CITY OF MADRAS

MADRAS URBAN RENEWAL AGENCY

REPORT ON THE MADRAS URBAN RENEWAL PLAN

JULY, 2002

CITY OF MADRAS URBAN RENEWAL PLAN – REPORT ON THE PLAN

ACKNOWLEDGEMENTS

Members of the City of Madras Urban Renewal Task Force

Rick Allen, Mayor
Melanie Widmer, City Council
Frank Morton, City Council
Janet Brown, Jefferson County Commissioner
Earl Cordes, Chief, Jefferson County RFPD
Susan McGough, Mt. View Hospital District
Dick Junge, Jefferson County School District
Melanie Lightbody, Jefferson County Library Dist.
Parrish Van Wert, Director, Madras-Jefferson Co. Chamber of Commerce

Tom Hansen, Chamber of Commerce
Blanca Reynoso, Chamber of Commerce
Mike Goss - Donwtowner
Faith Adele - Downtowner
Keri Saterlee - Downtowner
Shannan Ahern - Downtowner
Bill Houts – General Public
Terry Hanlon – General Public
Roger Tashwell – General Public

Staff Assistance
Steve Bogart, City Administrator
Dave Nixon, Jefferson County Assessor's Office

Urban Renewal Consultant
Charles Kupper, Spencer & Kupper

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REPORT ON THE MADRAS URBAN RENEWAL PLAN

PROJECT BACKGROUND

The Madras Urban Renewal Plan is a component of an community economic development effort by the City of Madras. The Madras City Council initiated the Plan effort, in response to signs of physical and economic decline in the civic and commercial core of Madras, and to help Madras compete for development opportunities in Central Oregon. The Council saw a need to provide incentives to attract new businesses to the commercial areas of Madras, and to improve conditions that limit the development potential of downtown Madras.

The Madras Urban Renewal Plan was created with the assistance of a citizens' task force appointed by the City Council in 2001. The Task Force held a series of public meetings and workshops on the key elements of the plan, beginning in November, 2001. In its opening statement of overall goals for the urban renewal plan, the Task Force states that ….."The Plan will assist in meeting the City's economic development objectives through rehabilitation of older and historic structures, redevelopment of key sites, improving transportation and utility facilities in the renewal area, assisting with the construction of needed public facilities, and creating public amenities." The Task Force further stated that a primary goal of the plan is "To promote private development, redevelopment, and rehabilitation within the urban renewal area to help create jobs, tax revenues, and self-sustaining, vital, and vibrant commercial districts."

INTRODUCTION TO THE ANALYSIS OF BLIGHTING CONDITIONS WITHIN THE MADRAS RENEWAL AREA

ORS 457.010 defines "blight" as follows:

"Blighted areas mean 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 <u>one or more</u> of the following conditions:

"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:

"Defective design and quality of physical construction;
"Faulty interior arrangement and exterior spacing;
"Overcrowding and a high density of population;
"Inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities; or
'Obsolescence, deterioration, dilapidation, mixed character or shifting of uses."

"An economic dislocation, deterioration or disuse of property resulting from faulty planning;

"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;

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

"The existence of inadequate streets and other rights-of-way, open spaces and utilities;

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

"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;

"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

"A loss of population and 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."

Note that it is not necessary for each of the cited conditions to be present in the renewal area, or that these conditions be prevalent in each and every sector of the urban renewal area.

Methodology for Evaluating Conditions Within The Proposed Renewal Area
Information describing the existing conditions within the proposed renewal area originates from a variety of sources. During the investigations and City discussions, the following data was inventoried:

- The use of each parcel.
- The existing zoning of each parcel.
- General observations on the condition of buildings where such could be determined from a "walk-around" perspective.
- The condition of streets: pavement, sidewalks and pedestrian amenities.
- Traffic conditions and traffic movement issues.
- Public safety issues, such as traffic hazards, inadequate street lighting, etc
- The existence and adequacy of the public infrastructure, i.e.: storm water drainage; sanitary sewers; water delivery systems; etc.

100. DESCRIPTION OF THE PHYSICAL, SOCIAL AND ECONOMIC CONDITIONS IN THE RENEWAL AREA

100A. PHYSICAL CONDITIONS

1. Land Area

The Madras Renewal Area contains 268.7 acres of land area. ORS 457.420 provides that the total land area of a proposed urban renewal district, when added to the land area of existing Renewal Areas may not exceed 25% of the City's land area. The City's current land area is approximately 1460 acres. The total of all acreage in renewal areas represents 18.40% of the City's land area. Total renewal area acreage is within the 25% limitation prescribed by ORS 457.420..

2. Existing Land Use and Development

The Madras Urban Renewal Area contains 388 tax lots. Those lots comprise 201.5 acres of land. (The total acreage in the project area is larger because of the inclusion of rights of way in total acreage) The use of the tax lots is shown in Table 1, below.

