

FISCAL YEAR 2015/16

ADOPTED BUDGET

GRESHAM
REDEVELOPMENT COMMISSION

ROCKWOOD-WEST GRESHAM
URBAN RENEWAL AREA

CITY OF GRESHAM
OREGON



Adopted Budget for Fiscal Year 2015/16
for the
Rockwood-West Gresham Urban Renewal Area

BUDGET COMMITTEE

Joan Albertson
Richard Anderson
Shane Bemis
Christopher Bentley
John Bildsoe
Karylinn Echols
Kirk French
Jerry Hinton
Michael McCormick
Mario Palmero
Nancy Seebert
Lori Stegmann
Chad Withrow

TABLE OF CONTENTS

Budget Message Fiscal Year 2015/16	1
Fiscal Year 2015/16 Property Tax Projection	6
Budget Development Process.....	8
Gresham Redevelopment Commission Work Plan.....	10
Rockwood-West Gresham Urban Renewal Area Map.....	11

ADOPTED BUDGET FISCAL YEAR 2015/16

Fiscal Year 2015/16 Budget Summary	12
Resources and Requirements - All Funds	13
Resources and Requirements - Fund 950: Rockwood UR Capital Projects Fund	14
Resources and Requirements – Fund 951: Rockwood UR Debt Service Fund	17

CAPITAL IMPROVEMENT PROGRAM FISCAL YEARS 2015/16 TO 2019/20: URBAN RENEWAL FUNDED PROJECTS

Funded Projects Overview	21
Urban Renewal Expenditure Graph by Fiscal Year	22
Urban Renewal Funded Summary	23
Urban Renewal Funded Summary by Resource	24
Urban Renewal Funded Resource Detail	25
Funded Project UR1004: Property Acquisition Fund	26
Funded Project UR1043: Catalyst Site	27
Funded Project UR1047: Sandy Boulevard Street Improvements	28
Funded Project UR1053: Stark Street Property Redevelopment	29
Carryover Projects.....	30
Carryover Projects Summary	31

BUDGET MESSAGE

FISCAL YEAR 2015/16

Urban renewal is a public funding mechanism for capital projects and programs that stimulate private investment, create jobs, and revitalize the condition of the community. The Rockwood-West Gresham Urban Renewal Area (URA) is the first urban renewal area in the City of Gresham (City). The 1,200-acre URA was established through a citywide vote in November 2003 and is governed by the 20-year Rockwood-West Gresham Renewal Plan (Renewal Plan).

The Fiscal Year (FY) 2015/16 budget supports the Gresham Redevelopment Commission (GRDC) goals and objectives and is consistent with the Renewal Plan. The budget for the URA describes the planned appropriations and supports the GRDC 2015 Work Plan and the FY 2015/16 - 2019/20 Urban Renewal Capital Improvement Program. Because the GRDC contracts with the City to carry out projects and programs on its behalf, operational revenue and expenditures are summarized in the City's budget under Funds 290, 390, and 450.

FY 2014/15 Highlights

Highlights of significant project and program accomplishments of FY 2014/15 are provided below.

- Developed strategy for renovating the former Rockwood Community Office (RCO) building into 5-7 retail/restaurant spaces, contemplated as phase 1 of larger Catalyst Site development strategy.
- Hired an architect and contractor to perform renovation work on the RCO. Completed design and permitting, with construction expected to begin in June 2015.
- Initiated tenant recruitment for the RCO, with positive feedback and several applications from interested restaurateurs.
- Initiated a new phase of planning and analysis for the larger Catalyst Site, including a five-track plan that will create an economic engine in the Rockwood Town Center. The five tracks are:
 - Food Access
 - Technology & Workforce Development
 - Retail & Restaurants
 - Meds & Eds
 - Library
- Engaged in a robust tenant recruitment effort for the Catalyst Site, including six summits with Meds & Eds partners, financing partners, and food and technology track tenants. Also engaged in discussions with Multnomah County regarding possible funding structures to support the development of a new library. Currently have non-binding tenant commitments secured for several of the five tracks.
- Received the Racial & Ethnic Approaches to Community Health (REACH) grant in partnership with Ecumenical Ministries of Oregon, Urban League of Portland, and Multnomah County Health

Department to support food access initiatives in Rockwood, which will fund grant applications for additional funding, community engagement, and tenant recruitment.

