


CITY OF MADRAS, OREGON

URBAN RENEWAL ACTION PLAN 2016

Adopted by Madras Redevelopment Commission
on February 3, 2016

ACKNOWLEDGEMENTS

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THE CITY OF MADRAS

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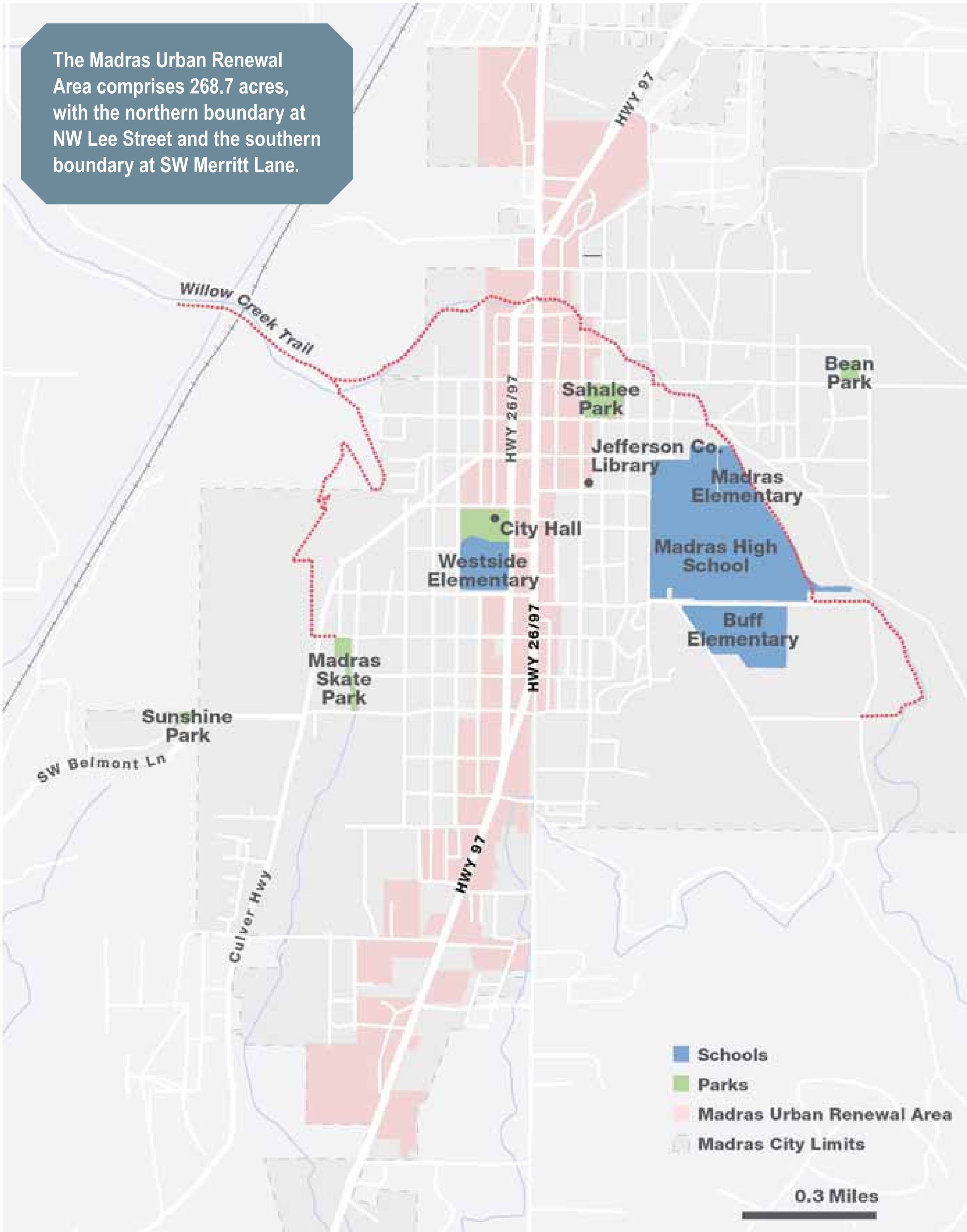


I. PLAN PURPOSE & BACKGROUND

On the heels of the Great Recession and after ten years of active investment in its urban renewal district, the City of Madras is at a crossroads. Significant public investment has successfully improved public open space, the aesthetic appeal of the entry to the city, and transportation access into and through the city at its north and south ends. At the same time, Madras' commercial core has seen limited new development and is not functioning as the vibrant hub of commercial activity that residents desire. This Action Plan revisits community priorities from previous planning efforts and provides a roadmap for the urban renewal agency's work within the District in the coming years.

Madras' residents made themselves clear during the outreach portion of this Plan: they want a better future for the community. Using statements made by Madras residents as they described their preferred future, the team developed a vision statement. It is an aspirational, long-view description of Madras that could result from the successful implementation of this Plan:

Madras' position as the hub of River Canyon Country attracts visitors and new residents who appreciate the community's commitment to quality of life. The city's core is a recognizable, vibrant destination with public and private investment in small-scale shops, a mix of restaurants, and cultural amenities that reflect the area's diversity.

Grounded in financial and market analyses, and supported by robust public input, this Plan details a set of actions for the Madras Redevelopment Commission (MRC), the City's urban renewal agency, to encourage private investment in the District in partnership with other entities.

The Plan has six chapters:

1. **Plan Purpose and Background.** This chapter provides an overview of the previous urban renewal planning work and this action planning process, highlighting the extensive public involvement that informed all aspects of the Plan.
2. **The Madras Advantage.** This Plan seeks to create a competitive advantage for Madras. This chapter describes the foundation for that advantage, developed from the public involvement activities of this planning effort.
3. **Situation Assessment.** This Plan seeks to overcome development barriers and target investments in a way that captures demand from untapped market segments. This chapter summarizes the challenges that were identified during the technical analysis. It also provides information on development conditions and retail opportunities.
4. **Investment Framework.** This chapter provides an overview of how Plan projects were prioritized, and how MRC can work with its partners to invest in improvements in the city.
5. **Action Plan Projects.** Describes a specific set of 15 projects identified through the Action Plan Process.
6. **Implications**

The MRC's goal for the Action Plan update is to identify a targeted set of investments that will create a competitive advantage for Madras. The investments will:

- **Generate tax increment**
- **Support development on underutilized and vacant sites**
- **Catalyze additional development throughout the District**

BACKGROUND

Madras has a rich history as an agricultural and commerce hub for Jefferson County. The City's commercial core along Highway 97/26 (shown in **Exhibit 1**) has a mix of strip commercial uses, small pockets of residential neighborhoods, and several regionally important government and social service institutions. However, the area has seen limited private-sector investment, despite successful planning efforts over the past two decades.

In 2002, the MRC adopted the Madras Urban Renewal Plan. Broadly, the purpose of the 2002 plan was to improve the environment for development inside of the District boundary. Following Oregon State Statutes, it identified "blight" as conditions that create barriers for private investment and new development. The plan also broadly outlined a set of actions necessary for improving the area.

In 2006, the MRC commissioned its first action plan that addressed issues underlying Madras' struggling core and retail corridor. The 2006 plan focused MRC efforts on a targeted set of implementation steps. These challenges included large swaths of underutilized land, ongoing retail flight from the core (that started with the construction of the US 26/97 couplet), and a floodway impacting development opportunities throughout much of the core. Additionally, Madras suffered from a lack of middle-class housing and the perception that local schools were substandard. The actions and urban design framework included in the 2006 plan sought to begin overcoming these challenges.

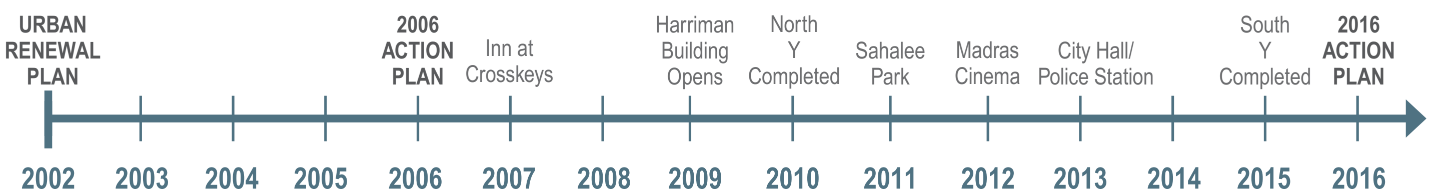
This Action Plan updates the 2006 action plan. In the decade since the 2006 Plan was adopted, significant progress has been made toward revitalizing the District. Residents and travelers through the city can see many noticeable new investments in the District, including improvements to Sahalee Park, improved transportation connections, and more visible signage at entries to the city.

However, much has changed in that decade. The region and the country suffered a major recession that affected businesses and property owners in Madras. Development patterns in nearby cities changed in ways that affect how Madras competes for new development. However, residents in Madras continue to desire a vibrant and active retail center in their community.

The MRC, recognizing both progress made and the need for ongoing improvements in the URD, commissioned this Action Plan update for a revised look at the development market and urban renewal finances, a refreshed community conversation regarding priorities for investment, and a revised list of projects that can further the goals of the 2002 Urban Renewal Plan.

The 2002 Urban Renewal Plan has the following goals (summarized):

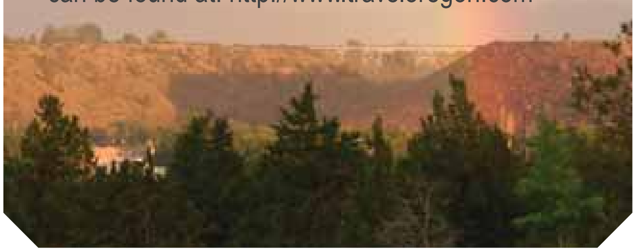
1. Promote private development, redevelopment, and rehabilitation within the urban renewal area.
2. Upgrade the stock of existing structures in the renewal area which contribute to its small-town character.
3. Improve connectivity within the renewal area, enhance open spaces, and enhance livability.
4. Improve and repair utilities to support development.
5. Develop convenient, attractive parking facilities.
6. Maintain, remodel, and construct public parks and open spaces, public facilities, and public safety facilities.
7. Provide for new, diverse housing units in livable mixed-income neighborhoods that support the Area's employment generation goals.
8. Assist in funding for a program of art in public spaces within the renewal area.



Sahalee Park Expansion. Sahalee Park is Madras' oldest park. It was established in 1920 and moved to its current site soon after, when it was planted with 16 of its current large elm trees. By 2006, the park, though popular, had a reputation for being unsafe and unmaintained. The 2006 Action Plan established a strategy for revitalizing Sahalee Park by expanding it onto an adjacent vacant lot owned by the Bean Foundation. This expansion would be developed as a great lawn suitable for hosting community events such as the Farmers Market. Since 2006, the expansion has been completed, and Sahalee Park is a vibrant node of activity. The city's next goal is to construct a splash pad in the park to encourage even more activity.

Summer event at the new Sahalee Park

The Madras Brand. The term "River Canyon Country" stems from regional tourism branding efforts through Travel Oregon's Rural Tourism studio in 2012-2013. River Canyon Country comprises Prineville, Madras, Warm Springs, and Terrebonne. More information on these efforts can be found at: http://www.traveloregon.com



IMPLEMENTATION PROGRESS, 2002-2016

As a foundation for this Urban Renewal Action Plan, ECONorthwest assessed the status of both short- and long-term 2006 Action Plan projects, as well as other projects completed since the adoption of the 2002 Urban Renewal Plan. (The complete progress report can be found in **Appendix B.**) **Exhibit 2** on the next page shows completed and partially completed projects in the District. Key completed projects include:

- **Placemaking improvements.** The Sahalee Park expansion and North Y landscaping projects are complete, as is the new Madras Aquatic Center.
- **Regulatory Changes.** Zoning changes have been made to include design standards, and the Sign Code has been updated. Efforts to rezone or downzone commercial property are also partially complete.
- **Marketing.** Successful efforts to improve marketing include creating the Saturday Market, opening the Air Museum, and increasing Chamber of Commerce funding. Several projects related to marketing Madras are also partially complete, including implementing wayfinding signage, improving recreation sites, creating a community cleanup, and promoting Opal Springs water.
- **Business Support.** Urban renewal has supported eight storefront improvements.
- **Redevelopment.** The District has welcomed several new developments including the Harriman Building, the Inn at Crosskeys, and Madras Cinema. The new Civic Center (including the new Police Station/City Hall development) is partially complete.
- **Promoting housing choice.** Though largely undeveloped, the Yarrow master planned community addresses the City's long-term goal to encourage housing development.
- **Streetscape improvements.** These include storefront and streetscape improvements in the downtown core on 6th Street and B Street, as well as street improvements along US 26/97.

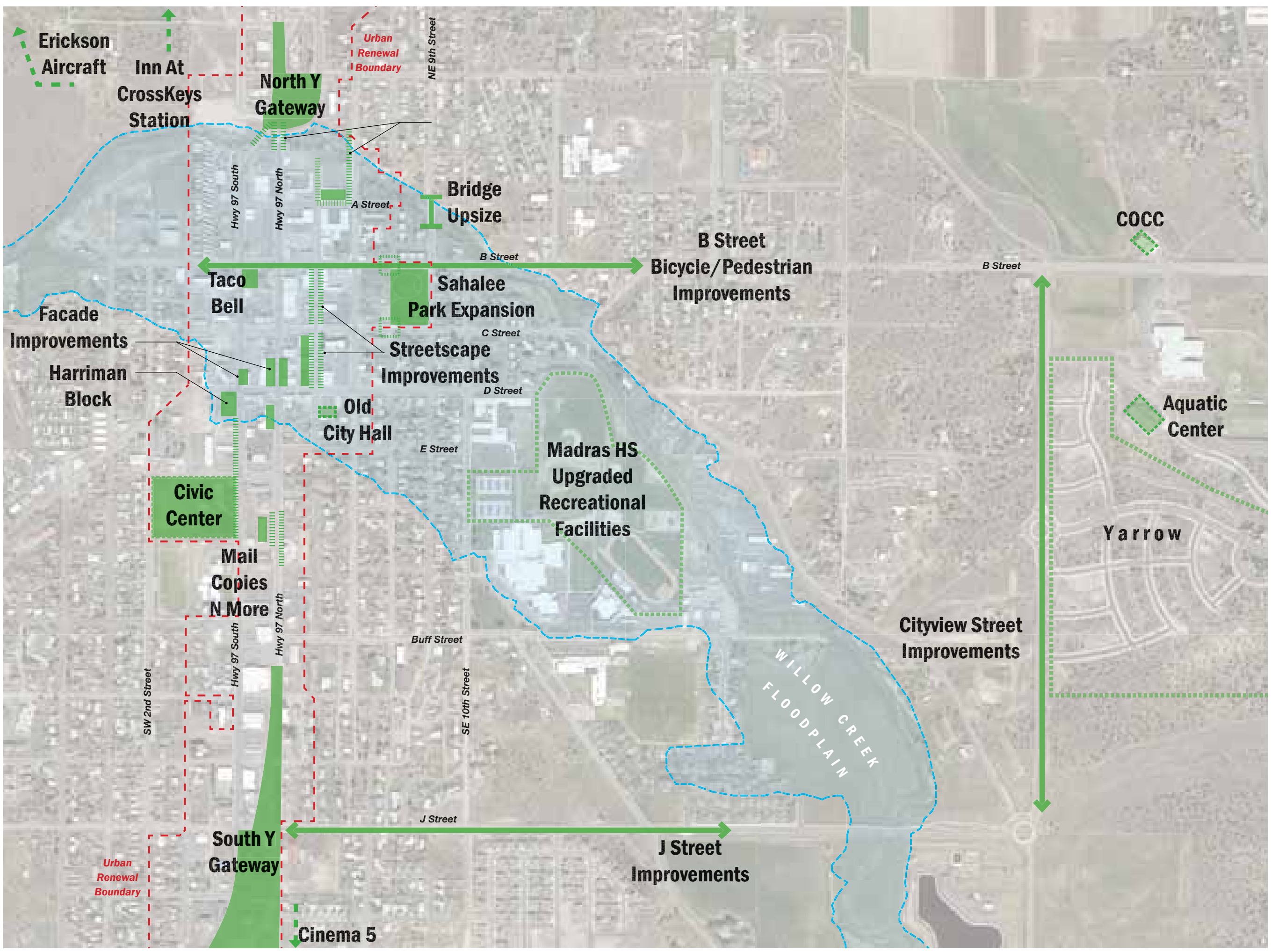
The City and MRC completed a number of projects that were not identified explicitly in the 2006 plan that nonetheless achieve the goal of the urban renewal plan to promote private development. These include financial support of the Inn at Crosskeys, a movie theater/performing arts center, and the Harriman Building.

2006-2016 Progress

The character of Madras today reflects both the City's accomplishments since 2006 and the significant work that remains to be done. **Exhibit 2** shows the location of projects completed to date. Landscaping and storefront improvements between the North and South Y are fostering a sense of place in the city's core. The expansion of Sahalee Park and construction of new recreational facilities have resulted in attractive community gathering spaces. The Harriman building anchors an inviting, attractive intersection at the heart of the commercial core.

Though measurable progress has been made, some projects identified in the 2006 Action Plan have not yet been completed. The concept of a stopping place and tourist information center for travelers was not explored, nor was the program aimed at installing temporary landscapes in vacant lots. Other unexplored projects include outlining key commercial properties for acquisition by the City or ODOT, and creating a greenway concept for the Willow Creek Floodway.

Exhibit 2. Projects Completed from 2006 to 2016



Projects Completed Since 2006

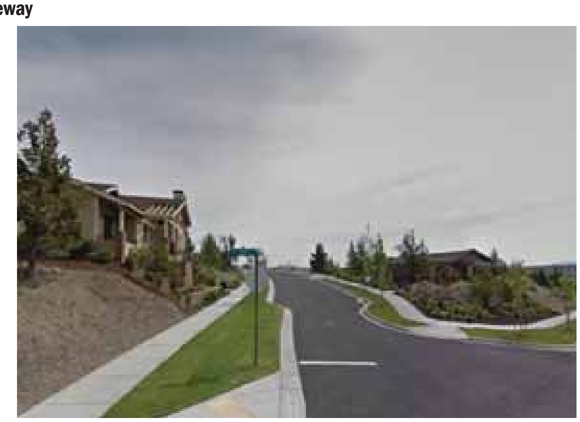

North Y Gateway


Madras High School New Recreational Facilities


Madras Cinema 5


South Y Gateway


B Street Bike/Pedestrian Improvements


Yarrow New Community


Harriman Block New Development


New Aquatic Center

Overview

The City of Madras and the MRC have made many investments that have improved the environment for development in the City. The new City Hall and police station provide an excellent example. In 2013, the City of Madras relocated its outdated city hall and police station from the Willow Creek floodplain to its current, more visible and accessible location. Urban renewal funding was part of the funding plan for the facility. The City's investment in the new facility has created social and economic benefits that have rippled through to the City's residents and its economy. A review of literature describes how similar public investments can boost local economic activity. Specifically, well-purposed public investment spending can fill gaps where the private sector would be unwilling or unable to invest, and create long-run gains for a community's prosperity and resiliency, even when those investments are in public facilities. So far, the MRC made an initial five-year commitment to fund this facility. Based on this research, investment in this facility helps to achieve the goals of this plan and the MRC should consider continuing to fund the Police Station/City Hall with urban renewal dollars.

MEASURING THE ECONOMIC BENEFITS OF PUBLIC INVESTMENT.

- **1. Short-run benefits of public investment**
  - » **Public investment supports local jobs.** Construction jobs increase as a result of infrastructure and public facility improvements. These employees make purchases locally, creating a short-term growth in local income.
  - » **Infrastructure spending increases economic output.** Public investment increases economic output, or the value of goods and services produced in the economy. A report on the economic impact of infrastructure financing describes how in the short run, one dollar spent on infrastructure construction results in double the initial spending in economic output.
- **2. Long-run benefits of public investment**
  - » **Public investment increases long-term outputs in the private sector.** Infrastructure investments are vital inputs for private-sector production and boost economy-wide productivity growth. Over twenty years, public investment generates $3.21 of economic activity per $1.00 spent.
  - » **Public facilities like city halls attract people and business.** New public facilities can draw in tourists and create community cohesion. For example, a study in Wisconsin found that county seats successfully attracted more private sector business activity than towns without visible, central public facilities.
  - » **Consolidating services (like city hall and police facilities) increases efficiency and reduces operation and maintenance costs.** For example, a comprehensive plan from Lynchburg, VA found that, "co-locating new facilities or providing multi-use facilities (…) may result in more efficient service delivery."
  - » **Investment in resilient facilities can minimize fatalities and economic loss.** Investing in emergency response facilities, including public buildings such as schools and city halls, results in fewer reductions in lifeline services and greater community connectivity after natural disasters. Removing public facilities from flood-prone areas is also important, as loss of public facility function results in tangible economic losses for a city.

New Police Station and City Hall

As the MRC continues to implement the community vision for Madras, it build upon previous investments in public facilities and infrastructure to encourage private investment opportunities that generate positive return on investment for Madras citizens.

Sources:
(1) A. Plescia & Co. 2014. Economic and Fiscal Benefits Analysis: Proposed New City Hall and Dignity Health Medical Office Building, Citrus Heights, California. (2) Bivens, Josh. 2014. The Short- and Long-term Impact of Infrastructure Investments on Employment and Economic Activity in the U.S. Economy. (3) Cohen, Isabelle, T. Freiling, and E. Robinson. Year unknown. The Economic Impact of Financing of Infrastructure Spending. (4) Broadbent Institute. 2015. The Economic Benefits of Public Infrastructure Spending in Canada. (5) The Economist (2014). Concrete Benefits: Public investments in infrastructure do the most good at times like the present. (6) McInroy, Neil, M. Jackson, and M. Bramah. 2008. Creating Resilient Local Economies: exploring the Economic Footprint of Public Services. (7) City of Tuscaloosa, Alabama. Year unknown. Benefit-Cost Analysis. (8) Zigelbauer, Ryan, B. Ryan, and S. Grabow. 2005. The Importance of Government Facilities in Downtowns: An Analysis of Business Establishments in Wisconsin's County Seats. (9) City of Lynchburg, Virginia. 2002. Comprehensive Plan 2002-2020 Chapter 16: Public Facilities. (10) Yu, Q. S., J. Wilson, and Y. Wang. 2014. Overview of the Oregon Resilience Plan for next Cascadia Earthquake and Tsunami. (11) Goettel, Kenneth A. 2004. Benefit-Cost Analysis: Eugene City Hall Structural and Non-Structural Seismic Retrofit. (12)

2016 ACTION PLAN PROCESS

This Action Plan update draws from many sources to identify priorities, drawing from technical analysis on commercial and retail needs in the community, the financial capacity of the District, and significant public and stakeholder outreach. **Exhibit 3** shows the planning process.

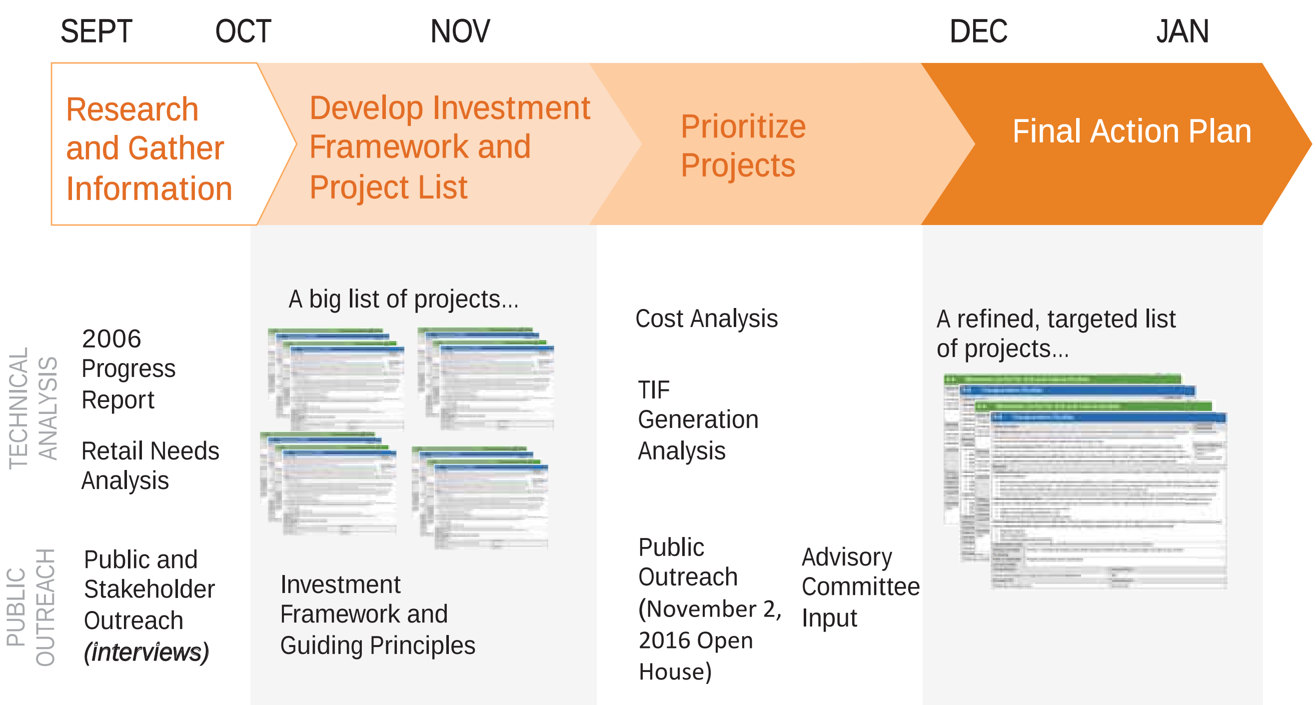
Research and gather information. Work produced in this phase serves as the foundation for the projects prioritized in later tasks. This task involved:

- **Evaluation of market and financial factors influencing investment opportunities.** The consultant team conducted technical analysis to evaluate the market factors that influence the demand for commercial development in Madras and to better understand underutilized and vacant property in the District.
- **Extensive public outreach.** The team conducted an extensive public outreach process with:
  - » 42 participants in one-on-one interviews with key stakeholders, including property owners, business owners, and economic development organizations
  - » 40 community members participated in an open house hosted at City Hall on November 2, 2015.
  - » 15 community members participated in a meeting with the Diversity Coalition on December 15, 2015.
  - » 102 community members responded to a community survey
  - » 115 employees of several of the City's major employers responded to a survey on community needs and how to attract new residents to Madras.

Develop investment framework and project list. The outcome of the technical analysis and public outreach described above was a list of possible projects for implementation. The team developed and vetted (with the MRC) a framework for prioritizing those projects and moving toward implementation together with the other public and private partners in the community.

- **Prioritize projects.** Drawing from the results of the survey and using the criteria identified in the investment framework, the project team prioritized the projects.
- **Final action plan.** This Action Plan documents the investment framework and distills the information gathered into a set of clear findings. It also details the prioritized list of specific projects for District investment, providing information about specific next steps and near-term opportunities.

Exhibit 3. Action Plan Process



II. THE MADRAS ADVANTAGE

This Plan seeks to create a competitive advantage for Madras, and improve its position to attract new development within the region. Madras is a unique community with geographic and cultural advantages that generate opportunities for future growth. Recognizing and fostering this “uniqueness” will create an authentic and differentiated competitive position for the City within the region. As such, it is the keystone of the Action Plan and, in particular, of the actions within it. Actions seek to build on and accentuate this advantage.

Madras’ proximity to outdoor amenities is a key advantage. People who live in Madras enjoy an excellent location among the ample recreational opportunities of Central Oregon. Within town, there is easy access to opportunities to gather and be active, including walking and biking trails, the new Aquatic Center, and Sahalee Park. In a survey of over 100 residents for the Downtown Action Plan, many cited the beautiful natural surroundings as a key reason why Madras is a great place to live. While this is a general advantage that other Central Oregon communities share, Madras’ proximity to Smith Rock and Cove Palisades State Parks, to river access, and to other amenities differentiates it. As the vision for this Plan states, Madras is the hub of River Canyon Country.

Madras’ location as a transportation hub provides benefits to residents and businesses. Madras is located at the crossroads of two major highways, between Bend, Portland, and The Dalles, and has a bustling airport and active railroad. Located just two hours from Portland, it is closer to the Portland region than any other Central Oregon community.

Much of the information in this chapter draws from the results of dozens of stakeholder interviews and responses to the Downtown Action Plan surveys that gathered 217 responses. Complete community survey results can be found in **Appendix A**: **Outreach Summary**.

“The community is very supportive and open to welcoming new members.”
-survey respondent

Residents of Madras value living in a small, rural town. Sixty-five percent of survey respondents identified the small-town feel or the welcoming atmosphere as one of their favorite parts of living in Madras. They praise Madras' low-key, family-friendly atmosphere and its supportive community. Several respondents noted strong family connections in Madras, as well as good relationships with neighbors and coworkers. Residents also enjoy the relatively low cost of living. While Madras is small, it is not isolated. With Redmond and Bend less than an hour away, Madras residents have access to the amenities offered by larger cities, and also enjoy the rural lifestyle.

Madras is a uniquely diverse community. According to the U.S. Census 2013 American Community Survey, over a third of Madras' residents are Latino, and 10% of residents are of Native American. Several residents surveyed point to this diversity as an attractive part of their community. They value that their children are exposed to different cultures and that people from different walks of life interact with one another. Madras' entrepreneurial community reflects this diversity, creating a mix of businesses in the community that is distinct from other areas.

"I love that [Madras] is a small town that is still trying to improve itself."
- survey respondent

Why do people like Madras?

In their survey responses, 194 community members and employees identified 396 positive attributes about Madras. While answers varied, participants especially appreciated Madras's size, people, and location:

- The size: 81 participants (41%) liked that Madras was a small town.
- The people: 60 (30%) wrote about the community and friendly atmosphere of Madras. Seventeen appreciate Madras's diversity.
- The location: Survey participants appreciate Madras' location for many reasons, including the climate, landscape, outdoor recreation opportunities, and its proximity to larger cities.
- Things to do: Survey participants appreciate community events in Madras, the MAC, and the Performing Arts Center.

