



TOWN CENTER URBAN RENEWAL DISTRICT FEASIBILITY STUDY

CITY OF HERMISTON, OR

NOVEMBER 2012

Prepared For:
CITY OF HERMISTON, OREGON

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I. INTRODUCTION

The City of Hermiston, via the City Council and Advisory Committees, is interested in determining the feasibility of an Urban Renewal program in the City. The goals of the program would be to:

- Revitalize the City Center, by alleviating conditions of blight and underinvestment;
- Encourage public and private investment;
- Increase the taxable value of property in the City; and
- Improve the utilization of land within specific areas of the community.

The City has identified a list of potential projects, described in this report, which will make central Hermiston a better place to shop, recreate, work and reside. An Urban Renewal program is one tool to facilitate these types of projects.

II. PURPOSE OF THE FEASIBILITY STUDY

The purpose of this feasibility study is to examine key elements and assumptions underlying an Urban Renewal District, and determine whether a district as proposed in this feasibility study would be:

- In compliance with the basic requirements of ORS 457, the Oregon statute governing formation of Urban Renewal areas;
- Feasible from a financial and City policy view point;
- Would meet City goals and objectives.

The following is a list of legal issues which are addressed in determining the feasibility of an Urban Renewal program:

- Has a preliminary boundary for the area been established?
- Does the area within the boundary contain blighting conditions as defined in ORS 457?
- Does the area within the preliminary Urban Renewal District boundary meet the tests of the statutory 25% limitation on acreage and assessed value within the City?
- Are the proposed project activities eligible as Urban Renewal activities?
- Has an estimate been made of the renewal project costs and revenues?
- Does it appear that there will be sufficient revenues to carry out project activities?
- Has an estimate been made of a date for completion of all projected activities?
- What are the potential impacts to overlapping taxing districts?

This feasibility report has no legal status as an Urban Renewal Plan as defined in ORS 457. This report is meant to meet the requirements of the feasibility report which is required to accompany an Urban Renewal Plan under ORS 407.085(3). The City of Hermiston will be required to take additional procedural steps, all in conformance with ORS 457, in order to create a renewal agency, district and an Urban Renewal plan and report that meet all ORS 457 standards.

Assessed Value Limitations

Oregon Revised Statute (ORS 457.420) on Urban Renewal also limits the total assessed valuation within an Urban Renewal District to no more than 25% of the total municipal assessed value. To this end, a review of 2011/12 Umatilla County Assessor's records indicates the following:

- The City of Hermiston comprised a total taxable assessed value (TAV)¹ of \$734,683,879.
- The proposed Urban Renewal District comprises a total TAV of \$40,272,690.
- The proposed Urban Renewal District's future share of City taxable assessed value would be 5.48%.

¹ Taxable Assessed Value (TAV) may be lower than Real Market Value (RMV) due to Oregon property taxation law (Measure 50). The TAV number above includes both land and improvements for non tax-exempt properties.

IV. PRELIMINARY GOALS AND OBJECTIVES

A preliminary set of goals and objectives have been formulated for the proposed Urban Renewal District.

- Revitalize the City Center, by alleviating conditions of blight and underinvestment;
- Create public improvements including open space, community meeting space and street improvements;
- Encourage new public and private investment;
- Increase the taxable value of property in the City; and
- Improve the utilization of land within specific areas of the community.

A list of potential projects meant to achieve these goals is discussed in Section VI below.

V. ASSESSMENT OF EXISTING CONDITIONS

Blighting Conditions

Oregon Revised Statutes (ORS) Requirements:

In order to form an Urban Renewal District, the City of Hermiston must find that blighted areas exist within the Urban Renewal boundary. ORS 457.010 defines "blighted areas" and blighting conditions in the following manner.

Language of ORS 457.010:

457.010

Definitions:

As used in this chapter, unless the context requires otherwise:

(1) "Blighted areas" means areas which, by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community. A blighted area is characterized by the existence of one or more of the following conditions:

(a) The existence of buildings and structures, used or intended to be used for living, commercial industrial or other purposes, or any combination of those uses, which are unfit or unsafe to occupy for those purposes because of any one or a combination of the following conditions:

(A) Defective design and quality of physical construction;

(B) Faulty interior arrangement and exterior spacing;

(C) Overcrowding and a high density of population;

(D) Inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities; or

(E) Obsolescence, deterioration, dilapidation, mixed character or shifting of uses.