MADRAS URBAN RENEWAL PLAN				
TABLE 1				
Land Uses in the Renewal Area				
	Lots	% of lots	Acres	% of acres
Residential – Vacant Land	9	2.32	1.46	0.72
Residential - Improved	74	19.07	24.72	12.27
Commercial – Vacant Land	69	17.78	51.03	25.32
Commercial - Improved	188	48.45	98.14	48.70
Multi-Family - Improved	3	0.77	7.08	3.51
Exempt – Vacant and Improved	45	11.60	19.08	9.47
TOTALS:	388	100.00%	201.51	100.00%

Table 1 shows that vacant and improved commercial land represents 74% of the acreage in tax lots. Residential land, mostly in small tax lots, represents 13% of the acreage. Exempt property represents 9.5% of the acreage, and multi-family represents 3.5%. The focus of the renewal plan is on improving the commercial core of Madras, and the land use pattern in the renewal area reflects that focus.

Table 1 also illustrates that the average size of tax lots within each of the use categories is rather small, especially in the commercial use areas. The average lot size in the commercial use category is only approximately 0 .6 acres. This pattern of small lot sizes can be an obstacle to development in the renewal area.

3. Building Conditions

Assessors' records show that there are improvements on 293 tax lots in the renewal area. As noted in Table 1, most buildings in the area are zoned for commercial purposes. Visual inspection of building exteriors in the area shows the overall level of building conditions and upkeep is fair to poor. A visual survey of exterior conditions indicates there are 68 buildings in poor condition. The condition of some of these properties may make it economically infeasible to rehabilitate or repair them. The also exist in the area a number of properties in need of exterior repairs to roofing, siding, steps, and exterior trim. The condition of these properties is considered to be fair, but in need of repair.

4. Conditions - Streets and Sidewalk

City staff information on conditions within the renewal area indicates that only approximately 20% of the streets within the urban renewal area have curb and sidewalk that meet city regulations. Staff further notes that new collector streets and traffic signalization would be required if development causes significant increases in traffic volume. Only 4th and 5th Streets have a complete curb and sidewalk system, with some of that in need of repair. There is limited curb and sidewalk on 3rd, 6th, and 7th. Highway 97 south of J Street lacks sidewalk, and has only minimal curbing. The lack of curb and sidewalk in the project area create safety hazards for pedestrians.

5. Conditions - Water and Sewer Services

City staff indicates current services are adequate for the current level of development within the urban renewal area, there are substandard water flows for fire fighting.

6. Conditions - Visual Appearance

The Madras urban renewal area is laid out along the lines of Madras' main commercial area. The north-south axis of the renewal area runs along Fourth and Fifth Streets, which converge into Highway 97. The commercial area of Madras is a mix of small retail and service establishments, primarily fronting on Fifth Street, and larger, more auto oriented uses fronting on Fourth Street, and Highway 97. The quality of maintenance, construction styles, and quality of the commercial buildings vary widely. Several of the larger commercial buildings in the downtown core are vacant. Overall, the visual impression conveyed by the quality and condition of buildings in the renewal area is poor. Buildings in poor physical condition can be observed readily by those driving along Fourth, Fifth, and Highway 97. Since thousands of non-residents drive through Madras every day on the heavily used Highway 97, the visual appearance of the downtown area forms a strong impression of the overall economic condition of the community. The renewal area and the commercial core of Madras have few street trees, little landscaping, and few pedestrian or visual amenities. There are overhead power lines throughout the area, adding to the visual clutter. The visual appearance of the area reflects a lack of investment, poor infrastructure conditions, and substandard maintenance of many buildings in renewal the project area.

7. Conditions – Land and Building values

It is anticipated that the 2001-02 tax roll will establish the initial base of assessed values for the Renewal Area. The total assessed valuation for the City of Madras for that tax year was $150,779,640. The total assessed value of property within the urban Renewal Area for the 2001-02 tax year is calculated at $30,741,807 in land and building values. Assessor's data for personal property within the renewal boundary is not available, but the Assessor's data indicated $7,8 million in personal property in the City of Madras. Since the renewal area includes the majority of commercial property in Madras, it is assumed a large percentage of the $7.8 million in personal property is within the urban renewal area. It is estimated that personal property, utility, and mobile home values will add $6 million more in value, producing a total of $36,741,807 in values within the Madras Renewal Area.. The total assessed value Madras Renewal Area represents 24.36% of the total property valuation within the City of Madras. Total certified values within all renewal areas therefore are expected to be within the maximum 25% of total valuation allowed by urban renewal law.

8. Conditions – Flooding

Approximately 60 acres of the project area lie within the 100 year flood plain. The City and the renewal area have been subjected to flooding during severe winter rainstorms.

100B. SOCIAL AND ECONOMIC CONDITIONS

Census data for the renewal area itself is not available. The renewal area consists primarily of commercial and governmental property. The residential property within the urban renewal area consists mostly of older homes on very small tax lots. It is assumed that residents of these properties have incomes at, or below the Madras median family income. The 1990 Census showed Madras median income at $20,500, lagging behind Jefferson County's $23,500, and the State of Oregon's $27,250. The urban renewal effort is an attempt to improve overall economic conditions in the community, as well as the physical conditions in the renewal area.