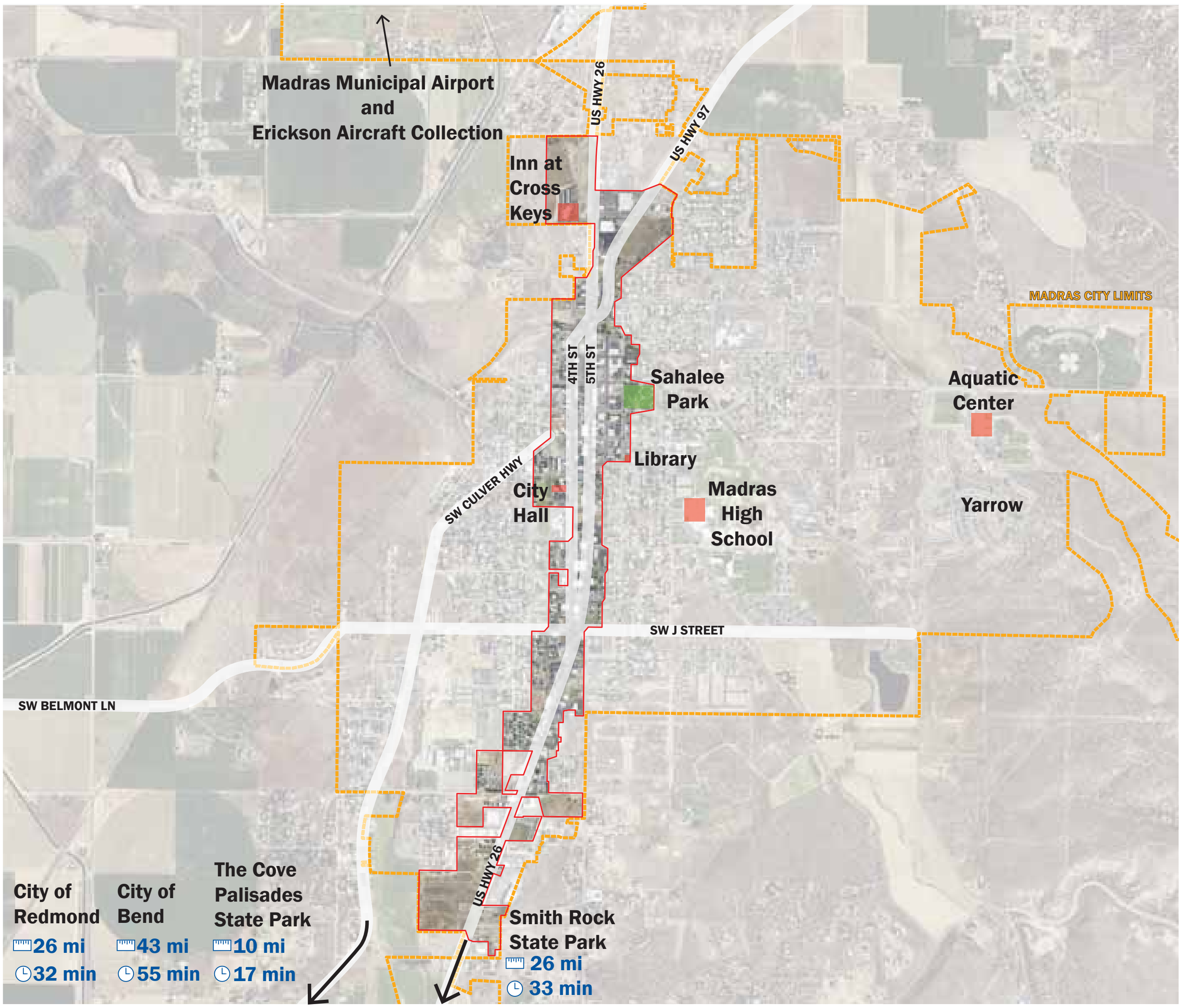
The City has already invested in many community amenities, and has broad community support for the urban renewal projects that have been completed. People who live and work in Madras appreciate new business and storefront improvements downtown. They cite the Aquatic Center, Madras Cinema 5, and the performing arts center as exciting new attractions. In the words of one survey respondent, "Redevelopment projects have brought new life to Madras."

Madras' residents and employees have pointed to opportunities to improve upon those advantages. In describing Madras today, residents frequently pointed out the city's many vacant lots and lack of street appeal, which overshadow successful existing businesses. The effects of poverty are visible in the built environment. There is a feeling that potential visitors and future residents are deterred from coming to Madras by its unclean appearance and unsafe reputation.

There is a strong desire in the community to see downtown Madras embody more of the positive community characteristics that residents celebrate. Through urban renewal efforts, survey respondents envision Madras developing into a place that is lively, attractive, and clean. The city should appear attractive to passing motorists, and offer desired community resources to young professionals. Madras residents are invested in their community's continued development. They have produced a range of suggestions for the use of future investments in encouraging development and improving the city's physical infrastructure; these are incorporated into the actions in this Plan.

The Harriman Block development is an example of new development that creates a more attractive street frontage and brings new energy and visual appeal to downtown Madras.

Exhibit 4. Madras Context



CITY	MILES	MINUTES
Redmond	26	32
Bend	43	55
The Cove Palisades State Park	10	17
Smith Rock State Park	26	33

III. SITUATION ASSESSMENT

This Plan seeks to create competitive advantage by identifying and overcoming development barriers, and strategically targeting investments to attract new shoppers and businesses. As a foundation for action, this chapter describes the current development market and retail opportunities in the District, identifies demand segments for new development, and provides information about the financial capacity of the District.

DEVELOPMENT CONDITIONS

This chapter provides an overview of real estate market conditions in Madras, opportunities for downtown to attract key market segments (visitors, workers, and residents), and a set of development opportunity sites identified through this process. More detail on these points can be found in **Appendix C: Commercial Development Opportunities Report.**

Like nearly every other community in the state, Madras suffered real estate value declines with the Great Recession. As the economy has recovered, Madras has seen little new development. Real estate values, while increasing somewhat, have not yet caught up with pre-recession levels. This market stagnation creates feasibility challenges for new, higher-end development of all types.

For retail development, Madras' small size and relatively low incomes limit buying power, and create challenges for attracting new development. Real estate professionals in the area indicate that if big-box retailers are looking to locate in Madras, they would be most likely to build relatively small stores to serve the comparatively small population in and around Madras.

Existing buildings with broken windows and run-down facade

The City has fielded several inquiries for national big box retailers who see untapped demand for their products in Madras; however, these developments have yet to come to fruition. A local realtor estimated that the retail vacancy rate was, at most, 5% as of December 2015, but that some of the potential inventory is off the market as landowners are unwilling to lease. Average rent is around $0.65 per square foot, full service, with a few nicer spaces that are over a dollar per square foot, full service. Unlike sale prices for commercial land, lease rates for retail were not significantly higher before the recession.

Industrial and office users will locate in Madras if the City has an advantage over other communities in Central Oregon. For example, some firms may be attracted to Madras' business costs, climate advantages, closer proximity to the Portland metro area, lower rents, or high quality water. The City has been successful in attracting new employers who care about these advantages, including the Erickson Aircraft Collection, which relocated at the Madras Airport in 2013.

The recession hit the Madras residential real estate market hard. At the worst time, 66% of housing value was lost. Average sales prices are still 20% below pre-recession levels. A local realtor indicated that from December 2014 to December 2015, 224 homes were sold for an average price of $129,000. In 2006, 433 homes were sold at an average price of $162,000. Madras rents and sales prices are lower than other areas of Central Oregon. From December 2014-December 2015, the average sales price in Bend and Redmond was $394,049 and $260,538 respectively. Pre-recession prices were also higher in Bend and Redmond, with average 2006 sales prices of $430,784 and $334,120, respectively.[1]

Madras' lower prices are a double-edged sword. They make it difficult to make new development economically feasible, but also position Madras to attract new residents interested in lower-cost housing in increasingly expensive markets. Madras' market has improved, with an average inventory of 90 days. Attracting new residents will be critical to supporting a revitalized core and highway commercial areas as they provide increased spending power to support downtown businesses.

[1] Beacon Report, December 2015. http://beaconappraisal.net/wp-content/uploads/2015/12/BEACON-REPORT-Dec-2015.pdf

KEY FINDINGS

- The city benefits from having well-located, vacant, and redevelopable land in its core. The most feasible future developments will fill a gap in retail needs in the area. There is untapped demand for several development types in Madras, including general merchandise, restaurants, breweries, and other highway-scale commercial development types.
- The lack of spending power among residents and perception among the region's developers has led to limited new private investment in the past 10 years. Rents in Madras are generally too low to support new speculative construction. Relatively high construction labor costs in Central Oregon have compounded this problem.
- Madras' low housing prices are a double-edged sword. They make new development challenging, but position Madras to attract new residents interested in lower-cost housing. Those new residents will support new retail.
- Development uncertainty in the City's core hinders future downtown-scale development. The presence of the floodway and floodplain has hindered development on many highly visible core area sites. The City is remapping its floodplain, which will increase development certainty.
- Madras has a concentration of downtown-scale retail and restaurants between B and E Street on Highway 97, but the presence of underutilized storefronts in this area sends a signal that the area cannot sustain retail. A critical mass of active retail is crucial to retail success, and fragmentation of retail districts is problematic. Until new development occurs, the MRC's available revenues limit its ability to invest in large-scale projects.

Implication: Given the concentration of underdeveloped and vacant parcels in the District, untapped retail demand, and MRC's financial position, the MRC should focus on: (1) near-term development opportunities and tenant attraction strategies throughout the District, and (2) support for downtown-scale retail and services in the core area.

Brewery building with attractive streetscape

Example of small-scale commercial development with high-quality construction

Signage, seating, and landscape features are desirable qualities for new development.

Development Barriers

The Action Plan focuses on overcoming any barriers to development and to attracting new investment to downtown Madras. Several of the development barriers identified in Madras' 2006 Action Plan still remain. These include:

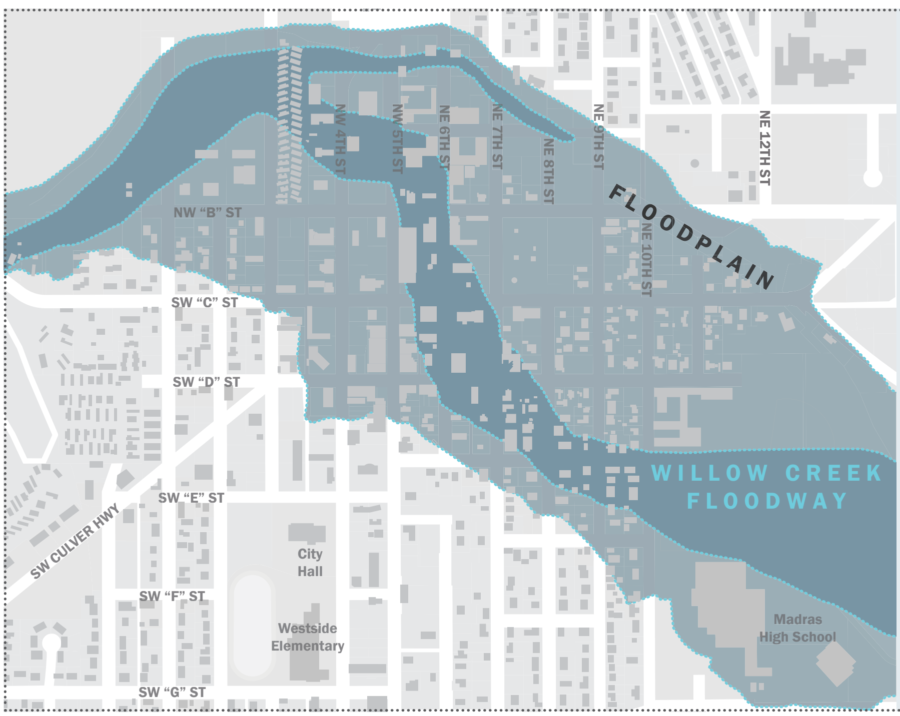
- **Lack of a concentrated commercial core.** Retail establishments are dispersed along a two and a half mile stretch of US 26/97, without a concentrated commercial core.
- **Traffic levels and speed on US 26/97 create both opportunities and barriers**. Auto-oriented US 26/97 corridor continues to create safety concerns for pedestrians and does not foster a pedestrian-scale environment for local shops.
- **Uncertainty related to the presence of a floodway through downtown.** Many parcels that would be key development parcels within downtown Madras are located within the floodway, which prohibits development. Property owners within the floodplain face increased development costs. The City is working with the Army Corps of Engineers to study the floodplain and floodway. See inset for more information.
- **Weak market.** There is still a low supply of middle-class housing in the city, translating into a lack of market support for downtown retail.

FLOODING IN DOWNTOWN MADRAS

The Willow Creek floodplain, shown in **Exhibit 5**, is a persistent barrier to development for downtown Madras. Willow Creek flows in a northwest direction through Willow Creek Canyon and into Lake Simtustus. During the winter, the Willow Creek watershed is subject to flooding. Major flooding occurred in Madras in 1964 and 1979. The floodplain itself denotes the area that would be inundated in a 100-year flood; structures located in the floodplain have a significant chance (26%) of suffering flood damage within the term of a 30-year mortgage.

Due to these factors, the Willow Creek floodplain is a remaining challenge to downtown economic development and urban renewal. Flooding also poses a threat to public infrastructure like roads, water service, and emergency response. The City is working with the Army Corps of Engineers to remap the floodplain to provide better certainty for property owners and potential investors. This is a result of possible floodplain changes from the upsizing of the Ninth and WIllow Creek Culvert and community concerns about floodplain accuracy. This project should be complete in 2018, and will provide greater certainty and open up development opportunities in the City's core. This Plan includes actions that prepare the City to take advantage of potential opportunities.

Exhibit 5. Willow Creek Floodplain



- **FLOODPLAIN: A floodplain is the area adjacent to a water body that is subject to flooding. If left undisturbed, this area acts to store excess floodwater. The floodplain includes the floodway.**
- **FLOODWAY: The floodway carries the bulk of the floodwater downstream and is usually the area where water velocities and forces are the greatest. The National Flood Insurance Program regulations require that the floodway be kept open and free from development that would obstruct or divert flood flows onto other properties.**

CAPTURING DEMAND BY MARKET SEGMENT

Ultimately, increased demand for commercial and retail space will drive new development—but how can Madras bring about increased demand? The retail leakage analysis in **Appendix C** found that Madras could do more to capture sales from several market segments: (1) employees who do not live in the Madras; (2) residents of Madras or surrounding rural areas who choose to shop outside of the city; and (3) drive-through travelers en route to Bend, Portland, or other area destinations. Each of these demand segments has unique needs and desires, as outlined in **Exhibit 6**. This chapter outlines results from the technical analysis on the needs for each of the market segments outlined below.

New and Existing Residents and Workers

Madras serves as a regional retail hub for Jefferson County, providing many services at greater levels than local residents demand. At the same time, Madras residents spend $31 million outside of the City on retail and service goods. The City could capture more spending from several retail types, including:

- **General merchandise.** The retail gap analysis shows that residents spend about $6.4 million outside of Madras to shop for many of the products supplied by general merchandise stores, including dry goods, apparel and accessories, furniture and home furnishings, small wares, clothing stores, electronic shopping, and health and personal care.
- **Clothing.** Residents spend $1.9 million outside of Madras on clothing. It is unlikely that Madras could capture the majority of this share without a wide range of new clothing store offerings. However, a general merchandiser that sold clothing as part of its offerings could capture at least a portion of this retail leakage.
- **Health and Personal Care.** Madras residents spend $1.3 million outside of Madras on health goods (medicine, medical equipment, etc.) These goods could also be sold at a general merchandiser or other store.

In the Fall 2015 community survey and at the November 2nd Open House, the City asked residents about the types of businesses they would like to see more of in Madras. Open house participants and survey respondents confirmed the findings from the technical analysis: that a general merchandiser is the biggest need in Madras, and a key reason why residents leave the City to shop in Bend and Redmond or online. Other top needs these groups cited included apparel, sporting goods, outdoor apparel, books and gifts, office supplies, and home and garden supplies. They would like additional concerts, live music, and outdoor entertainment options. Overall, the findings in this chapter imply that there is limited spending power for new, higher-end retail businesses.

The appendix includes detailed results of the retail leakage analysis in the **Commercial Development Opportunities Report (Appendix C)** and the results of public engagement (**Appendix A**).

Exhibit 6. Market Segment Needs

MARKET SEGMENT	WHAT THEY NEED	OPPORTUNITIES/ APPROACH TO ATTRACTING
New and Existing Residents	Everyday services Food Merchandise Entertainment	Support existing businesses Improve Latino business support General merchandise store to reduce retail leakage Flexible space that can support start-up industry and retail
New and Existing Employees	Everyday services Food Merchandise	Improved mix of merchandise and service offerings General merchandise store to reduce retail leakage
Visitors (visiting nearby attractions and traveling through)	Services Food Sundries Gifts Entertainment	Diversify dining options (brewery) Rental stores/outfitters Unique products Local points of interest to keep visitors in Madras longer

Visitors

Understanding what brings visitors to Madras and Central Oregon can help the City of Madras boost tourism in the future and attract new development that serves tourists. Many studies have attempted to describe the Central Oregon visitor market and visitor profiles, including Travel Oregon and the Central Oregon Visitors Association. Madras is well positioned between major visitor attractions in Central Oregon, some of which provide annual visitor counts. Cove Palisades State Park, a 25-minute drive from Madras, had 515,000 visitors in 2014. Smith Rock State Park, a 30-minute drive from Madras, reported around 650,000 visitors in 2014. Kah-Nee-Tah Hot Springs and Family Resort, a 35-minute drive from Madras, reported 69,000 visitors.

Madras could do more to capitalize on visitor through traffic by providing experiences and services that support regional travel destinations, and capitalizing on the broader "River Canyon Country" marketing effort led by the Jefferson County Chamber of Commerce and the Central Oregon Visitors Association.

Travel Oregon differentiates two types of travelers and the different marketing strategies to draw more business from both.

- Marketable trips are taken by travelers that can be influenced by marketing efforts (e.g., international/national visitors, outdoor enthusiasts).
- Non-marketable trips are influenced by something other than the destination itself (e.g., visiting family/friends or business). Generally, non-marketable travelers are considered lower-value travelers, as they will eat fewer meals in restaurants and may or may not stay in a hotel.

Exhibit 7 shows the different characteristics of marketable and non-marketable travelers, as well as the implications for the Action Plan.

Exhibit 7. Key Characteristics of Visitor Market Segments

	MARKETABLE TRAVELERS	NON-MARKETABLE TRAVELERS
Share of Travelers	49% (Half are from Oregon)	51%
What influences them?	Travel influenced by marketing efforts: - International/national tourism - Outdoor enthusiasts	- Little a destination can do to influence besides offering additional activities - Visiting friends/family - Business
What they do	- 29% for outdoor recreation - 23% for touring - 18% for special event	- 7% business - 42% family/relatives - Generally a lower value traveler. Will eat two meals there a day at $14-18, may or may not stay in a hotel
Implications for Action Plan	- Foster an environment that encourages visitors to stop for unique experiences - Better wayfinding to existing attractions - Provide a variety of restaurant options, especially limited service "grab and go" establishments - Support and market businesses that provide outdoor experiences	- Provide entertainment for people of all ages - Provide quality restaurant options of many types

MRC FINANCIAL ASSESSMENT

Implementing the specific projects identified in this Action Plan will require public investment. Urban renewal provides a funding source for these projects through the use of tax increment financing (TIF). This chapter describes how urban renewal works to generate TIF, and provides an overview of the current financial capacity of the District.

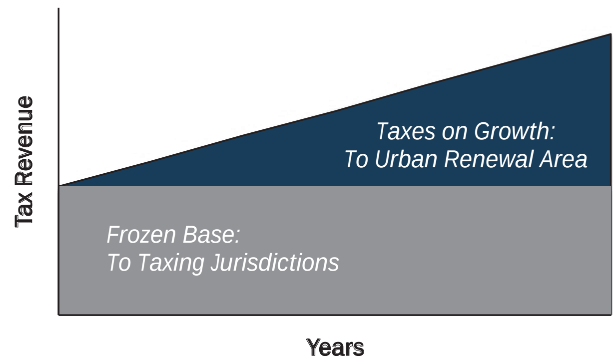
How Urban Renewal Works

Urban renewal is a community revitalization tool that cities and counties are authorized to use through Oregon state statutes (ORS 457). Broadly, the purpose of urban renewal is to eliminate development barriers (referred to as "blight" in the statutes) and to improve and revitalize the urban environment by investing the growth in tax revenues in urban renewal projects (such as storefront improvements, new public infrastructure and street furniture, or new development).

Tax increment financing is the primary mechanism used to generate funding in urban renewal areas. As shown in **Exhibit 8**, TIF revenues are generated when a designated urban renewal area is established and the assessed value of all property in the area is "frozen" (called the *frozen base*). Over time, the total assessed value in the area increases above the frozen base, from appreciation of existing property and from new taxable investment. The assessed value in the area above the frozen base is called the *incremental assessed value.*

The taxing jurisdictions that overlap the urban renewal area continue to collect tax revenue from the frozen base, but tax revenue generated from the incremental assessed value goes to the urban renewal area. The urban renewal area can then incur debt (such as bonds or lines of credit) to pay for projects identified in the urban renewal plan. The TIF revenues are used to repay this indebtedness.

Exhibit 8. Hypothetical illustration of the use of urban renewal and TIF



Financial Capacity of the Madras Urban Renewal District

The Madras Urban Renewal Plan was established in 2002 and has been collecting TIF revenue and making public investments in the District for over a decade. Comparing the District's current revenue stream to its outstanding financial obligations reveals the District's current financial capacity.

Urban renewal areas typically incur debt—or borrow against future TIF revenues—to pay for projects. Of the $355,000 in TIF revenue projected to be received by the District in FYE 2017, $335,000 is committed to debt service and other long-term financial obligations. These financial obligations include $75,000 per year for the new Madras Police Station/City Hall, $70,000 per year for Materials and Services related to management and administration of the District, and $180,000 per year in loan payments for past projects, including but not limited to Inn at the Cross Keys, Madras Cinema 5, Façade Improvement projects, and remediation of properties for redevelopment. **Appendix D: Financial Analysis** includes information on the financial capacity for the District.

Increased financial capacity is most likely to come from growth in TIF revenue. Thus, the District must increase its financial capacity in order to invest in the projects outlined in this Action Plan.

Growth in TIF revenue is dependent on an increase in assessed value in the District, which can come from two sources: (1) appreciation in existing property values, or (2) new development. Oregon law caps appreciation on existing properties at no more than 3% per year in most situations, and the assessed value of the District has historically appreciated at less than 3% per year. That means that significant increases in assessed value in the District will likely be dependent upon new development.

For this reason and others, this Action Plan prioritized projects that support and catalyze new development in the District. In Chapter IV of this Action Plan, we describe the proposed investment strategy for the District to prioritize increasing the District's financial capacity in early years, to ensure the District has the capacity to achieve all of its goals in the long-term.

IV. INVESTMENT FRAMEWORK

The situation assessment in Chapter III makes it clear that careful and strategic investment is necessary. This chapter establishes a framework for investments in public improvements that can be coordinated with private investments to catalyze development that aligns with the community's vision for the area.

This investment framework takes the form of the classic "5 W's" (Who, What, Where, When, and Why) used for organizing news stories. It serves as the organizing mechanism for the plan's actions.

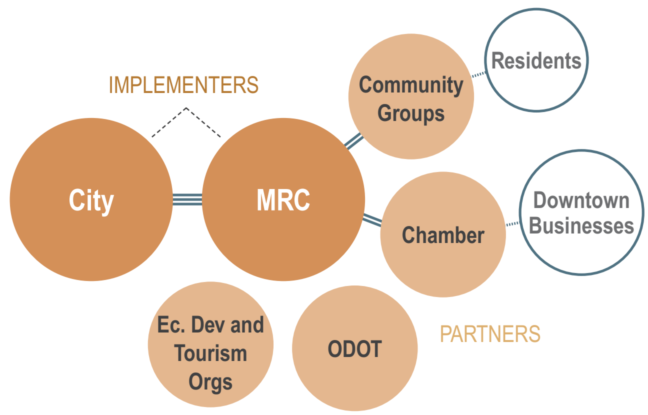
From a private real estate development perspective, people invest in real estate to realize financial gain from rents paid by tenants. Tenants' willingness to pay higher rents depends on their preference for a particular location over others. Generally, three key elements influence private real estate development decisions:

- Market conditions including rent levels, land values, vacancy rates, availability of financing, competing supply, etc.
- The regulatory framework and infrastructure that shape development plans and serve available land.
- The availability/suitability of land, including property ownership patterns, soil conditions, etc.

The public sector, cities in particular, can influence real estate markets and redevelopment potential using a variety of tools. These include urban renewal funds, development regulations, other incentives, infrastructure investments, and, in some cases, partnering with the private sector to improve development feasibility.

Who: The Partners

Successful implementation of the Action Plan will require time and energy from many partners within the City. Some of the projects necessary to spur development and improve conditions in the URD will not be led by the MRC, but by other partners. Bringing new private investment into the community is a key goal of this Action Plan, requiring the coordinated efforts of many partners. The City will work with these partners and track progress toward the goals identified in this plan.



The graphic above shows that the City and MRC are the lead implementers for the development-related actions included in the plan, but that many partner organizations will help to bring many of the projects to fruition that do not directly align with MRC near-term investment goals.

What: Vision for Madras

In the extensive outreach conducted as part of this plan, Madras' residents are clear that they want a better future for the community. The vision statement is an aspirational, long-term description of Madras that could result from the successful implementation of this Plan:

> **Madras' position as the hub of River Canyon Country attracts visitors and new residents who appreciate the community's commitment to quality of life. The City's core is a recognizable, vibrant destination with public and private investment in small scale shops, a mix of restaurants, and cultural amenities that reflect the area's diversity.**

This vision can be implemented over time through specific, concrete actions, described in **Chapter V**.

When: Phasing Over Time

The City's previous investments have created the foundation for private investment, removing infrastructure barriers and encouraging greater development certainty. The MRC's role is to capitalize on those public investments by spurring a set of catalytic private investment projects. The City will not implement all of the improvements in the area at once; limited resources and private market barriers require prioritization and phasing over time.

The phasing shows the general sequence for the implementation of projects in three categories. MRC-led projects and policies are implemented first as opportunities arise, in the near-term. Placemaking and amenity projects occur in the medium- to long-term as funding becomes available and partners come on board.

Madras Bike & Skate Park

Where: Investment Zones

Different areas within the City of Madras require different types of actions. **Exhibit 10** (on the following page) shows that different strategies are appropriate in different geographies of the District.

- **North and South Corridors.** Investments in these areas will generate the most TIF in the near term. In these areas, URD participation will hinge on the ability for the City to partner with property owners or developers to generate TIF investment through public support.
- **Core Investment Area.** Within the core, the MRC's focus will be helping to create a compact, walkable downtown that serves residents and tourists at the same time. The City is capitalizing on the traffic counts flowing down the highway to generate more development that might want to take advantage of highway frontage. In this area, there are some infrastructure issues that hinder development on smaller sites. Given the community's desire for a true downtown in Madras, the City will make proactive investments to help spur development over time, as URD dollars are available.

Exhibit 9 shows the URD investment core, and where the City will focus more proactive investments. The two geographies depicted in this map have different MRC objectives:

- **Urban Core.** The urban core is where the City should focus on investment in infrastructure that will foster downtown-scale retail, in coordination with business owners and community groups. Given the constrained urban renewal funds, investment in these types of projects is likely to happen in future years and at lower amounts.
- **Civic Core.** This area is currently home to many key government and retail services. The goal for this area will be to continue to serve the community, but with a greater diversity of services such as professional services, repair shops, health services, childcare, etc.