(b) An economic dislocation, deterioration or disuse of property resulting from faulty planning;

(c) The division or subdivision and sale of property or lots of irregular form and shape and inadequate size or dimensions for property usefulness and development;

(d) The laying out of property or lots in disregard of contours, drainage and other physical characteristics of the terrain and surrounding conditions;

(e) The existence of inadequate streets and other rights of way, open spaces and utilities;

(f) The existence of property or lots or other areas which are subject to inundation by water;

(g) A prevalence of depreciated values, impaired investments and social and economic maladjustments to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered;

(h) A growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety, and welfare; or

(i) A loss of population & reduction of proper utilization of the area, resulting in its further deterioration and added costs to the taxpayer for the creation of new public facilities and services elsewhere.

Blighting Conditions Within the Preliminary Urban Renewal Boundary:

The feasibility study revealed the following conditions that constitute “blight” within the preliminary boundary:

- Central Hermiston exhibits a number of indicators of blight in public and private property in the area. Over time the area has experienced deterioration due to lack of new investment, vacancies, misalignment of uses in the area, and diminishing role as the mixed-use heart of the community.
- In the commercial areas of the central city, there are several vacant storefronts and undeveloped and underuse parcels. In addition, some of the buildings require light to major renovation. These conditions reflect a degree of obsolescence and deterioration within the sub-area (ORS 457(1)(a)(E)).
- In addition, these conditions demonstrate a growing lack of proper utilization of the area resulting in a stagnant and underproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare of the community (ORS 457(1)(h)).
- The absence of a city center performing to its full potential leads to a reduction of proper utilization of the area, and the need to create new public facilities and services in less central locations to accommodate residential and commercial growth which might otherwise be accommodated in the central city (ORS 457(1)(i)).
- There are multiple substandard streets in the area, including those which lack sidewalks and/or crosswalks (ORS 457(1)(e)).

Based on the conditions found within the preliminary study area boundary, the area contains one or more of the conditions listed under the definition of "blighted areas" found in ORS 457.010. The study area therefore, is eligible for inclusion in an Urban Renewal District.

VI. POTENTIAL PROJECTS

The following potential projects may be undertaken or amended by the Urban Renewal Agency (URA) subject to adoption of an Urban Renewal Plan and Report by the City Council pursuant to ORS Chapter 457. The actions of the URA to achieve revitalization goals and objectives will be undertaken in accordance with the adopted regulations and policies of the City of Hermiston and Umatilla County.

The Hermiston Urban Renewal Feasibility Study is a potential guide for shaping the City’s long term development strategies and encouraging the physical improvements necessary to stimulate redevelopment and revitalization of the preliminary Urban Renewal District recommended in the analysis.

To encourage rehabilitation and redevelopment of commercial, industrial and residential land and aid in the retention of existing business and attraction of new businesses, the URA may improve or construct public facilities and utilities including but not limited to streets, sidewalks, parking areas, and pedestrian amenities. Improvements may occur within public rights-of-way, easements or on public property. In addition, the Urban Renewal Agency may acquire property with the intent to construct improvements consistent with the goals and objectives of an urban renewal plan.

The following potential projects have been identified to achieve the objectives described in this urban renewal feasibility analysis. The projects identified are for discussion and specific projects will be identified in the urban renewal plan and technical report. This list is conceptual in nature and does not constitute a recommendation to undertake any of the identified projects. Cost estimates are preliminary.

The total combined cost of these projects is estimated to be \$1,525,000 in 2012 dollars.

FIGURE 6.1: CONCEPTUAL URBAN RENEWAL PROJECTS AND ACTIVITIES

Project Category	Potential Project	Description	Estimated Cost
Infrastructure	Town Center Plaza	Create a town center plaza to serve as a community meeting place and focal point in the Downtown Area.	\$650,000 ¹
Infrastructure	Street and Sidewalk Improvements	Make street improvements in the area of the Town Center Plaza to improve access, and enhance the community space. Build a gateway arch over a street adjacent to the plaza to announce entrance to town center area.	\$309,000
Infrastructure	Improve public parking access	Improve the public parking lot at SE 2 nd Street and E Hulbert Avenue, including access from the adjacent alleyway. Make streetscape and landscape improvements to compliment other town center improvements.	\$316,000

Project Category	Potential Project	Description	Estimated Cost
Program	Building Façade Improvement Program	Create a program to encourage improvements to building facades and storefronts in the town center area, by providing some percentage of matching funding to property owners who commit to such improvements.	\$250,000
TOTAL POTENTIAL PROJECT COSTS:			\$1,525,000

¹ Cost estimate does not include property acquisition cost, or costs for environmental remediation, utility relocation, or other potential costs at a selected site. However, costs for site remediation would be expected to be discounted from the acquisition cost.

Sources: Preliminary cost estimates by Foster Consultants, Trovo Design Studio, and Icon Gazebos

Details of these preliminary cost estimates, and schematic design drawings, are included in the attached Exhibits.