Investment and Utilization of land

Real property values within the Renewal Area are largely concentrated in commercial property classifications. Table One of this Report shows that of 201.5 acres in renewal area tax lots, 149.1 acres are in commercial use. Of the acres in commercial use, 51.0 acres are vacant land, slightly more than one-third the total available. Further, the assessed value of commercial properties in the area is low. There are 188 commercial and 3 multi-family improved lots in the renewal area. Only 22 of those lots have assessed values in excess of $250,000. Only one lot in the renewal area has an assessed value in excess of $400,000. By these measures, commercial land in the renewal area is not well utilized, and is not producing adequate tax revenues for the city of Madras.

The real market value of land in the renewal area is $18.117 million and the real market value of improvements is $26.098 million. The ratio of building value to land value is 1.44 to 1_. Mature urban areas, especially those containing the community's commercial core, are expected to exhibit improvement to value ratios in the 4:1 or 5:1 range. While this ratio can not be expected in a community like Madras, it is unusual to find a low improvement to land value ratio in a boundary that takes in much of Madras' commercial areas. The data points to a lack of investment in the renewal area, depreciated values, and a loss of tax producing ability for the Madras community.

200. EXPECTED FISCAL, SERVICE AND POPULATION IMPACTS OF PLAN

Urban renewal plan activities are aimed at alleviating traffic, parking and pedestrian safety problems, at repairing and redeveloping property within the area, and at upgrading lighting, streets, sidewalks, and open space conditions in the Renewal Area. Carrying out the Renewal Plan is not expected to result in any additional population growth impacts for the City of Madras. The Plan is not expected to result in a need for any additional police, fire, or other emergency services beyond those already contemplated by the City and other service providers. The Renewal Area boundary includes no housing development; therefore, carrying out the Plan is expected to have no impacts on the school system. Carrying out the Renewal Plan is not expected to have any impact on water and sewer service needs. Project activities are not expected to require the relocation or removal of any residential or commercial properties. Carrying out the Renewal Plan will require the use of tax increment revenues. The tax impacts of the Renewal Plan are discussed in detail in Section 500 D of this report.

The Renewal Plan is expected to produce positive fiscal and service impacts for Madras. Among the public benefits of the renewal plan are

- Street and circulation improvements will improve public safety and convenience.
- Redevelopment incentives will lead to the construction of new tax producing buildings, and creation of direct and secondary employment..
- Infrastructure improvements will provide better utility service, and decrease public maintenance costs, and reduce flooding hazards.
- New businesses will provide additional shopping convenience, and reduce vehicular trips.
- Rehabilitation programs will preserve and renew properties in downtown Madras.

Additionally, the public and private investments made in the renewal area are likely to encourage new investment in areas adjacent to the renewal area. There are other positive effects of a renewal program that do not lend themselves easily to quantification, for they are quality of life issues. Maintaining the downtown core as the heart of the city, improving cultural and shopping opportunities, and improving the appearance of Madras all have value to the community. These quality of life issues were important forces in creating this renewal plan.

The expenditure of tax increment funds is expected to produce new property values for the City of Madras. The renewal project is estimated to be completed by the year 2027-28. During that period, property values in the renewal area are expected to increase by approximately $76 million At current general government tax rates, the new property values anticipated in the renewal area will contribute over $1.23 million in property tax revenues in the first year after the project is ended. Of that revenue, approximately $330,000 will return to the City of Madras, and another $358,000 to Jefferson County. That property tax revenue will continue to grow as a result of annual assessment increases.

300. REASONS FOR SELECTING THE URBAN RENEWAL AREA

The Urban Renewal Plan Area was selected based on Madras Comprehensive Plan goals, objectives, and policies and on the existence of blighting conditions within the area. The project area evidences the following characteristics of blight

- A lack of proper utilization of land planned for tax producing purposes.
- Deficiencies in streets, curb, sidewalk, and storm sewer services in the project area.
- Poor aesthetic conditions, contributing to a low level of investment in the project area.
- Poor building conditions in the project area.
- Flooding conditions in the area.
- A prevalence of small lot layouts, representing an inefficient use of land in the area.
- A prevalence of low values and lack of investment in the area, resulting in reduced tax revenues.

Conditions exist within the Renewal Area which meet the definitions of blight in ORS 457.010. Treating these conditions is the reason for selecting this renewal area

400. RELATIONSHIP BETWEEN EACH PROJECT ACTIVITY AND EXISTING CONDITIONS IN THE PROJECT AREA

The renewal plan includes activities that address the following deficiencies noted in Section 100 of the Report on the Plan:

- Deficiencies in the street and circulation system
- Deficiencies in curb and sidewalks in the project area
- Deficient water, storm and sanitary sewer services
- Deteriorated building conditions,
- Underutilized and unproductive land
- Lack of building investment, resulting in low assessed values within the renewal area.

500. FINANCIAL ANALYSIS OF PLAN

500A.ESTIMATED PROJECT COST AND REVENUE SOURCES

Table 2 shows the estimated total costs of the Madras Urban Renewal Project.. These costs are the total anticipated costs, allowing for 3% inflation during the life of the project. The principal method of funding the project share of costs will be through use of tax increment financing as authorized by ORS 457. Revenues are obtained from anticipated urban renewal bond proceeds and the proceeds of short term urban renewal notes.

The capacity for urban renewal bonds is based on projections of urban renewal revenues. Table 3 anticipates there will be four long-term bond issues during the life of the plan. Bond will be issued issues as revenues, project requirements, and overall bond market conditions dictate. In addition, the Renewal Agency will apply for, and make use of funding from other federal, state, local, or private sources as such funds become available.

