



CITY OF BANDON

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Public Service...We Take It Seriously

August 17, 2011

Bandon School District Board
Diane Buche, Superintendent
Bandon School District
455 Ninth Street SW
Bandon, OR 97411

SUBJECT: Urban Renewal Area 1 Plan Amendment to Increase the Maximum Amount of Indebtedness - Bandon School District Concurrence

Dear Board Members Robbins, Berry, Carleton, Koch, Russell, Stadelman, and Valleli, and Ms. Buche :

Coos County and several other districts levy permanent rate property taxes in Bandon's Urban Renewal Area 1 ("Area"), which generally encompasses the South Jetty, Old Town, and the Woolen Mill area, as shown on the attached map. The Bandon School District also levies taxes in this Area and is therefore considered an "Overlapping Taxing District." The Urban Renewal Area 1 Plan ("Plan") has resulted in major public improvements to the Area over the last 24 years, including Fillmore Avenue and other streets, the boardwalk, sidewalks, street lighting, electrical utility undergrounding, the Historical Society museum, the Grand Avenue/3rd Street bridge, and upgrades to the sanitary sewer and storm drainage systems.

The City of Bandon is considering amending the Plan to increase the legal limit on the expenditure of urban renewal funds on projects and administration ("Amendment"). This limit is called the "Maximum Indebtedness". The current Maximum Indebtedness of \$5,375,225 dollars is adequate to fund the priority projects in the existing Plan, but is not adequate for the investments necessary for the redevelopment projects planned for the Area. The City is proposing to increase the maximum indebtedness by \$6,628,756, to a new total of \$12,003,981.

Preparation of the proposed Urban Renewal Area 1 Plan Amendment is being overseen by the Economic Development Committee. Projects that are proposed to be completed with the Amendment will focus primarily on redevelopment of the Woolen Mill area south of Highway 101, between Fillmore Avenue and Grand Avenue, most of which is owned by the City. Those projects include purchasing the City Shop site from the City so it can be

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redeveloped for commercial and industrial purposes and the City shop can be relocated to its new 13th Street location; the local share of the costs of a new eco-tourism center in the Woolen Mill area, which will hopefully be developed in conjunction with the U.S. Fish and Wildlife Service; public restrooms; a large central parking lot for automobiles, busses, and RV's; and land acquisition and infrastructure investments to leverage private sector investment in economic development projects to create additional permanent family-wage jobs in the community. Now that the Urban Renewal Agency has purchased the old Bandon Cheese Factory property, private developers have contacted the City regarding the possibilities of re-establishing a cheese factory, constructing a brewery, and developing other manufacturing and retail businesses on that property. Other proposed Area 1 projects include a building facade renovation loan/grant program for businesses, additional street lighting, extending the boardwalk and pedestrian walkways from Old Town to the South Jetty, electrical improvements to the boat basin, improvements to the South Jetty Park and other wayside parks, drainage improvements, and flood protection.

Amending the Plan would promote the reinvestment in vacant land and the transfer of currently City-owned land to the private sector. This will increase property tax revenues and will result, in the future, in more permanent rate revenues to the overlapping taxing districts. (Those districts already can tax the growth in assessed value in the Area for local option levies or general obligation bonds approved by voters after October 5, 2001, so urban renewal does not impact those revenues.)

There are two aspects of the proposed Amendment that require the agreement or "concurrence" of the overlapping taxing districts that, in Fiscal Year Ending ("FYE") 2011, levied 75% of the permanent rate taxes in the Area. The aspects that require the concurrence of these overlapping taxing districts are (1) the increase in maximum indebtedness of more than 20% of the original maximum indebtedness, as indexed, and (2) the use of 100% of future tax increment revenues available for the Plan to repay the debt issued. These factors are described below. The School District Board can provide concurrence with the two issues discussed below by passing a resolution (a draft resolution is attached) or by motion (draft motion language is attached).

1. Increase in Maximum Indebtedness

State law limits an increase in maximum indebtedness of an urban renewal plan to 20% of the original maximum indebtedness amount, as indexed. For the Plan, this limit would allow for an increase of \$1,901,431. The proposed increase in maximum indebtedness is \$6,628,756, to allow for investments in the Woolen Mill Addition area and the other investments described above.

The increase in maximum indebtedness affects the overlapping taxing districts by extending the amount of time the City's Urban Renewal Agency ("Agency") will collect tax increment revenues. When tax increment revenues are being collected, the overlapping taxing districts forego the permanent rate revenues on the increase in assessed value inside the Area. Estimates are that, without an increase in maximum indebtedness, the tax

increment financing of the Plan would end in FYE 2021. With the proposed Amendments the tax increment financing of the Plan would extend to FYE 2033, a 12 year period.