VII. FINANCIAL FEASIBILITY

This section defines the methodology of financial feasibility assessment and summarizes findings in keeping with requirements of Oregon Revised Statute on the matter of urban renewal plans. Specifically, ORS 457.085 (3)(g) requires the urban renewal plan to include:

(g) A financial analysis of the plan with sufficient information to determine feasibility;

To this end, a financial feasibility analysis was conducted that documents the following:

- Estimation of future taxable assessed value and resulting tax increment resources available for urban renewal activities;
- Estimation of the timing of tax increment resource availability; and
- Estimation of necessary urban renewal plan duration to sufficiently finance planned projects.

A. Estimates of Revenues to Pay for Plan Activities

The proposed Urban Renewal District (URD) illustrated in **Exhibit 1** has the potential to generate an estimated *total of between \$2.5 million and \$4.5 million in new incremental tax revenue* over a 20-year period depending on the rate of district growth.

The methodology used to reach this estimated range of incremental tax revenue is presented below.

Assumptions

This analysis assumes the following:

- The proposed Urban Renewal District (URD) will have the boundaries and contain the properties depicted in **Exhibit 1**.
- The urban renewal plan will last 20 years;
- The first tax increment revenue receipt will be in Fiscal Year 2012-13;

Growth in Taxable Assessed Value (TAV)

Current statistics provided by the Umatilla County Assessor's Office on the proposed Urban Renewal District are as follows:

- Current taxable assessed value (TAV) under Measure 50 in the proposed district is \$40,272,690.
- Proposed district TAV represents 5.48% of total City taxable assessed value.
- The propose district is 96 acres, or 1.9% of the acreage of the entire city.

To forecast potential future taxable assessed value within the proposed district, two potential growth scenarios were modeled over a twenty-year period, the standard planning period for Urban Renewal:

- Low Growth Scenario (1.5%)
- Medium Growth Scenario (2.5%)

The maximum annual escalation rate for assessed value is 3% under Measure 50. Due to the mixture of new construction, appreciation of existing improvements, and depreciation of some existing improvements, the actual rate can be more or less than this amount. The two growth rates chosen here are meant to provide conservative growth projections for planning purposes.

Figure 7.1 provides a summary of the projections of 20-year taxable assessed value growth under each scenario. Over the 20-year period analyzed, TAV is estimated to grow by roughly \$14 million under the low growth scenario and by as much as \$25.7 million under the medium growth scenario.

**FIGURE 7.1: TAXABLE ASSESSED VALUE GROWTH POTENTIAL (\$000s),
PROPOSED HERMISTON URD**

Tax Year	Low Growth 1.5%	Medium Growth 2.5%
2011-12	\$40,273	\$40,273
2012-13	\$40,877	\$41,280
2013-14	\$41,490	\$42,311
2014-15	\$42,112	\$43,369
2015-16	\$42,744	\$44,454
2016-17	\$43,385	\$45,565
2017-18	\$44,036	\$46,704
2018-19	\$44,696	\$47,872
2019-20	\$45,367	\$49,068
2020-21	\$46,047	\$50,295
2021-22	\$46,738	\$51,552
2022-23	\$47,439	\$52,841
2023-24	\$48,151	\$54,162
2024-25	\$48,873	\$55,516
2025-26	\$49,606	\$56,904
2026-27	\$50,350	\$58,327
2027-28	\$51,105	\$59,785
2028-29	\$51,872	\$61,280
2029-30	\$52,650	\$62,812
2030-31	\$53,440	\$64,382
2031-32	\$54,241	\$65,991
Net TAV Growth	\$13,969	\$25,719

Source: Umatilla County Assessor, Johnson Reid LLC

Potential New Tax Increment

Given potential growth in taxable assessed value within the proposed Hermiston Urban Renewal District, it is possible to estimate the potential incremental tax revenue generated by the above TAV estimates. To do so, this analysis assumes:

- A district levy rate within the entirety of the proposed district equal to \$18.4900 per \$1,000 of assessed property value beginning in 2012-13 and decreasing to \$17.7188 per \$1,000 of assessed property value by 2031-2032, due to eventual retirement of existing taxing district general obligation debt during the lifetime of the urban renewal plan.²

Figure 7.2 provides a summary of the estimated incremental tax revenue growth for each of the growth scenarios considered.