MADRAS URBAN RENEWAL PLAN			
TABLE 2 - Estimated Cost, Start, and Complete Dates of Project Activities			
		Begin	End
Public Open Spaces and Parks	700,000	2004	2028
Parks Improvements			
Preserve Historic Buildings - Old City Hall; Odd Fellow Hall			
Willow Creek Bridge Open Spaces			
Streets and Infrastructure	700,000	2009	2028
Infrastructure Investment – Curbs/Sidewalks			
Traffic calming devices			
Streetscape, Landscape, Lighting, Gateway Projects	2,800,000	2003	2028
Decorative Street furniture, benches, trash receptacles			
Signs - Historic/Modern/Creative Signage			
Landscaping and Street Trees			
Building murals, flags and banners			
Decorative lighting			
Beautify/Screen/Landscape properties, including Old Copelands Parking Lot, Thrifty Drug Parking Lot and TS&S Parking Lot			
Redevelopment - New Construction Assistance	2,800,000	2004	2028
Assistance to attract new development and employment to downtown			
Redevelopment - Rehabilitation Assistance	2,800,000	2004	2028
Building Conditions - Rehab to improve them			
Building Colors - Design control or painting grants?			
Grants/Low Interest Loans to Improve Store Fronts			
Business and Economic Development Activities	2,800,000	2009	2028
Assist in public and private development, and redevelopment of properties that are underutilized, or that represent blighting influences in the area			
Program Administration	1,400,000	2003	2028

Total Cost of Activities	14,000,000		

Table 2 shows the total costs of carrying out project activities over an anticipated 25 year life of the urban renewal plan. In the course of preparing the renewal plan, the citizen advisory group was presented with various scenarios of potential revenues, project costs, and project duration. The advisory group chose $10 million in 2002 dollars as the target for project activity costs. With $10 million as a beginning point, a 3% annual cost inflation, and annual tax increment revenues and borrowings as shown in Table 3, it is anticipated that the total cost to carry out project activities will be $14 million.

500B. ANTICIPATED START & FINISH DATES OF PROJECT ACTIVITIES

The project activities shown in Table 2 will begin in 2003-04. It is estimated that all activities proposed in this plan will be completed, and project indebtedness paid off by 2028. At that time, the tax increment provisions of this plan can be ended.

The sequencing and prioritization of individual project activities shown in Table 2 will be done by the Urban Renewal Agency, and any citizen advisory bodies that the Agency calls upon to assist in this process. The priority of projects and annual funding will be as established in the annual budget process. Completion dates for individual activities may be affected by changes to local economic and market conditions, changes in the availability of tax increment funds, and changes in priorities for carrying out project activities.

500C. ESTIMATED EXPENDITURES AND YEAR OF DEBT RETIREMENT

It is estimated that the project will collect tax increment revenue between the years 2003-2004 and 2027-28. It is estimated that the project will produce $17.57 million in tax increment receipts in that period. These funds will be utilized to finance project activities, and pay all debt service costs, including interest, associated with undertaking these project activities.

It is anticipated that available project revenues, and funds accumulated in a special fund for debt redemption will be sufficient to retire outstanding bonded indebtedness in the year 2027-28, and terminate the tax increment financing provisions of the project. After all project debt is retired, and the project closed out, it is estimated that there will be surplus tax increment funds. These funds will be distributed to taxing bodies affected by this plan, as provided in ORS 457.

Table 3 of this Report shows the anticipated tax increment receipts for each year of the project, and the use of those receipts. Table 3 follows on the next page.

MADRAS URBAN RENEWAL PLAN

TABLE 3 - RESOURCES AND REQUIREMENTS

	2003	2004	2005	2006	2007	2008	2009	2010	2011
RESOURCES									
Beginning Balance	$0	$5,558	$101,317	$10,407	$6,529	$4,731	$11,268	$151,433	$150,017
Tax Increment Revenue	$182,815	$221,191	$260,622	$301,137	$342,767	$385,541	$429,491	$474,650	$500,697
Delinquency at 3% average	($5,484)	($6,636)	($7,819)	($9,034)	($10,283)	($11,566)	($12,885)	($14,240)	($15,021)
Proceeds of Borrowings	$0	**$901,000**	$0	$0	$0	$0	**$3,273,724**	$0	$0
Investment Earnings at 4.5%	$8,227	$10,204	$16,287	$14,019	$15,718	$17,562	$19,834	$28,174	$29,282
Total Resources	$185,558	$1,131,317	$370,407	$316,529	$354,731	$396,268	$3,721,433	$640,017	$664,975
REQUIREMENTS									
Project Outlays	$180,000	$820,000	$30,000	$60,000	$80,000	$100,000	$3,150,000	$70,000	$120,000
Project Outlays	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total project costs funded in year	$180,000	$820,000	$150,000	$100,000	$140,000	$175,000	$3,150,000	$70,000	$120,000
Debt Service - borrowing A - 5 yrs @5.75%	$0	$210,000	$210,000	$210,000	$210,000	$210,000	$0	$0	$0
Debt Service - borrowing B - 10 yrs @5.75%	$0	$0	$0	$0	$0	$0	$420,000	$420,000	$420,000
Debt Service - borrowing C - 10 yrs @5.75%	$0	$0	$0	$0	$0	$0	$0	$0	$0
Debt Service - borrowing D - 10 yrs @5.75%	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Outlays	$180,000	$1,030,000	$360,000	$310,000	$350,000	$385,000	$3,570,000	$490,000	$540,000
Total Resources	$185,558	$1,131,317	$370,407	$316,529	$354,731	$396,268	$3,721,433	$640,017	$664,975
Ending Balance	$5,558	$101,317	$10,407	$6,529	$4,731	$11,268	$151,433	$150,017	$124,975