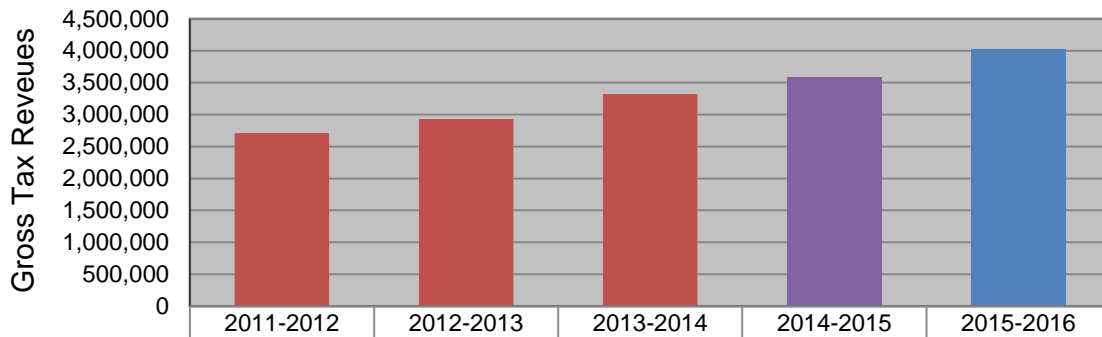
- \$100,000 in grants and other financial incentives leveraged \$8,196,574 in private investment.
- Negotiated the sale of a portion of the Drake’s 7 Dees site to Boys & Girls Clubs of Portland Metropolitan Area for the development of a new 29,860-square-foot facility that will serve the needs of Rockwood area youth.
- Negotiated the sale of another portion of the former Drake’s site to Open Meadow, an alternative school serving youth in grades 7-12, which will build a new 22,000-square-foot school in conjunction with Boys & Girls Clubs.
- Brought the Ecumenical Ministries of Oregon Farmers’ Market to the Plaza Del Sol in 2014 and 2015.
- Brought the My Street Grocery pop-up market to the Catalyst Site on Fridays from 3-6 p.m.

Revenue Trends

Urban renewal tax revenue is used to finance debt for new capital projects and programs in the URA and to repay debt. Growth in tax increment revenue has been less than anticipated due to the economic recession.

(Chart A)

**Rockwood-West Gresham Urban Renewal Area
Property Tax Revenues**



	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016
County Certified Property Taxes	0	0	0	3,578,837	0
Actual Property Taxes	2,710,548	2,929,171	3,318,592	0	0
Projected Property Taxes	0	0	0	0	4,019,671

The current tax revenue forecast for FY 2015/16 is \$4,019,671, which is an increase over last year’s forecast for the coming year of approximately 12 percent. This percentage surpasses the range of an ordinary pattern in assessed value growth, positively affecting the urban renewal tax collections. Projected new construction adding assessed value to the URA in FY 2015/16, in addition to normal assessed value growth, accounts for this level of collections. Expected tax revenue growth is higher when significant new capital-intensive investments are adding to the ordinary assessed value growth in the URA. The growth of new taxable assessed value in the URA remains relatively constrained in comparison to the previous decade, due to general economic conditions to this point not driving

significant new business investment. The metro region is pulling out of this trend and expectations are that the Eastside will follow this pattern.

Fiscal Year 2015/16 Budget

The budget consists of two funds: a Capital Projects Fund (Fund 950) for investment in capital projects and programs, and a Debt Service Fund (Fund 951) that accounts for tax revenues and repayment of debt. \$8.0 million in resources are available for the Capital Projects Fund and approximately \$12.7 million is available for the Debt Service Fund.