Exhibit 9. Investment Focus Area

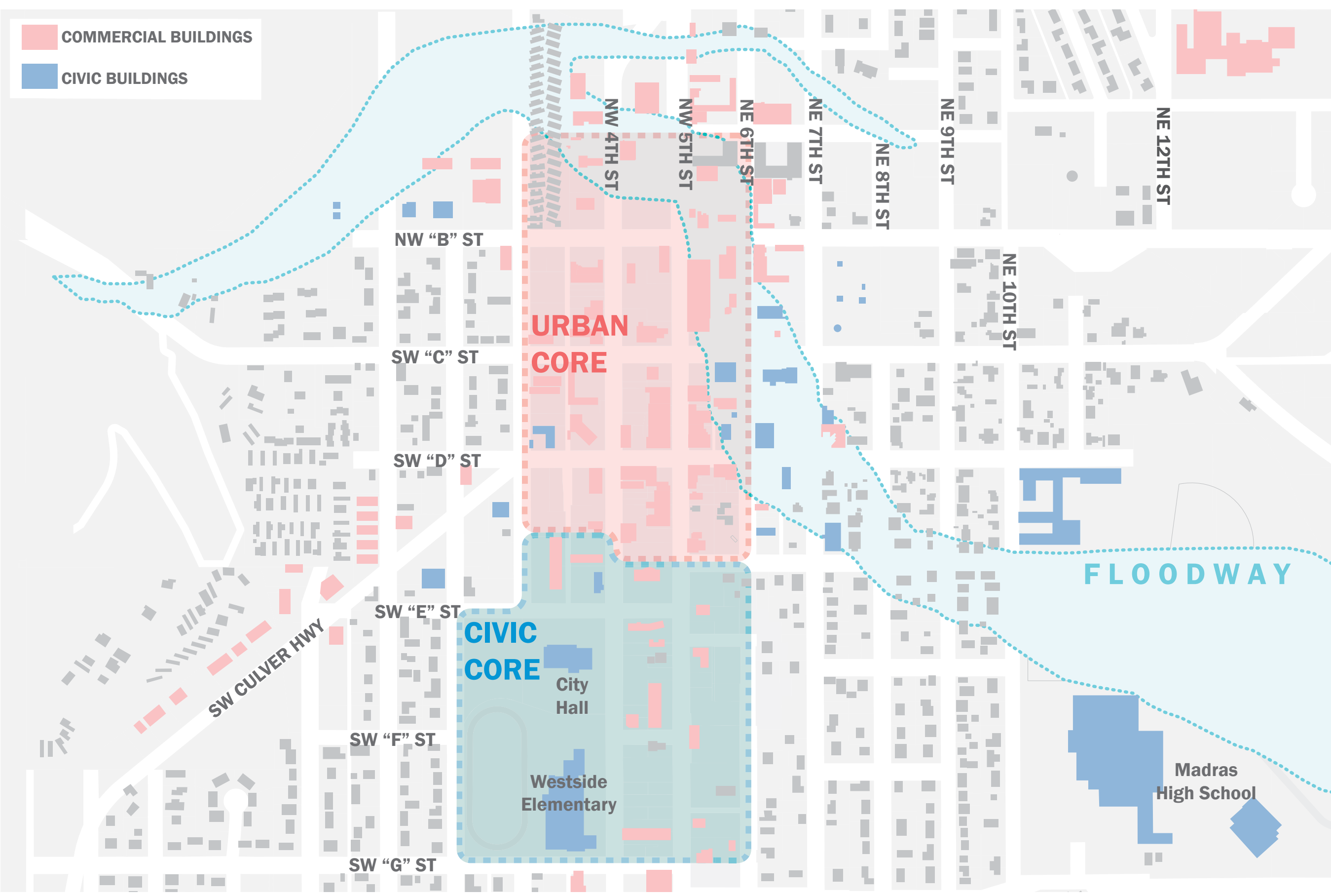
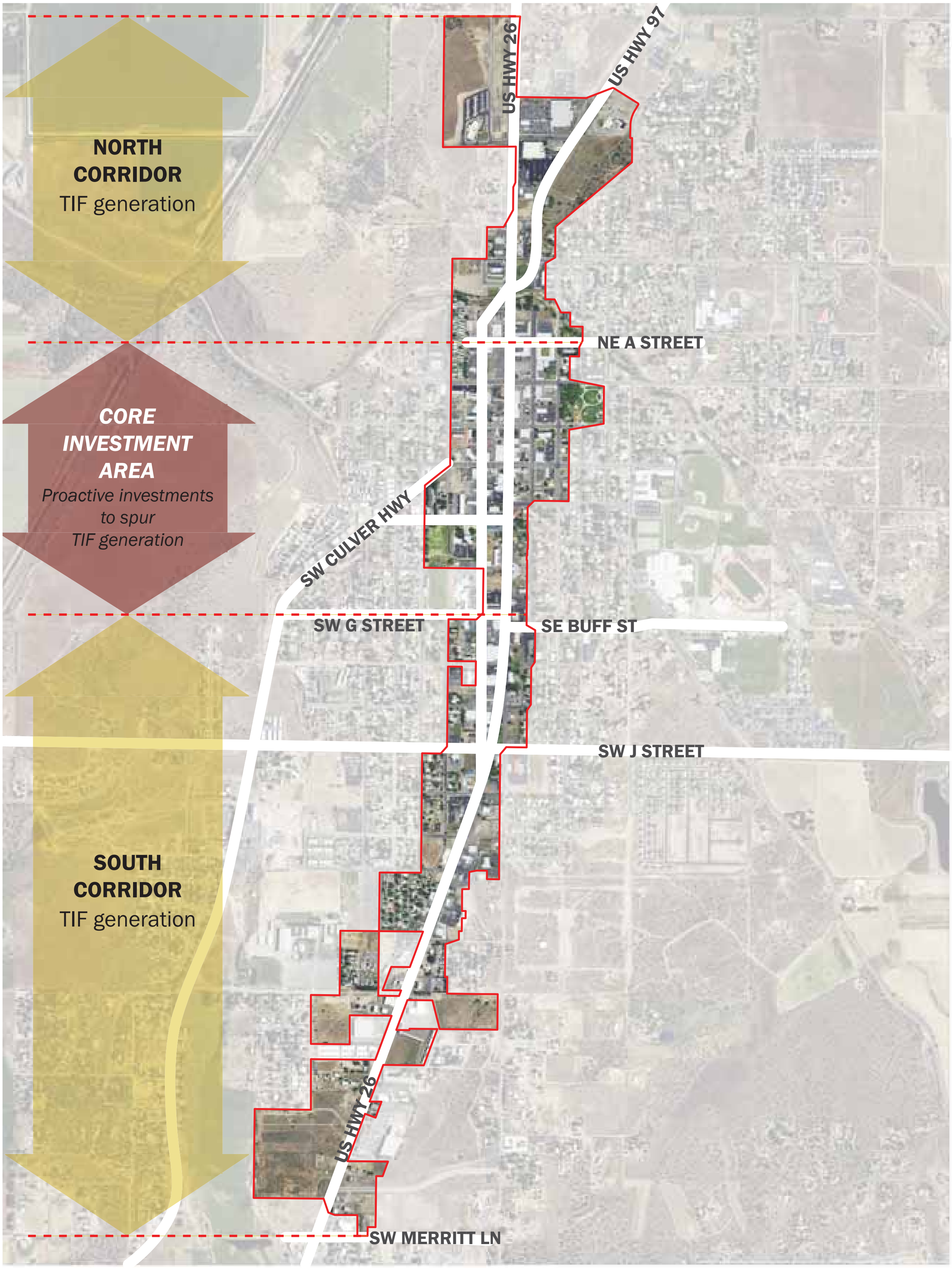


Exhibit 10. Investment Focus Areas



Why/How: Near-Term Investment Criteria

A set of specific criteria informs the Plan's phasing and determines how resources will be expended. MRC developed an initial set of criteria that incorporated the situation assessment findings, community input, and priorities. The criteria articulate a set of near-term outcomes that are needed in the URD. Over time, as the financial situation stabilizes and if the feasibility for new development changes, different criteria can guide the next set of investments for Madras. Any project that the MRC invests in during the near-term should:

- **Generate tax increment.** The investment will generate more tax increment revenue than the public investment required.
- **Support development on an underutilized or vacant site.** The investment represents a timely opportunity for investment on a previously underutilized site.
- **Catalyze additional redevelopment.** The investment is likely to spur additional development on other sites that will not require public investment.

Exhibits 11, 12, and 13 show potential opportunity sites within the three investment zones identified in this framework.

Existing Credit Union site

Example of small-scale commercial development that could occupy the existing vacant parcels surrounding the Credit Union

MRC-owned vacant site

The aesthetic of new office or retail spaces can reinforce and strengthen the character of downtown Madras

Exhibit 11. North Corridor Highway Commercial Opportunity Sites

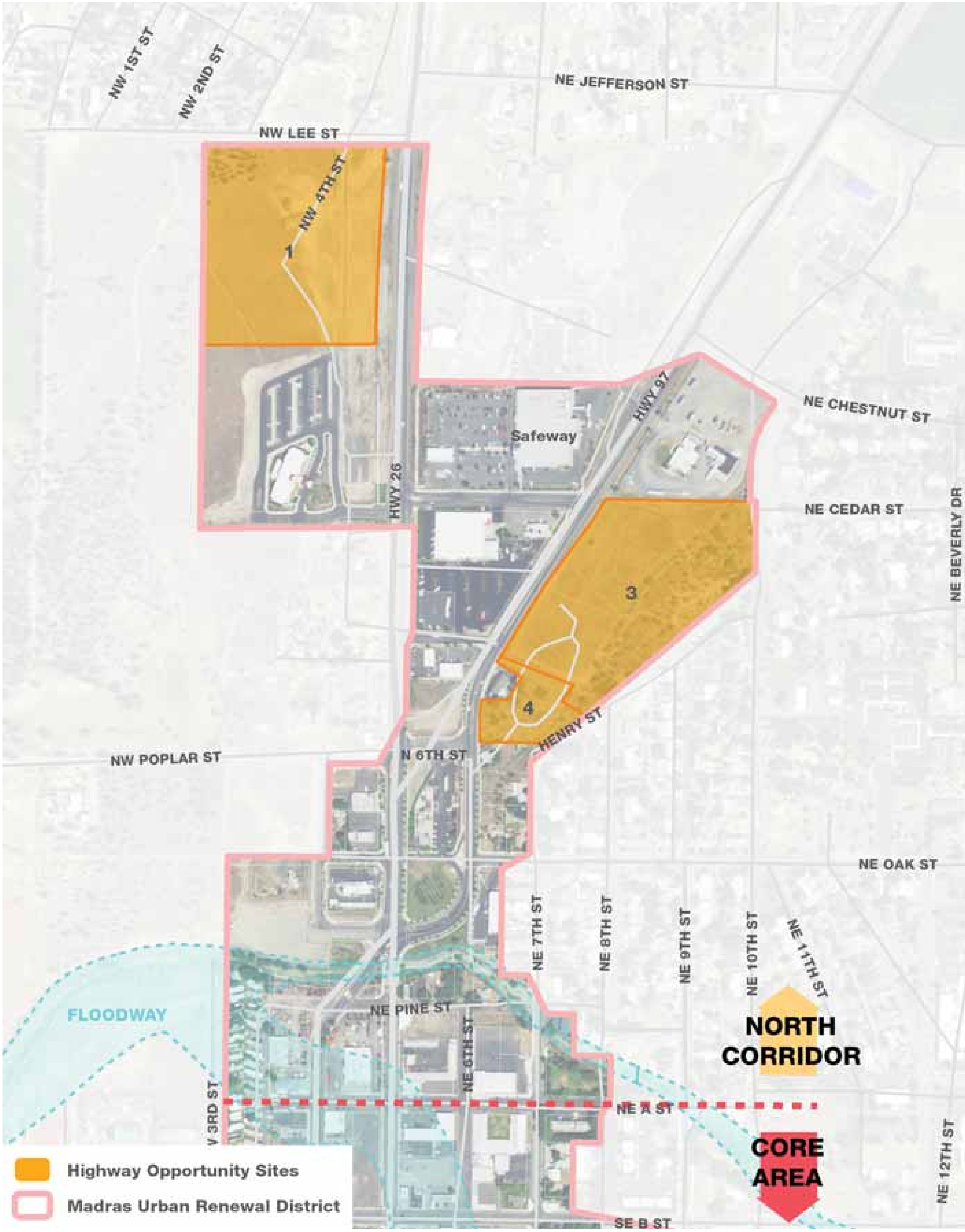


Exhibit 12. Core Area Opportunity Sites

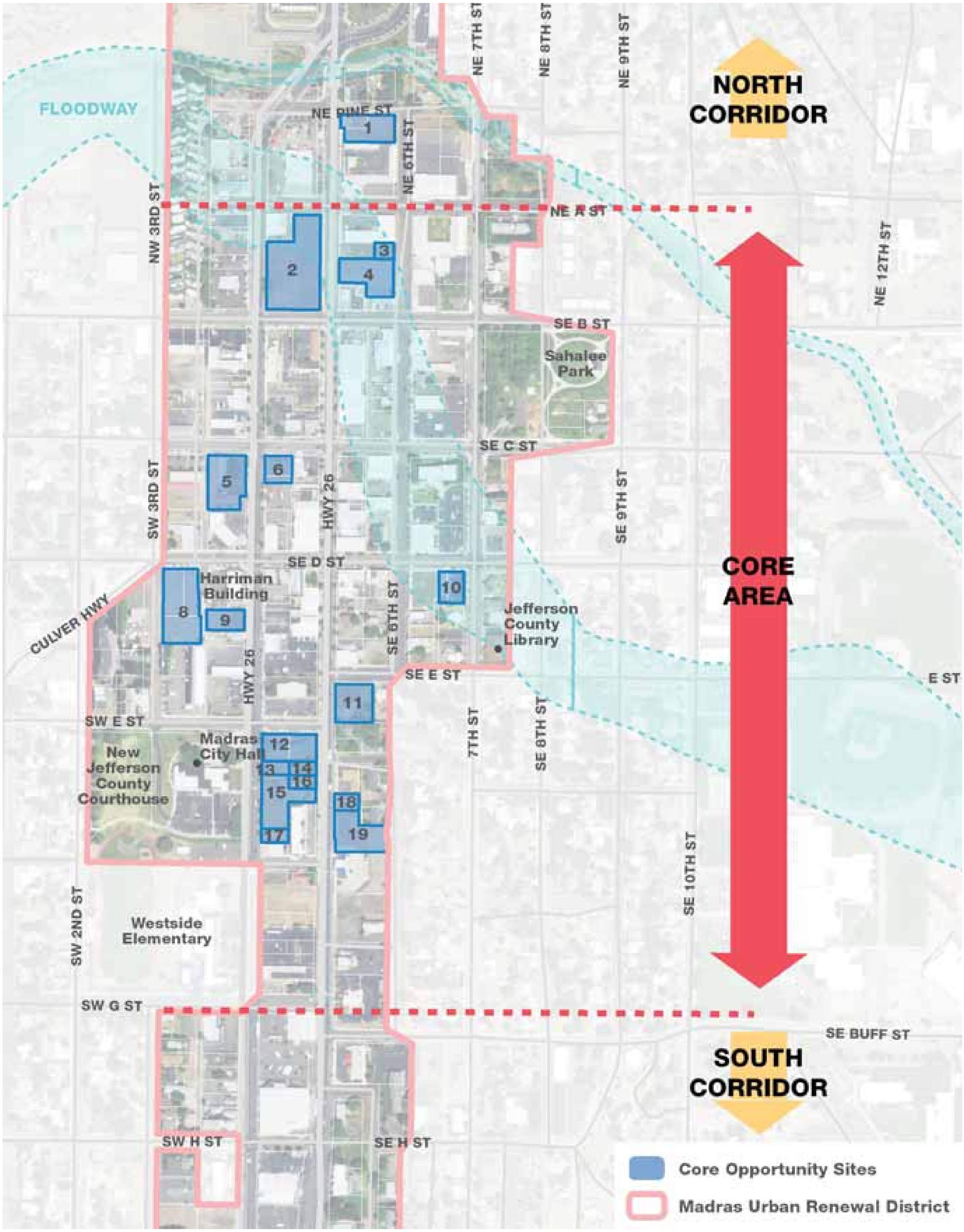
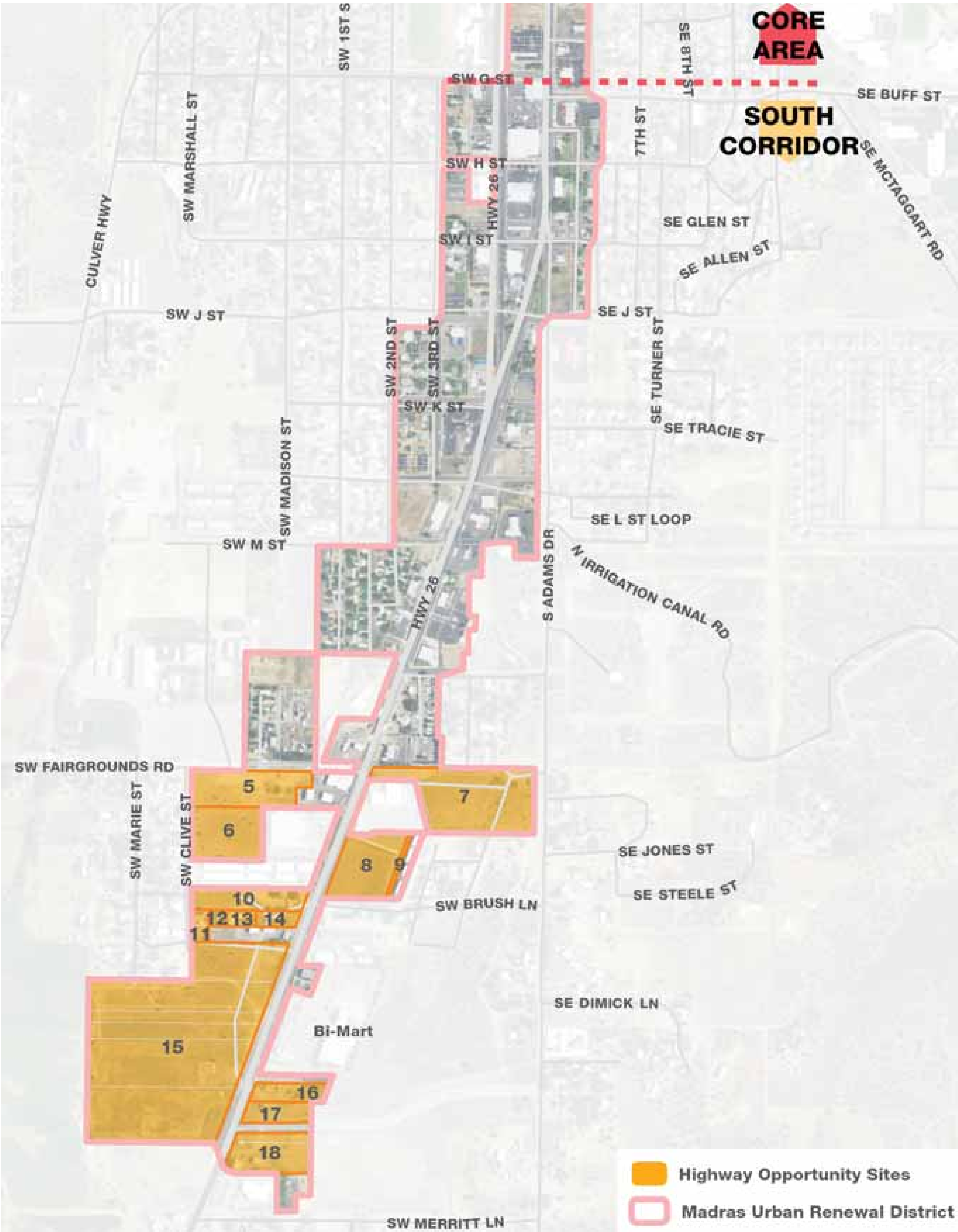


Exhibit 13. South Corridor Highway Commercial Opportunity Sites



POTENTIAL PROJECT: 4TH AND C STREET

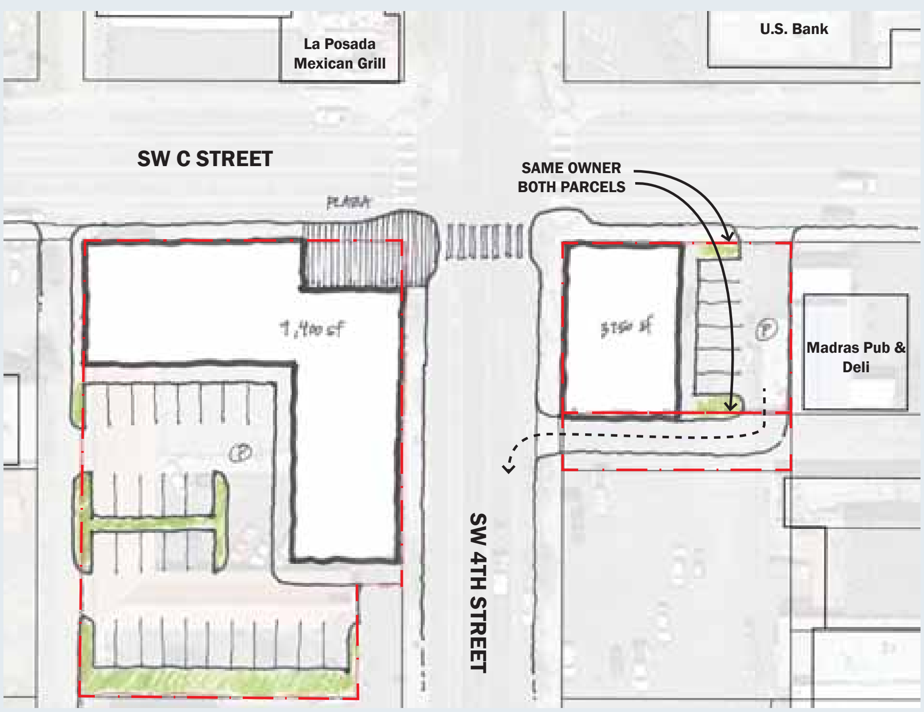
The existing site of the Madras Hotel Motel is considered an opportunity site for future development given its location in the City's urban core and along the couplet and the age of the structures. This diagram shows the amount of development that could occur on the site, given existing development regulations. New development on the site should include visually pleasing buildings that are built directly adjacent to the sidewalk, with parking behind those buildings, as shown in the example images below.

Example of small-scale commercial development that provides an inviting pedestrian environment, including a corner plaza and seating

Existing Madras Hotel Motel at SW C Street and SW 4th Street

An example of an active, attractive street frontage

4th and C Demonstration Plan



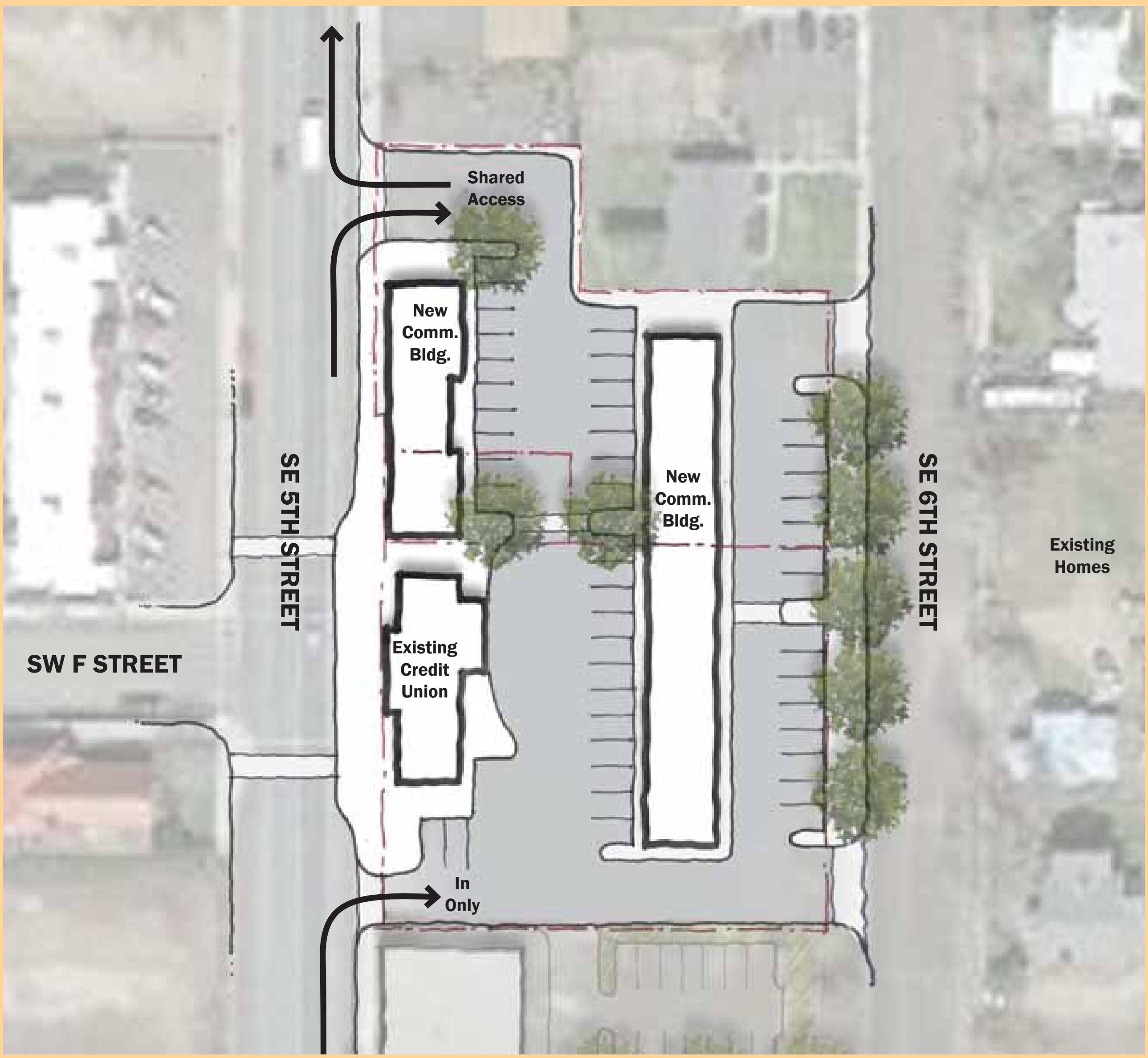
The eastern parcel could allow smaller-scale retail, like the space above.

POTENTIAL PROJECT: CREDIT UNION SITE

The MRC-owned property bordering the Mid Oregon Credit Union site at SE 5th and SW F Street was studied for redevelopment in 2007. The demonstration plan below shows the proposed new building footprints as an example of potential development configuration on the site. New commercial development should be buffered from the existing homes to the east with trees or using the existing grade change between SE 5th and 6th streets.

Existing Mid Oregon Credit Union site

5th and F Demonstration Plan



V. ACTION PLAN PROJECTS

With targeted investments and partnerships, Madras could achieve its vision for a more active commercial core. The strategic use of urban renewal funds will clarify the City's desires and vision for the District, and increase private-sector confidence in investing in the District. It will also provide a bridge for pioneering development projects to overcome the significant financial gap in the District. Based on the objectives and criteria outlined in Chapter III, this chapter outlines eight near-term opportunities. Attracting new development to Madras will take a coordinated effort on behalf of the City, businesses, private investors. Because limited public funds are available for capital projects and programs, it is necessary to prioritize these investments. The Action Plan recommends two distinct categories of projects as a way to organize use of public money.

- MRC Priority Projects. These projects, shown in **Exhibit 14**, have the highest community support and/or met all the criteria described in Chapter IV. For most of these projects, the MRC and City wil lead implementation. In the case of two projects (F and H), the MRC will provide targeted assistance to a partner to implement the action.
- **Partnership Projects.** Shown in **Exhibit 15**, these projects ranked low or medium based on the action plan criteria, but nevertheless had moderate community support. While the City and MRC can support these projects when possible, supporting, funding, and commitment from organizations beyond the City will ensure implementation.

The following tables show:

Community Support. These scores are based on how projects were ranked in the surveys of area residents and employees.

Meets Criteria. These scores are based on how the project meets the MRC short-term critieria.

- **Generate tax increment.** The investment will generate more tax increment revenue than the public investment required.
- **Support development on an underutilized or vacant site.** The investment represents a timely opportunity for investment on a previously underutilized site.
- **Catalyze additional redevelopment.** The investment is likely to spur additional development on other sites that will not require public investment.

Guide to Action Plan:

Exhibit 14. MRC Priority Projects

	PROJECT	RATIONALE	CITY/MRC ROLE AND PARTNERS	COM SUPPORT	MEETS CRITERIA
A	Recruit general merchandise store	Top community need, would help to catalyze other development in downtown.	Create recruitment package and target outreach to appropriate retailers. Partners: Chamber, Investors	High	High
B	Recruit brewery and/or restaurants	Top community need, not currently provided by existing restaurants, would help to catalyze other development in downtown.	Create recruitment package and conduct outreach Partners: Chamber, businesses, Ag Community, Investors	High	High
C	Develop a toolkit to enable the City to 1) be receptive to development opportunities and 2) create ongoing relationships with developers.	Encourages City to nurture relationships with developers and position properties for redevelopment through marketing and decreasing land costs.	Develop marketing approach, create incentive package, track opportunities. Partners: Chamber, Commercial Realtors, Property Owners, Developers	High	High
D	Clarify development processes	Removes development barrier and improves perception among development community.	Develop communications materials and identify any necessary procedure changes Partners: Chamber, Local Developers	Low	High
E	Explore changes to Façade Improvement Program	Top community desire, supports existing businesses and creates a feeling of "investment" in the area.	Explore methods to restructure program to focus specifically on core area, identify measurable investment parameters, work with community partners. Partners: Property Owners, Downtown Businesses, Chamber	High	Med
F	Downtown clean up program	Promotes community ownership of downtown maintenance and allows for creative solutions toward addressing blight in downtown.	Provide targeted funding or other support. Partners: Property Owners, Downtown Businesses, Community Groups	High	High
G	Core area sidewalk improvements	Removes a development barrier and supports connectivity.	Plan for and fund sidewalk capital improvements. Partners: Downtown Businesses, Community groups, ODOT	High	Med
H	Improvements to pedestrian safety on Highway 26/97.	Improves pedestrian safety and mobility. Improvements include new crosswalks, traffic calming improvements, and lower speed limits. Priority intersections include 4th and E St.	Work with ODOT to identify processes to improve pedestrian safety. Partners: City, ODOT	High	Med

Exhibit 15. Partnership Projects

PROJECT		RATIONALE	CITY/MRC ROLE AND PARTNERS	COM SUPPORT	MEETS CRITERIA
1	Install signage to help people find major attractions and promote businesses.	Promotes downtown Madras as a cohesive destination.	**Chamber** Partners: City, businesses, community groups	Med	Med
2	Core area beautification: Expand downtown flower and street tree program, install street furniture, explore options for temporary landscaping.	Promotes downtown Madras as a cohesive destination.	**City/MRC** Partners: Community groups, businesses	Med	Med
3	Increase convenience for visitors by creating a “welcome center” with clean restrooms, dog facility, and information on local attractions.	Promotes Madras as a good stopping place for travelers with good amenities.	**ODOT/ MRC** Partners: City, Chamber, Central Oregon	Med	Low
4	Work with regional partners to attract more residents to Madras to support the URD's businesses.	Creates opportunities for more customers of URD businesses.	**City** Partners: Local housing nonprofits, Chamber, businesses	Low	High
5	Create and or support new downtown events in partnership with local community groups to attract residents and visitors to downtown Madras.	Supports local community and promotes celebration of local assets.	**Chamber** Partners: City, ODOT, community groups, Chamber	Med	Med
6	Support formation of a downtown business association that can market downtown.	Creates a cohesive downtown business community that can support downtown businesses in a way that the MRC, Chamber, and City cannot.	**Chamber** Partners: Businesses, community groups, MRC, Chamber, RARE Program	Med	Med
7	Increase convenience for visitors by creating a “welcome center” with clean restrooms, dog facility, and information on local attractions.	Fosters entrepreneurship and provide pathways to access capital and other resources.	**City** Partners: Community groups, EDCO, Chamber	N/A*	Med

*The community survey did not include a question regarding this Project 7.

DETAILED PROJECT SHEETS

A Recruit General Merchandise Store

Why: Rationale	Who: Lead
The need for better general merchandise retail opportunities was the most frequently retail cited need among residents and stakeholders. General merchandise includes any non-food or non-grocery products, such as clothing, outdoor gear, cosmetics, jewelry, and other sundries. In a survey of area employees, a third of employees living outside of the city cited the lack of as a reason why they did not choose to live in Madras. In addition, the commercial development opportunities analysis showed an untapped demand for a general merchandiser. Recruiting a general merchandiser to Madras could help to catalyze other development along the north and south corridors.	MRC

What: Project Description

The MRC will refine and implement a comprehensive strategy to attract a general merchandiser or a store (like Fred Meyer) that offers general merchandise goods in addition to grocery products. Beginning with the information in the Commercial Development Opportunities Analysis, the City will create a refined "recruitment package" that can serve as a starting point in marketing available sites to potential tenants and developers. The recruitment package will consolidate data regarding market demand, incentives, development processes and permitting information, and the benefits of Madras in one location. This analysis will help the MRC prepare for conversations with potential general merchandise partners on future deal structures and entitlement issues. The MRC will then target outreach to appropriate retailers.

How: Implementation Steps

Create Recruitment Package.
The Commercial Development Opportunities Analysis provides much of the following information, but some additional research may be needed:

- Market demand:
  - Definition of trade area
  - Demographics (population, households, average HH income, median HH income, growth trends) compared with the retailers' site & demographic criteria
- Competitive advantages:
  - Retail leakage information on unmet retail demand within specific categories
  - Possible capture rate from tourists and employees
  - Competitor analysis
- Retailer perspective:
  - How Madras meets the retailer's business needs and wants
  - Data on specific consumer preferences
- Incentives available:
  - The materials should describe the type of assistance that could be available, including low-interest or forgivable loans, infrastructure assistance, or grants. This funding should be tied to the investment criteria in the plan to ensure that the proposed development meets community needs.
- Development sites: Each retailer will have a specific set of site requirements, but the MRC can bring information from this action plan that helps to identify sites that would be suitable for new retail. A 20,000 square foot general merchandiser will be looking for a site that is two to three acres in size.

Target outreach to appropriate retailers.

- Consider attendance at International Council of Shopping Centers events. The MRC can bring summarized, refined findings of the information in a set of materials for prospective investors. More information on approaching these types of conventions can be found at icsc.org
- Identify attraction/recruitment specialist. The MRC should consider working with a reputable retail recruiter to market the URD with potential retail brands and guide the MRC through this process.