The following table shows the value in today's dollars of this extension, that is the permanent rate revenues foregone between FYE 2022 and FYE 2033.

Overlapping Taxing Districts	Permanent Rate Levy, FY 2011	Average Annual Current \$	Percent Average Annual Revenues Foregone of FY 2011 Permanent Rate Levy
County General	4,618,169	29,111	0.6%
County 4H	379,751	2,394	0.6%
Coos County Library Serv. Dist.	3,117,125	19,649	0.6%
City of Bandon	164,001	12,346	7.5%
Port of Bandon	396,708	8,758	2.2%
County Airport District	1,026,355	6,470	0.6%
South Coos Hospital	733,456	23,970	3.3%
SW Oregon CC	2,964,964	18,916	0.6%

Those taxing districts that are county-wide forego an average amount of 0.6% of their FYE 2011 permanent rate levies. The City, Port of Bandon, and Southern Coos Hospital District forego higher amounts of revenue than the County wide districts, ranging from 2.2% of the Port's FYE 2011 levy to 7.5% of the City's FYE 2011 levy. The Bandon School District and South Coast ESD do not forego overall revenues because of State funding of these districts.

Following the end of tax increment financing under the proposed Amendment, the taxing districts would begin to receive permanent rate taxes on all the growth in assessed value in the Area, projected to be almost \$86 million in FYE 2034. A significant part of this growth will have been the result of the investments made under the proposed Amendment. In addition, the investments inside the Area may well spur private development outside the Area, which would also result in more property tax revenues for the overlapping taxing districts.

2. Use Of 100% Of Future Tax Increment Revenues To Repay The Debt Issued.

State law now requires that Urban Renewal Plans that are amended to increase their Maximum Indebtedness must, unless they get concurrence from Overlapping Taxing Districts, begin to collect less than 100% of the maximum annual tax increment revenues available for the Plan. This requirement to "share the tax increment revenues" begins after the annual revenues reach a trigger point of 10% of their original Maximum Indebtedness. For the Amendment, this level of annual revenues is \$537,523.

The Agency collected approximately \$307,000 in FY 2011 for the Plan. Projections are that the Agency would reach this trigger point level of revenue (\$537,523) for the Plan in FYE 2025 and begin to have to "share" revenues in FY 2026.

The effect of collecting 100% of the tax increment revenues - that is, not sharing the revenues immediately - is that the urban renewal debt is repaid as soon as possible. This allows the Overlapping Taxing Districts to benefit from taxing all of the growth in assessed value in the Area sooner, rather than later. According to projections, the urban renewal debt would be repaid one year later if annual tax increment revenues were limited.

Thank you very much for considering and acting on the City of Bandon's request for concurrence with our proposed amendment to the Urban Renewal Area 1 Plan. We believe the proposed projects will ultimately result in very positive impacts on all of the overlapping taxing districts by adding to the tax base, creating additional permanent family-wage private sector jobs, improving our tourism-based economy, and increasing the working-family population base, all of which are critical to ensuring the continued economic viability of each of the overlapping taxing districts.

If you elect to adopt a resolution concurring with the proposed increase in the maximum amount of indebtedness for Bandon's Urban Renewal Area 1, please send me a copy of that resolution when it has been passed. If you elect to pass a motion concurring with the proposed increase, please send me a copy of the minutes of the meeting at which that motion was adopted.