FIGURE 7.2: INCREMENTAL TAX REVENUE GROWTH POTENTIAL THROUGH 2031-2032, PROPOSED HERMISTON URD

2012-13 Levy Tax Year	Planning Area Levy Rate (per \$1,000 TAV)	
	18.4900 Low Growth	18.49 Medium Growth
2011-12	\$0	\$0
2012-13	\$11,170	\$18,616
2013-14	\$22,440	\$37,585
2014-15	\$33,815	\$56,922
2015-16	\$45,301	\$76,638
2016-17	\$56,900	\$96,748
2017-18	\$68,618	\$117,267
2018-19	\$80,458	\$138,207
2019-20	\$92,426	\$159,584
2020-21	\$104,526	\$181,411
2021-22	\$116,761	\$203,704
2022-23	\$129,136	\$226,478
2023-24	\$141,655	\$249,748
2024-25	\$154,323	\$273,529
2025-26	\$167,143	\$297,837
2026-27	\$180,119	\$322,689
2027-28	\$193,257	\$348,100
2028-29	\$206,559	\$374,088
2029-30	\$220,030	\$400,669
2030-31	\$233,675	\$427,861
2031-32	\$247,496	\$455,680
20-Year Revenue	\$2,505,806	\$4,463,363

Source: Umatilla County Assessor, Johnson Reid LLC

² Subject to Urban Renewal District financing rules, Urban Renewal Districts approved after October of 2001 may not include local option/special levies or bond levies approved after October 2001 in division of tax. (http://www.oregon.gov/DOR/PTD/IC_504_623.shtml) The jurisdictions with debt obligations prior to October of 2001 are Umatilla County, City of Hermiston, School District #8, and BMCC.

By the year of potential plan sunset, the revenue increment is estimated to grow to over \$247,000 annually under the low growth scenario TAV growth rate of 1.5%. Alternatively, assuming the proposed Urban Renewal District sees 2.5% TAV growth revenue is estimated to reach over \$455,000 by the final year of an Urban Renewal Plan.

The total potential tax revenue increment over 20 years is estimated between \$2.5 million and \$4.5 million.

B. Estimate of Project Costs

Potential projects which meet the objectives of the proposed Urban Renewal District are listed in “**Section VI: Potential Projects**” of this report. The total combined estimated cost of those 4 projects is \$1.525 million.

Urban Renewal is just one potential financing tool to apply to some or all of these projects. Urban Renewal need not be the source of financing for the total project costs, but it can contribute to these projects or provide full funding for those deemed most important to meeting the objectives of the Urban Renewal District. Urban Renewal has additional advantages as a financing tool:

- Provides a way to aggregate and dedicate funding to help address current capital improvement needs and blight conditions in the URD, in the near term;
- Demonstrates dedication to URD to developers and employers interested in the area;
- Provides funding for “catalyst” projects designed to incentivize further private and public investment from other sources;
- Is a ready source of matching funds for projects undertaken with funds from state or federal sources.

C. Estimate of Time Needed to Carry Out Plan Activities

The majority of potential projects identified in Section VI do not have a specified time period associated with them. From a practical standpoint, any or all of these projects could be physically constructed in 12 to 18 months. The lifetime of the Building Façade Improvement Program would be determined by policy and use of available funding.

Any of the potential projects identified could easily be addressed within a 20-year timeframe, which is a standard time period adopted for many Urban Renewal Districts. The 20-year period allows sufficient time for an URD to raise tax increment revenue, issue bonds, and implement projects. The impacts of earlier projects are apparent by the end of the period, and effectiveness of the overall Urban Renewal program can be better assessed before the district sunsets.

A shorter time period allows less bonding capacity and less time to assess results before the district sunsets. If a longer period is needed to meet Urban Renewal objectives, the Plan can be amended at the end of the initial period.

D. Estimate of Maximum Indebtedness to Carry Out Plan

Given annual incremental revenue estimates found in Figure 7.2, it is possible to estimate total potential borrowing capacity by an Urban Renewal District. For illustration purposes, borrowing capacity is defined as the maximum bonded debt that the proposed URD may take on in any particular year of its lifespan. Note that bonded debt is not the sole debt instrument available to URDs, but does allow for straightforward and consistent debt capacity estimates for comparison purposes.

The calculation of borrowing capacity for each year involved the following steps:

1. Assume minimum debt coverage ratio of 1.25, such that the Urban Renewal District would retain at least 20% of its annual revenue for cash reserves.
2. Calculate maximum annual debt service by dividing annual incremental revenue (Figure 7.2) by the 1.25 debt coverage ratio.
3. Given annual, maximum debt service, calculate maximum, supportable bond debt service each year assuming a 20-year term and a 6% annual percentage rate.
4. Assume the goal of amortizing bond payments over the 20-year life of the Urban Renewal District and no longer. This is a conservative assumption that all bonded URD debt would be paid off during the life of the URD itself.

Figure 7.3 presents results of this analysis for the two growth scenarios.