	Examples of retail site analyst firms include Retail Research Group, the Retail Coach, and Buxton Co. ▪ Support any existing retailers that are ready to expand their lines of business or size of their stores. **Identify opportunities for Public-Private Partnerships** Using the development toolkit identified in Project C, identify possible sites, and work with property owners to make sites available when an interested retailer is ready to invest. Market these sites to brokers and others.
When: Phasing	Short-term, high priority
Partners	Chamber
Funding Considerations	Staff time for outreach Consulting contract with recruiter and to produce marketing materials (if done in house, then the cost is just staff time and printing costs) Incentives package for individual developments

B Recruit Brewery

Why: Rationale	Who: Lead
The recruitment of a brewery to downtown Madras was a high priority among survey respondents and could help to spark other investments in downtown by capturing business from visitors. At the same time, a larger production brewery facility would create jobs in Madras that would help to recruit new residents to support other District businesses.	MRC

What: Project Description

The MRC will work to recruit a brewery to Madras our unique assets. There are generally two categories of breweries: small production facilities or brewpubs (under 5,000 square feet and around $700,000 in investment) and larger production facilities (around 10,000 square feet, and $2 million in investment).[1]

How: Implementation Steps

- **Issue identification and initial connections.**
  - **Hold meetings with Central Oregon brewery representatives to understand needs.**
  - **Identify and work with possible brokers or consultants to position Madras.** There are consultants that work exclusively with breweries to help to identify potential growth opportunities and manage the brewery startup process. The MRC could consider working with one of these consultants to identify potential brewery partners and market the MRC's offerings.
  - **Explore partnerships with the agricultural community**, including the Mecca Grade Malt operation north of Madras.
  - **Based on these conversations, identify sites that meet brewery requirements.** These include, truck loading, a site with topography for gravity flow, and adequate power and water supply.
- **Create brewery recruitment collateral.** Develop summary of Madras' advantages for a brewery, including: high quality water, lack of competition, low cost of doing business, quality of life, through traffic, existing businesses (including Malt Grade's estate malt operation). The material should include the following:
  - Letter of introduction including compelling reasons why downtown Madras makes sense for their business.
  - General information and photos of the community highlighting its assets.
  - Current downtown market position and goal statements.
  - New developments demonstrating public and private investment downtown.
  - Trade area geographic definition and demographic and lifestyle data.
  - Non-resident consumer data (including daytime population and tourism visitation).
  - Major employers and institutions.
  - Vehicle and pedestrian traffic volume.
  - Mix of existing retail, service, dining, housing, office, and lodging in the market area.
  - Press coverage and testimonials highlighting success stories.
  - Downtown opportunity sites (based on information gathered in the first step).
  - Summary of city and other public incentives and other business assistance available in the business district.
- **Identify leads.** Use the information above to contact emerging entrepreneurs, existing businesses, and brewery consultants. In addition, the MRC should consider hiring a brewery consultant to contact successful existing breweries in other locations that may be interested in expanding or even relocating to new locations to take advantage of potential new markets – or, know of former employees, business partners, or other potential recruited individuals who would be interested in a

[1] Conversation with Tomas Sluiter, Brewery Consultant.

	starting another brewery. ▪ Send letters of introduction and make recruitment calls. Document these calls meticulously. ▪ As opportunities arise, identify suitable sites, work with property owners to make sites available, and negotiate a public-private partnership.
When: Phasing	Short-term
Partners	Chamber, businesses, ag community, investors
Funding Considerations	Marketing materials Staff time for outreach Incentives package for individual developments to be determined

C Development Recruitment Toolkit

Why: Rationale	Who: Lead
Technical analysis and outreach point to a need for new development in Madras, and specifically in the Urban and Civic Core. In open houses and community surveys, Madras residents and downtown stakeholders discussed a strong desire for a more vibrant "heart" in Madras that includes new retail opportunities, more attractive storefronts, and a more visible center for the community. New development generates revenues needed to support future investments. However, downtown Madras' development market and existing development create barriers to site development and reduce development feasibility. Most of the recent new development in the District has therefore been incented through public investments. A targeted developer outreach strategy and predevelopment program could help to focus investments in the core and create a more vibrant market that may not need as much support in the future. Findings from outreach and analysis will provide fodder for attracting new private investment in the District. One of the City's key assets is relatively low-cost vacant and undeveloped land. The Action Plan includes an inventory that can be a helpful starting place for connecting interested developers with potential projects.	MRC

What: Project Description

This action creates a system for developer outreach and opportunity tracking. It also outlines targeted development assistance in the form of MRC grants/loans and predevelopment assistance.

How: Implementation Steps

- Develop a consistent approach to marketing to developers, brokers, and property owners.
  - Hold an annual or bi-annual developers / brokers roundtable program to bring together development community representatives, gather their input on how the development market is changing, and provide them with information about available properties and the development support programs that the City provides. Invite developers from around the region to attend, including Portland-area development entities.
  - Develop and maintain a set of marketing materials regarding development opportunities and City / MRC programs to support new development.
  - Maintain relationships with key property owners to understand their plans for improvements or changes to their properties.
- Target MRC grant/loan funding.
  - Support potential investors or property owners as they consider redevelopment of their properties in uses that match the vision for the District. This support may take the form of predevelopment assistance (see below) or grants or loans to underwrite construction costs.
  - Ensure that those investments are financially sound by evaluating tax increment revenues associated with new development and comparing them to the upfront public investment necessary to catalyze development. Consider using a predevelopment agreement (a legally-binding agreement between the City and a developer or property owner) to ensure that public goals are met and to provide certainty to the private partner.
- Continue to evaluate opportunities to sell or redevelop City and / or District-owned properties; consider opportunities for redevelopment on other publicly-owned properties. Catalyzing redevelopment is easiest on sites that are publicly-controlled. With site control, the City could release an RFP to identify developer and partners and develop a conceptual plan for the site.
  - Carefully consider whether the sites are well-located for catalyzing redevelopment in the core. If not, selling them could help to capitalize urban renewal funds and provide financial resources to support other projects.

	- **If any sites are appropriate for redevelopment, carefully consider public-private partnership to move the project forward.** The public sector will have the greatest leverage near the beginning of a market cycle (not at the peak, as it appears to be at the time of this Action Planning process), when construction costs are lowest and when developers are seeking new projects. ▪ **Track opportunities to pursue property acquisition in the core area.** If a suitable opportunity arises, the MRC can help prepare the parcel for sale/redevelopment; master plan for new retail and services destination. **Predevelopment assistance.** The City can work with a developer or property owner to assist with typical due diligence issues (site design or engineering, property consolidation, market analysis, permitting, financial analysis), to help catalyze projects that align with the goals of the Action Plan.
When: Phasing	Near-term, with ongoing attention throughout the life of the URD
Partners	Developers, property owners, brokers, development financers, Chamber
Funding Considerations	Staff time to convene local developers and put together systems to track development opportunities. Specific incentive levels will be determined through negotiation on individual development proposals.

D Clarify Development Processes

Why: Rationale	Who: Lead
Stakeholder outreach conducted as part of this Action Plan process uncovered a sentiment among some that the City's development processes permitting, development fees, etc. are overly complicated and expensive, and may be driving away or stopping new development from occurring. A review of the City development processes and regulations by property owners, realtors, developers and Chamber will provide feedback to City staff on any necessary changes to the City development processes and standards. A review of systems development charges led by City staff found that Madras' fees are cost competitive with other cities in Central Oregon.	MRC

What: Project Description

Clearly document the steps in the development permitting process, fees involved, and other requirements. The purpose of this project is to clearly document, share data, and inform stakeholders regarding how Madras' processes work, development regulations, where funds go, and how its development fees stack up to surrounding communities, so that lack of clarity around development processes cannot act as a hindrance to development.

How: Implementation Steps	▪ City staff is to hold an annual meeting to review the City's development processes, regulations, and fees, and solicit feedback from property owners, realtors, developers, and financiers ▪ Develop communications materials (web content and brochures) ▪ Work with counter planning staff to ensure consistency in communication and application of all requirements. Consider using the "Development Ready Communities" framework developed for jurisdictions in the Portland Metro area. ▪ Evaluate options to provide MRC financial assistance for projects that meet certain public goals based on a performance standard.
When: Phasing	Short-term
Partners	Local property owners, realtors, developers, financiers
Funding Considerations	Staff time hold annual meeting to review development processes, regulations, and fees. Staff time to develop materials and update website content. Staff and City Attorney time to amend City ordinances in response to stakeholder feedback Printing costs

E Explore Changes to Facade Improvement Programs

Why: Rationale	Who: Lead
Building maintenance and facade improvements were key themes from Action Plan community outreach. Improving the look of businesses can be important to ensuring that the business captures its market share; however, these investments can be challenging for small businesses to finance. This is particularly challenging for tenants, who do not own and control their properties. The City has made investments to support façade improvements in the past, but could do more to ensure that these investments are made equitably and are truly targeted to achieve public goals.	MRC

What: Project Description

Consider adjustments to the structure of existing Madras storefront improvement programs. Options include:

- **Focus improvements on the core area.** Limiting grant-eligible properties to just the core and civic areas of the URD. Other areas could continue to be eligible for storefront improvement loans.
- **Adjust criteria.** New criteria for eligibility could be based on the visibility of the building and impact of the improvements on the overall appearance.
- **Provide financial assistance for building maintenance.** If there are buildings in the core area that are not in need of a complete façade renovation but need maintenance, financial assistance could be extended to property owners for such work. Building maintenance costs are often less than a complete façade renovation and ensure buildings in the core area are attractive and consistent with the vision for the URD.
- **Change grant specifics.** This could involve changing the maximum grant allowed, adjusting the grant/loan balance, and the required or desired financial contribution from a property owner. Another option could be to offer the services of an approved architect to work with owners to develop plans.
- **Target specific properties.** In addition to the rolling application process, staff will identify specific buildings that might benefit from Urban Renewal investment and approach property/business owners with a proposal for improvements.
- **Allow tenant improvements.** These adjustments could allow small businesses/building owners and would help to fund electrical upgrades, ADA compliance, and other infrastructure that are critical to opening/maintaining a business.

How: Implementation Steps	▪ **Develop and adopt Façade Improvement and Building Maintenance investment policies.** Review similar policies of urban renewal districts around the state as a starting place. Implications from this review will inform changes the City makes to program materials and website content for these programs. ▪ **Identify potential changes to the existing programs to improve participation and ensure more targeted investments.** Focus on projects that increase building value, appearance and marketability, including cosmetic improvements (e.g. paint or awnings). ▪ **Initiate conversations with property owners and brokers to ensure the revisions and policies are responsive to area needs.** ▪ **Edit program materials and website content to state adjusted program parameters.**
When: Phasing	Short-term
Partners	Property Owners, Businesses, Realtors, Chamber
Funding Considerations	Laying out the options for annual budget allocations for these programs will be the subject of future MRC meetings.

F Downtown Clean Up Program

Why: Rationale	Who: Lead
Public outreach results show that Madras residents are concerned with the cleanliness and maintenance of their downtown corridor. Cleanliness in the physical environment affects their sense of pride and safety. Further, a tidier downtown would better appeal to tourists and incentivize motorists to stop in Madras rather than passing through.	The MRC / Community Groups

What: Project Description

Community-based cleanup of the core of Madras would foster community ownership of downtown through maintenance (the removal of garbage, graffiti cleanup, power-washing, weeding, etc.) as well low-cost improvements to improve the area's appearance (murals, tree plantings, small-scale painting projects, etc.).

Options for this program could include one or more of the following:

- An annual or semi-annual volunteer cleanup program that would last half a day and be sponsored by the City and/or local businesses to provide food and materials. The annual or semi-annual clean-up efforts could be completed before the Memorial Day weekend and/or before the City hangs the holiday lights on the street trees in November of each year. An example is the City of Astoria's Earth Day Clean Up. http://www.astoriadowntown.com/News/1085.
- A small committee that would commit to different aspects of downtown cleanup on a regular basis (for example, monthly).
- Hire low-cost parole and probation work crews to do some of this work on an ongoing basis.
- Program to improve appearance of vacant lots with simple things like wildflower seeding or even low hedges to screen from sidewalks.
- Work with the City to explore street sweeping schedule and coordinate with volunteers.

How: Implementation Steps	▪ Explore partnerships with local groups ▪ Identify funding sources ▪ Identify ongoing projects
When: Phasing	Short-term
Partners	Community groups, businesses, Chamber, City, local philanthropic organizations
Funding Considerations	The cost for sponsorship and materials would likely be low. The main consideration for this program is the level of effort required to organize an event and the ability for such an event to attract volunteers.

G Core Area Sidewalk Improvements

Why: Rationale	Who: Lead
Improving sidewalks in the core area and completing the sidewalk network was a high priority for community members. Addressing these needs can help to make the area more accessible for pedestrians and support connectivity. While the City's sidewalk Ordinance places the responsibility for sidewalk maintenance upon the adjacent property owner, City provision of sidewalks adjacent to core area opportunity sites can remove a development barrier for potential developers. The City has received complaints about uplifted sidewalks that are in need of repair. Many times, the sidewalk damage has been caused the roots of a street tree.	City of Madras

What: Project Description

This project will be implemented using two existing City programs:

- Sidewalk Repair Grant Program. The MRC understands the burden to businesses' to repair their adjacent sidewalks due to damage caused by street trees and wants to provide relief to the property owner by providing assistance through the Downtown Sidewalk Repair Grant. More information can be found at http://ci.madras.or.us/index.php/city-business/public-works/sidewalk-grant-program/

Capital Improvement Program. The City actively manages a set of capital improvement projects which include future investments in sidewalks. The map below shows the status of existing sidewalks. Streets with a directional classification mean that sidewalks are only present on one side of the street.

- Exhibit 1 shows the designation of sidewalks in the core area. The biggest gaps exist along north-south streets.

In addition, the City should check that its existing palette for new trees includes street trees allow enough growing space to avoid root heave.

How: Implementation Steps	▪ As part of the process described in Project H, partner with the City and ODOT to repair sidewalks along the U.S. 97/26 couplet. ▪ Identify locations for new street tree plantings. ▪ Continue to plan for and fund sidewalk capital improvements. ▪ Market sidewalk grant program to property owners located in the core area that have the highest levels of damage.
When: Phasing	Short-term to Mid-term
Partners	Downtown businesses, Local community groups, ODOT
Funding Considerations	Funding sources include the City of Madras Capital Improvement funds and MRC Sidewalk Repair Grant funds

The map below shows the status of existing sidewalks. Streets with a directional classification mean that sidewalks are only present on one side of the street.

Exhibit 1. Downtown Sidewalks

Source: City of Madras GIS

H Improvement Pedestrian Safety on Highway 26 / 97

Why: Rationale	Who: Lead
Traffic on the Highway 26/97 couplet presents many challenges to pedestrians who wish to access businesses in downtown Madras. About 13,000 vehicles per day travel through Madras' core on the US 26/97 couplet.[2] The highways act as a barrier, creating challenges with creating a contiguous business district and a place that feels like a "core" of the City. Improving pedestrian safety along this corridor was a high priority in the Action Plan public outreach process. There have been two significant vehicle-pedestrian accidents at 5th and D Street and 4th and D Street. Additionally, the Dance Studio at 4th and E and the Kids Club at Westside Elementary School generate a lot of traffic weekdays between 3 and 6 p.m.	City of Madras

What: Project Description	
Improvements should be focused in the core area, and could include new crosswalks and traffic calming strategies such as curb extensions, road diets (in coordination with ODOT), street trees, and on-street parking. Priority intersections include 4th and E St., and other un-signalized intersections or crossings. The City of Madras will work with ODOT to identify processes to improve pedestrian safety.	
How: Implementation Steps	▪ MRC will convene key stakeholders from the business community, Library, School District, City, County, Kids Club, and other community groups to meet with ODOT to identify viable pedestrian crossing and other improvements. This discussion should begin by documenting key pedestrian destinations and possible new development sites in the core area, identifying specific needed improvements at key intersections. ▪ With information from that discussion in hand, consider pursuing an ODOT Transportation Growth Management Grant that would allow a more detailed study of transportation issues in this corridor. This process would enable the City to work with ODOT to document necessary investments, feasibility for improvements, and an appropriate phasing strategy.
When: Phasing	The community process should be near term, but it is likely to take several years for improvements to take place. Some improvements may be phased with new development.
Partners	ODOT, City, School District, Kids Club, Businesses
Funding Considerations	No near term funding is likely available through the MRC, but a TGM grant could provide funding for a more detailed study of these issues.

[2] Summary of Trends at Automatic Traffic Recorder Stations, 2014. http://www.oregon.gov/ODOT/TD/TDATA/tsm/docs/Summary_2014.pdf

VI. IMPLICATIONS

The City is well positioned to overcome its barriers and achieve growth. Successful implementation of the actions in this Plan will require the collective and coordinated investments of many individuals and organizations. As a summary, the actions described in the Plan seek to improve competitive position by building on the City's many advantages: its position at the hub of River Canyon Country and in the center of many transportation connections, its small-town feel, its diversity, and the investment in amenity that the City has already made. To do so, it must overcome the key development challenges identified in the analysis. At the highest level, here's how the Plan does that:

IDENTIFIED DEVELOPMENT BARRIER OR RETAIL NEED	ACTION PLAN RESPONSE
Lack of a "heart" for the URD	Concentrates proactive investment in an identified "core area"
Traffic through the City	‣ Recognizes some of this traffic as an opportunity, and recommends attractions and new businesses to capture greater sales ‣ Recognizes that improvements at the North and South Ys have already improved flow ‣ Creates a core that includes east-west streets as well as the highway couplet, to get some traffic off of the highway in a more walkable and urban environment
Floodway limits development opportunities	‣ Clearly identifies development opportunities that the floodway does NOT impede ‣ A coming floodway remapping process is likely to change the location of the floodplain; Plan recognizes the need to revisit development opportunities through this process
Weak market	Action Plan recognizes the need to support new development in a weak market, and prioritizes those projects that will catalyze additional new development
Need to target "missing" market segments to reduce retail leakage	Actions include a focus on creating opportunities to keep local dollars local (through attracting a general merchandise retailer) and to capture new sales and new development (through attracting a brewery or distillery and creating a more recognizable core for the City)

APPENDICES

A. OUTREACH SUMMARY

B. PROGRESS REPORT

C. COMMERCIAL DEVELOPMENT OPPORTUNITIES REPORT

D. FINANCIAL ANALYSIS

Appendix A:
Outreach Summary

Appendix A: Public Input Summary

From October through December 2015, the consultant team led by ECONorthwest gathered public input related to the Madras Urban Renewal Action Plan Update. This appendix describes the community engagement methods that the consultant team used in Madras and summarizes the public input gathered through these methods. It describes the content of three Madras Action Plan Advisory Committee meetings, and summarizes the structure and results of the community open house, interviews and focus groups, and two surveys. The sections are as follows:

- **Part 1: Methods and Summary of Themes**
- **Part 2: Direct Engagement**
    - Madras Action Plan Advisory Committee
    - Open House
    - Interviews
    - Diversity Coalition Meeting
- **Part 3: Detailed Survey Results**

Part 1: Methods and Summary of Themes

The Public Engagement component of the Madras Action Plan update was designed to be robust and inclusive. It included an advisory committee, individual interviews, paired interviews, focus groups, two online surveys, an open house, a meeting with the Madras Diversity Coalition, articles in the Madras Pioneer, and briefings to the Madras Revitalization Committee.

This Appendix contains the input received on the Madras Action Plan. Input includes a summary of the Madras Action Plan Advisory Committee members and process, summaries of the input from the interviews conducted, the online survey, the survey sent to school district employees, and the meeting with the Madras Diversity Coalition.

Exhibit 1. Outreach Summary

	Meetings	Number of people
Madras Action Plan Advisory Committee	3	6
Open House (November 2, 2015)	1	40
Interviews/Focus groups by consultant	N/A	42
Online Community Survey	N/A	98
Online Employee Survey	N/A	115
Online Spanish Survey	N/A	4
Diversity Coalition Meeting (December 15, 2015)	1	12
Madras Revitalization Committee Meetings	3	5
Total	8	322

The consultant team obtained extensive public input through a variety of methods including an open house, individual and group interviews, surveys, and a meeting with the Madras Diversity Coalition.

- **Open House.** An open house was held November 2, 2015. The event was advertised in the Madras Pioneer, on the city of Madras website, electronically to an email list provided by the city of Madras and through the Madras Chamber of Commerce. Approximately 40 people attended the event. An interpreter was present, but was not needed. An article on the Open House appeared in the October 29, 2015 edition of the Madras Pioneer, inviting additional comment. The Madras Pioneer also published an article on November 4, 2015, after the Open House. Open house attendees received a follow-up survey. The Madras Pioneer article invited participation in the survey and published the survey link. Themes from the Open House are described below.
- **Community Survey.** To gain input from the community, the City of Madras posted a community survey on its website as a follow-up to the Open House. The survey is appended to this section. Community members returned 98 completed surveys.
- **Madras Employee Survey.** In November, a survey was distributed to help elicit information about why employees of the Madras School District do or do not live in Madras and how to encourage residency in the future. The survey is appended to this

section. Madras employees returned 115 completed surveys. A Spanish language version of the survey was also distributed, with 4 respondents.

- **Madras Diversity Coalition.** City of Madras staff met with the Madras Diversity Coalition to solicit their input on future actions in the urban renewal area.

Overall Themes

Through the outreach process, several main themes emerged. These include strengths that the City should embrace, issues to be addressed through urban renewal, and insightful observations of Madras' unique culture.

Embrace existing assets. As a friendly small town with a low cost of living, Madras is an appealing place to live. Madras has a proud history of agriculture. Its location in Central Oregon provides ample opportunities for recreation.

Improve appearance and vibrancy. Among public outreach participants, a key concern is that Madras becomes a place people want to be. The downtown area should be cleaner and better maintained with few vacancies. Clearly signed public spaces and events should provide opportunities for interaction

Create public safety. Madras' location on the busy 26/97 couplet concerns community members, who understand that people want to live and work in a safe place. Traffic laws should be enforced, and infrastructure improvements should target pedestrian safety. Participants in public outreach also see decreasing homelessness and providing resources for the elderly as public safety concerns.

Provide more retail options. Participants in the public outreach process express a strong desire to be able to shop locally and support local businesses. Many believe the city needs a department store, affordable healthy groceries, and more diverse dining options.

Attract tourism. Madras' location makes it a natural tourism hub, yet people pass through without stopping. Community members would like to see more businesses related to recreation and signage encouraging motorists to stop. Local business, such as breweries, could form the basis of an appealing town theme or identity.

Plan for jobs and housing. Participants recognize that Madras has workforce and employment needs. There needs to be more living wage jobs, paired with affordable housing to accommodate families and singles.

Address the reputation of local schools. Many public outreach participants express disappointment in the quality of local schools. Others are satisfied by the education system, yet acknowledge there is a perception that the schools could be improved. There is agreement that a robust public education system could help attract new residents and firms to Madras.

Acknowledge diversity. Madras has relatively large Latino and Native American populations. Many embrace this diversity and the opportunities it provides for a vibrant cultural and business environment. However, Madras is not without prejudice, and there are tensions between different groups.

Evaluate the role of the City. Many outreach participants perceive the City as a barrier to development. They suggest lowering fees to incentivize development desire a friendlier relationship between the City and businesspeople.

Part 2: Direct Engagement

Madras Action Plan Advisory Committee

The Madras Redevelopment Commission (MRC) appointed a Madras Action Plan Update Advisory Committee (Advisory Committee) to help guide the Madras Action Plan Update process, and provide input on the findings throughout the process. The Advisory Committee met with the consultant team at the inception of the project, the day after the Open House, to review key themes from the outreach to date as well as initial results from technical analysis related to commercial development opportunities.

In the initial meeting, the existing Madras Action Plan was summarized to provide an overview of complete and incomplete projects. The consultant team presented the Work Plan for the Madras Action Plan Update and asked the Advisory Committee to provide input.

The second meeting occurred after the Open House, and included a summary of information gathered from interviews and the Open House. The consultant team presented a review of the memorandum documenting the progress of the Madras Urban Renewal Plan. This review included a snapshot of the financial status of the urban renewal plan. The consultant team also presented initial findings from their research, including community members' perceptions of existing strengths and opportunities for growth in Madras. The Advisory Committee participated in an activity summarizing these perceptions of Madras.

The Advisory Committee members were:

Tom Brown, City Council President
Chuck Schmidt, City Councilor
Blanco Reynoso, Madras Revitalization Committee
Gus Burril, City Administrator
Nick Snead, Community Development Director
Brandie McNamee, Finance Director

Open House

The November 2 Open House was organized to provide and gather information. ECONorthwest, the consultant, presented the goals of the Madras Action Plan Update and data from the retail needs analysis. Specific stations were set up in the room to gather feedback about people's perceptions of Madras today and their desired perceptions for the future. This information highlights the issues people see in Madras and how the city can address those issues. The section below describes the four station areas and summarizes the input received at these stations.

Where is the heart of Madras?

Attendees were given a dot sticker to place on a map identifying their perception of the heart of Madras, shown in Exhibit 2. Community members generally identify the heart of Madras as the downtown commercial core between the Old Courthouse on D Street and the Harriman Building on 4th Street. Others identified areas around Sahalee Park and Madras Cinema 5, both recreational activity areas in Madras.

Exhibit 2. Where is the heart of Madras?

Source: Open House

Business Needs

Attendees were given dot stickers to identify the types of businesses and activities they would like to see developed in Madras. The residents of Madras desire to be able to purchase merchandise, including apparel, sporting goods, outdoor apparel, books and gifts, office supplies and home and garden supplies in their city. They would like additional concerts, live music, and outdoor entertainment options.

Exhibit 3. Business needs

Source: Open House

What are three words to describe Madras today?

Attendees were asked to write three words that describe Madras today on a board. The responses include both positive comments and critical feedback. There are many positive notes on the work done in Madras to date, including Madras Cinema 5, the Aquatic Center, and the potential for the Madras Airport to become an economic and tourist hub. There is pride in the small town community feel and in Madras' dramatic physical location. Community members express excitement for potential growth.

On the other hand, responses show that the city needs more entertainment opportunities, retail to serve the community, and the synergy of a vibrant downtown core. There is concern over the large number of fast food restaurants.

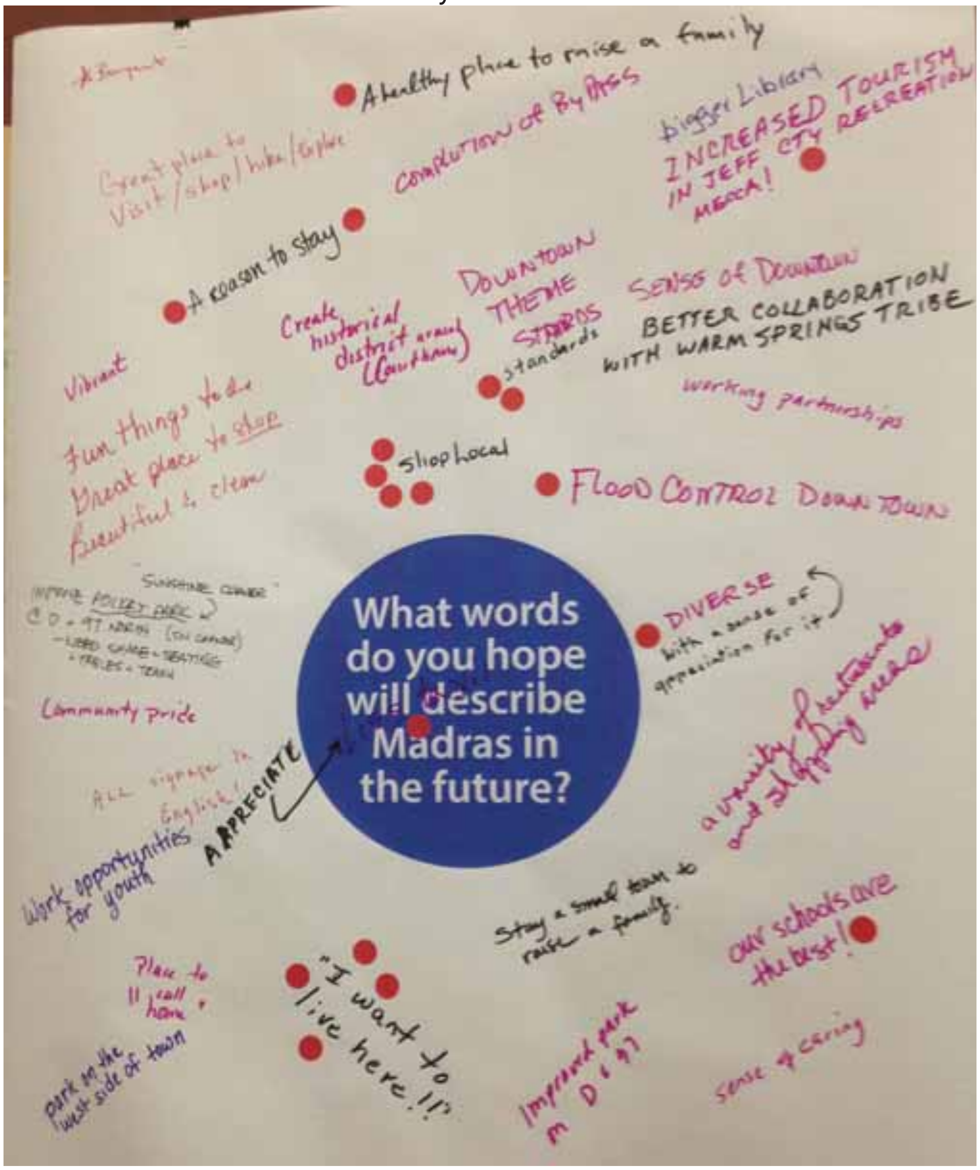
Exhibit 4. What words describe Madras today?

Source: Open House

What three words would you wish to describe Madras in the future?

Attendees were asked to write words on a board that would be what they hope would describe Madras in the future. In the future, Madras will retain the small town feel, and be a great "place to call home." Residents will be proud of their excellent schools and diverse, vibrant community. The region's different ethnic and cultural communities will have strong relationships with one another. Madras will be a beautiful place to live and visit, with ample retail and recreation opportunities.

Exhibit 5. What three words would you wish to describe Madras in the future?