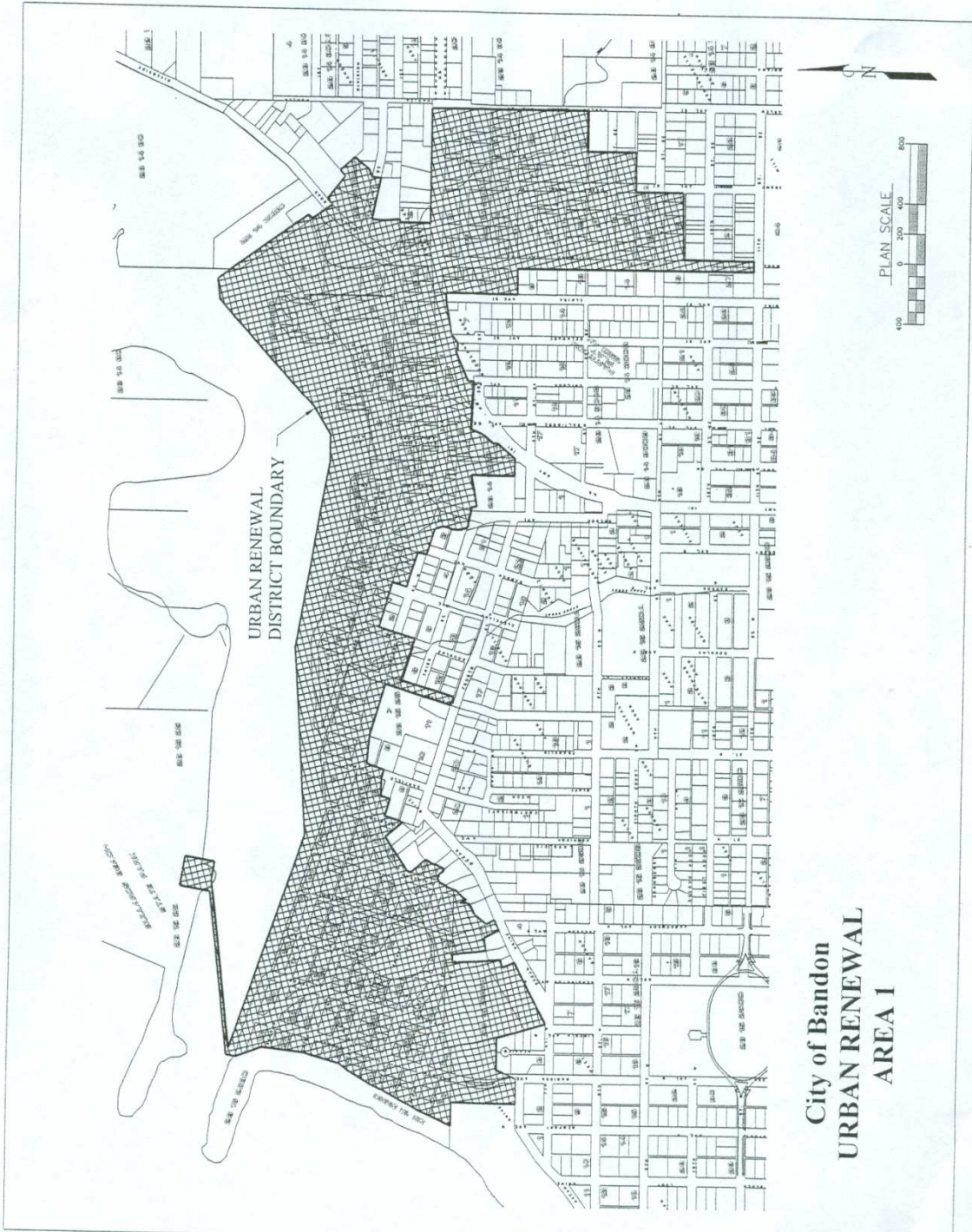
If you have any questions, need additional information, or would like me to attend a Board meeting to discuss this issue, please let me know.

Sincerely,



Matt Winkel
City Manager/Urban Renewal Manager

Enclosures



City of Bandon
URBAN RENEWAL
AREA 1

Bandon School District Board

DRAFT RESOLUTION LANGUAGE

WHEREAS, the City of Bandon, Oregon is considering a substantial amendment to the Bandon Area 1 Urban Renewal Plan ("Plan") to increase its maximum indebtedness by \$6,628,756, to a new total of \$12,003,981; and

WHEREAS, this increase would be greater than 20 percent of the initial maximum indebtedness of the Plan, as adjusted pursuant to ORS 457.220(4); and

WHEREAS, the earliest possible repayment of the debt incurred under the Plan, as amended, requires that the Agency certify for collection the maximum tax increment revenues available for the Plan; and

WHEREAS, the increase in maximum indebtedness and the certification for collection of the maximum tax increment revenues available for the Plan require the written concurrence of those taxing districts imposing at least 75 percent of the amount of taxes imposed under permanent rate limits in the Bandon Area Urban Renewal Area 1; and

WHEREAS, the Bandon School District imposes permanent rate property taxes in the Urban Renewal Area and wishes to indicate its concurrence with an increase pursuant to ORS 457.470(8);

NOW THEREFORE THE BANDON SCHOOL DISTRICT BOARD RESOLVES:

The Bandon School District Board hereby concurs with the increase in the Maximum Indebtedness of the Bandon Area 1 Urban Renewal Plan to \$12,003,981 and with the intent of the Bandon Urban Renewal Agency to certify 100% of the maximum tax increment revenues while debt issued or incurred under the Plan is outstanding.

OR

DRAFT MOTION LANGUAGE

Move that the Bandon School District Board concurs with the increase in the Maximum Indebtedness of the Bandon Area 1 Urban Renewal Plan to \$12,003,981 and with the intent of the Bandon Urban Renewal Agency to certify 100% of the maximum tax increment revenues for the Plan while debt issued or incurred under the Plan is outstanding.