Fund 950: Rockwood UR Capital Project Fund

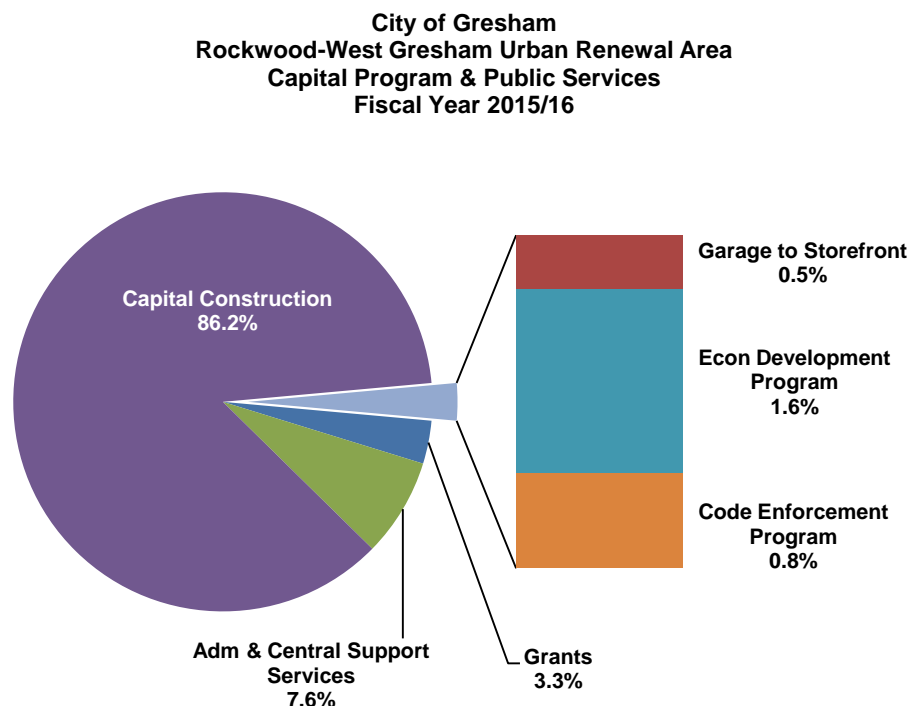
The Capital Projects Fund accounts for expenditures related to managing, designing, and constructing URA projects. All Urban Renewal expenditures except for debt service flow through Fund 950, including construction projects in the Capital Improvement Program, Urban Renewal grants, debt refinancing, and administrative costs.

Total resources for Fund 950 are approximately \$8.0 million. The resources consist of approximately \$6.96 million in loan proceeds from the City, \$1.0 million in estimated beginning fund balance carried forward from FY 2014/15, and \$53,600 in minor revenues.

Expenditures for City contractual services are \$1.72 million, expenditures for capital construction projects are \$5.25 million.

A contingency of \$250,000 is also included in this fund. An anticipated ending balance of \$815,500 is included. Total fund requirements are approximately \$8.0 million.

(Chart B)



Capital Improvements

The Renewal Plan calls for capital projects within the URA to be included in the City's Capital Improvement Program (CIP). The CIP is a 5-year forecasted estimate that identifies major projects requiring the expenditure of public funds over and above routine operating expenses. The CIP is updated annually to ensure that projects are aligned with community priorities and available resources. The updating process engages stakeholders in setting priorities and ensures that the GRDC is transparent and accountable in the delivery of those projects.

The FY 2015/16 capital projects in the City's CIP expenditures are approximately \$9.3 million (including carryover from the current FY). URA funded projects total approximately \$5.2 million, other resources totaling approximately \$4.1 million, primarily from a grant, comprise the remaining resources.

Grant Programs

The Urban Renewal program awards grants to provide direct incentives to support investment in the URA. New Industries and Predevelopment Services grants have been effective tools for promoting private investment in the industrial area and for creating new jobs. Grant funding to support industrial and commercial development remains a high priority for generating future tax revenues.

The Garage to Storefront program is being renewed in FY 2015/16. \$50,000 in funding for the Rockwood portion of the program is allocated in the budget.

The budget includes \$360,045 for grant expenditures, including funds carried over to pay for awarded grant projects not yet complete from previous years.