**FIGURE 7.3: ANNUAL MAXIMUM DEBT OBLIGATION POTENTIAL,
ASSUMING AMORTIZATION OF BOND PAYMENTS OVER 20 YEARS
PROPOSED HERMISTON URBAN RENEWAL DISTRICT**

Tax Year	Supportable Bond Obligation - 2032 Expiration	
	6% APR, 20-Year Bond - Term Limited	
	Low Growth	Medium Growth
2011-12	\$0	\$0
2012-13	\$103,938	\$173,230
2013-14	\$203,237	\$340,410
2014-15	\$297,345	\$500,523
2015-16	\$385,651	\$652,432
2016-17	\$467,482	\$794,873
2017-18	\$542,096	\$926,435
2018-19	\$608,678	\$1,045,555
2019-20	\$666,334	\$1,150,497
2020-21	\$714,082	\$1,239,338
2021-22	\$750,846	\$1,309,950
2022-23	\$775,447	\$1,359,978
2023-24	\$786,595	\$1,386,824
2024-25	\$782,881	\$1,387,617
2025-26	\$762,761	\$1,359,192
2026-27	\$724,554	\$1,298,060
2027-28	\$666,421	\$1,200,379
2028-29	\$586,356	\$1,061,919
2029-30	\$482,174	\$878,026
2030-31	\$351,491	\$643,584
2031-32	\$191,709	\$352,968

Source: Johnson Reid LLC

In the initial years of the district, bonding capacity is limited by the amount of TIF revenue for debt coverage. As the projected annual TIF revenue grows over time, a maximum potential debt obligation of \$1.39 million is reached in the 13th year (medium growth scenario). Following the 13th year, the amount of assumable debt shrinks if the policy goal is to pay off the bonded debt within the 20 years.

This calculation reflects the assumptions listed above and does not address other financing options available to Urban Renewal Agencies. One common approach is to borrow money for identified projects from the City in early years, to be paid back with Urban Renewal bonds after the TIF revenue of the district has grown.

E. Evaluation of Financial Feasibility

The analysis outlined above finds that the proposed Urban Renewal District (URD) within Hermiston, as depicted in **Exhibit 1**, is capable of generating the following resources should it pursue Urban Renewal as a fiscal tool:

- Annual incremental tax revenue reaching between \$247,000 and \$455,000 by the end of a twenty-year district sunset period depending upon rate of district growth.
- Total 20-year tax revenue increment of between \$2.5 million (low growth) and \$4.5 million (medium growth).
- By sunset of a plan after twenty years, estimated capacity to issue up to \$787,000 in debt under a “low” or minimum growth scenario and up to \$1.39 million in combined 20-year debt under a “medium growth” scenario. This assumes the goal to amortize bonded debt payment over the 20-year life of the district.
- Of the \$1.52 million total cost of all potential projects identified in this report, the estimated bonding capacity range could hypothetically contribute from 52% (low-growth scenario), to 91% (medium-growth scenario).

This analysis concludes that an Urban Renewal Plan which assumes the above parameters is financially feasible and could contribute significant funding resources to achieving the goals and objectives of the Urban Rental District, as outlined in this report.

VIII. TAX IMPACTS OF CARRYING OUT PLAN

A. Urban Renewal Under Ballot Measure 50

Currently under Measure 50, property tax bills are not affected by the addition of an urban renewal district. Instead, given fixed, permanent tax rates, typically declining bond levy rates, and statutory limits on growth in annual taxable assessed value of property, urban renewal resources are actually a diverted share of property tax revenues that would have otherwise gone to local taxing districts. This implies the following:

- Urban renewal tax increment represents foregone property tax revenue previously received by general government taxing districts (County, City, Transit, etc.) and to education taxing districts (Public Schools, Community College, Educational Service Districts, etc.).
- Foregone property tax revenues will vary for each taxing district given different tax rates, different taxable assessed values, existence of compression or other factors.
- Public school districts do lose property tax revenue as a result of urban renewal district establishment, though there is no net loss to school district general fund revenues in total due to the State's calculation of per-student spending and the State distribution of property tax revenues to schools.

B. Fiscal Impacts on Local Taxing Jurisdictions

An analysis of foregone property tax revenues for each affected taxing district (Umatilla Code Area 0801) with jurisdiction over the study area was conducted. Detailed results for each taxing district are expressed in Table 8.1 below.

Over the 20-year study period, we find that a total of \$2.51 million in property tax revenues will be foregone by taxing districts affected by the preliminary urban renewal district under the low growth scenario. And \$4.46 million would be foregone under the medium growth scenario.

- Tax revenue diversion is estimated to begin at \$11,170 in 2012-13 and grow to \$247,500 by 2031 (low growth), or \$18,600 in 2012-13 to \$455,600 in 2031 (medium growth).
- The City of Hermiston, School District 8, and Umatilla County are projected to forego the most revenue during the life of the URD.