Source: Open House

Interviews and Focus Group

The consultant team interviewed forty-two people, both in groups and individually. The group meetings included the Agricultural Focus Group (listed as Agriculturists), the Madras Diversity Coalition, Taxing Districts Focus Group, and key business and government leaders who were interviewed in pairs. A number of research calls were also completed, adding to the information about opportunities and needs in Madras. Interviewees were:

Mike Ahern, Jefferson County Commission
Tony Ahern, Madras Pioneer
Rick Allen, property owner
Garry Boyd, Great Earth Restaurant

Dean Boyle, Agriculturist
Ryan Boyle, Agriculturist
Gus Burril, City of Madras – Taxing District
Dick Dodson, Dick Dodson Caldwell Banker Realty
Mayor Royce Embanks
Gay Everett, Remax Commercial
Mark Foster, Keith Manufacturing
DeRese Hall, Jefferson County Library District - Taxing District
Michael Hall, Foothill Ranches
Gary Harris, Agriculturist
Jason Hertel, State Farm Insurance
Joel Hessel, Planning Commission
Brian Huff, Jefferson County Fire District - Taxing District
Mae Huston, Jefferson County Commission
Holly Gill, Madras Pioneer
County Commissioner Mae Huston, Jefferson County
Bob Jones, Madras Medical Group
Mike Kirsch, Agriculturist
Seth Klann, Agriculturist
Joe Krenowicz, Central Oregon Community College
Al Lasoya, Bank of the Cascades
Doug Lofting, Shielding International
Karen McCarthy, business owner
Matt McCoy, Central Oregon Community College – Taxing District
Brandi McNamee, Agriculturist and City Finance Director
Jim Manion, business leader
Louise Muir, Senior Center
George Nielsen, Bean Foundation
Jason Nunez-Mooney, Bank of the Cascades
Dave Potter, property owner
Darren Powderly, Compass Commercial
Jeff Rasmussen, County Administrator
Don Reeder, Glenn Reader & Gasner Attorneys
Kevin Richards, Agriculturist
Kirk Schueler, Developer
Eric Schultz, Compass Commercial
Tomas Sluiter (Brewery Consultant)
Harold Siegenhagen, property owner
Dan Steelhammer, COLM Commercial
Dallas Stovall, Bright Wood
Craig Weigand, Jr., Agriculturist
Greg Williams, AgriculturistKey Themes

Strengths of Madras

There is a general perception that Madras is a welcoming small town with recreational opportunities for residents including an Aquatic Center, the Performing Arts Center, and Sahalee Park. The city is also close to other recreational activities in Central Oregon. Business development includes the Great Earth restaurant, which adds to the variety of dining opportunities in Madras. The Hispanic community is also active in developing new businesses downtown. Madras also has good jobs. The recent commercial and tourist activity at the Erickson Aircraft Collection at the Madras Airport is a positive addition to Madras. Finally, Madras community members view the Bean Foundation as a major asset that is shaping their town.

Weaknesses of Madras

Madras has vacant lots and storefronts that contribute to negative perceptions of the downtown environment. Some of the properties in the downtown core are owned by nonprofits and therefore do not add a daily vibrancy to downtown. Some properties have unmaintained buildings and landscaping. Absentee property owners in the downtown core do not maintain their buildings to the standards that local owners do. Further, the retail needs of the community are not being met by the existing businesses.

There is a perception that System Development Charges (SDCs) are too high and a general misunderstanding of how SDC's work.

There are many employees in Madras who do not live in Madras. Employers have stated that some of their employees decide to live outside of Madras due to both a perception that the school system is not excellent and there is not adequate housing in Madras.

There is a feeling that there are too many fast food restaurants in Madras, inviting tourists to "grab a meal and go" instead of taking time to get out of their cars and visit the downtown. Tourists are not aware of the amenities of the city including the Aquatic Center and Sahalee Park.

Opportunities for Madras

The Madras citizens who provided input have a lot of positive energy and ideas about what could improve Madras in the future. The citizens include not only the people who reside in the city limits, but the surrounding ranchers/farmers who claim Madras as their home. Ideas are as simple as community clean-up activities to make the city more welcoming to ideas about how to promote future development. There is widespread support for the Bean Foundations' vision for the West Side Elementary renovation into a Community Center, providing another meeting spot for citizens and helping to establish a core of activity downtown. There is desire to attract new businesses to Madras and desire to focus on businesses that provide something unique. Ideas for businesses are a brew pub, businesses that cater to the recreational/tourism opportunities in the area, retail businesses that provide clothing, books, and gifts.

City Role

There are comments that the city should clarify the SDC costs and potentially adjust the SDCs to make certain specified development is more affordable. The city could fast-track development support and provide incentives to the right kind of businesses (unique businesses, businesses that invite people to stop, get out of their cars, support the retail community or businesses that provide for the retail needs of the Madras community) to locate in Madras. Addressing the flood plain issue in downtown is seen as critical to enticing new business.

Ideas for how Madras could make the downtown feel more inviting include general city-wide clean up, murals, landscaping, maintenance of landscaping and buildings, wayfinding signage, consistent/attractive business signage, pocket parks or plazas.

Tourism

There is a desire for clean, safe public restrooms to get visitors to stop in Madras. These should be located in proximity to the downtown to help provide additional patrons to downtown businesses. The signage to the restrooms needs to be clear so that visitors are invited to stop in the community. There are suggestions that a dog park could be located near the restrooms.

Madras has amenities that can attract tourists: Sahalee Park, the Farmer's Market, the Madras Airport, and the Aquatic Center. In addition to these activity centers, there is thought that there may be opportunities for outfitter companies for water activities and bike tourism.

There is support for a public gathering space (plaza/pocket park) in the downtown core to help entice visitors and residents to the downtown and provide a reason to stop, with the hopes that once people stop, they will also shop at other nearby businesses. A food court/food trucks might help enliven a plaza in the downtown.

Diversity

Madras' diversity is an asset that can be cultivated and add to the vitality of downtown. Thoughts on ways to do this include a satellite museum located in the downtown core to help promote both the downtown and the Museum at Warm Springs, and efforts to more fully support the Hispanic business ventures. While there are a variety of Hispanic businesses in Madras, many respondents had not frequented some of the businesses.

Taxing Districts

Representatives of taxing jurisdictions convened in a general focus group; separate interviews were conducted with the Jefferson County administrator and two of the county commissioners (summarized below). The taxing districts appreciate the work the MRC has completed in Madras in helping to improve the City. They cite the Madras Cinema 5, the Inn at Cross Keys Station, the work completed to Sahalee Park, the landscaping/pots in the downtown, and the entrance at the north of the city as important improvements.

Special District representatives offered that, in general, they were supportive of the focus on new projects that generate tax increment. A representative from the library district did mention a potential future need for a new library facility, which might be considered in a subsequent round of planning for the District when this Action Plan requires additional updating.

County representatives suggest additional blighted properties that are not presently in the urban renewal area, but are adjacent to the existing boundaries, could benefit from urban renewal programs. They recommend the boundary be expanded to include these properties. They are supportive of efforts to renovate buildings within the downtown core and recognize the need to deal with the floodway issues. They advise that more visible parking or better signage to parking will be a benefit to existing businesses. They also advocate for the MRC to keep their mission focused on encouraging new development in the urban renewal area. There is some concern about the borrowings of the MRC, the debt payments for city hall, and thoughts that the county might be able to lend the MRC funds at more favorable rates than they are getting on their borrowings.

Diversity Coalition Meeting

Diversity Coalition:

The Diversity Coalition met in December of 2015 and the twelve attendees were asked to respond to similar questions as were presented at the Open House. Responses are very similar to those heard at the Open House.

What words describe Madras today? The words used to summarize Madras today were: congested streets, limited options, boring, ugly, slowly improving, small community, needs more clean, paved streets, in development, but with a better future.

What words do you hope will describe Madras in the future? The thoughts for Madras in the future were: More jobs that will generate the city more money and residents, more business, no one-hour drives to Bend for shopping, bright with more lights, neon signs, more affordable housing, more recreational areas, more landscaping, attractive and inviting, dental and emergency clinics at lower costs, City support of the community with legalization of driver's licenses.

What type of businesses do you want to see in the center of Madras? The types of businesses desired were: Recreational indoor building/indoor spots/concerts/Hispanic entertainment for dancing, supermarket, clothing, entertainment for teens, lodging, café, butcher, electronics, and temporary shelter for women and children.

Part 3: Survey Results

In November, three surveys were distributed to people who live and work in Madras:

- Community survey
- Employee survey
- Spanish language survey

The community survey was sent to open house attendees and posted on the City of Madras website. The Spanish language survey included the same questions as the community survey, translated by Denise Piza (Planning Commission). It was distributed through the Diversity Coalition. Employees at St. Charles Hospital, Madras School District, Warm Springs Academy, Madras High School, Madras Primary Elementary, Metolius Elementary, Jefferson County ESD, and Jefferson County Middle School received the employee survey. The number of surveys distributed and responses are shown in Exhibit 6. Survey Responses. The survey was closed December 30, 2015.

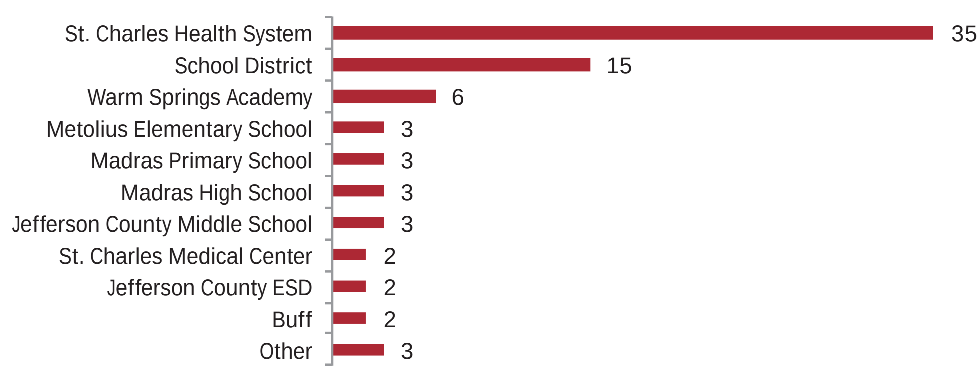
Exhibit 6. Survey Responses

	Surveys Completed
Community Survey	98
Spanish Survey	4
Employee Survey	115

Demographics

In total, 217 people responded to the three surveys. There were 98 responses to the community survey, four to the Spanish language survey, and 115 to the employee survey. Almost 60% of employee respondents also live in Madras.

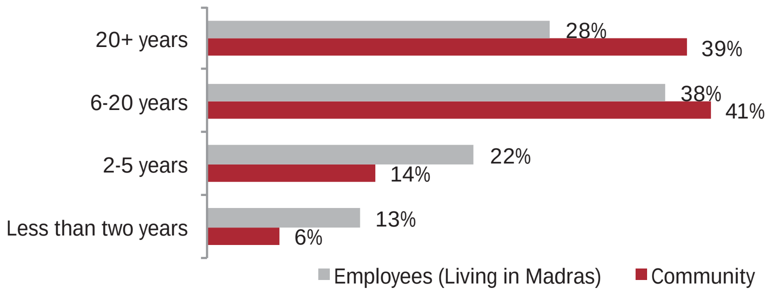
Exhibit 7. Where do you work?



N=77 from Employee Survey
Source: Madras Employee Survey, 2015. Analysis by ECONorthwest.

How long have you lived in Madras? A majority (81 percent) of community members have lived in Madras for at least six years; nearly 40 percent have lived there for over twenty years. Employees who live in Madras are, on average, newer Madras residents than other community members. The largest share of these employees (35 percent) has lived in Madras for six to twenty years, but 38 percent have lived in Madras for fewer than six years. Overall, the largest share of respondents (40 percent) has lived in Madras for between six and twenty years.

Exhibit 8. How long have you lived in Madras?



N=102 from Community Survey, 64 from Employee Survey
Source: Madras Community and Employee Survey, 2015. Analysis by ECONorthwest.

What describes you most? Many community members surveyed also work and shop in Madras. Of 90 respondents, 83 indicated that "work in Madras" accurately described them. Sixty-two also indicated that "shop in Madras" described them well.

Exhibit 9. What describes you most?

N=73 from Community Survey
Source: Madras Community Survey, 2015. Analysis by ECONorthest.

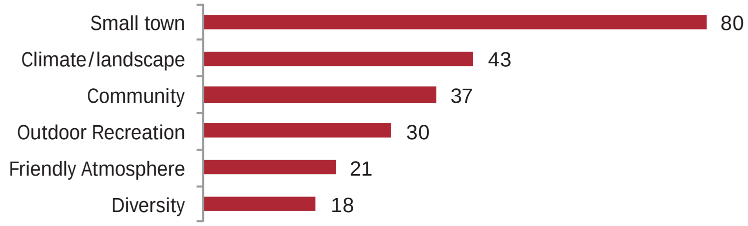
How long is your daily commute? Over half (57 percent) of surveyed employees commute from more than 30 minutes away. Just 15 percent have a commute that is less than ten minutes.

How often do you come to Madras on weekends? On the weekends, 42 percent of employees who live outside of Madras come to town a few times a month. Twenty-one percent visit between a few times a year and once a month. Over one third almost never visit outside of work.

What is Madras like?

What do you like most about Madras? Both the community survey and employee survey asked respondents to write what they like about Madras. Exhibit 10, showing the top six responses, indicates residents and employees especially appreciate the size, people, and location of Madras.

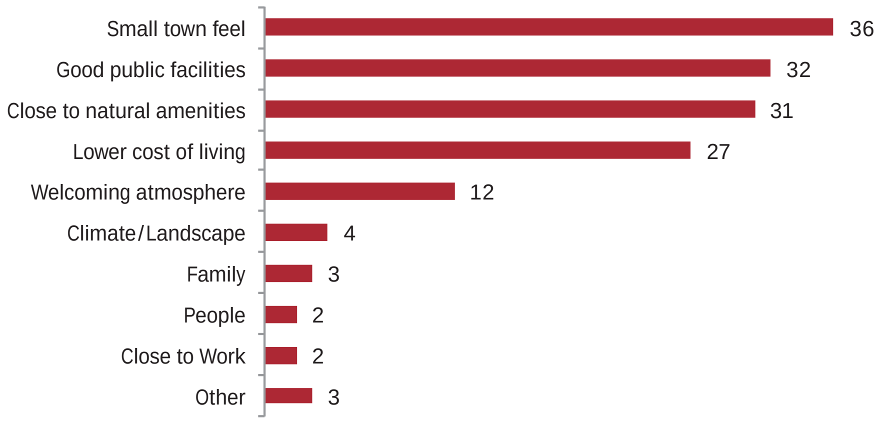
Exhibit 10. What do you like about Madras? Top Six Reponses.



N=190 (93 from Community Survey, 97 From Community Survey)
Source: Madras Community and Employee Surveys, 2015. Analysis by ECONorthwest.

What do you like most about living in Madras? Employees who live in Madras were also asked what they like best about living there. Again, the most common response was that Madras has a small town feel. Additionally, respondents who work and live in Madras like the city's good public facilities, proximity to natural amenities, lower cost of living, and welcoming atmosphere.

Exhibit 11. What do you like most about living in Madras?



N= 64 from Employee Survey
Source: Madras Employee Survey, 2015. Analysis by ECONorthwest.

What area do you think is the heart of downtown Madras?

Respondents commonly identified the intersection adjacent to Great Earth and the Harriman building, the 26/97couplet, and Sahalee Park as the heart of downtown Madras.

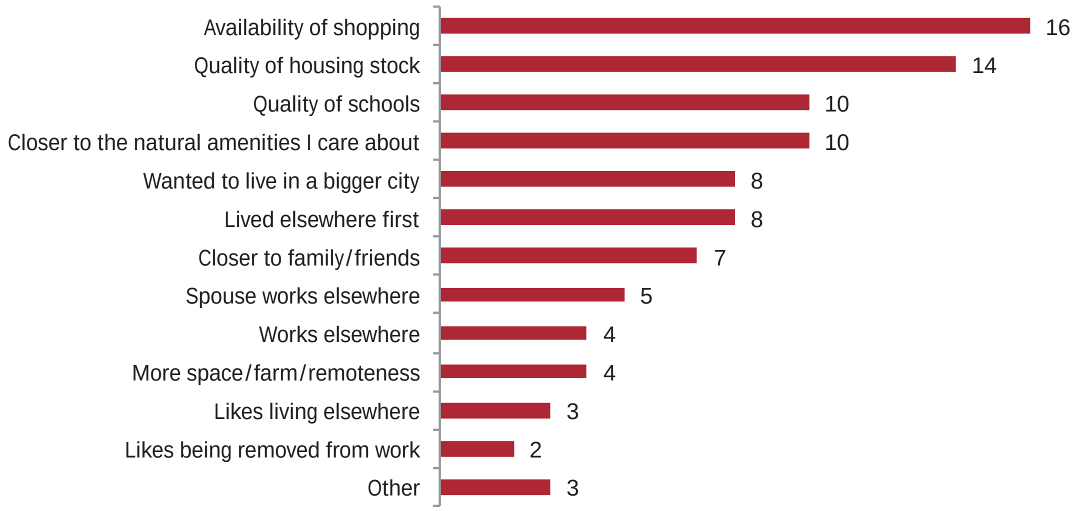
What are three words that describe downtown Madras today? Exhibit 12 shows a word cloud of responses by Madras community members. The most common words community members used to describe downtown Madras today are empty, dirty, and old. Responses to this prompt were overwhelmingly negative, highlighting a perceived lack of activity and maintenance downtown.

Exhibit 12. What are three words that describe Madras today?

N=93 from Community Survey
Source: Madras Community Survey, 2015.

What influenced your decision to live outside of Madras? The Madras employees who live outside of Madras most frequently chose to do so based on availability of shopping, quality of housing stock, quality of schools, proximity to natural amenities, and desire to live in a larger city.

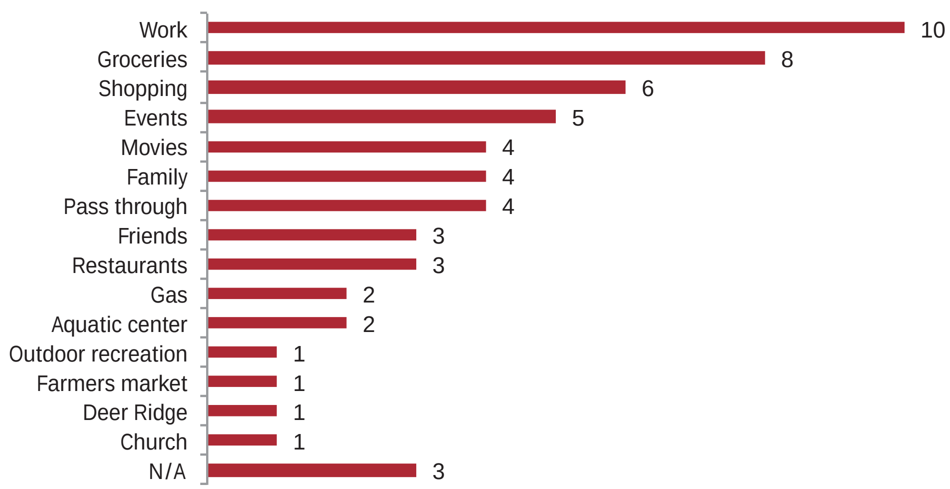
Exhibit 13. What influenced your decision to live outside of Madras?



N=49 from Employee Survey
Source: City of Madras Employee Survey, 2015. Analysis by ECONorthwest.

What do you do when you come to Madras on weekends? Local employees visit Madras on weekends most often to work, purchase groceries, do other shopping, and attend events or movies.

Exhibit 14. What do you do when you come to Madras on weekends?



N=39 from Employee Survey
Source: Madras Employee Survey, 2015. Analysis by ECONorthwest.

What businesses do you visit most in Madras? Safeway, Bimart, and Erickson's Thriftway are the most frequented businesses in Madras. Aside from grocery stores, many community members regularly visit Great Earth, Rio, ACE Hardware, and gas stations.

What does Madras need?

What three words do you most want to hear describe downtown Madras? The word cloud in Exhibit 15 shows what community members desire for downtown Madras. In the future, community members most want to describe downtown Madras as vibrant, clean, and friendly.

Exhibit 15. What three words do you most want to hear describe downtown Madras?

N=88 from Community Survey
Source: Madras Community Survey, 2015.

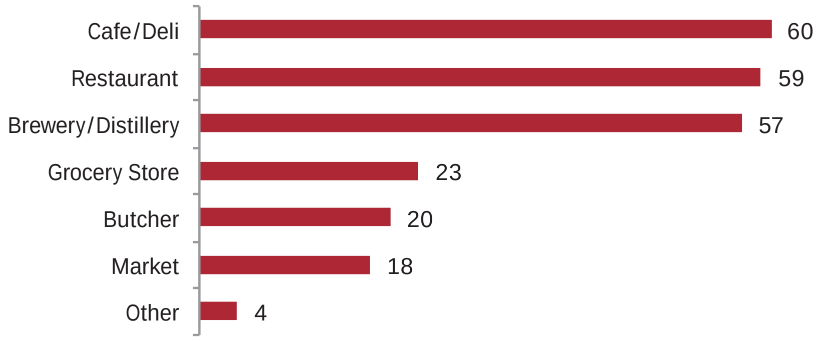
What services would you most like to see? The top three services that community members would like to see in Madras are repair shops, health services, and lodging.

Exhibit 16. What services would you most like to see?

N=82 from Community Survey
Source: Madras Community Survey, 2015. Analysis by ECONorthwest.

What food businesses would you most like to see? Community members would most like to see a café/deli, restaurant, or brewery in downtown Madras.

Exhibit 17. What food businesses would you most like to see?



N=97 from Community Survey
Source: Madras Community Survey, 2015. Analysis by ECONorthwest.

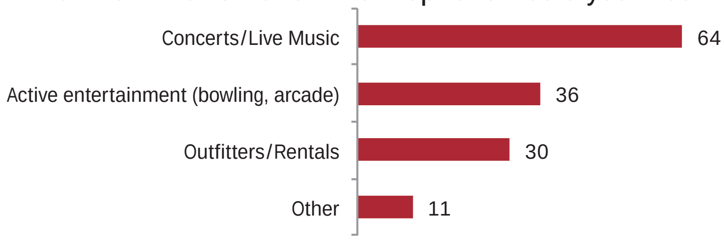
What types of retail would you most like to see? Adding retail options was a major theme throughout the public involvement process. Community survey respondents would most like to have new apparel, sporting goods, or book and gift retail downtown.

Exhibit 18. What types of retail would you most like to see?

N=95 from Community Survey
Source: Madras Community Survey, 2015. Analysis by ECONorthwest.

What entertainment options would you most like to see? Of the community members who responded to the survey, 73 percent identified concerts and live music as the entertainment option they would most like to see in Madras. A desire for live plays was written in two comments.

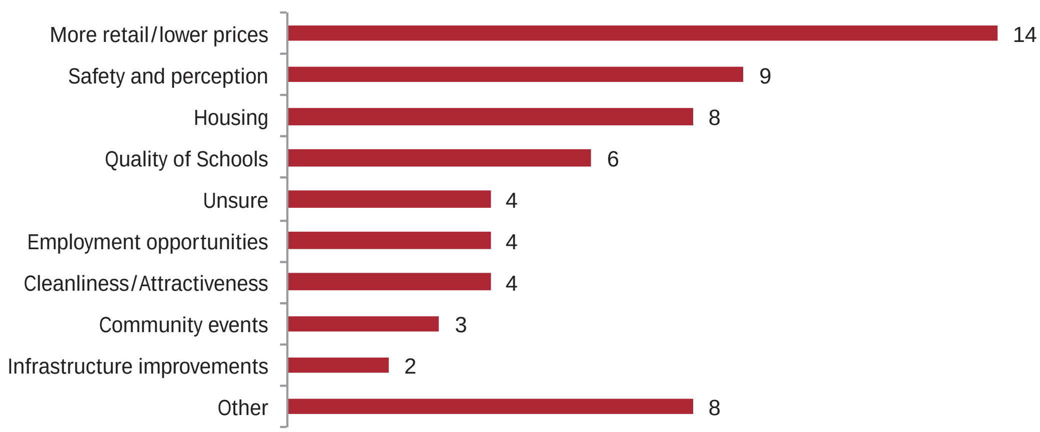
Exhibit 19. What entertainment options would you most like to see?



N=88 from Community Survey.
Source: Madras Community Survey, 2015. Analysis by ECONorthwest.

What would the City of Madras need to do to attract families like yours? Employees report that Madras should improve retail availability, safety, and housing options in order to attract more families. Affordable groceries and clothing retailers appeal to respondents. They describe public safety in terms of infrastructure improvements as well as resources to address poverty. Homelessness is an issue related to public safety and housing that employees feel must be addressed in order to make Madras a more attractive place to live. More housing choices at affordable prices would incentivize employees to move to Madras. Across several issues such as safety, cleanliness, and school quality, local employees believe the City needs to address unfavorable perceptions of Madras as much as it needs to fix actual deficiencies.

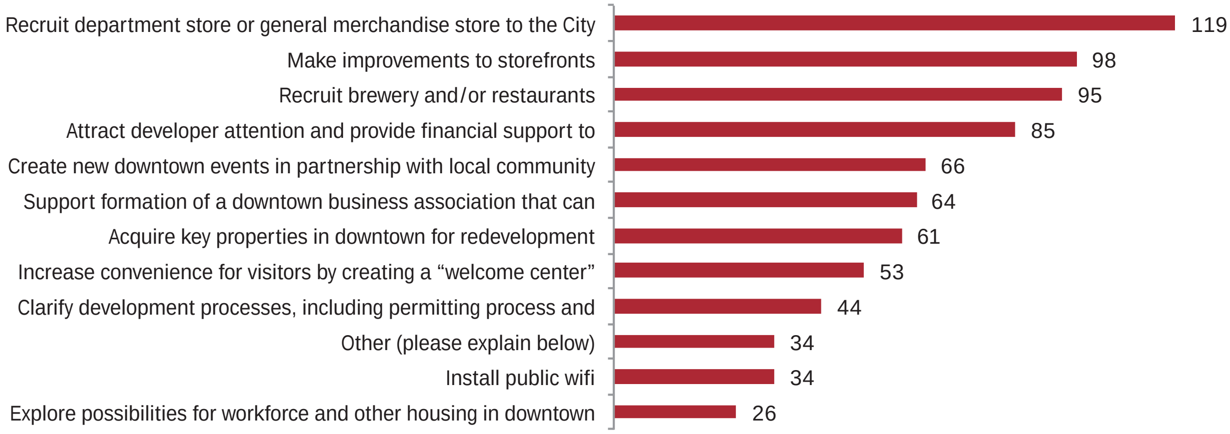
Exhibit 20. What would the City of Madras need to do to attract families like yours?



N= 45 from Employee Survey
Source: Madras Employee Survey, 2015. Analysis by ECONorthwest.

What are three things the City should do to encourage development and attract business? Among community members and employees, most respondents believe that the City should recruit a department store, make improvements to storefronts, and recruit a brewery and/or restaurants to encourage development and attract business. Other respondents chose to write in other options. A main theme of these responses is that the City should lower SDCs and other fees to incentivize development and make Madras more regionally competitive. This would also be a component of a friendlier, more open relationship between the City, developers, and business owners. Respondents are also concerned with public safety. To make improvements, the City should address pedestrian and traffic safety, cleanliness in the physical environment, and homelessness. Madras also needs to have more living wage jobs and affordable housing in order to attract businesses and their employees. Other respondents report that more amenities such as community events, parks, retail, and restaurants would encourage more development. Several community members express interest in a WinCo grocery store, which is affordable and employee-owned.

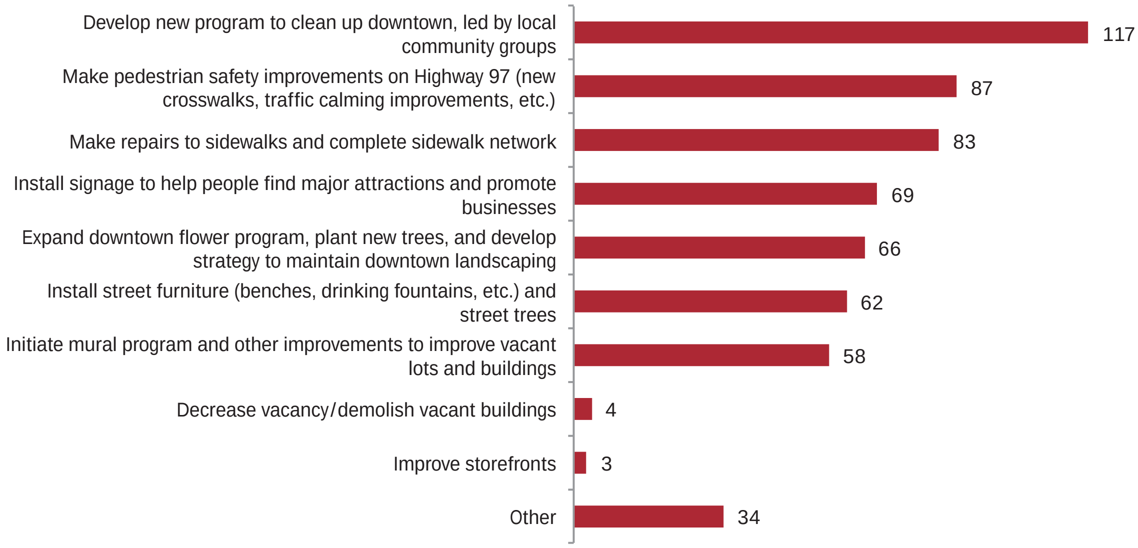
Exhibit 21. What are three things the City should do to encourage development and attract business?



N=205 (92 from Community Survey, 113 from Employee Survey)
Source: City of Madras Community and Employee Surveys, 2015. Analysis by ECONorthwest.

What physical improvements are most important for supporting a vibrant downtown?
Respondents report that developing a new program to clean up downtown, making repairs to sidewalks, and making pedestrian safety improvements are the three most important physical improvements that can be used to support vibrancy in downtown Madras. Respondents who wrote in other improvements focused on a few main themes. There is an emphasis on cleaning up downtown properties and filling vacancies. Respondents want to see better maintenance of existing infrastructure improvements such as landscaping, and perhaps also see future improvements to public space coalesce around a town theme. Traffic and pedestrian safety improvements are another priority for respondents who want to see a more walkable downtown. Several respondents emphasize the need for physical improvement efforts to be community-led, noting that these improvements will mean more if residents take ownership. Some respondents feel that physical improvements should take a back seat to business attraction.

Exhibit 22. What physical improvements are most important for supporting a vibrant downtown?



N= 201 (92 from Community Survey, 109 from Employee Survey)
Source: Madras Community and Employee Surveys, 2015. Analysis by ECONorthwest.

Madras currently suffers from a perception of poor school quality. What would you suggest that community leaders do to improve this perception? Employees, many working in local schools, respond that positive publicity and community involvement would be the best ways for leaders to address the perception of poor school quality. Of 99 respondents, 25 report that the poor reputation of Madras schools is not accurate and should be addressed through positive publicity. Schools and local media should advertise student and graduate achievements, to make sure that the positive activity gets as much exposure as the negative. Fifteen respondents believe community involvement will improve the perception of Madras schools. It should be easier for community members to learn about and attend school events. One respondent writes, "When community members are bashing the school with rumors, challenge them to give evidence, learn more about the why and what, and get involved." Some respondents also desire structural change within the school system, including new administrators, better resources for impoverished families, and improved programming for special needs students.

