20% of Inflated MI	\$ 7,136,224.98
New MI	\$ 30,725,651.98

Source: Tiberius Solutions

If the MI is increased, this Plan becomes subject to revenue sharing. Revenue sharing is a statutory requirement of any plan that is substantially amended after January 1, 2010 (ORS 457.470(3)). Revenue sharing requires the Agency to share a portion of their tax increment

revenues with impacted taxing districts at specified thresholds. The first statutory threshold for revenue sharing in this Plan would be the year after the annual tax increment payments reach \$2,358,943. Revenue Sharing is not forecast to be met through FYE 2033, the last year the Area is forecast to receive tax increment revenues .

3.0 Project Review

The Agency staff and consultant team reviewed the list of projects for the Area if there were boundary additions. These projects would support the downtown core of Gladstone. The potential projects include:

- Improvements to Portland Avenue in accordance with the Downtown Revitalization Plan (2017), which call for a multi-modal street with bike lanes, curb extensions, street furnishings (Street lights, benches).
- Private development assistance including a storefront program, technical assistance program, pre-development funding, and financial participation in new private development including fee off sets and gap funds.

4.0 Next Steps

The Agency has decisions to make on:

- Boundary additions – Should the boundary be increased? If the boundary should be increased, is this the correct addition?
- Maximum Indebtedness - Should the MI be increased? Should additional spending capacity be allocated to the Agency?
- What projects should be undertaken (with or without a boundary addition or a MI increase)? How should the Agency allocate their remaining funds (both with and without a boundary and MI change)?

If the Agency wanted to take actions that increased the boundary or the maximum indebtedness, they would need to direct staff to prepare a substantial amendment for their review. A substantial amendment takes 4-6 months to complete, depending on the amount of public input. The cost is \$35,000 - \$45,000, again depending on the amount of public input. These costs can be paid with tax increment revenues.

5.0 Timeline

A potential timeline for a substantial amendment is shown in Exhibit 6. The timeline can be influenced by adding public involvement components such as an advisory committee, open house or online survey.

Exhibit 6. Timeline for a Substantial Amendment