Annual estimates in Table 8.1 are nominal, in that they inherently assume 3.0% annual inflation. Accordingly, estimates actually overstate foregone revenues for the taxing districts because of the time-value of money. In other words, one dollar in twenty years is worth far less than one dollar today due to inflation, risk, and other variables. Therefore Figure 8.1 shows foregone revenue in total nominal dollars, and the value in 2012 dollars, assuming inflation.

Results indicate that total, combined property tax revenues foregone, and therefore, urban renewal revenue resources in today's dollars will total \$1.7 million (low growth) to \$3.0 million (medium growth) over the course of the 20-year duration.

See Table 8.1 on the following page.

TABLE 8.1: 20-YEAR PROPERTY TAX REVENUES FOREGONE BY TAXING DISTRICTS AFFECTED BY THE PROPOSED URBAN RENEWAL DISTRICT

1.5% Growth	Umatilla County		City of Hermiston		School District #8		Intermountain ESD		BMCC		Port of Umatilla	
	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue
2011-12	3.0977	\$0	6.4345	\$0	5.5656	\$0	0.6156	\$0	0.9558	\$0	0.1539	\$0
2012-13	3.0977	\$1,871	6.4345	\$3,887	5.5656	\$3,362	0.6156	\$372	0.9558	\$577	0.1539	\$93
2013-14	3.0890	\$3,760	6.4223	\$7,817	5.5419	\$6,746	0.6156	\$749	0.9455	\$1,151	0.1539	\$187
2014-15	3.0806	\$5,667	6.4105	\$11,793	5.5190	\$10,153	0.6156	\$1,132	0.9355	\$1,721	0.1539	\$283
2015-16	3.0725	\$7,593	6.3992	\$15,814	5.4969	\$13,584	0.6156	\$1,521	0.9259	\$2,288	0.1539	\$380
2016-17	3.0646	\$9,538	6.3882	\$19,883	5.4756	\$17,042	0.6156	\$1,916	0.9167	\$2,853	0.1539	\$479
2017-18	3.0571	\$11,504	6.3776	\$24,000	5.4550	\$20,528	0.6156	\$2,317	0.9077	\$3,416	0.1539	\$579
2018-19	3.0498	\$13,491	6.3674	\$28,168	5.4351	\$24,044	0.6156	\$2,723	0.8991	\$3,977	0.1539	\$681
2019-20	3.0427	\$15,500	6.3576	\$32,387	5.4160	\$27,590	0.6156	\$3,136	0.8908	\$4,538	0.1539	\$784
2020-21	3.0359	\$17,532	6.3481	\$36,658	5.3975	\$31,169	0.6156	\$3,555	0.8827	\$5,097	0.1539	\$889
2021-22	3.0294	\$19,586	6.3389	\$40,984	5.3796	\$34,782	0.6156	\$3,980	0.8750	\$5,657	0.1539	\$995
2022-23	3.0231	\$21,665	6.3300	\$45,364	5.3624	\$38,430	0.6156	\$4,412	0.8675	\$6,217	0.1539	\$1,103
2023-24	3.0170	\$23,768	6.3215	\$49,801	5.3458	\$42,115	0.6156	\$4,850	0.8603	\$6,777	0.1539	\$1,212
2024-25	3.0111	\$25,896	6.3133	\$54,296	5.3298	\$45,838	0.6156	\$5,294	0.8533	\$7,338	0.1539	\$1,324
2025-26	3.0054	\$28,051	6.3053	\$58,850	5.3143	\$49,601	0.6156	\$5,746	0.8466	\$7,901	0.1539	\$1,436
2026-27	2.9999	\$30,232	6.2976	\$63,465	5.2994	\$53,404	0.6156	\$6,204	0.8401	\$8,466	0.1539	\$1,551
2027-28	2.9946	\$32,440	6.2902	\$68,141	5.2850	\$57,251	0.6156	\$6,669	0.8338	\$9,032	0.1539	\$1,667
2028-29	2.9895	\$34,676	6.2831	\$72,880	5.2711	\$61,141	0.6156	\$7,141	0.8278	\$9,601	0.1539	\$1,785
2029-30	2.9846	\$36,941	6.2762	\$77,683	5.2576	\$65,076	0.6156	\$7,620	0.8219	\$10,173	0.1539	\$1,905
2030-31	2.9798	\$39,236	6.2695	\$82,552	5.2447	\$69,058	0.6156	\$8,106	0.8163	\$10,748	0.1539	\$2,026
2031-32	2.9752	\$41,560	6.2631	\$87,488	5.2322	\$73,087	0.6156	\$8,599	0.8109	\$11,327	0.1539	\$2,150
Total Revenue Foregone:		\$420,509		\$881,911		\$744,000		\$86,041		\$118,857		\$21,510
2012 Dollars (3% Inflation):		\$282,559		\$592,319		\$500,302		\$57,734		\$80,221		\$14,433
2.5% Growth	Umatilla County		City of Hermiston		School District #8		Intermountain ESD		BMCC		Port of Umatilla	
	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue
Total Revenue Foregone:		\$749,025		\$1,571,012		\$1,325,068		\$153,295		\$211,552		\$38,324
2012 Dollars (3% Inflation):		\$501,444		\$1,051,251		\$887,739		\$102,484		\$142,247		\$25,621