City Contractual Services

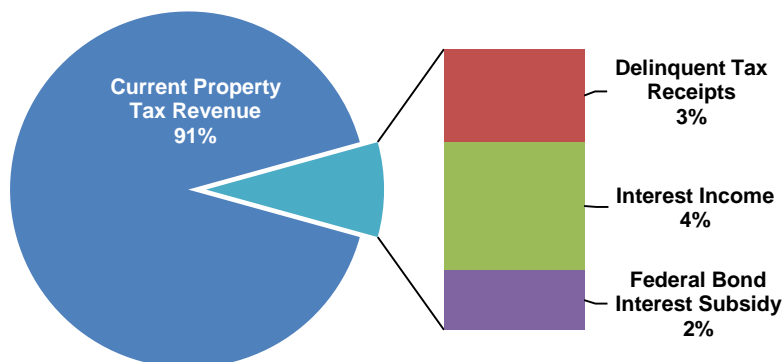
City contractual expenses are expected to be approximately \$1.72 million. A limited-term position to handle the increased development activity at the Catalyst Site is included in the budget. \$410,000 of the \$1.72 million is set aside for grant and garage to storefront expenses.

Fund 951: Rockwood UR Debt Service Fund

The Debt Service Fund accounts for the URA property tax revenue. Urban renewal statutes dictate property tax resources be limited to debt repayment. The GRDC finances all expenses through debt, as required by State law. The GRDC uses a mix of short and long-term debt to cover expenses.

(Chart C)

**Rockwood-West Gresham Urban Renewal Area
Debt Service Resources
Fiscal Year 2015/16**



Total resources in this fund are \$12.68 million. The budget anticipates approximately \$4.0 million in property tax revenues, a federal bond interest subsidy of \$77,500, and \$168,300 in interest income with approximately \$8.4 million in beginning fund balance.

The GRDC uses a line of credit to fund select construction projects and operating expenses. Subsequently the line is paid off or rolled into long-term installment debt. The budget allows for the potential repayment of \$4.5 million and interest expense of \$136,400.

The GRDC issued installment debt in FY 2009/10, and again in FY 2014/15, with a current annual installment debt service of approximately \$3.54 million.

\$4.5 million in unappropriated ending fund balance is for future debt payments. Total fund requirements are \$12.68 million.

Budget Document

As required by State law, the FY 2015/16 budget is balanced, meaning the projected resources are sufficient to meet allocated expenditures. Please note the six columns of data: 2015/16 Commission Proposed, 2015/16 Commission Approved, 2015/16 Commission Adopted, 2014/15 Budget, and two prior FYs of audited data, also required by law.

Relationship between the Gresham Redevelopment Commission and the City of Gresham

The GRDC oversees the URA. The URA is a distinct legal entity that is separate from the municipality of the City of Gresham. On February 26, 2004, the GRDC bylaws were adopted and officers were elected. The bylaws state that the GRDC is composed of the Gresham City Council. The URA is administered through an intergovernmental agreement with the City of Gresham.

Conclusion

The budget presents a spending plan for FY 2015/16 that reflects the goals and priorities of the Renewal Plan. I would like to acknowledge and thank all involved for their efforts in developing this budget.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read 'J. Fuhrer', written in a cursive style.

Josh Fuhrer
GRDC Executive Director

**Rockwood-West Gresham Urban Renewal Area
Fiscal Year 2015/16 Property Tax Projection**

	<u>AMOUNT</u>	<u>EXPLANATION</u>
2014/15 Tax Assessed Value Base and Growth		
URA Frozen Base TAV	\$ 437,507,294	
URA Incremental TAV Current Fiscal Year 2014/15	\$ 225,995,571	
URA Total Taxable Assessed Value as of 2014/15	\$ 663,502,865	From Multnomah County Tax Assessor

Projected Growth in Tax Assessed Value		
URA Incremental TAV 2014/15	\$ 225,995,571	
Normal Growth in TAV	\$ 19,980,062	Estimated at 4.40%
Estimated New Development TAV	\$ 9,220,166	Based on an estimate for known projects from Permit Records
Projected Incremental TAV 2015/16	\$ 255,195,799	