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MADRAS URBAN RENEWAL PLAN

TABLE 3 - RESOURCES AND REQUIREMENTS

	2012	2013	2014	2015	2016	2017	2018	2019
RESOURCES								
Beginning Balance	$124,975	$115,308	$92,986	$134,454	$107,533	$86,233	$57,231	$21,646
Tax Increment Revenue	$546,511	$593,586	$641,955	$691,654	$742,720	$795,190	$849,103	$904,499
Delinquency at 3% average	($16,395)	($17,808)	($19,259)	($20,750)	($22,282)	($23,856)	($25,473)	($27,135)
Proceeds of Borrowings	$0	$0	**$1,870,699**	$0	$0	$0	$0	**$5,261,342**
Investment Earnings at 4.5%	$30,217	$31,900	$33,072	$37,175	$38,261	$39,664	$40,785	$41,677
Total Resources	$685,308	$722,986	$2,619,454	$842,533	$866,233	$897,231	$921,646	$6,202,029
REQUIREMENTS								
Project Outlays	$150,000	$210,000	$1,825,000	$75,000	$120,000	$180,000	$240,000	$5,200,000
Project Outlays	$0	$0	$0	$0	$0	$0	$0.	$0
Total project costs funded in year	$150,000	$210,000	$1,825,000	$75,000	$120,000	$180,000	$240,000	$5,200,000
Debt Service - borrowing A - 5 yrs @5.75%	$0	$0	$0	$0	$0	$0	$0	$0
Debt Service - borrowing B - 10 yrs @5.75%	$420,000	$420,000	$420,000	$420,000	$420,000	$420,000	$420,000	$0
Debt Service - borrowing C - 10 yrs @5.75%	$0	$0	$240,000	$240,000	$240,000	$240,000	$240,000	$240,000
Debt Service - borrowing D - 10 yrs @5.75%	$0	$0	$0	$0	$0	$0	$0	$675,000
Total Outlays	$570,000	$630,000	$2,485,000	$735,000	$780,000	$840,000	$900,000	$6,115,000
Total Resources	$685,308	$722,986	$2,619,454	$842,533	$866,233	$897,231	$921,646	$6,202,029
Ending Balance	$115,308	$92,986	$134,454	$107,533	$86,233	$57,231	$21,646	$87,029

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MADRAS URBAN RENEWAL PLAN

TABLE 3 - RESOURCES AND REQUIREMENTS

	2020	2021	2022	2023	2024	2025	2026	2027
RESOURCES								
Beginning Balance	$87,029	$11,833	$5,185	$1,734	$23,234	$22,459	$100,519	$625,990
Tax Increment Revenue	$922,057	$978,147	$1,035,779	$1,094,997	$1,155,843	$1,119,260	$1,178,273	$1,238,910
Delinquency at 3% average	($27,662)	($29,344)	($31,073)	($32,850)	($34,675)	($33,578)	($35,348)	($37,167)
Proceeds of Borrowings	$0	$0	$0	$0	$0	$0	$0	$0
Investment Earnings at 4.5%	$45,409	$44,549	$46,843	$49,353	$53,058	$51,377	$57,546	$83,920
Total Resources	$1,026,833	$1,005,185	$1,056,734	$1,113,234	$1,197,459	$1,159,519	$1,300,990	$1,911,653
REQUIREMENTS								
Project Outlays	$100,000	$85,000	$140,000	$175,000	$500,000	$384,000	$0	$0
Project Outlays	$0	$0	$0	$0	$0	$0	$0	$0
Total project costs funded in year	$100,000	$85,000	$140,000	$175,000	$500,000	$384,000	$0	$0
Debt Service - borrowing A - 5 yrs @5.75%	$0	$0	$0	$0	$0	$0	$0	$0
Debt Service - borrowing B - 10 yrs @5.75%	$0	$0	$0	$0	$0	$0	$0	$0
Debt Service - borrowing C - 10 yrs @5.75%	$240,000	$240,000	$240,000	$240,000	$0	$0	$0	$0
Debt Service - borrowing D - 10 yrs @5.75%	$675,000	$675,000	$675,000	$675,000	$675,000	$675,000	$675,000	$675,000
Total Outlays	$1,015,000	$1,000,000	$1,055,000	$1,090,000	$1,175,000	$1,059,000	$675,000	$675,000
Total Resources	$1,026,833	$1,005,185	$1,056,734	$1,113,234	$1,197,459	$1,159,519	$1,300,990	$1,911,653
Ending Balance	$11,833	$5,185	$1,734	$23,234	$22,459	$100,519	$625,990	$1,236,653

500D.IMPACT OF TAX INCREMENT FINANCING

The passage of Ballot Measure 50 has changed Oregon's property tax system, and the impacts of urban renewal on taxpayers, and other taxing bodies. Prior to BM50, collection of tax increment revenues for a renewal agency resulted in an increase in the taxpayer's property tax rate. Taxing bodies suffered no revenue losses, unless there was overall compression of property tax revenues.