What other improvements would you most like to see in Madras? Survey respondents suggested a variety of other changes that could be made to improve downtown Madras:

- **Retail amenities.** Respondents want to be able to do their shopping and spend their money in Madras rather than traveling to Redmond or Bend. They would shop at a general/department store such as Fred Meyer. Respondents would also like to see more diverse dining options downtown, including a sit-down restaurant or pub.
- **Public space**. There are opportunities for improvements to public space in Madras. Sahalee Park could host more events and be better advertised as a community amenity. Residents and visitors would use bike and pedestrian trails. A stopping place for visitors could provide public restrooms, an information center, and a small dog park. Several

respondents think downtown Madras should adopt a theme or identity that draws in visitors.

- **Traffic**. Walkability is important to Madras residents. Several would like a bypass that directs highway traffic away from downtown. They would also like to see side streets paved and plowed in the winter.
- **Youth and schools**. Respondents emphasize a need for more youth-oriented events in Madras. Some also note that young people should be involved in public decision-making processes.
- **Homelessness.** Many survey respondents point out Madras' homeless population as a problem related to public safety, housing, and jobs.
- **City Role.** Respondents believe the City can be more effective in two ways. First, City staff should be more open to working with developers. Second, city codes and traffic laws should be better enforced.

Appendix B:
Progress Report

ECONorthwest
ECONOMICS • FINANCE • PLANNING

DATE: October 27, 2015
TO: Nick Snead, City of Madras
FROM: Lorelei Juntunen and Emily Picha
SUBJECT: MADRAS URBAN RENEWAL PROGRESS REPORT

In 2002, Madras' Urban Renewal Agency (the Agency) adopted *the Madras Urban Renewal Plan*. Broadly, the purpose of the plan is to improve the environment for development in the Urban Renewal Area (URA) boundary. As a follow-up in 2006, the Agency adopted an implementation plan (the *Urban Revitalization Action Plan)* that identified specific projects (investments in street improvements, parks, support for development projects, etc.) that would meet the goals of the Plan. Since then, significant progress has been made toward implementing the projects identified in the 2006 Action Plan.

The Agency is now undertaking an updated look at implementation in the Urban Renewal Area (URA), to prioritize remaining projects and consider new projects that can be taken to achieve the original plan's vision and goals, given the resources available. ECONorthwest is the consultant lead (together with team members Walker Macy and Elaine Howard, LLC) on the update process.

This memorandum provides one foundational input to that update. It has four sections:

- **Project progress** documents the City's progress in implementing revitalization projects identified in the 2006 Action Plan.
- **URA financial snapshot** establishes baseline financial conditions within the URA, and provides an update on the Agency's financial commitments.
- **Evaluation of incomplete projects** identifies the projects that have not yet been completed, and evaluates them against a preliminary set of criteria for prioritization.
- **Implications** describes how the findings from the Progress Report should influence the updated action plan outcomes and process.

The 2002 Urban Renewal Plan has the following goals (summarized):

1. Promote private development, redevelopment, and rehabilitation within the urban renewal area.
2. Upgrade the stock of existing structures in the renewal area which contribute to its small town character.
3. Improve connectivity within the renewal area, improve and enhance open spaces, and enhance livability.
4. Improve and repair utilities to support development.
5. Develop convenient, attractive parking facilities.
6. Maintain, remodel, and construct public parks and open spaces, public facilities, and public safety facilities.
7. Provide for new, diverse housing units in livable mixed-income neighborhoods, and that support the Area's employment generation goals.
8. Assist in funding for a program of art in public spaces within the renewal area

Project Progress

The City of Madras asked ECONorthwest to assess the agency's progress toward the projects outlined in the 2006 Action Plan. Exhibit 1 shows the current status of projects identified in the Action Plan as of October 2015.

Exhibit 1. 2006 Action Plan Short-Term Projects Status (October 2015)

Project	2006 Action Plan Project Description (summarized)	Status (2015)
Completed		
C. Remove derelict signs / improve new signs	Mandate removal of old commercial signs from vacant properties. Consider preparing a new code that provides clear guidelines to control scale of signs downtown.	Sign Code updated. Some pole signs removed. Subsequent amendments to Sign Code eased requirement to remove pole signs, therefore some remain.
G. Clarify/modify regulations	Include sufficient provisions in the zoning code to ensure high-quality commercial and mixed-use development downtown, accompanied by corresponding improvements in code interpretation and enforcement.	Zoning Ordinance (i.e. development regulations) amended in 2007 to include design standards.
H. Build new public recreation facilities	Community amenities that will help attract new residents and support local business: swimming pool and recreation center.	Aquatic Center built in 2008; some people considered a cinema as part of this and it was built with MRC help (Cinema 5). New high school has better recreation facilities.
3.3 Create a well-landscaped gateway at North Y	ODOT plans reconstruct the intersection of Highways 26 and 97 at the north end of Madras. Use available land to create a gateway that includes welcome signage and public art. Extend Willow Creek Trail through the intersection.	Completed.
3.5 Sahalee Park Expansion	Vacate 8th Street to expand park for gathering area, with a possible "great lawn" for concerts and performances.	Completed.
Partially Completed		
A. Improve storefronts	Initiate façade improvement program that offers grants and loans to businesses that wish to upgrade their facilities and attract new customers.	The City has helped to fund 8 facade improvement projects completed and one is in process.
3.4. Streetscape improvements focused on East-West end streets	Urban redevelopment efforts on B, C, and D streets: Narrow streets bordering Willow Creek to add park space, add curb extensions, street trees, sidewalks, drainage swales. Narrow some streets by adding a plant strip.	Yes, partially completed through several projects: North Y Landscaping Project, US Highway 97 Transportation Enhancement Project, MRC Sidewalk Grant Program.
3.6 Redevelopment Concept with New Civic Center	Focus civic uses on two blocks south of D street and west of southbound US 26/97, out of the floodplain. The concept could also include commercial development and a hotel.	Partially completed. Madras Police Station/City Hall complete. Jefferson County Courthouse under construction. Marty Goodson Building renovations to occur in 2016.
F. US 26/97 Street improvements	Widen sidewalks along US 26/97, promote attractive streets with trees and furnishing, and install curb extensions along couplet where missing.	The City completed improvements at Taco Bell, Madras Professional Center, Madras Bowl, Police Station/City Hall, US Hwy 97/J Street project, US Hwy 97 Transportation Enhancement project, and Sidewalk Grant program.
E. Enforce speed limits	Initiate a petition to ODOT to reduce the speed limit through downtown by 5-10 mph. Install a signal between the existing signal at 5th and D and the southern beginning of the downtown couplet.	Police Department continues to enforce traffic laws. Pedestrian crossing enforcement occurs semi-annually.
Not completed		
B. Create a "stopping place" for travelers	Landscaped parking lot for RVs and other tourist vehicles, perhaps with a source of "Opal Springs" water and a new park nearby. Should include restrooms and tourist information. Built on vacant land or parking lot currently in the Willow Creek overflow floodway.	Sahalee Park functions as a stopping place for many travelers, but it has not been formally designated as such.
D. "Temporary Landscapes" for vacant lots	Tidy and grade, add topsoil, and seed vacant lots with wildflowers. Use hedges/landscaping to define the lot and improve the pedestrian zone.	Not completed.

The 2006 Action Plan also identified a number of long-term projects that likely had larger barriers to overcome. Over the past ten years, many of these projects were completed, as shown in Exhibit 2.

Exhibit 2. 2006 Action Plan Long-Term Projects Status (October 2015)

Project	2006 Action Plan Project Description (summarized)	C	PC	NC	Status (2015)
LT1. Suggested Zoning and Development Code Changes	Make zoning code revisions included in Comprehensive Plan: stronger landscaping requirements, architectural review guidelines, prohibit large parking lots between the building and street, reduce parking requirements for residential units, revise roadway and sidewalk standards, and require large new developments to include public amenities.				The City amended the Zoning Ordinance (i.e. development regulations) in 2007 to include design standards.
LT2. Encourage housing development/ jobs-housing balance	Allow and encourage middle-higher income housing to the east and west of Madras. Ensure that there is high quality development on property, and coordinate development plans with adjacent landowners, while ensuring that state and local land use laws are satisfied.				There are 16 homes in the Yarrow master planned community. It remains largely undeveloped although most new homes in Madras are being constructed in this subdivision. In 2015, the Bean Foundation purchased the remaining land: 49 developed lots and 20 acres of bare land remaining in the master-planned community. The area has the capacity for 1,300 or more residential lots once the land is prepared and brought into City limits.[1]
LT3. Market the City of Madras and area attractions more effectively	Create more robust event calendar for summer months				Saturday Market is held from Memorial Day to Labor Day. The Chamber of Commerce has pursued large events such as Cycle Oregon and the 2017 Solar Eclipse. However, no new reoccurring events have started.
	Better market airport and industrial park				Tillamook Air Museum, which is now called the Erickson Aircraft Collection, has moved to Madras. City has renovated the Madras Industrial Park sign on Hwy 26. The City has allowed the Erickson Aircraft Collection to use the south facing side of the City billboard, which notes the location of the Museum and municipal golf course (Desert Peaks).
	Increase Chamber of Commerce funding				The Madras City Council increased funding to the Chamber of Commerce in FY 2015-16 for the first time.
	Work with Central Oregon tourism organizations to be included in future marketing of Bend and Redmond				Inn at the Cross Keys Station Hotel is a major success! It supports tourism in and around Madras with the meeting space for which the MRC provided funding. Pending further conversations with Chamber.
	Work with State Parks, County and National Grassland to improve recreation sites				Pending further conversations with Chamber.
	Promote Opal Springs water				The City provides Earth$_2$O water at public meetings. The Airshow of the Cascades exclusively sells Earth$_2$0 water at the Airshow each year. https://earth2o.com/

[1] Development gets back on track at Yarrow. http://www.pamplinmedia.com/msp/129-news/157569-development-gets-back-on-track-at-yarrow

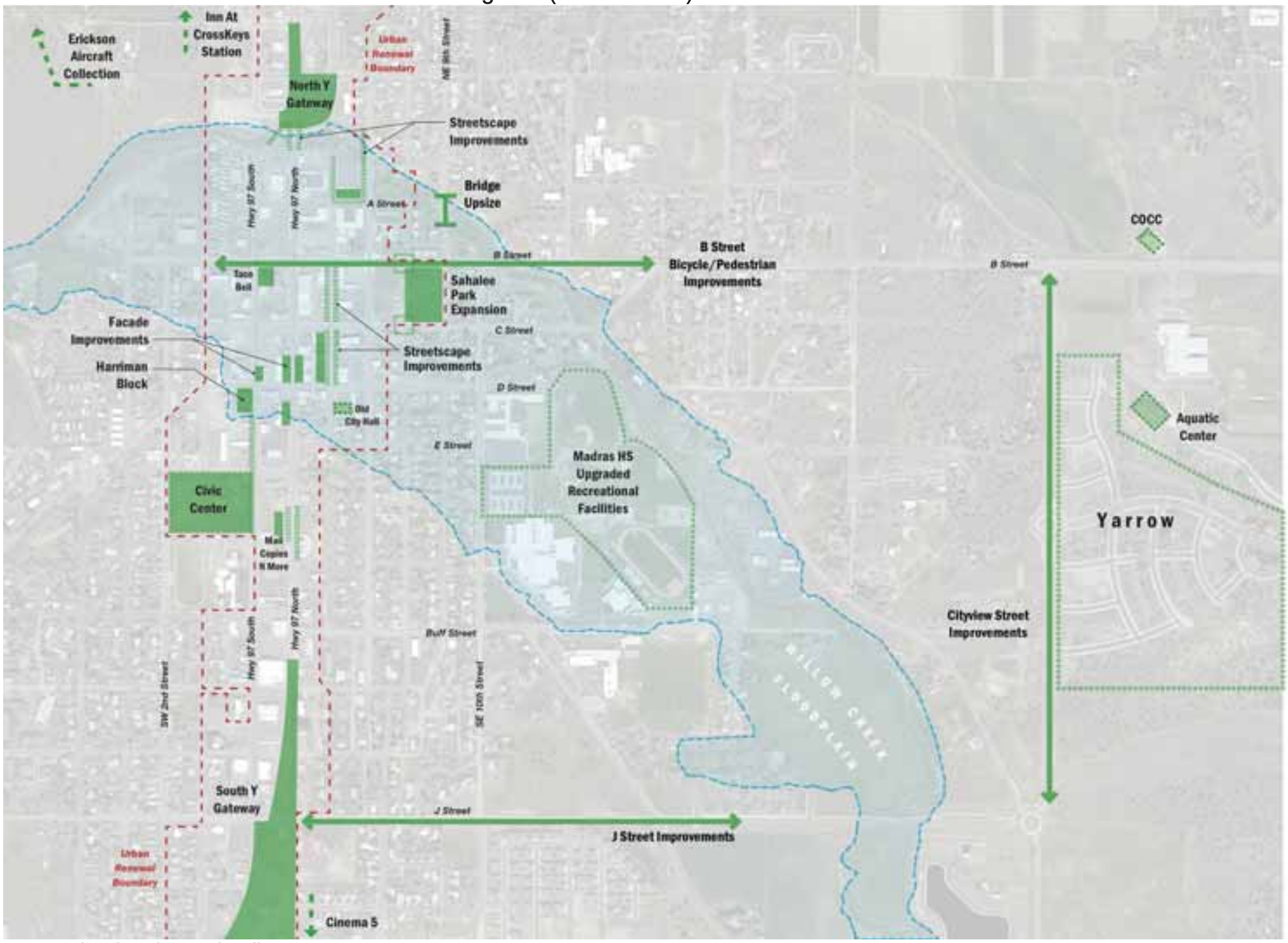
Project	2006 Action Plan Project Description (summarized)	C	PC	NC	Status (2015)
	Improve wayfinding signage				ODOT installed signage per City request for the Madras Aquatic Center, Central Oregon Community College Campus, and the Jefferson County Library. The City has allowed the Erickson Aircraft Collection to use the south facing side of the City billboard which notes the location of the Museum and municipal golf course (Desert Peaks).
	Create a "fun" community cleanup				The Friends of Willow Creek organize an annual cleanup of Willow Creek to remove trash and other debris.
	Build stand-alone tourist information center in downtown Madras				Not completed
LT4. Rezone or downzone commercial property	Develop a commercial zoning strategy that determines the feasibility of downzoning/rezoning underdeveloped commercial property;				City only had one commercial zoning district. In 2007, the C-2 and C-3 zoning districts were created in conjunction with the design standards for commercial development.
	Include a study of the implications of an eventual bypass around downtown Madras;				Not completed, however the City received a set of initial alignments in a 2006 Kittelson Associates memo[2] and is currently updating its Transportation System Plan.
	Begin outlining key properties for acquisition by the city or ODOT.				Not completed.
LT5. A Vision for the Willow Creek Floodway	Expand upon the rough concept study completed as part of the original urban renewal study; Determine if re-greening of the City would successful mitigate future floods and re-orient the City to this new natural amenity.				The "greenway" concept has not been further developed. The City has upsized the 9th Street culvert/bridge for Willow Creek. City & Army Corps of Engineers will begin remapping Floodplain and Floodway in Fall 2015.

Note: C (Complete), PC (Partially Complete), and NC (Not Complete).

Exhibit 3 shows completed projects within and outside of the Madras URA.

[2] City of Madras TSP Refinement Plans and Amendments. October 2006. http://www.oregon.gov/ODOT/HWY/REGION4/us97_madras_south_y/madras_refinement_plans_and_amendments.pdf

Exhibit 3. Madras Urban Renewal Plan Progress (2006-2015)

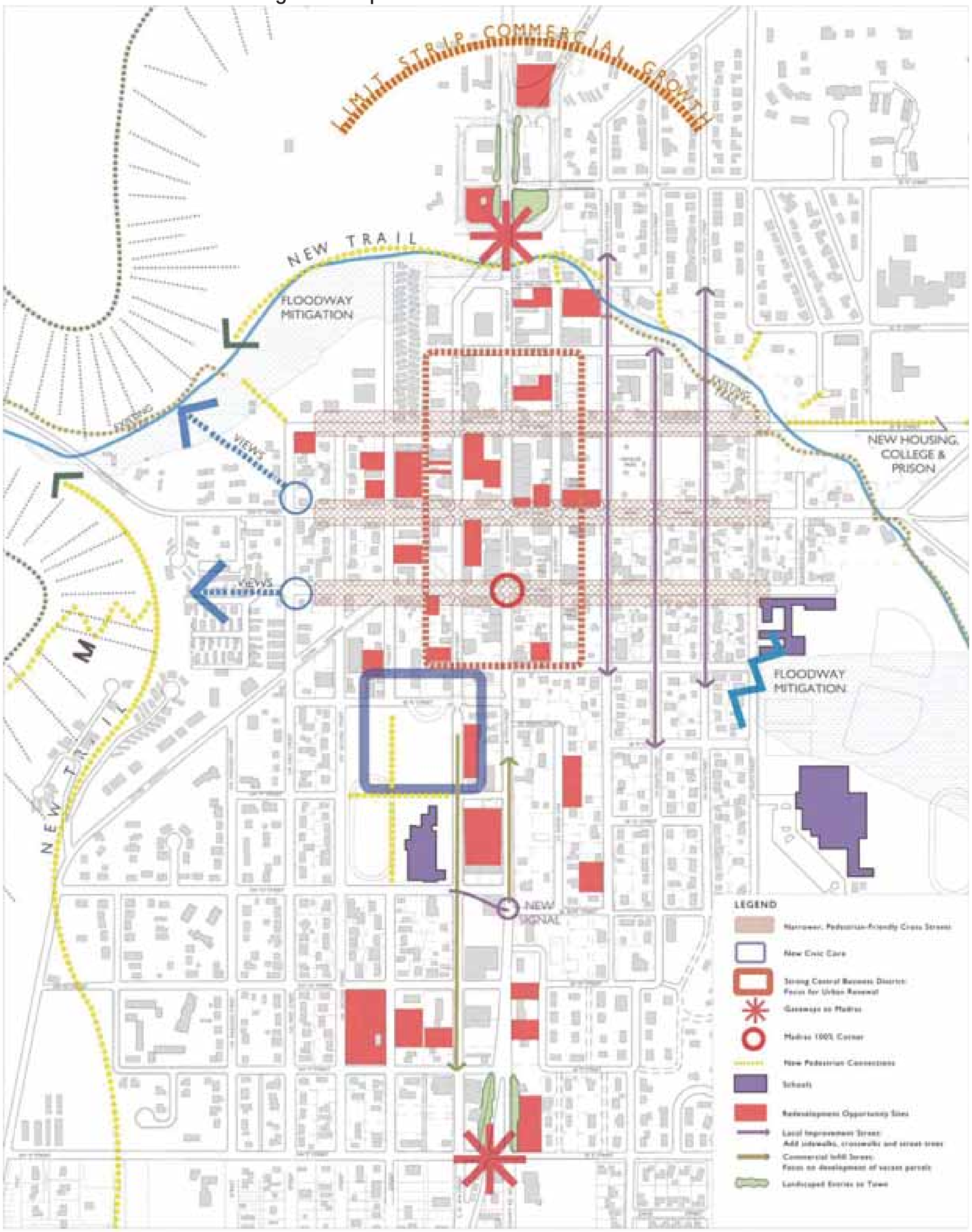


Source: City of Madras and Walker Macy

Overall, the Agency has made significant progress in a relatively short amount of time in implementing these projects and investing in the URA. More specifically, this progress report finds:

- **The projects that have been successfully completed foster an urban environment that is supportive of future development.** These include streetscape enhancements along the City's retail spine, gateway treatments at the North Y and South Y intersections, the expansion of Sahalee Park, and improvements to the City's regulations to improve downtown's aesthetics and help to guide new development in the core toward a more pedestrian-friendly environment.
- **Some projects have been partially completed, but given the nature of those projects as ongoing investments and the impacts of the Great Recession, this is not surprising.** The 2006 Plan included an urban design concept (see Exhibit 4) that detailed recommended physical improvements for the City to implement incrementally as new development occurred or funds were available. Thus, the City did improve several streets in the URA as new development projects occurred, but has not made all of the improvements shown in the urban design framework. In addition, the 2006 Action Plan did not define a specific number of façade improvements for the City to complete, and more façade improvements are certainly possible. Important elements of the Civic Center concept are complete or under construction (City Hall and the County Courthouse), but the City has not yet been able to attract the private development that could fulfill the vision put forth in the 2006 Action Plan.
- **Some projects have not been completed.** The "stopping place for visitors" project was never further explored. Sahalee Park provides some of the functionality desired. The program aimed at installing temporary landscapes on vacant lots also was never completed. There has likely been some political change that has occurred since these projects were conceived that has caused these projects to fall in priority.
- **The City completed a number of projects that were not identified explicitly in the urban renewal plan, but that nonetheless achieved the goals of the urban renewal plan**. These include financial support of The Inn at Crosskeys, Madras Cinema 5, and the Harriman Block. All of these projects meet some of the general goals outlined in the Urban Renewal Plan, but were opportunities that were not (and could not have been) anticipated as specific projects in the 2006 Action Plan.
- **While measuring progress toward these projects is difficult without specific metrics or targets, some progress has been made. Better integration of City and Agency efforts to market Madras and its businesses will improve ongoing efforts for some of these long-term actions.** In the case of LT2 (Encouraging Jobs-Housing Balance), the Great Recession was a key reason why the housing developments imagined in 2006, including the Yarrow Master Plan, were not fully executed. LT3 (Marketing the City) had a number of disconnected efforts that might have been better leveraged with more intention and focus on this goal.

Exhibit 4. 2006 Urban Design Concept



Source: 2006 Urban Revitalization Action Plan

URA Financial Snapshot

One purpose of this updated action plan is to take into consideration the current financial obligations and capacity of the URA to invest in new projects. This section provides a foundation for that input, though ECONorthwest will be completing detailed financial projections that will provide additional context for this important question.

Urban renewal is a statutorily authorized tool that allows municipalities to capture growth in property taxes and reinvest it inside of an urban renewal boundary for the purpose of revitalizing the area.[3] Tax increment revenues are the major source of revenue for an urban renewal area. The Agency may borrow, or bond, against these revenues to make investments in the area. As is the case in most urban renewal areas in Oregon, therefore, the key financial question is whether the Agency's projected tax increment revenues are sufficient to both: (1) cover the debt obligations from prior borrowings (which invested in the many completed projects described above); and (2) allow for future debt obligations from investing in new projects. This is a fundamentally important question for the current plan update process, and one that will require more analysis than is presented in this first, baseline memorandum. Here, we describe the current year expenses and revenues as a snapshot.

The Agency has various financial commitments, some more flexible than others. It is legally required to pay its own debt service and line of credit. Other financial commitments in the City of Madras are more flexible. While the Agency currently shares a portion of the costs for economic development in the City of Madras, it is not legally required to. Exhibit 5 summarizes the Agency's expenses for the current fiscal year, FY 2015-16.

Exhibit 5. Madras Urban Renewal Agency Expenses, FY 2015-16

	FY 2015-16	Notes
Debt Service	$180,900	The Agency has paid $677,670 in debt service since FY 2010-11. Unless the City changes it payment schedule, these payments continue until FY 2025-26.
Line of Credit (P & I)	$0	While there is no required payment in FY 2015-16, the Agency must pay starting 2016-17 through FY 2025-26, on line of credit draws made in FY 2011-12 and 2016-17 through FY 2025-26.
City Hall	$75,000	The Agency's total participation is approximately $1.1 Million, paid in 14 increments between FY 2012-13and FY 2025-26
Building Improvement	$0	Façade grant and loan programs
Economic Development	$75,000	Updated Action Plan / Master Plan
Public Facilities	$100,000	Final payment of five payments for the Cinema 5 project.
Streets and Infrastructure	$0	No current expenditures related to this category.
Contingency	$5,000	
Material and Services	$58,100	Employee compensation, office supplies, and legal and professional services required to administer Urban Renewal.
Total Expenses	$494,000	

Source: City of Madras

[3] Statutes contained in ORS 457.

Exhibit 6 shows expected revenues for the current fiscal year, FY 2015-16. Total revenue, less total expenses, will leave an ending balance of $52,746 for the following fiscal year. The Agency is currently drawing on a line of credit to make its debt obligations.

Exhibit 6. Madras Urban Renewal Agency Revenues, FY 2015-16

Revenue	FY 2015-16	Notes
Beginning Balance	$49,111	Includes unspent portion of $2.6 million line of credit draw taken in FY 2011-2012.
Property Tax	$322,635	
Interest	$0	
Transfer Reinvestment Fund	$0	
Other	$175,000	Line of credit draw to fund $89,000 for Urban Renewal Plan Update, $100k for final Movie Theatre payment.
Total Revenue	$546,746	
Less Expenses	$494,000	
End Balance	$52,746	

Source: City of Madras

The recession was hard on the urban renewal area's revenues, as property tax growth slowed to a halt. This situation was exacerbated by changes in the rate structure, which reduced the overall tax rate applied to properties citywide as bonds retired. As a result, the Agency must dedicate the majority of its annual revenues to debt repayment. Overall, the Urban Renewal Agency's financial ability to invest in new projects is very limited, emphasizing the need to identify and support new projects that can generate tax increment in the URA boundary.

"Maximum indebtedness" is another key component of urban renewal financial capacity. Maximum indebtedness is a statutorily required limit on the amount of debt that any urban renewal area can incur that is set in the Urban Renewal Plan. In the case of this URA, the Plan identified $14 million as the plan's borrowing limit. The Agency may not exceed this amount without first formally amending the plan. At this time, the Agency has no intentions of amending the Plan to increase the maximum indebtedness due to the financial factors affecting the District.

Exhibit 7 shows the Urban Renewal Agency's remaining maximum indebtedness. Of the $14 million allowed in the Urban Renewal Plan, the Madras Redevelopment Commission has identified $9.8 million in uncommitted indebtedness available. ECONorthwest is reviewing this information and will confirm the City's methodology for calculating maximum indebtedness as part of our analysis of tax increment finance projections.

Exhibit 7. Madras URA Maximum Indebtedness, as of October 2015

Revenue	FY 2015-16	Notes
Original Maximum Indebtedness	$14,000,000	
Formal Debt Issued	$2,500,000	
Informal Debt Issued	$1,682,841	Includes all other expenditures of TIF proceeds
Remaining Maximum Indebtedness	$9,817,157	

Source: City of Madras, 2015

Overall, the Agency's ability to invest in new projects is limited unless new tax increment revenue generation (driven by new private development) occurs. While the agency has used only about one third of its available maximum indebtedness, the remaining maximum indebtedness capacity cannot be accessed without sufficient revenue to back bond issuances. At this point, revenue generation is a more serious limitation on the URA's financial capacity than its maximum indebtedness limit.

Evaluation of Incomplete Projects

The two previous sections provided an overview of projects that are remaining to be completed, as well as a snapshot of the Agency's financial capacity to invest in these projects. Through analysis and stakeholder engagement, an important goal of this action plan update is to prioritize projects for implementation. Some of those projects will be new, and will result from input from stakeholders and the findings of market analysis, but the incomplete projects from the 2006 Action Plan are also an important source of potential projects. We begin with a closer look at the incomplete projects, to understand how they might contribute to the development environment in the URA.

City staff provided the following guiding principles as a starting place for discussion. This process will work to refine these guiding principles. The guiding principles emphasize importance of seeing new development occur in the area.

- *Increasing property values within the District to advance additional investment in the District.*
- *Reducing building vacancy within the District.*
- *Redevelopment of underutilized properties.*
- *Developing vacant properties.*
- *Encourage desired and or needed retail and commercial businesses within the District.*

Exhibit 6 provides a preliminary assessment of the incomplete projects that require capital expenditures against these guiding principles.

Exhibit 8. Remaining Projects that Would Require Capital Funds

Remaining Project	Meets Guiding Principles?
Short-term projects	
Create a "stopping place" for travelers. Landscaped parking lot for RVs and other tourist vehicles, perhaps with a source of "Opal Springs" water and a new park nearby. Should include restrooms and tourist information. Built on vacant land or parking lot currently in the Willow Creek overflow floodway.	**Yes.** The stopping place for travelers could occur on a site that exists in the floodway that is not currently redevelopable. The viability of this site would be best if the stopping place is convenient to access and close to existing destinations.
"Temporary landscapes" for vacant lots. Tidy and grade, add topsoil, and seed vacant lots with wildflowers. Use hedges/landscaping to define the lot and improve the pedestrian zone.	**Partially.** This effort would seek to beautify existing vacant lots to decrease the blighting effect of vacancy.
US 26/97 Street improvements. Widen sidewalks along US 26/97, promote attractive streets with trees and furnishing, and install curb extensions along couplet where missing.	**Partially.** Street improvements will help to improve the attractiveness of development sites, but may cost more to implement.
Improve storefronts. Initiate façade improvement program that offers grants and loans to businesses that wish to upgrade their facilities and attract new customers.	**Yes.** Focusing urban renewal dollars toward improvements to storefronts has a direct impact on property values and overall area appearance.
Streetscape improvements focused on East-West end streets. Urban redevelopment efforts on B, C, and D streets: Narrow streets bordering Willow Creek to add park space, add curb extensions, street trees, sidewalks, drainage swales. Narrow some streets by adding a plant strip.	**Partially.** Street improvements will help to improve the attractiveness of development sites, but may cost more to implement.
Redevelopment concept with new civic center. Focus civic uses on two blocks south of D street and west of southbound US 26/97, out of the floodplain. The concept could also include commercial development and a hotel.	**Yes.** Focusing the City's efforts on catalyzing development on specific sites of the URA is the best way to encourage development in the area.
Long-term projects	
Improve wayfinding	**Partially.** Improvements to the existing wayfinding in the area will improve the overall usability of downtown.
Build stand-alone tourist information center in downtown Madras	**Partially.** A tourist information center could drive additional customers towards existing businesses and improve the visibility of amenities in and near Madras.
Begin outlining key properties for acquisition by the city or ODOT	**Yes.** A strategy that follows the investment framework that will come out of this Plan Update will be key to furthering downtown redevelopment goals.
Willow Creek Vision. Expand upon the rough concept study completed as part of the original urban renewal study; Determine if re-greening of the City would successful mitigate future floods and re-orient the City to this new natural amenity.	**No.** The original description of the Willow Creek Vision outlines a strategy to "re-green" the City, without a complete framework of determining development opportunities in the existing floodplain. The City's current efforts working with the Army Corps will be crucial to understanding the properties that have no development potential and should be used in other ways.

Each of these projects will be considered carefully in light of market and financial analysis and public and stakeholder input as the action plan update process continues.

Implications

Based on the project progress and the existing financial commitments of the Agency, ECONorthwest has identified the following implications for the action plan update process:

- **The many projects completed between 2006 and 2015 have laid the groundwork for a more attractive development environment in downtown Madras.** The Agency should now transition to a focus on financial support for new private development projects. New development and businesses will increase the vitality of downtown Madras, and move the community closer to the original goals outlined in the Urban Renewal Plan.
- **The financial capacity of the agency is limited** without new development to generate additional tax increment growth, but the roughly $9.8M in remaining borrowing capacity (maximum indebtedness) is sufficient to invest in many more projects.
- **The City needs to create proactive strategy to target investment to projects that can generate TIF.** New development will generate tax increment revenue, to ensure that the Agency is able to meet current and future obligations. This is therefore primary among the guiding principles. Projects that can help the City achieve this objective include: predevelopment assistance programs, strategic property acquisitions, façade improvement programs, downtown marketing programs that increase the customer base, etc.