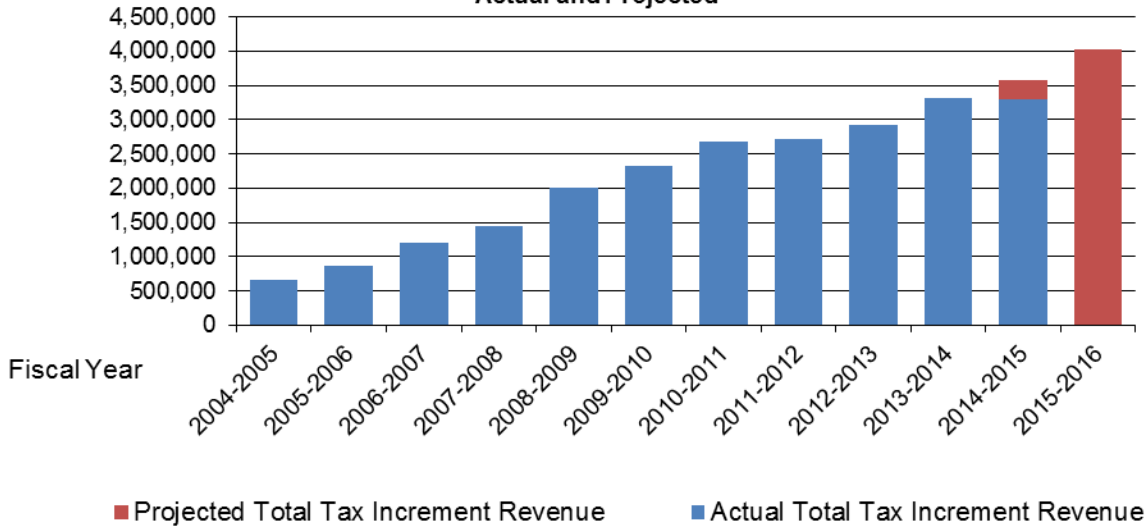
2015/16 Tax Assessed Value Base and Growth		
URA Frozen Base TAV	\$ 437,507,294	
Projected Incremental TAV 2015/16	\$ 255,195,799	
URA Total Estimated Taxable Assessed Value as of 2015/16	\$ 692,703,093	Forecast

Projected URA Tax Revenue		
Projected URA Tax Rate	\$ 16.25	
Calculated URA Tax (before Adjustments)	\$ 4,145,875	
Less: Discounts and Delinquencies	\$ (246,792)	Uncollected taxes estimated as a Percent of Tax
Plus: Delinquent Collections and Penalties	\$ 120,588	A projection based on a percent of the average actual collections, plus interest penalty
Projected URA Tax Revenue 2015/16	\$ 4,019,671	

Legend

URA = Rockwood-West Gresham Urban Renewal Area
TAV = URAs Taxable Assessed Value

**Rockwood-West Gresham Urban Renewal Area
Total Tax Revenue Proceeds
Actual and Projected**



The Rockwood-West Gresham Urban Renewal Area (URA) appears to be moving past the lingering effects of the great recession. Economic recovery continues and appears to be picking up. Fiscal Year 2015/16 resources are expected to maintain a trend from Fiscal Year 2014/15 of real growth from both an increase in assessed value of existing and new properties coming on the rolls. Tax proceeds languished starting in Fiscal Year 2010/11 due to flattening and declining assessed values in combination with little new property assessed value growth. Fiscal Years 2012/13 and 2013/14 would have shown a similarly reduced activity level except for the effects of a change in assessment method for certain industrial property, which had a positive effect in Fiscal Year 2012/13, and the creation of the Multnomah County Library District, which resulted in an increased tax rate for the URA for Fiscal Year 2013/14. As demonstrated by the Fiscal Year 2015/16 column, more than average, but not extensive, additional resources from new construction is expected. This trend is expected to continue at least into Fiscal Year 2016/17 as demonstrated on the chart below.

**Rockwood-West Gresham Urban Renewal Area
Incremental Assessed Value
Year-to-Year Percentage Change
Comparison of Original to Current Projections**