Under Ballot Measure 50, collection of tax increment revenue can impact the potential property tax revenues received by overlapping tax bodies. These taxing bodies will not be able to apply their permanent BM50 tax rates against the new values added within the urban renewal area. As a result, the taxing bodies will forego revenue they otherwise might have had if there was no renewal plan in effect. In addition, the presence of the urban renewal program could impact the tax rates for future local option levies, or exempt bond issues by taxing bodies, for the tax rates for these bonds and levies will be calculated without the incremental values within the urban renewal area.

Table 4 shows the anticipated cumulative incremental values in the Renewal Area over the life of the Plan, and the anticipated property tax revenues foregone as a result of taxing bodies not being able to apply their permanent BM50 tax rates to those values. Table 4 actually presents an absolute worst case picture of revenue foregone, for it assumes that all the new values in the Madras Renewal Area would occur, even without the investment of urban renewal funds. In fact, however, it is more realistic to assume that the public expenditures on renewal activities will have some effect on the growth of values within the urban renewal area.

Shilo Decision

In December 2001, the Oregon Supreme Court ruled in favor of the plaintiff in a matter regarding the methodology of calculating the division of taxes that creates tax increment revenue for an urban renewal agency. In May 2002, the Oregon Dept of Revenue (DOR) issued an administrative rule implementing the Supreme Court decision. The administrative rule requires calculation of a tax rate for collection of the tax increment revenue. This "calculated rate" is applied to the shared assessed value of each tax code in the municipality with the urban renewal plan. The shared value in most cases will be the total assessed value of the municipality that adopts the urban renewal plan. The practical effect of the DOR rule is to spread the "calculated rate" over a wide base of values, producing a lower figure than if it were applied to a more restricted base of values.

If this calculated renewal rate causes the imposition of taxes that exceed the 1% ($10.00 per thousand) limit established by BM5, then general government revenues must be compressed. The limit on taxes imposed, however, is calculated against the real market value of each property, not the assessed value. Since the real market value for most properties is higher than the assessed value, there usually is a "cushion" against compression, even if the general government rate is somewhat higher than $10.00 per thousand.

Madras currently has a general government tax rate of $10.46. However, real market values both inside the renewal area, and in the City of Madras substantially exceed assessed values, providing a large cushion against compression losses.

There are several variables that can influence compression losses in the post-Shilo environment. They include the timing and amount of estimated tax increment revenues, and the growth rate of assessed values and real market values in Madras' tax codes. For purpose of this analysis, renewal area value and revenue growth was based upon data used in Table 3 of this Report. Real market value growth was estimated at 5% annually for all tax codes, and the overall growth in shared assessed values for tax codes outside the renewal area was estimated at 6% annually. Using these assumptions, the revenues estimated in Table 3 can be collected without exceeding the 1% limit on taxes imposed. The tax increment revenues and rate of revenue growth projected for this renewal plan are in fact rather modest, which helps to reduce the prospect of exceeding the 1% limit.

HB 3215

House Bill 3215, passed by the Legislature in 2001, will impact the Madras Urban Renewal plan. For new renewal plans such as Madras', the provisions of the bill remove the tax rates for voter approved bonded indebtedness from the formula for calculating tax increment revenues. These tax rates will be phased out of the tax increment revenue formula gradually, as current bond issues are retired. Bond rates currently account for $3.24 per thousand of the total Measure 50 rate in Madras. This bond rate is gradually phased out of the renewal revenue calculation beginning in year 10, and is completely phased out by year 25. Increases in assessed values during the same period will of course diminish the revenue impact of phasing out the bond rates.

Note on Impact on Schools

Under the current method of funding K-12 level education, the urban renewal program will not result in revenue losses for those educational units of government.

When the project is completed, an estimated $77 million in new assessed values will be placed back on the tax roll. In the following year, general government property tax revenues generated by those values are estimated to be approximately $1.23 million. Given a 4% inflation of overall assessed values, the revenues foregone by the overlapping taxing bodies will be repaid in a period of eleven years after the project is completed.

The tax impact on each of the overlapping taxing bodies is shown on Table 4 on the following page.