Overall, this review has helped the consulting team to clarify the process and analytic needs for the next steps of this process. As the team transitions to identifying the projects that will be included in the next phase of planning, analysis of private development opportunities, especially in the retail core, will be central. Input from business owners and community members will continue to be very important; the team will also increase its emphasis on conversation with the developers, with property owners, and with other potential investors in development projects in the URA to identify the best, near-term opportunities for development.

The financial evaluation will clarify the financial picture for the Agency, and identify some investment scenarios based on the potential projects and their likely tax increment returns. Together, these inputs will help the tea to identify near-term actions that can catalyze development in the URA.

Appendix C:

Commercial Development Opportunities Report

Acknowledgments

For over 40 years ECONorthwest has helped its clients make sound decisions based on rigorous economic, planning, and financial analysis. For more information about ECONorthwest: www.econw.com.

ECONorthwest prepared this report for the Madras Redevelopment Commission. It received substantial assistance from City staff, the Madras Redevelopment Commission, and local stakeholders. Other firms, agencies, and staff contributed to other research that this report relied on.

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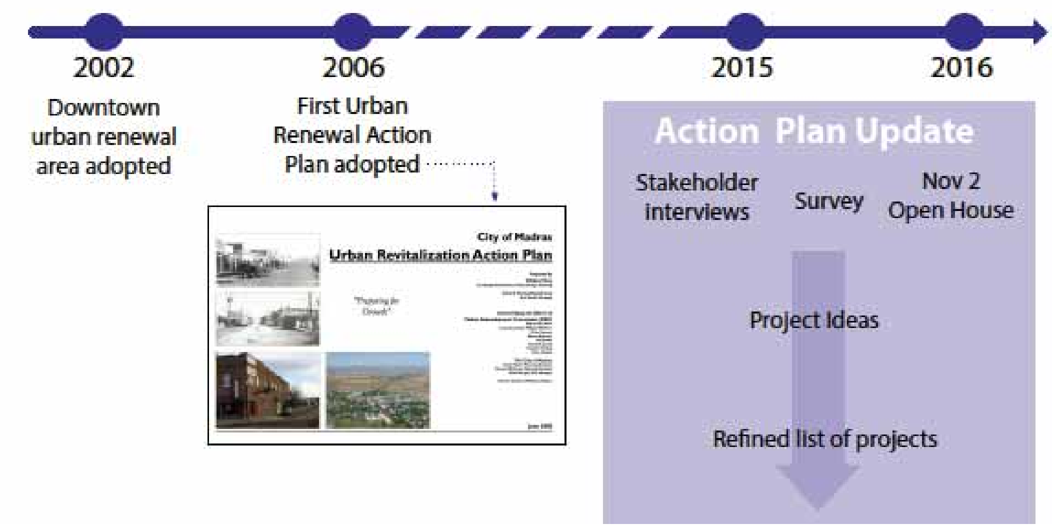
Background and Purpose

Madras' Urban Renewal Agency (the Agency) adopted *the Madras Urban Renewal Plan* in 2002. The plan's purpose is to eliminate blight in downtown Madras while supporting new development through strategic investments. In 2006, the City developed the Madras Urban Revitalization Action Plan to identify specific actions that would accomplish those goals. Since 2006, significant progress has been made, and many of the actions in the 2006 Plan have been completed. The Agency is now undertaking an updated look at implementation in the Urban Renewal District (the District) to prioritize incomplete projects and consider new actions that can be taken to achieve the original plan's vision and goals in the remaining years of the plan. Exhibit 1 shows the action plan's timeline.

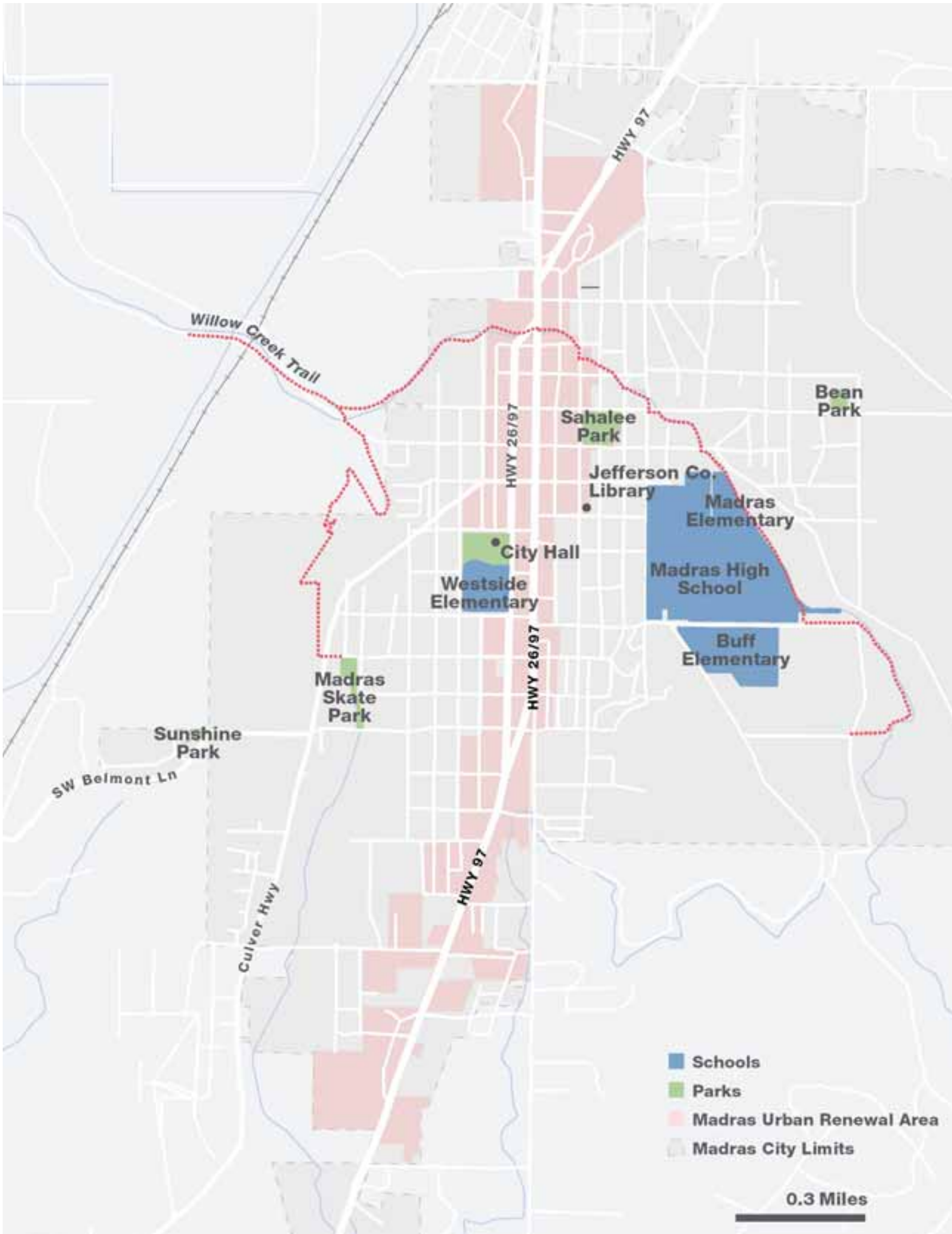
Exhibit 1. Action Plan Timeline



The Madras Action Plan Update is an approximately six month-long process that will identify and prioritize actions in the District to catalyze new development. This includes funding and financing techniques, public-private partnerships, and strategic investment of urban renewal dollars. This report, which evaluates the market for commercial development and identifies potential opportunities for redevelopment in the District, is one input to that plan update. Specifically, it provides demographic, market, and land use analysis to inform the priorities in the Action Plan document, with a focus on commercial development opportunities.

As shown in Exhibit 2, the District comprises 269 acres, with the northern boundary at NW Lee Street and the southern boundary at SW Merritt Lane.

Exhibit 2. Madras Urban Renewal District



Supporting existing businesses and encouraging new commercial development will be key to the success of downtown Madras. As such, the updated Madras Action Plan Update will focus on how to: (1) incent private development or leverage public funding to support current businesses, (2) add to the existing stock of commercial / retail space downtown, and (3) generate tax increment finance revenues for the City of Madras. This report provides the technical foundation for identifying and prioritizing related actions. This assessment is based on existing research and new analysis, and describes the competitive advantages and disadvantages of the District. The research and analysis helps to identify strategies for overcoming major barriers to the District's redevelopment.

Key findings from this analysis include:

- **Madras' retail businesses attract customers from all around, especially from the north and east, since Madras is the closest city with significant retail.**
  - Industry groups with the most sales in the trade area include **grocery stores, automobile and auto parts dealers, gas stations, and restaurants and other food service.**
  - Madras faces retail competition from **internet retailers** and **brick and mortar retailers in Redmond and Bend.**
  - **There is current unmet consumer need for several retail sectors,** indicating opportunities for retail development in Madras to meet local demand. These retail categories include **General Merchandise** (24,000-36,000 SF), **Health and Personal Care** (7,000-10,000 SF), and **Building Materials/Garden** (7,000-10,000 SF).
- **Three key demand segments drive demand for retail: residents, employees that commute into Madras, and visitors:**
  - **Residents**: Local demographics drive the types of retail that can locate in an area, and incomes and associated buying power in Madras are relatively low compared to other areas in Central Oregon. At the same time, realtors in the City of Madras identified that a lack of shopping venues is an obstacle to bringing people to Madras.
  - **Employees:** Over 70% of Madras employees live outside of the city. Overall, the people who work in Madras but live elsewhere earn more than people who live in Madras, making employees an important source of demand for commercial growth. In addition, the City has large industrial sites available, which could attract employment that would generate new users for businesses in the District.
  - **Visitors:** Madras' businesses already cater to visitors, providing goods and services that help to support tourism in the Madras area and Central Oregon as a whole. However, the City could do more to capture additional traffic, such as businesses related to outdoor recreation opportunities and touring.

- **Future population growth will support new retail development.** Madras is forecast to grow by 1,200 households by 2035. If Madras can successfully attract new residents and visitors over the next 20 years, it will need to provide new retail offerings beyond the existing retail gaps. Specifically, the City would need a general merchandise store, a new grocery store, and a new health and personal care store.
- **Overall, the market for new development creates financial feasibility challenges for new, higher-end construction due to low achievable rents and high construction costs in Madras.** The development types that are most likely to develop without public financial support are single-family housing and highway commercial.
- **There are a number of market barriers for new development that the Agency can help potential investors to overcome, as outlined in the action plan. These include:**
    - **The southern section of the District has many underutilized and vacant parcels**. Vacant and partially vacant parcels are prevalent along the southern portion of Highway 26, as well as scattered along 4th Street between D to J Street.
    - **Madras' historic downtown has a number of vacant sites and underutilized storefronts.**
    - **There is generally limited access to financial assistance among small businesses, especially minority-owned businesses.**
    - **Lack of awareness of development opportunities in Madras.** Local realtors indicate that few inquiries have been made about leasing commercial space for retail. Various explanations for the lack of retail include high City fees and the lack of households to support it.

The report has three parts:

Part 1: Demographic and Employment Conditions

This section describes the demographic trends in the City of Madras that will affect market feasibility for development in the District. It defines the market segments that are likely to generate demand for new commercial businesses and development.

Part 2: Market Conditions

Assesses current conditions within the City for commercial and residential development.

Part 3: Development Opportunities and Needs

Identifies a set of potential opportunity sites for further analysis through the action plan process and outlines specific barriers that the City and local stakeholders need to address before new development can happen in the District. This section then provides implications for the next steps in the action plan process.

Part 1: Demographic and Employment Conditions

This section provides an overview of major economic trends in the Urban Renewal District, the City of Madras, and comparator geographies. It includes information on who lives, works, and travels through the City of Madras. The purpose of this section is to identify sources of demand for future commercial development in the District, and serve as the basis for the recommendations for future development opportunities (both the types of development and where that development would go).

Overall, the findings in this section imply that there is limited spending power for new, higher-end retail businesses. However, more could be done to capture sales from: (1) employees who do not live in the Madras; (2) residents of Madras or surrounding rural areas who may shop elsewhere creating an untapped market; (3) drive-through traffic en route to Bend, Portland, or other area destinations. Each of these demand segments has unique needs and desires, as outlined in Exhibit 3 below.

Exhibit 3. Market Segment Needs

Market Segment	What They Need	Opportunities / Approach to Attracting
Residents	Everyday services Food Merchandise Entertainment	Support existing businesses, improve Latino business support Flex/maker space with retail
Employees	Everyday services Food Merchandise	Improved mix of merchandise and service offerings
Visitors (visiting nearby attractions)	Services Food Sundries Gifts Entertainment	Diversify dining options (brewery) General merchandise store Rental stores/outfitters Unique products
Visitors (traveling through)	Food Sundries Fuel	Diversify dining options (brewery) Local points of interest to keep them in Madras longer Unique products

Demographic Trends

This section provides an overview of major demographic trends in Madras, Redmond, Bend, Jefferson County, and Oregon. These trends affect demand for different uses in the study area. Unless otherwise noted, this section uses U.S. Census On the Map data and U.S. Census American Community Survey (ACS) 5-year estimates (2009-2013) for all geographies.

21% of Jefferson County's population lives in Madras.

Population, 2013

Source: American Community Survey 2009-2013 5-year estimates

6,263	29,882	3,868,721
Madras	Jefferson County	Oregon

Madras' population growth is higher than that of Jefferson County and Oregon. However, population growth in Madras is significantly less than Redmond (97%) and Bend (50%).

Population Growth, 2000-2013

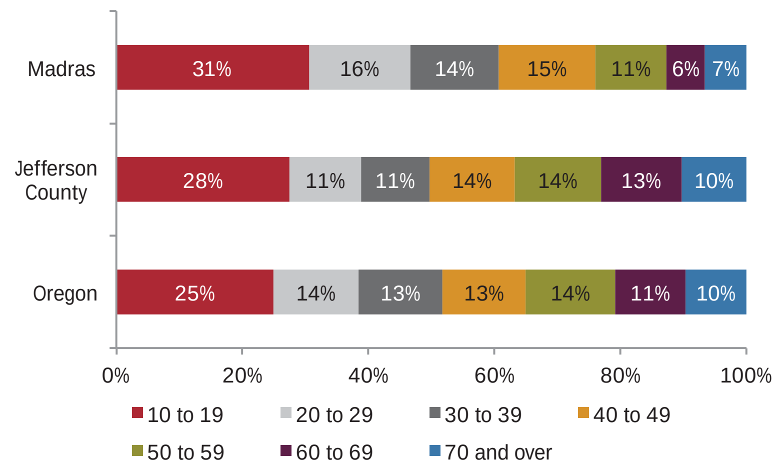
Source: United States Census

23%	15%	13%
Madras	Jefferson County	Oregon

Madras' population is younger than both Jefferson County and Oregon. Almost half of the residents of Madras are under 30 years old.

Age, 2013

Source: 2009-2013 American Community Survey 5-Year Estimates



Madras has a higher percentage of Hispanic or Latino residents than Jefferson County and Oregon. Madras also has a higher percentage of Hispanic and Latino residents than Bend (9%) and Redmond (12%)

Percent Hispanic or Latino, 2013

Source: 2009-2013 American Community Survey 5-Year Estimates

34%	20%	12%
Madras	Jefferson County	Oregon

Madras has a higher percentage of Native American residents than Oregon, but lower than Jefferson County. Madras also has a higher percentage than Bend (0.4%) and Redmond (0.9%)

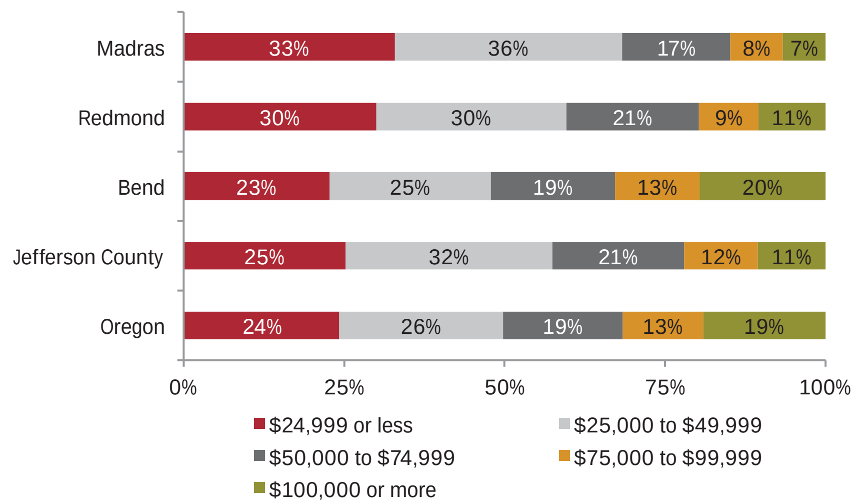
Percent American Indian and Alaska Native Alone, 2013

Source: 2009-2013 American Community Survey 5-Year Estimates

10%	17%	1%
Madras	Jefferson County	Oregon

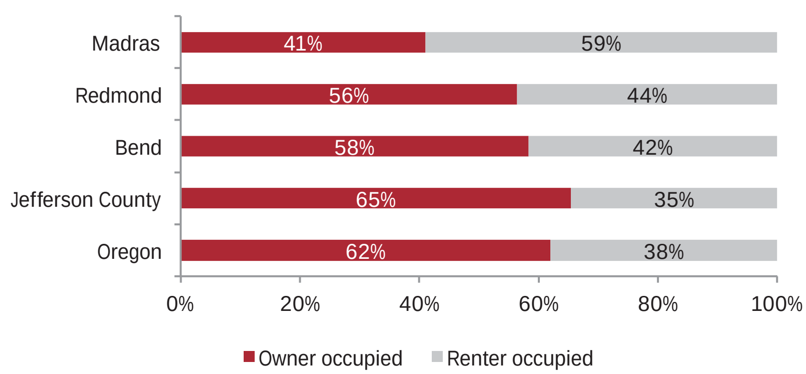
Incomes are lower in Madras compared to Jefferson County, Oregon, Redmond, and Bend. The median household income in Madras is $38,934, lower than that of Oregon ($50,229) and Jefferson County ($43,373).

Household income, 2013
Source: 2009-2013 American Community Survey 5-Year Estimates



More Madras residents rent housing compared to Jefferson County and Oregon. 59% of Madras residents rent housing compared to 35% in Jefferson County, 38% in Oregon, 44% in Redmond, and 42% in Bend.

Tenure, All Occupied Housing Units, 2013
Source: 2009-2013 American Community Survey 5-year Estimates



Employment

Madras serves as a regional employment center; those employees present another potential demand segment. This section provides a sense of the potential spending power for that group, and also identifies growing industries that might demand space downtown.

The City of Madras has a total of 3,500 employees, according to Census data. The City of Madras has a concentration of employees in the manufacturing sector (25% of total employees) with an average annual wage of almost $39,000. Health care, social assistance, and private education make up 14% of employment citywide and have an annual wage of $41,533. Retail trade (13% of total) and accommodation and food services (10% of total) have lower average annual wages, $23,531 and $14,966 respectively.

Overall, the people who live in Madras earn less than people who work in Madras but do not live there, making employees an important source of demand for commercial growth. Exhibit 4 shows a count of employees in each industry in the Madras Urban Renewal District, with corresponding payroll and average pay per employee.

Exhibit 4. City Of Madras Employment and Payroll by Major Industry, 2014

		Employees		Payroll	
Sector / Industry	Establish-ments	Number	% of Total Emp.	Total	Average Pay per Employee
Manufacturing	8	910	25%	$35,453,887	$38,960
Government	22	706	20%	$29,714,614	$42,089
Health Care/ Social Assistance/Private Education	29	494	14%	$20,517,303	$41,533
Retail Trade	39	481	13%	$11,318,606	$23,531
Accommodation and Food Services	29	368	10%	$5,507,434	$14,966
Other Services	49	123	3%	$2,023,695	$16,453
Construction and Wholesale Trade	15	104	3%	$4,571,289	$43,955
Agriculture, Forestry, and Mining	4	91	3%	$4,528,024	$49,759
Administrative and Support Services	8	78	2%	$1,875,594	$24,046
Finance and Insurance	14	69	2%	$2,615,443	$37,905
Professional Services / Management	16	48	1%	$1,400,713	$29,182
Arts, Entertainment, and Recreation	5	40	1%	$452,296	$11,307
Real Estate and Rental and Leasing	13	25	1%	$589,863	$23,595
Information	4	22	1%	$608,523	$27,660
Transportation and Warehousing and Utilities	3	14	0%	$1,019,335	$72,810
Total	258	3,573	100%	$ 122,196,619	$ 34,200

Source: City of Madras Quarterly Census of Employment and Wages

Exhibit 5 and Exhibit 6 show employment information for the Urban Renewal District. Notably, none of the city's manufacturing establishments are inside of the Urban Renewal District. Exhibit 6 shows retail trade, accommodation and food services, and government as top employment sectors in the District.

Exhibit 5. Madras URD Percent of Total Employees by Sector, 2014

Source: City of Madras Quarterly Census of Employment and Wages

Exhibit 6. Madras URD Employment and Payroll by Major Industry, 2014

Sector / Industry	Establish-ments	Employees: Number	Employees: % of Total Emp.	Payroll: Total	Payroll: Average Pay per Employee
Retail Trade	28	340	27%	$ 7,550,681	$22,208
Accommodation and Food Services	21	294	23%	$ 4,487,030	$15,262
Government	8	214	17%	$ 9,671,174	$45,192
Health Care and Social Assistance and Private Education	13	120	9%	$ 4,180,771	$34,840
Other Services	20	67	5%	$ 1,246,332	$18,602
Finance and Insurance	10	55	4%	$ 2,069,584	$37,629
Administrative and Support Services	3	52	4%	$ 910,700	$17,513
Professional Services and Management of Companies	14	49	4%	$ 1,320,336	$26,946
Construction and Wholesale Trade	4	29	2%	$ 1,201,297	$41,424
Information	4	22	2%	$ 608,523	$27,660
Real Estate and Rental and Leasing	5	17	1%	$ 345,766	$20,339
Arts, Entertainment, and Recreation	4	16	1%	$ 169,771	$10,611
Total	134	1,275	100%	$ 33,761,965	$26,480

Source: City of Madras Quarterly Census of Employment and Wages

The following section provides information on employees and businesses in the City of Madras and the Urban Renewal District.

Over 70% of Madras employees live outside of the city. Only 874 residents of Madras work within city limits. Workers commute into Madras primarily from within Jefferson County (62%) and Deschutes county (14%). Madras residents who work outside of the City primarily commute from other cities, including Redmond, Bend, Culver, and Prineville.

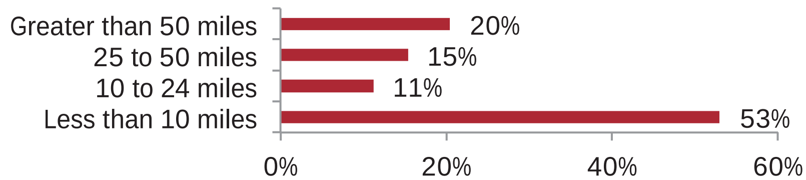
Madras Inflow/Outflow, 2013

Source: United States Census On the Map

Note:The dark green arrow shows people who live outside of Madras city limits but commute into the city to work. The medium green circular arrow shows people who both live and work within Madras city limits. The light green arrow shows people who live within City limits but commute elsewhere for work.

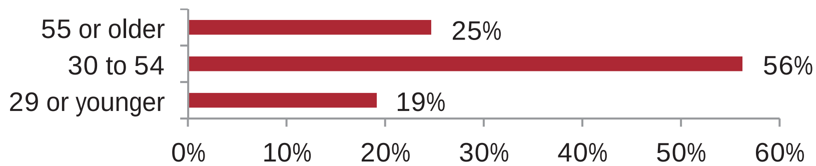
Over half of people who work in Madras commute less than 10 miles into the City. However, 20% of workers commute over 50 miles to Madras.

Commute from Home to Work, 2013
Source: United States Census On the Map



Most workers in Madras are between 30 and 54 years old.

Age of Workers, 2013
Source: United States Census On the Map



35% of workers in Madras work in the Urban Renewal District. Half of all establishments with employees in Madras are in the Madras URA.

Number of Establishments, Madras URD and UGB, 2014
Source: Quarterly Census of Employment and Wages

134
Madras URD

258
Madras UGB

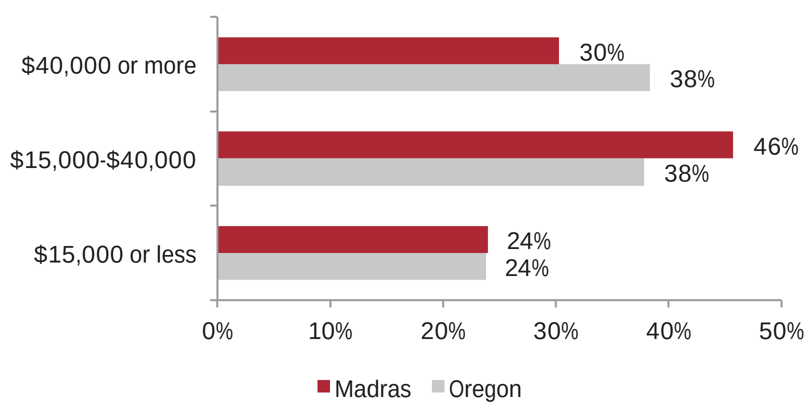
Number of Employees, Madras URD and UGB, 2014
Source: Quarterly Census of Employment and Wages

1,275
Madras URD

3,573
Madras UGB

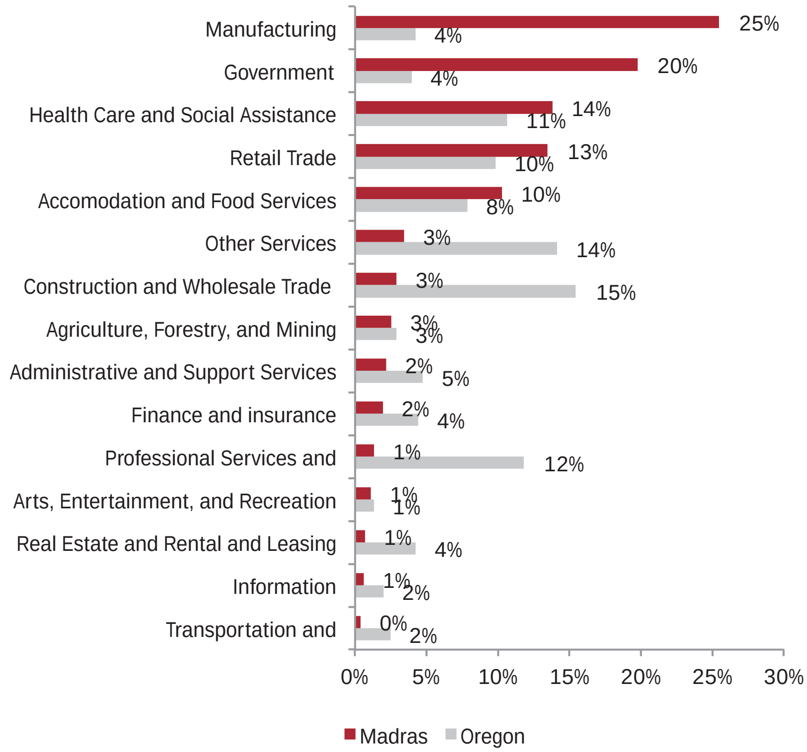
Almost half of workers in Madras earn between $15,000 and $40,000 per year. A higher percentage of Oregon residents earn over $40,000 per year compared to Madras.

Annual Wage of Workers, 2013
Source: United States Census On the Map



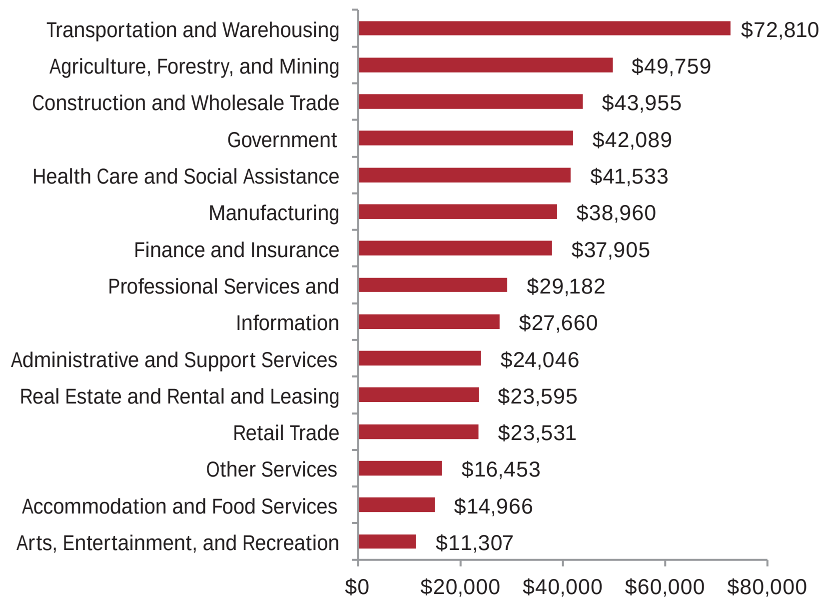
Compared to Oregon, a greater share of workers in Madras work in manufacturing. Only 4% of Oregon workers work in the manufacturing sector, compared to 25% in Madras, or 910 workers.

Percent Employees by Sector, Madras UGB, 2014
Source: Quarterly Census of Employment and Wages



Workers in the Transportation, Warehousing, and Utilities sectors earn the highest annual wages in Madras, on average. Average annual pay per employee ranged from $10,611 for Arts, Entertainment, and Recreation to $72,810 for transportation and warehousing, and utilities.

Average Pay per Employee by Sector, Madras UGB, 2013
Source: 2014 Quarterly Census of Employment and Wages



Visitor Market

Understanding what brings visitors to Madras and Central Oregon now can help the City of Madras boost its tourism in the future. Many studies have attempted to describe the Central Oregon visitor market and visitor profiles, including Travel Oregon, the Central Oregon Visitors Association.

Exhibit 7 provides an overview of marketable and non-marketable trips to Madras. Marketable trips are taken by travelers that can be influenced by marketing efforts (e.g., international/national visitors, outdoor enthusiasts), whereas non-marketable trips are taken by travelers influenced by something other than the destination itself (e.g. visiting family/friends or business). Generally, non-marketable travelers are considered lower-value travelers, as they will eat fewer meals in restaurants and may or may not stay in a hotel.

