

MEMO

TO: Linda Engbretson, City Manager and Urban Renewal Executive Director

FROM: Scott Vanden Bos, Elaine Howard

RE: Potential Maximum Indebtedness Increase and potential minor amendment

DATE:

Introduction

Elaine Howard Consulting, LLC is an urban renewal consulting firm that performs urban renewal services from establishing new plans, authoring plan amendments, performing plan updates, and offering general advice on urban renewal strategy.

The purpose of this memo is twofold, one, to brief the City Commission on the benefits of a potential urban renewal plan update and two, to explain the process and implications of a substantial amendment increasing the maximum indebtedness of the Warrenton Urban Renewal Plan.

Types of Urban Renewal Amendments

There are two types of urban renewal plan amendments, “Substantial” and “Minor”.

Minor Amendments

Minor amendments are relatively uncomplicated to adopt. They are adopted by a resolution of the urban renewal agency and have a typical timeline of a manner of weeks.

Substantial Amendments

Substantial amendments are much more complicated to adopt than a minor amendment. According to statute, a substantial amendment must go through the same adoption process that the original urban renewal plan went through. That means the same public meetings: an urban renewal agency meeting, a planning commission meeting, and a City Commission hearing to adopt a nonemergency ordinance, typically requiring two readings of the City Commission. Typically, just these three meetings require at least three months. Also, take into account that a substantial amendment requires certain large portions of the plan and report to be fully updated, where a minor amendment does not. This makes the actual authoring of the amendment much

more labor-intensive on the consultant's end. Taken together, a substantial amendment takes in the realm of six plus months.

Plan Update, A Minor Amendment

Earlier in 2017 Elaine Howard Consulting, LLC was hired to help advise city staff on the status of the Warrenton Urban Renewal Plan (Plan). After initial consultation with several key staff members it became clear that the Warrenton Urban Renewal Plan would likely need at least an update, which would consist of a minor amendment, to help clarify the intent of the Plan for current and future city staff and Commissions. This update is listed alone as a minor amendment but could also be accomplished as part of a substantial amendment to increase the maximum indebtedness which will be discussed in later sections in this memo.

Maximum Indebtedness Increase, A Substantial Amendment

While any increase in maximum indebtedness is a substantial amendment there are two levels of maximum indebtedness increase which are separated by one threshold. These two different levels of increase require two different levels of approval from the overlapping taxing districts.

Increase is \leq 20% of Original Maximum Indebtedness as Adjusted for Inflation

If the increase is less than or equal to 20% of the original maximum indebtedness as adjusted for inflation, then no approval from the overlapping taxing districts is required, but they must receive notification through a consult and confer letter. However, we do recommend getting all the taxing districts on board and getting as much support as possible when increasing your maximum indebtedness regardless of whether you need approval or not.

Increase is $>$ 20% of Original Maximum Indebtedness as Adjusted for Inflation

If the increase is greater than 20% of the original maximum indebtedness as adjusted for inflation a special kind of taxing district approval called "Concurrence" is required. Concurrence is the approval of taxing districts making up 75% of the permanent rate levy, meaning that the higher your permanent rate the more your vote counts. Table 1 shows two ways Warrenton can achieve concurrence in a substantial amendment.

Table 1 – Concurrence for Warrenton Substantial Amendment

Jurisdiction Name	Rate	Percent of Perm Rate Levy
Clatsop County	1.5338	16.59%
Port of Astoria	0.1256	1.36%
Clatsop 4H & Extension	0.0534	0.58%
Sunset Empire Transportation	0.162	1.75%
Clatsop Care Center	0.1763	1.91%
City of Warrenton	1.6701	18.07%
Warrenton-Hammond School District #30	4.5902	49.66%
NW Regional ESD	0.1538	1.66%
Clatsop Community College	0.7785	8.42%
Total	9.2437	100.00%

A combination of either:
School District + City + County
(84.32%)
or
School District + City + Community College
(76.15%)
is enough taxing district approval for

The Financials in the Maximum Indebtedness Decision

Table 2 shows a relevant summary of the financial information involved in the decision surrounding a maximum indebtedness increase of the Warrenton urban renewal plan. The table starts with the projects that are slated for 2019, which will use a significant amount of the Plan's remaining authorized maximum indebtedness. The total resources for the urban renewal area are listed and matched against the total expenditures. The remaining resources and maximum indebtedness authority are listed and subtotaled. There is a subtle nuance to the numbers that requires some explanation for full understanding. All urban renewal expenditures must be on debt, and debt is the only real expenditure that counts against an urban renewal districts maximum indebtedness. Tax increment revenues themselves once collected do not count against the maximum indebtedness until converted into debt. Warrenton at the end of FYE 2019 will have \$350,000 of said tax increment revenues that have not yet been converted to debt, and thus have not been counted against the Area's maximum indebtedness. Until these dollars are converted to debt (conceptually for our calculations) they cannot be thought to be spent on projects. This is why the dollar amount to be spent on projects in Table 2 only sums the "Remaining Resources (counted against MI)" and the "Remaining MI Authority" as these are the dollars that the Area can spend on projects. The following section gives a subtotal for projects that are not yet in the Plan but are recommended to be added by staff in the minor amendment to

update the Plan when netted with the remaining MI authority and remaining resources counted against MI.

The final section details the two levels of maximum indebtedness increases. Without taxing district approval, the Plan could be amended to increase its maximum indebtedness by \$1,937,498. With concurrence of the taxing districts, the Warrenton urban renewal plan could be amended to increased maximum indebtedness by approximately \$5,300,000 while still expiring in the same year as currently expected in FY 2027/2028. The difference between the two options is approximately \$3,362,500. Without concurrence, and after an increase in maximum indebtedness through a substantial amendment, the Plan has enough money to fund all the projects recommended by city staff and still have approximately \$840,000 left over.

Table 2 – Financial Implications of Maximum Indebtedness Increase

FYE 2019 Projects Fund Balances		
Total Resources		\$ 1,695,509
Current Projects in Finance Plan		
Total Expenditures		\$ (1,216,430)
Remaining Resources (not counted against MI)		\$ 350,000
Remaining Resources (counted against MI)		\$ 129,079
Remaining MI Authority (2020 and beyond)		\$ 378,912
Remaining MI authority and Resources counted against MI		\$ 507,991
Projects not in Current Finance Plan		
Subtotal Projects not in Finance Plan		\$ (1,607,000)
Subtotal net Projects not in Finance Plan and Remaining MI after Expenditures		\$ (1,099,009)
MI Calculation Numbers		
Original MI	\$ 7,134,597	
MI Inflated to current year using National ENR rates	\$ 9,687,489	
Allowable MI Increase (20% original MI inflated) without taxing district approval (concurrence)		\$ 1,937,498
Subtotal Allowable MI Increase and net Projects not in Finance Plan and Remaining MI after Expenditures	\$ 838,489	
MI increase capacity within current district timeframe (approximate)		\$ 5,300,000
Subtotal Net Difference between MI Capacity increase and 20% MI Increase	\$ 3,362,502	

Timeline and Process

As stated earlier in this memo a substantial amendment must go through the same process as the original urban renewal plan, but it also must include some sort of public involvement. This can be in the form of either an open house or an advisory committee. An advisory committee generally provides more input but lengthens the timeline where an open house can be squeezed into an existing timeline. A substantial amendment with just an open house is in the realm of 4 months. Adding an advisory committee typically adds 3 months to the process.