Madras Urban Renewal Plan

Table 4 - Taxes Foregone by Affected Taxing Bodies

		County tax rate	City Tax Rate	Library	RFPD	Hospital	School Dist	COCC	ESD
		$4.47	$4.13	$0.43	$1.18	$0.25	$4.59	0.6204	0.2398
Year	Cumulative New Incremental Values in area	Jeff.County tax foregone on new values	Madras tax foregone on new values	Library foregone on new values	RFPD foregone on new values	Hospital foregone on new values	SD 509J tax foregone on new values	COCC tax foregone on new values	ESD tax foregone on new values
2003	$9,538,725	$42,655	$39,359	$4,148	$11,301	$2,392	$43,755	$5,918	$2,287
2004	$11,541,040	$51,609	$47,621	$5,019	$13,673	$2,894	$52,940	$7,160	$2,768
2005	$13,598,419	$60,809	$56,110	$5,914	$16,110	$3,410	$62,377	$8,436	$3,261
2006	$15,712,375	$70,263	$64,832	$6,833	$18,614	$3,941	$72,074	$9,748	$3,768
2007	$17,884,465	$79,976	$73,795	$7,778	$21,188	$4,485	$82,038	$11,096	$4,289
2008	$20,116,288	$89,956	$83,004	$8,749	$23,832	$5,045	$92,275	$12,480	$4,824
2009	$22,409,486	$100,211	$92,466	$9,746	$26,549	$5,620	$102,795	$13,903	$5,374
2010	$24,765,747	$110,747	$102,188	$10,771	$29,340	$6,211	$113,603	$15,365	$5,939
2011	$27,186,805	$121,574	$112,178	$11,824	$32,208	$6,818	$124,709	$16,867	$6,519
2012	$29,674,442	$132,698	$122,443	$12,905	$35,155	$7,442	$136,120	$18,410	$7,116
2013	$32,230,489	$144,128	$132,989	$14,017	$38,183	$8,083	$147,844	$19,996	$7,729
2014	$34,856,828	$155,873	$143,826	$15,159	$41,295	$8,742	$159,892	$21,625	$8,359
2015	$37,555,391	$167,940	$154,961	$16,333	$44,492	$9,419	$172,270	$23,299	$9,006
2016	$40,328,164	$180,339	$166,402	$17,539	$47,777	$10,114	$184,989	$25,020	$9,671
2017	$43,177,188	$193,080	$178,158	$18,778	$51,152	$10,829	$198,058	$26,787	$10,354
2018	$46,104,561	$206,170	$190,237	$20,051	$54,620	$11,563	$211,486	$28,603	$11,056
2019	$49,112,436	$219,621	$202,648	$21,359	$58,184	$12,317	$225,284	$30,469	$11,777
2020	$52,203,028	$233,442	$215,400	$22,703	$61,845	$13,093	$239,461	$32,387	$12,518
2021	$55,378,612	$247,642	$228,503	$24,084	$65,607	$13,889	$254,027	$34,357	$13,280
2022	$58,641,523	$262,233	$241,967	$25,503	$69,473	$14,707	$268,995	$36,381	$14,062
2023	$61,994,165	$277,226	$255,800	$26,961	$73,444	$15,548	$284,373	$38,461	$14,866
2024	$65,439,005	$292,630	$270,014	$28,459	$77,526	$16,412	$300,175	$40,598	$15,692
2025	$68,978,578	$308,458	$284,619	$29,999	$81,719	$17,300	$316,412	$42,794	$16,541
2026	$72,615,488	$324,722	$299,626	$31,580	$86,028	$18,212	$333,095	$45,051	$17,413
2027	$76,352,414	$341,433	$315,045	$33,206	$90,455	$19,149	$350,236	$47,369	$18,309
	Totals	$4,415,436	$4,074,192	$429,418	$1,169,768	$247,639	$4,529,283	$612,580	$236,777

It must be noted that the revenues foregone assume all of the values would occur even without urban renewal investments. This does not appear to be a realistic assumption. Revenues foregone could be reduced if one assumed that some values do not materialize without urban renewal. The totals foregone also may be misleading in another way The reader should understand that these revenues are foregone annually, over an extended period of time, not all at once. The total does not take into account the fact that dollars twenty years form now are not as valuable as today's dollars. A present value calculation of the revenues foregone, using just a 3.5 % rate would reduce the revenue foregone total by almost 40%. Also, during the plan period, overall values in Madras will increase, and those value increases will diminish the tax foregone impact on the budgets of taxing bodies.

500E. FINANCIAL FEASIBILITY OF PLAN

Table 2 in Section 500 of the Report to the Plan shows the estimated costs of project activities at $14.0 million. The principal source of revenue to carry out project activities will be annual tax increment revenues of the Renewal Agency. Anticipated tax increment revenues are shown in Table 3. The tax increment revenues shown in Table 3 are based on the following assumptions:

1. Approximately $8.8 million in new values will be available to the Agency at the beginning of the project, from projects under way or completed after Jan 1, 2001.
2. Other new additions to real market values are held at $1,000,000 annually through the entire plan period.
3. Overall assessed values in the renewal area are indexed upward 2.75% annually.

The revenues shown in Table 3 are expected to be sufficient to carry out all project activities currently shown on the Urban Renewal Plan, and to retire project indebtedness within a 25 year period. It is financially feasible to carry out the Urban Renewal Plan for the Madras Urban Renewal Area.

600. RELOCATION

A. PROPERTIES REQUIRING RELOCATION

No relocation is anticipated at the adoption of this plan.

B. RELOCATION METHODS

If in the implementation of this Plan, persons or businesses should be displaced by action of the Agency, the Agency shall provide assistance to such persons or businesses to be displaced. They will be contacted to determine their individual relocation needs, and will be provided information on available space and will be given assistance in moving. All relocation activities will be undertaken and payments made in accordance with the requirements of ORS 281.045 - 281.105 and any other applicable laws or regulations. Relocation payments will be made as provided in ORS 281.060.