SOURCE: Johnson Reid, LLC

CONTINUED
TABLE 8.1: 20-YEAR PROPERTY TAX REVENUES FOREGONE BY TAXING DISTRICTS AFFECTED BY
THE PROPOSED URBAN RENEWAL DISTRICT

1.5% Growth	Fire District 4		County Radio District		Cemetery District 8		West Umatilla Mosquito Control		West Umatilla Vector Control	
	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue
2011-12	1.2025	\$0	0.1700	\$0	0.0923	\$0	0.2021	\$0	0.0000	\$0
2012-13	1.2025	\$726	0.1700	\$103	0.0923	\$56	0.2021	\$122	0.0000	\$0
2013-14	1.2025	\$1,464	0.1700	\$207	0.0923	\$112	0.2021	\$246	0.0000	\$0
2014-15	1.2025	\$2,212	0.1700	\$313	0.0923	\$170	0.2021	\$372	0.0000	\$0
2015-16	1.2025	\$2,972	0.1700	\$420	0.0923	\$228	0.2021	\$499	0.0000	\$0
2016-17	1.2025	\$3,743	0.1700	\$529	0.0923	\$287	0.2021	\$629	0.0000	\$0
2017-18	1.2025	\$4,525	0.1700	\$640	0.0923	\$347	0.2021	\$761	0.0000	\$0
2018-19	1.2025	\$5,320	0.1700	\$752	0.0923	\$408	0.2021	\$894	0.0000	\$0
2019-20	1.2025	\$6,126	0.1700	\$866	0.0923	\$470	0.2021	\$1,030	0.0000	\$0
2020-21	1.2025	\$6,944	0.1700	\$982	0.0923	\$533	0.2021	\$1,167	0.0000	\$0
2021-22	1.2025	\$7,775	0.1700	\$1,099	0.0923	\$597	0.2021	\$1,307	0.0000	\$0
2022-23	1.2025	\$8,618	0.1700	\$1,218	0.0923	\$661	0.2021	\$1,448	0.0000	\$0
2023-24	1.2025	\$9,473	0.1700	\$1,339	0.0923	\$727	0.2021	\$1,592	0.0000	\$0
2024-25	1.2025	\$10,342	0.1700	\$1,462	0.0923	\$794	0.2021	\$1,738	0.0000	\$0
2025-26	1.2025	\$11,223	0.1700	\$1,587	0.0923	\$861	0.2021	\$1,886	0.0000	\$0
2026-27	1.2025	\$12,118	0.1700	\$1,713	0.0923	\$930	0.2021	\$2,037	0.0000	\$0
2027-28	1.2025	\$13,026	0.1700	\$1,842	0.0923	\$1,000	0.2021	\$2,189	0.0000	\$0
2028-29	1.2025	\$13,948	0.1700	\$1,972	0.0923	\$1,071	0.2021	\$2,344	0.0000	\$0
2029-30	1.2025	\$14,884	0.1700	\$2,104	0.0923	\$1,142	0.2021	\$2,501	0.0000	\$0
2030-31	1.2025	\$15,834	0.1700	\$2,238	0.0923	\$1,215	0.2021	\$2,661	0.0000	\$0
2031-32	1.2025	\$16,797	0.1700	\$2,375	0.0923	\$1,289	0.2021	\$2,823	0.0000	\$0
Total Revenue Foregone:		\$168,070		\$23,760		\$12,901		\$28,247		\$0
2012 Dollars (3% Inflation):		\$112,776		\$15,943		\$8,656		\$18,954		\$0
2.5% Growth	Fire District 4		County Radio District		Cemetery District 8		West Umatilla Mosquito Control		West Umatilla Vector Control	
	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue	Divisible Tax Rate	Revenue
Total Revenue Foregone:		\$299,443		\$42,333		\$22,984		\$50,326		\$0
2012 Dollars (3% Inflation):		\$200,190		\$28,301		\$15,366		\$33,645		\$0

SOURCE: Johnson Reid, LLC

IX. SUMMARY OF URBAN RENEWAL FINDINGS

The previous sections of this analysis have provided information on each of the key issues that should be evaluated in making the decision to proceed with an Urban Renewal Plan and Report. In summary, the feasibility findings are these:

