

**CITY OF COOS BAY
JOINT CITY COUNCIL / URA WORK SESSION
Agenda Staff Report**

MEETING DATE January 31, 2017	AGENDA ITEM NUMBER
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TO: Chair Kramer and Board Members

FROM: Susanne Baker, Finance Director

THROUGH: Rodger Craddock, City Manager

ISSUE: Urban Renewal Special Levy

BACKGROUND:

Staff has been requested to provide information to the Agency on implementing the urban renewal special levy. The Agency has not elected the special levy option in the past and subsequently staff contacted urban renewal consultant Elaine Howard, who is regarded as an urban renewal specialist. Ms. Howard also commenced assisting the last Agency in updating the urban renewal plans. Ms. Howard and her associate, Nick Popenuk of Tiberius Solutions, LLC, and Denise Harris, Coos County Deputy Tax Assessor provided the following information.

The special levy is an additional new tax on all property taxpayers in the City of Coos Bay, in addition to the division of taxes that the urban renewal area already receives. The assessor calculates a separate tax rate for each special levy. The special levy will increase property tax bills. The urban renewal division of taxes (the way Coos Bay presently receives urban renewal funds) does not increase property tax bills.

A quick analysis from Nick Popenuk suggests implementing the full special levy would increase property tax rates 7% for property owners. Denise Harris, Coos County Deputy Assessor, roughly calculated the FYE 16/17 tax rate for downtown would have been \$1.09/\$1,000 or \$109 on a \$100,000 house; and the tax rate for Empire would have been \$.92 cents /\$1,000 or \$92 on a \$100,000 house.

The amount that could be raised through the special levy in FY 16/17 is found on the Coos County Assessor's Summary of Assessment and Tax Roll Table 4d.

Coos Bay Urban Renewal 1 (Downtown)	\$1,096,171
Coos Bay Urban Renewal 2 (Empire)	\$ 931,927

Special levy taxes are subject to the limitations of Article XI, Section 11b of the Oregon Constitution (\$10 per \$1,000 value limitation for general government).

What are the pitfalls? This is a new tax on property tax payers that will increase their property taxes. It may also cause tax compression and lessen the tax increment urban renewal funds, city tax revenues, and the revenues of the other overlapping districts.

What are the advantages? It could generate an extra amount of revenue per year to do more projects, depending on tax compression. The Agency could choose any amount of money for the special levy, up to but not over the district's maximum indebtedness. Implementation of the special levy would cause each district to reach their maximum indebtedness earlier.

Experiences: Ms. Howard states her firm has not directly dealt with localities specifically on special levies before, so does not know their experiences, although Talent and Portland were long time clients. The only other urban renewal areas in the State of Oregon that use the special levy are:

- Coos County
- North Bend
- Medford
- Talent
- Salem Downtown
- Portland Downtown, South Park Blocks, Airport Way, Convention Center

https://www.oregon.gov/DOR/programs/gov-research/Documents/publication-or-pts_303-405_2015-16.pdf pages 48,49.

What are the restrictions on the special levy? The special levy is available until the urban renewal area reaches the maximum indebtedness established prior to July 1, 1998. (ORS 457.010 (4)(b)).

The Coos Bay Downtown Plan established its maximum indebtedness of \$45,055,764 in May 1998 and this has not been increased since that date. Pending the FYE 17 du jour financing, the amount remaining until the maximum indebtedness is reached for this district is \$34,298,373.

The Empire Plan established its maximum indebtedness of \$12,550,011 in May 1998 and this has not been increased since that date. Pending the FYE 17 du jour financing, the amount remaining until the maximum indebtedness is reached for this district is \$6,844,432.

With this being an additional tax subject to the Measure 5 general government limitation, tax compression could be a factor. The Coos County Assessor's Office indicated there would be no way of predicting the impact of a special levy ahead of time because the tax compression test is performed on each individual tax account for each tax year. Mr. Popenuk provides that he can provide an in depth analysis (for a fee) that would evaluate previous year's values to derive a possible scenario. Using a broad approach and reviewing the changes over the last several years, it does appear if the trending remains that there will be compression.

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City of Coos Bay
Comparison of Real Market and Assessed Value for UR Special Levy Estimates
1/19/2017

Year	Real Market Value	Assessed Value	% AV of RMV	Theoretical Range of Compression Losses RMV => 118% of AV	Subject to Compression?
2011-2012	\$ 1,174,566,724	\$ 954,221,863	81%	119%	No
2012-2013	\$ 1,083,513,569	\$ 955,934,516	88%	112%	Yes
2013-2014	\$ 1,077,738,895	\$ 967,404,380	90%	110%	Yes
2014-2015	\$ 1,097,912,498	\$ 989,319,190	90%	110%	Yes
2015-2016	\$ 1,101,007,196	\$ 998,456,195	91%	109%	Yes
2016-2017	\$ 1,189,281,410	\$ 1,003,412,860	84%	116%	Yes

If both special levies were enacted, with a combined rate of \$2.01 per \$1,000, that would increase the total urban renewal adjusted general government tax rate for the area (excluding GO bonds, which are not considered for compression) to \$11.7570. Any tax rate above \$10.00 is potentially subject to compression. This means that any property with assessed value that is equal to real market value would experience significant compression, equal to roughly 88% of the proposed tax increase. Any property with real market value that is at least 18% higher than their assessed value, would experience no compression loss and pay the full amount of the tax increase. Thus, individual properties would pay somewhere between 12% and 100% of the proposed tax increase, depending on how close their real market value is to their assessed value. With compression, the overlapping districts and City would lose tax revenue.

Ms. Howard also obtained information from the Department of Revenue that states the special levy is treated as a permanent rate levy and would be compressed just as all other permanent rate levies if there were compression issues. This confirms that if there was compression, the city's permanent rate levy and other general government entities might indeed be impacted.

CODE AREA - 00900

DIST ID	NAME	TOTAL	EDUCATION	GOVERNMENT
004	COOS COUNTY-4H/EXTENSION	0.0800		0.0800
005	COOS COUNTY-LIBRARY SERVICES	0.6558		0.6558
006	COOS COUNTY	1.1882		0.9714
008	CITY OF COOS BAY	5.7382		5.7382
016	CITY OF COOS BAY-BOND>10/06/01	0.5409		
100	SOUTH COAST ESD	0.3988	0.3988	
155	COOS BAY SCHOOL #9	4.0561	4.0561	
200	SW OREGON COMM COLLEGE	0.6313	0.6313	
505	PORT OF COOS BAY	0.5494		0.5494
515	COOS COUNTY AIRPORT	0.2160		0.2160
620	COOS COUNTY URBAN RENEWAL	0.0359		0.0359
633	COOS CO UR SPECIAL LEVY	0.0229		0.0229
643	COOS BAY URBAN RENEWAL 1	0.8165		0.8165
644	COOS BAY URBAN RENEWAL II	0.6609		0.6609
647	COOS BAY UR SPECIAL LEVY			
651	COOS BAY UR SPECIAL LEVY II			
		<u>15.5909</u>	<u>5.0862</u>	<u>9.7470</u>

ADVANTAGES:

There is a mix of advantages and disadvantages for the Agency to consider as noted in the background.

DISADVANTAGES:

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BUDGET IMPLICATIONS:

Implementation of the special levy could increase funding for urban renewal, could decrease City (and the other general government entities) tax revenue, and could decrease tax increment urban renewal funds.

ACTION REQUESTED:

Staff requests direction from the Agency.