C. HOUSING COST ENUMERATION

The Renewal Plan will remove no existing housing units. Project activities may include rehabilitation and redevelopment assistance for development of housing in the urban renewal area. It is expected that rental and price ranges of new housing developed in the urban renewal area will be consistent with the current income levels of the renewal area population. New housing therefore is expected to be priced for moderate income households. No estimate of number of new units is possible at this time.

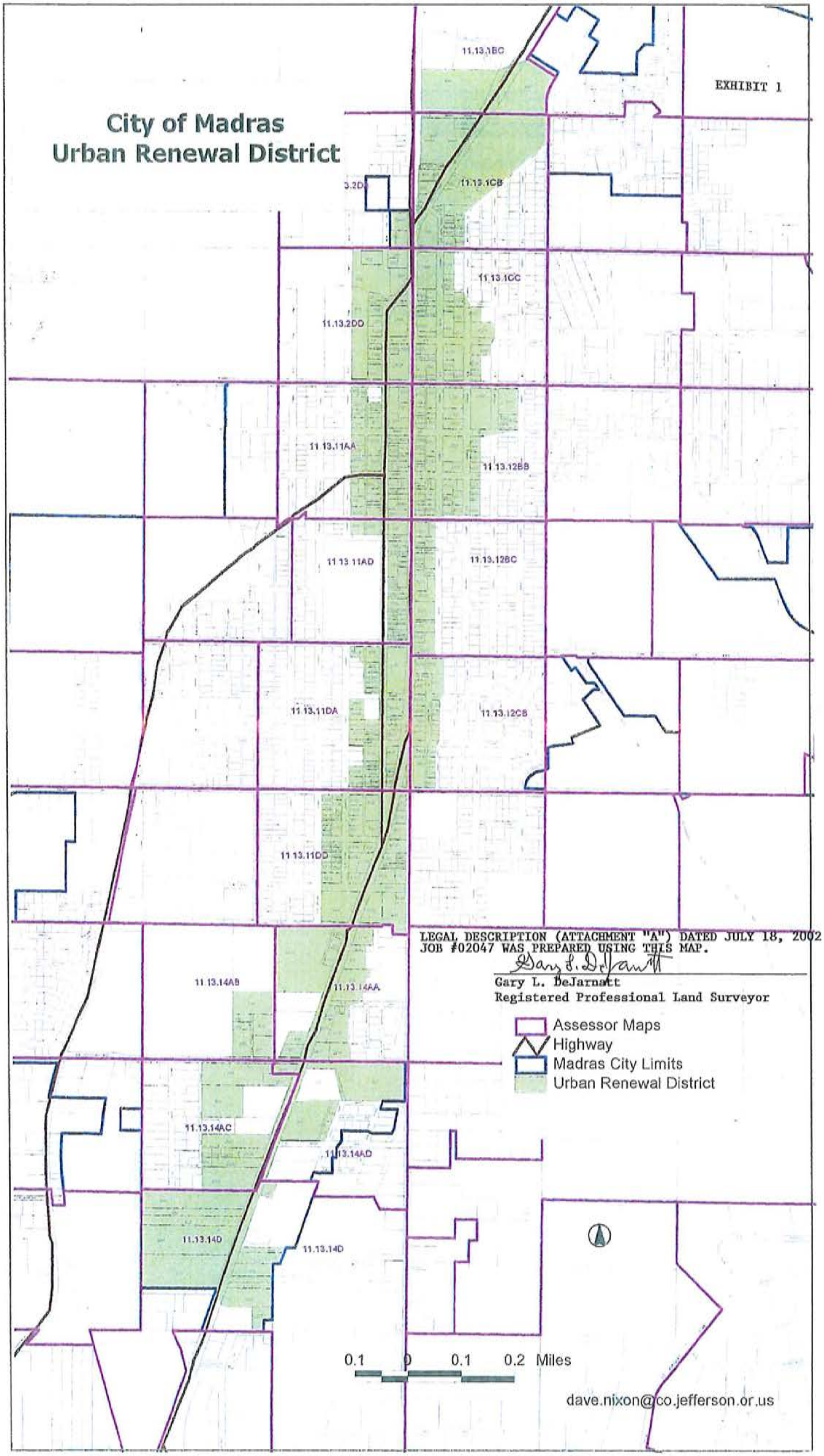
EXHIBIT 1
City of Madras
Urban Renewal District
11.13.1BC
11.13.1CB
11.13.1CC
11.13.2DD
11.13.11AA
11.13.12BB
11.13.11AD
11.13.12BC
11.13.11DA
11.13.12CB
11.13.11DD
11.13.14AB
11.13.14AA
11.13.14AC
11.13.14AD
11.13.14D
11.13.14D
LEGAL DESCRIPTION (ATTACHMENT "A") DATED JULY 18, 2002
JOB #02047 WAS PREPARED USING THIS MAP.
Gary L. DeJarnatt
Registered Professional Land Surveyor
Assessor Maps
Highway
Madras City Limits
Urban Renewal District
0.1 0 0.1 0.2 Miles
dave.nixon@co.jefferson.or.us