- The preliminary area proposed is within the acreage and total value limits established by ORS 457.020
- The preliminary area proposed contains blighting conditions as defined by ORS 457.010
- The list of potential goals, objectives and project activities are eligible for renewal funding.
- The assumptions used in the financial analysis of the Urban Renewal District's feasibility were made in good faith and are intended to be conservative;
- The duration needed to carry out the plan's activities is initially estimated at twenty years, and is typical of the duration often recommended for newly adopted Urban Renewal plans.
- Potential resources generated by an Urban Renewal District specified in this analysis are estimated to be moderate in the early years. However, as early as Year 7 (2018-19) a bond in the amount of \$1.0 million could be financed assuming no significant changes in the cost of borrowing (medium growth scenario).

Decisions on the use of the district's financial resources will be made annually during the new Urban Renewal Agency's budget process. On this basis, it appears there are no technical or legal obstacles to the feasibility of establishing an Urban Renewal District for the study area illustrated on **Exhibit 1**.

In conclusion, the City Council will decide whether or not the City staff and consultant shall proceed with an Urban Renewal Plan and Report.

IX. URBAN RENEWAL AGENCY ORGANIZATIONAL ALTERNATIVES

There are two alternative approaches to consider in establishing an Urban Renewal Agency.

The first and most commonly used organization is for the Hermiston City Council to designate the City Council as the Urban Renewal Commission. The Mayor and Council will need to conduct the Urban Renewal Agency's business in a separate public meeting from standard City business affairs. This can be accomplished by simply conducting the business of the City of Hermiston and the Hermiston Urban Renewal Agency in separate meetings in compliance with Robert's Rules of Order.

The second approach is for the City to establish a separate Commission to manage the Urban Renewal Agency. The Mayor, with the consent of the City Council, would appoint City residents to a Commission. The ordinance establishing the Urban Renewal Agency can be specific about the composition of the Commission, such as requiring that the Commission be comprised of one or more members of the City Council, one member of the Planning Commission and a specific number of citizens, at large.

A. City Council as Agency Commission

The advantages of designating the City Council as the agency commission include:

- Direct control is retained by Hermiston's elected officials.
- Decisions of this type of Commission will tend to be considered final, as opposed to the decisions of a separate board which might be forwarded to the City Council with a recommendation.
- The agency's meetings may be better attended if they are held concurrently with council meetings.

The disadvantages of this alternative include:

- Representation on the Commission is limited to the elected officials. Opportunities for other interested citizens (i.e. residents or business owners within the Urban Renewal area) to directly participate in agency governance is eliminated.
- The membership of the Commission is subject to change with each election, potentially resulting in a lack of continuity in agency policy.
- Agency issues may not receive sufficient attention from agency members who often have heavy demands placed on them in their roles as city councilors.
- In issues where the interests of the agency and the interests of the city differ, it may be more difficult for these interests to be kept separate. The council may not be as willing to advocate agency interests where these conflict with city interests.

B. Separate Agency Commission

The advantages of designating a separate agency Commission include:

- The Commission is more likely to devote its full attention to Urban Renewal matters

- The Commission is more likely to represent the interests of the agency in those circumstances where there may be conflicts with the City.
- The Commission membership may include one or more elected officials in order to retain a measure of direct control by the municipal governing body. An agency Commission may, in fact, be composed of a mix of elected officials and citizens, with the elected officials comprising a majority. This allows for direct control by the City Council while allowing for the continuity that can be provided by citizen members.
- The Commission membership may represent particular interests in the City or the Urban Renewal area.

The disadvantages of this form of governance include:

- The City may be unwilling to truly delegate authority to a separate Commission and this may result in “second guessing” of Commission decisions.
- The Commission may be less directly accountable to the voters of the City
- Commission decisions may not be considered final by the public and may be carried to the Council, causing delays or reversals of Commission decisions.

C. Advisory Committee

Either form of Commission can appoint an advisory committee, although advisory committees are more consistently appointed by Commissions which consist of the City Council. In fact, appointing such a committee can help mitigate some of the disadvantages of having the City Council serve as the agency Commission.

Advisory committees can devote their full attention to Urban Renewal issues, and the agency board can choose to rely to a great extent in many cases on their advice. Advisory Committees can also broaden participation in Urban Renewal decisions and can represent varying interests within the Urban Renewal District and the City.

Conclusion

Based on our experience of working with communities the size of Hermiston, it is most common for the City Councils to appoint themselves to the Urban Renewal Commission. At the same time however, they generally have appointed an Urban Renewal Advisory Committee. The City Council may consider selecting members of existing City boards to serve on the Committee as well as business and real estate owners and residents of the district. The Council will need to establish the Commission prior to adopting the final Urban Renewal Plan and Report.

EXHIBITS