Exhibit 7. Visitor Market Segments

	Marketable Travelers	Non Marketable Travelers
Share of travelers	49% (about half of these travelers are from Oregon)	51%
What influences them	Travel influenced by marketing efforts: International/national tourism Outdoor enthusiasts	Little a destination can do to influence, besides offering additional activities Visiting friends/family Business
What they do	• 29% for outdoor rec • 23% for touring • 18% special event	• 7% business • 42% family/relatives
Wants	• Stops on the tour • Outdoor experience without risks • "Unique" experiences	• Things to do while there • Generally a lower value traveller: Will eat two meals there a day at $14-18, may or may not stay in a hotel

Source: Longwoods, International. Oregon 2013 Regional Visitor Report, Central Oregon

Of all overnight trips to Central Oregon in 2013[1], about half were marketable trips, with many visitors coming from other areas in the Pacific Northwest. Of all marketable trips to Central Oregon, 34% come from Portland, followed by Seattle and Eugene.[2] Most visitors to Central Oregon are coming in the summer, as about fifty percent of annual Transient Room Tax, a hotel tax, is collected July through September.

The main purposes of marketable trips to Central Oregon were outdoor recreation, touring, special events, and resorts. When visitors were in Central Oregon, the most popular activities included visiting historical places, shopping, hiking/backpacking, cultural activities and attractions, visiting National and State parks, and camping.[3] Most non-marketable trips taken to Central Oregon were to visit family or friends. Some non-marketable trips were business trips.

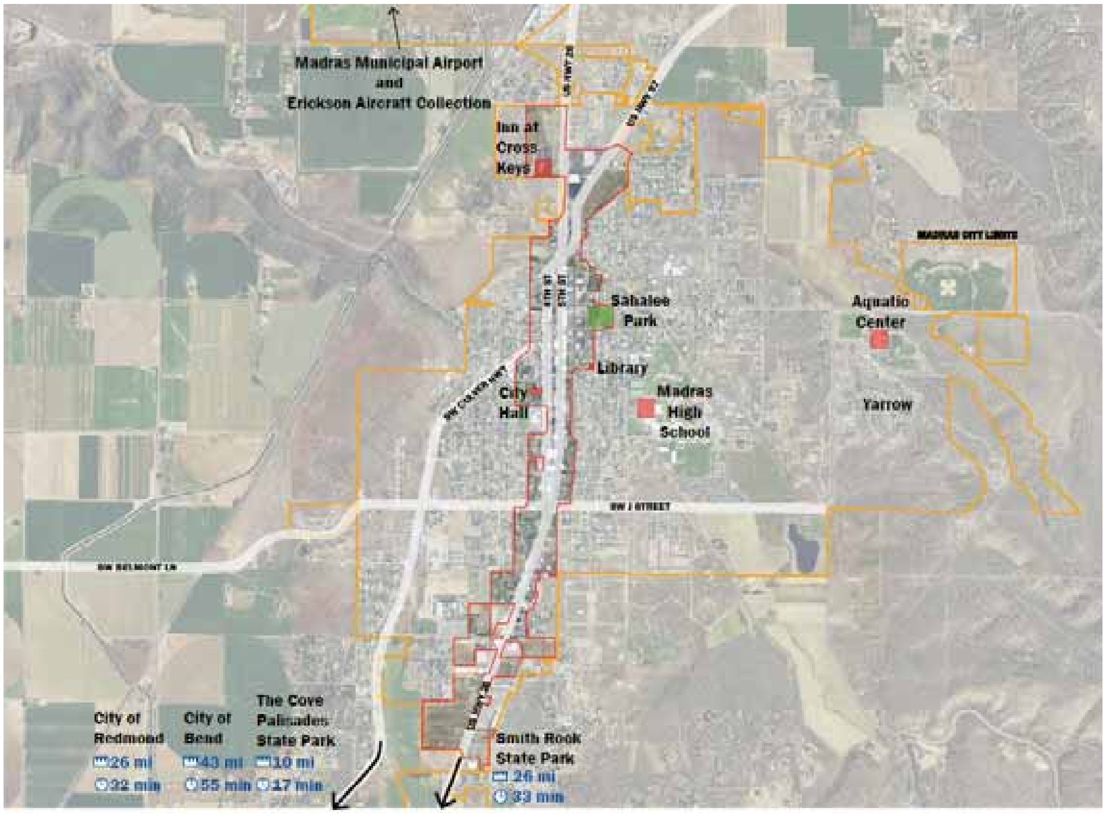
[1] ECONorthwest made several calls

[2] Longwoods International, http://industry.traveloregon.com/content/uploads/2014/11/OR-Central-Region-2013-Final-Report.pdf

[3] Longwoods International

Exhibit 8 shows key destinations from Madras as well as local community assets. Madras is well positioned in between major visitor attractions in Central Oregon, some of which provide annual visitor counts. Cove Palisades State Park, a 25-minute drive from Madras, reported 515,000 visitors in 2014.[4] Smith Rock State Park, a 30-minute drive from Madras, reported around 650,000 visitors in 2014.[5] Kah-Nee-Tah Hot Springs and Family Resort, a 35-minute drive from Madras, reported 69,000 visitors.[6]

Exhibit 8. Madras Context



Source: Longwoods, International. Oregon 2013 Regional Visitor Report, Central Oregon

Second homes are also popular in Central Oregon. The American Community Survey provides the number of homes that are vacant for seasonal, recreational, or occasional use. According to the Census, this category is often referred to as vacation homes, but also includes corporate apartments ad other temporary residences.[7] The percentage of homes identified as vacant for seasonal, recreational, or occasional use in Madras is 0.4% of total housing units, suggesting there are more second/vacation homes in Jefferson County (11.1% of total housing units) relative to the percentage of Oregon housing units (3.4%), but the homes are located outside of the City of Madras.

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[4] Cove Palisades State Park. http://oregonstateparks.org/index.cfm?do=parkPage.dsp_parkHistory&parkId=24
[5] Smith Rock State Park, http://oregonstateparks.org/index.cfm?do=parkPage.dsp_parkHistory&parkId=36
[6] Oregon Rural Tourism Studio. River Canyon Country Rural Tourism Studio Baseline Assessment, October 2012. http://industry.traveloregon.com/wp-content/uploads/2012/10/1.3.6.1_RCCBaseline.pdf
[7] https://www.census.gov/prod/cen2010/briefs/c2010br-07.pdf, page 4

Part 2: Market Conditions

In this section, we describe the existing conditions for residential, industrial, and commercial uses in and near the District. The analysis provides insight into existing supply and potential demand for different land uses and redevelopment opportunities.

Real Estate Terms

Vacancy rate	All of the available space for lease divided by the total space in the defined market. This gives a quick sense of whether it is a landlord or tenant's market. It is often an indicator for developers of when to enter or exit a market. Higher vacancy rates means it takes longer for property owners to lease-up buildings.
Absorption	The number of properties that have been leased or sold (absorbed) within a defined period. The absorption rate divides available properties by the absorbed properties.
Asking rent	The dollar amount the lessor is asking for in order to lease their building/space/land. It is represented as an annual or monthly amount depending on the area where the property is located. Most markets reflect an annual amount while some markets use a monthly amount.

Overall, the market for new development is likely to create feasibility challenges for new, higher-end construction due to low achievable rents and high construction costs in the City. For retail, the number and demographics of households within the City creates challenges for the types of retail that are likely to locate in Madras, given the existing competitive landscape. Office and industrial uses will locate in Madras if the City has an advantage over other communities in Central Oregon. For example, some firms may be attracted to Madras given its lower cost of living, closer proximity to the Portland metro area, lower rents, or high-quality water. Residential development continues to be challenged by the lack of demand for new housing in the City.

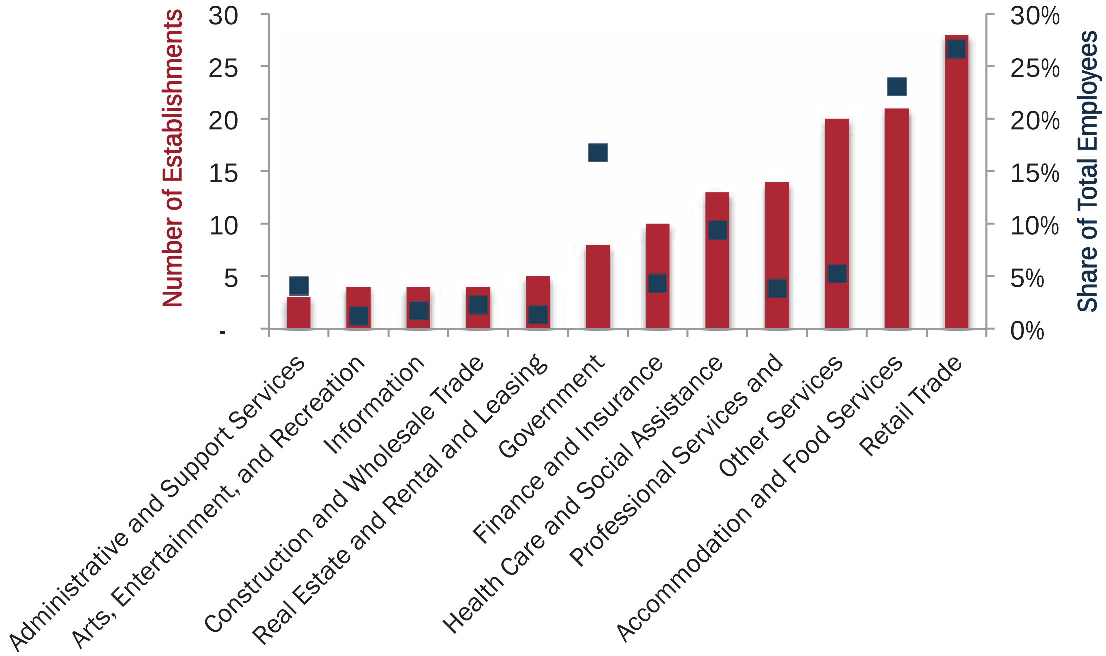
Retail

Business Inventory

The State of Oregon Employment Department conducts the Quarterly Census of Employment and Wages (QCEW). QCEW data provides data on employment and wages by industry, as well as the number of businesses in each industry. There are 259 establishments with employees in the City of Madras as a whole, and 134 establishments in the Madras Urban Renewal District.

Exhibit 9 shows the breakdown of business types by employment sector in the Madras URD and the share of employees in each of those sectors (blue squares). The District features a concentration of services and retail businesses (29 businesses, 27% of all employees), along with accommodation and food service businesses (21 businesses, 23% of all employees). Over half the District's employees work in these two business types.

Exhibit 9. Establishments by Sector, Madras URD, 2014



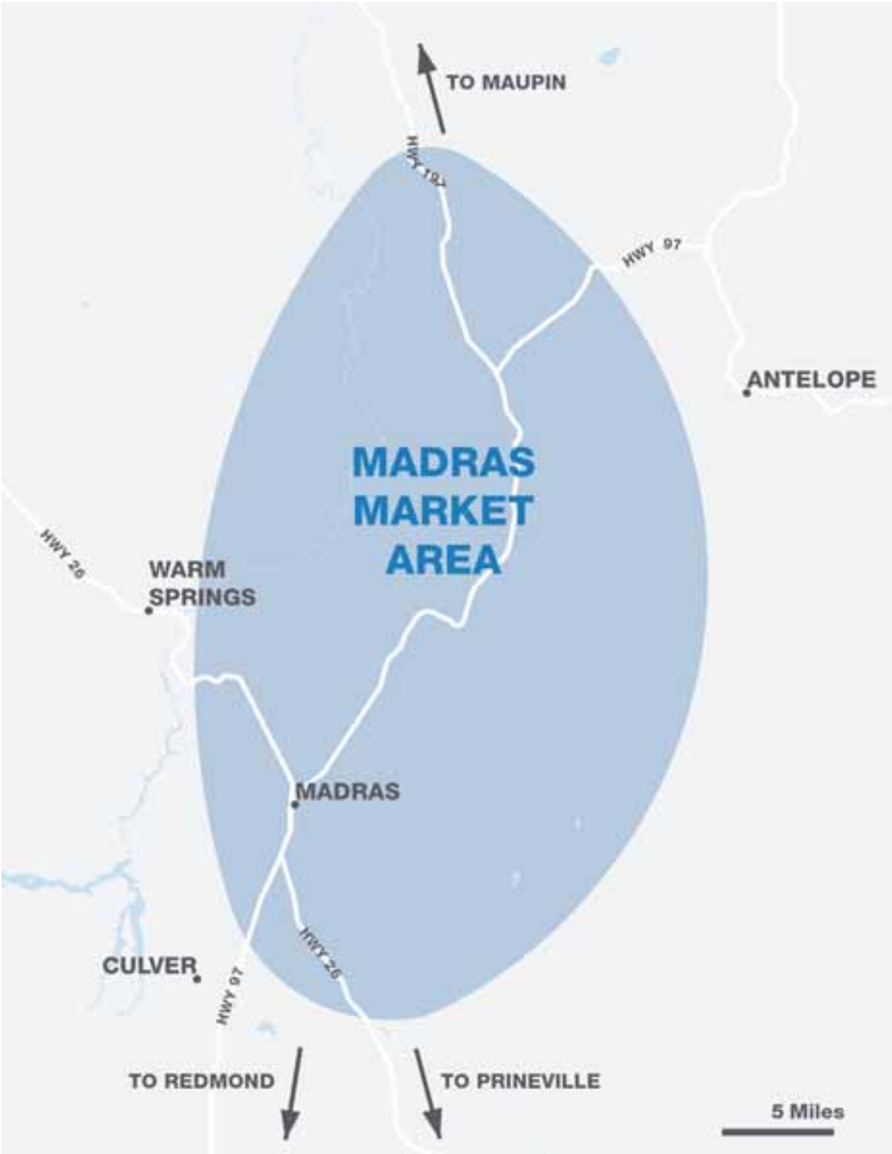
Source: City of Madras Quarterly Census of Employment and Wages, 2014. Note: the blue squares note the share of total employees within each sector.

Retail Leakage Analysis

"Retail leakage" occurs when community members spend money outside of their community. By identifying what types of products residents are purchasing outside of Madras, a retail leakage analysis can provide some limited information about the types of new businesses and services the District could support.

Exhibit 10 shows an estimation of Madras' Retail Trade Area, based on calculations using Reilly's Law of Retail Gravitation. Reilly's Law is an economic model that assumes customers are willing to travel a certain distance to retail centers. Exhibit 10 shows that Madras' retail businesses attract customers from all around Madras, especially from the north and east of Madras, where there are no other major urban centers. For example, people living in the unincorporated areas of Jefferson County near Antelope may do much of their day-to-day shopping (such as grocery shopping) in Madras, the closest city with larger grocery stores.

Exhibit 10. Estimated Madras Retail Trade Area



Source: ECONorthwest

While Madras' Trade Area is relatively large, people in the Trade Area, including in Madras, shop at stores in nearby cities (e.g., Redmond and Bend) and through internet retailers. Exhibit 11 and Exhibit 12 show the retail gaps for major retail industries in the City of Madras. Retail gaps are calculated by subtracting "retail sales" from "consumer expenditures" in the Madras Trade Area and can be either negative or positive:

- A **positive retail gap** shows local sales are lower than local demand and indicates the industry may be supportable in the City.
- A **negative retail gap** shows categories of retail where retail sales exceed local consumer expenditures, such as people driving through Madras stopping for gasoline.

The Madras Trade Area's retail gap is nearly -$69 million, meaning residents of the Trade Area spend $69 million outside of Madras on goods and services.

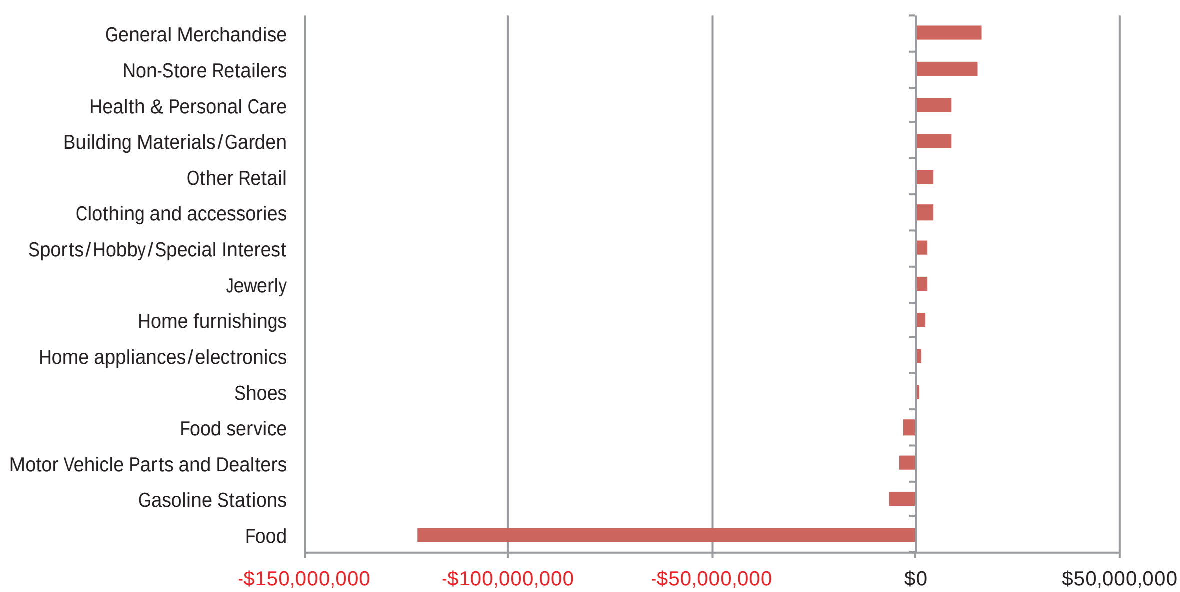
Residents of the Madras Retail Trade Area spend about $163 million on retail goods and services and $17 million on food and drink. In the Trade Area, retailers have around $229 million in retail sales and $20 million on food and drink sales. Industry groups in the Madras Trade Area with the most sales include grocery stores, automobile and auto parts dealers, gas stations, and restaurants and other food service.

Exhibit 11. Madras Retail Trade Area Retail Leakage

Retail Category	Consumer Expenditures	Retail Sales	Retail Gap	Implications for Retail Opportunities in Madras
Food	$24,179,797	$146,567,835	-$122,388,037	Retail sales exceed local demand through capturing sales by customers living outside of the trade area.
Gasoline Stations	$13,709,986	$20,422,518	-$6,712,532	
Motor Vehicle Parts and Dealters	$38,330,694	$42,406,567	-$4,075,873	
Food service	$17,145,493	$20,484,758	-$3,339,264	
Shoes	$697,302	$0	$697,302	Local demand is greater than existing stores can meet, creating retail opportunities in Madras.
Home appliances/electronics	$2,943,067	$1,402,276	$1,540,791	
Home furnishings	$3,321,830	$987,588	$2,334,242	
Jewerly	$2,838,901	$63,875	$2,775,026	
Sports/Hobby/Special Interest	$3,147,194	$197,239	$2,949,956	
Clothing and accessories	$4,271,888	$63,733	$4,208,155	
Other Retail	$4,972,407	$473,487	$4,498,920	
Building Materials/Garden	$18,780,745	$10,147,044	$8,633,701	
Health & Personal Care	$9,816,909	$908,275	$8,908,634	
Non-Store Retailers	$15,701,177	$540,863	$15,160,314	
General Merchandise	$20,985,572	$4,894,669	$16,090,903	
Total Expenditures	**$180,842,963**	**$249,560,726**	**-$68,717,763**	
Retail Trade	$163,697,469	$229,075,968	-$65,378,499	
Food and Drink	$17,145,493	$20,484,758	-$3,339,264	

Source: Nielsen Company, Retail Stores Opportunity Report, January 2016

Exhibit 12. Retail Needs, Madras Trade Area



Source: Nielsen Company, Retail Stores Opportunity Report, January 2016

However, there are several retail sectors with positive retail gaps, indicating opportunities for retail development in Madras to meet local demand. Notable industries with deficits in Madras include general merchandise stores (these sell a number of lines of merchandise such as dry goods, apparel and accessories, furniture and home furnishings, and small wares), health and personal care stores, building materials and garden stores, and clothing stores. Exhibit 13 shows the deficit in retail space for Madras for different retail categories, assuming that Madras could capture one third to one half of spending outside of the Trade Area. There are several retail categories with more substantial space deficits, including **General Merchandise** (24,000-36,000 SF), **Health and Personal Care** (7,000-10,000 SF), and **Building Materials/Garden** (7,000-10,000 SF).

Exhibit 13. Retail Space Deficit from Existing Retail Gap

Retail Category	Gap	Sales per SF	Potential SF Needed
Clothing and Accessories	$4,208,155	$256	5,000-8000
Shoes	$697,302	$212	1,000-2,000
Home Furnishings	$2,334,242	$230	3,000-5,000
Home Appliances/electronics	$1,540,791	$332	1,000-2,000
Building Materials/Garden	$8,633,701	$428	7,000-10,000
General Merchandise	$16,090,903	$220	24,000-36,000
Sports/Hobby/Special Interest	$2,949,956	$242	4,000-6,000
Jewelry	$2,775,026	$557	1,000-2,000
Health & Personal Care	$9,816,909	$472	7,000-10,000
Other Retail	$4,498,920	$272	5,000-8,000

Source: Nielsen Company, Retail Stores Opportunity Report, January 2016

Demand for Additional Retail Space from Population Growth

Demand for additional retail stores is driven by population growth, as well as opportunities to meet the retail gaps shown in Exhibit 11. This section presents an analysis for demand for new retail stores for the Trade Area shown in Exhibit 10 and consumer expenditures in Exhibit 11.

The analysis starts with an estimate of household growth in the Madras Trade Area, which had about 4,500 households in 2015, more than 2,300 of which were located in the City of Madras. Using assumptions about population growth from Portland State University's Population Forecasts for Jefferson County,[8] the Trade Area will grow to about 5,700 households by 2035, an increase of 1,200 households.

Exhibit 14 shows the change in retail spending between 2015 (starting with expenditure data shown in Exhibit 11) based on household growth in the Trade Area between 2015 and 2035. Retail spending will increase by about $34 million over the 20-year period as a result of population and household growth in the Trade Area.

[8] The 2015 population forecast for Jefferson County can be accessed from: http://www.pdx.edu/prc/region-1-documents

Exhibit 14. Change in Retail Spending between 2015 and 2035, Madras Trade Area

	Total Retail Spending (2015 Dollars)		Change in Retail Spending 2015-2035 (2015 Dollars)	
	2015	**2035**	**Amount**	**Percent**
Food	$24,179,797	$30,729,050	$6,549,252	27%
Food service	$17,145,493	$21,789,460	$4,643,966	27%
Clothing and accessories	$4,271,888	$5,428,957	$1,157,068	27%
Shoes	$697,302	$886,171	$188,869	27%
Home furnishings	$3,321,830	$4,221,569	$899,739	27%
Home appliances/electronics	$2,943,067	$3,740,216	$797,149	27%
Building Materials/Garden	$18,780,745	$23,867,629	$5,086,885	27%
Gasoline Stations	$13,709,986	$17,423,423	$3,713,437	27%
General Merchandise	$20,985,572	$26,669,648	$5,684,076	27%
Sports/Hobby/Special Interest	$3,147,194	$3,999,632	$852,438	27%
Jewerly	$2,838,901	$3,607,835	$768,934	27%
Health & Personal Care	$9,816,909	$12,475,882	$2,658,973	27%
Other Retail	$4,972,407	$6,319,215	$1,346,808	27%
Total Expenditures	**$126,811,092**	**$161,158,685**	**$34,347,594**	**27%**

Source: Nielsen Company, Retail Stores Opportunity Report, January 2016

Exhibit 15 uses a ratio of retail sales per square foot of retail space to determine the amount of retail space needed to serve projected consumer expenditures. This ratio shows how many dollars of spending are required to support one square foot of retail in different categories. For example, a retail shoe store requires $212 in sales per square foot. If a set of households spends $2 million per year on shoes, that spending directly supports 9,400 SF of retail space ($2 million divided by $212).[9] Exhibit 15 shows that, based on consumer expenditures, the Trade Area needs about 396,000 square feet of retail space in 2015, growing to about 503,000 square feet in 2035, an increase of 107,000 square feet of retail space.

Exhibit 15. Spending-supported Retail Demand, Madras Trade Area

Retail Category	Retail Spending (millions) 2015	Retail Spending (millions) 2035	Sales per SF	Spending-Supported Retail Demand (SF) 2015	Spending-Supported Retail Demand (SF) 2035
Food	$ 24,179,797	$ 30,729,050	$453.43	53,326	67,770
Food Service	$ 17,145,493	$ 21,789,460	$345.53	49,621	63,061
Clothing and Accessories	$ 4,271,888	$ 5,428,957	$255.95	16,690	21,211
Shoes	$ 697,302	$ 886,171	$212.00	3,289	4,180
Home Furnishings	$ 3,321,830	$ 4,221,569	$230.21	14,430	18,338
Home Appliances/electronics	$ 2,943,067	$ 3,740,216	$332.42	8,853	11,251
Building Materials/Garden	$ 18,780,745	$ 23,867,629	$427.52	43,930	55,829
Gasoline Stations	$ 13,709,986	$ 17,423,423	$256.21	53,510	68,004
General Merchandise	$ 20,985,572	$ 26,669,648	$220.23	95,292	121,102
Sports/Hobby/Special Interest	$ 3,147,194	$ 3,999,632	$241.84	13,014	16,539
Jewelry	$ 2,838,901	$ 3,607,835	$557.18	5,095	6,475
Health & Personal Care	$ 9,816,909	$ 12,475,882	$471.98	20,800	26,433
Other Retail	$ 4,972,407	$ 6,319,215	$272.28	18,262	23,208
Total	$ 126,811,092	$ 161,158,685		396,112	503,401

Source: Nielsen Company, Retail Stores Opportunity Report, January 2016; Sales per Square Foot based on Urban Land Institute, *Dollars and Cents of Shopping Centers: 2008*. Page 19, adjusted to 2015 dollars.

[9] Urban Land Institute, *Dollars and Cents of Shopping Centers: 2008*. Page 17.

Exhibit 16 uses estimate of store size (in square feet) to convert the need for 107,289 square feet of new retail in the next 20 years to the number of stores that the will be needed to meet retail demands in the Trade Area. This analysis assumes that Madras will continue to capture retail sales from households outside of the Trade Area, such as travelers passing through Madras and stopping at gasoline stations or households from outside of the Trade Area shopping at grocery stores in Madras.

Exhibit 16. New Retail Stores Needed to Accommodate Household Growth, 2015-2035, Madras Trade Area

Retail Category	Growth in Needed Retail Space (2015-2035) (SF)	Median Store Size (SF)	New Stores Needed
Food	14,444	16,500	1
Food Service	13,440	2,261	6
Clothing and Accessories	4,521	4,000	1
Shoes	891	3,240	0
Home Furnishings	3,908	5,066	1
Home Appliances/Electronics	2,398	3,104	1
Building Materials/Garden	11,899	12,500	1
Gasoline Stations	14,494	4,700	3
General Merchandise	25,810	25,788	1
Sports/Hobby/Special Interest	3,525	4,090	1
Jewelry	1,380	1,500	1
Health & Personal Care	5,634	10,920	1
Other Retail	4,946	2,108	2
	107,289	-	20

Source: Nielsen Company, Retail Stores Opportunity Report, January 2016; Sales per Square Foot based on Urban Land Institute, *Dollars and Cents of Shopping Centers: 2008*. Page 19.

Madras will need a range of additional retail stores to meet the demands of additional households in the Madras Trade Area over the next 20 years. Most notably, Madras will need a general merchandise store, a new grocery store, and a new health and personal care store. These needs are beyond the existing deficits implied by the analysis in Exhibit 11 for general merchandise stores, health and personal care stores, building materials stores, clothing stores, and other types of retailers.

According to local realtors, there seems to be available commercial space available for lease, and there seems to be significant demand for more shopping (in particular, a clothing store) in Madras. However, few inquiries have been made about leasing commercial space for retail. Various explanations for the lack of retail include high City fees and the lack of households to support it. There have been very few inquiries for restaurant space, but somewhat more inquiries for general merchandise and grocery stores spaces.

According to Madras' 2015 Economic Opportunities Analysis (EOA), increases of retail and non-retail commercial employment will require 117 gross acres of commercial land in the City of Madras. The City has enough vacant commercially zoned land in the UGB to accommodate 20 years of growth, with 26 acres of surplus land. The majority of Madras' 28 vacant gross acres of commercial land is zoned C-1 and CC, with concentrations in southern Madras along Highways 97 and 26, and in the Middle of madras along Highway 97.

Office and Industrial

Madras' industrial sector saw the largest decrease in employment between 2004 and 2013, falling by 530 employees (34%).[10] However, companies have chosen to locate in Madras' industrial areas, including Erikson Air Tanker maintenance and manufacturing operations to Madras. Additionally, both Central Oregon Seeds and Central Oregon Basalt have expanded facilities in Madras. Four companies have investigated located solar arrays near Madras, both on city-owned land at the Airport and on privately owned land. Key findings related to office and industrial development as they relate to the District include:

- **The City has large industrial sites available, which could attract employment that would generate new users for businesses in the District.** According to the City's recent Economic Opportunities Analysis, the City has enough land to accommodate industrial growth over the next 20 years, with 69 gross acres of surplus industrially-zoned land available. All vacant industrial land in Madras is located in the northern part of the City, near the airport and along Highway 26. About two-thirds of the vacant land is in two parcels, which would allow large industrial operations to locate in Madras. [11]
- **The City has large industrial sites available, which could attract employment that would generate new users for businesses in the District.** The EOA found that Madras has a limited number of smaller general industrial sites, all of which are near the airport. Future industrial sites will need to be a variety of sizes, and the City may need to rezone land to meet the need for smaller industrial sites.[12]
- **The market for new office development is weak.** Discussions with real estate agents indicated the Madras was most likely to continue to attract industrial development over office development. This means that there will likely be few new office developments in the City of Madras over the next 20 years.

Residential

Total housing units in Madras have almost doubled since 1990, increasing from 1,374 to 1,927 (2010) to 2,569 units in 2010.[13] The City of Madras Housing Needs Analysis (HNA) identifies that although Deschutes County has historically accounted for the majority of single-family residential development in Central Oregon, Crook and Jefferson Counties are accounting for an increasing share of single-family development.

Realtors in the City identified a lack of shopping in Madras as an obstacle in bringing people to Madras. In addition, perception of the local schools and a need to accommodate the commuting needs of others in the household are key reasons why families choose to live outside of Madras. As part of this project, the City has released a survey of workers to determine how it could better attract more employees to live in Madras.

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[10] City of Madras Economic Opportunities Analysis (EOA), pg. A-21.
[11] Madras EOA.
[12] Madras EOA.
[13] Madras Urbanization Report and United States Census.

The HNA, completed in 2007, identified housing needs for 20 and 50-year population and employment forecasts. According to the HNA, the City will need an additional 2,202 single-family unit types and 734 multifamily in the 2007-2027 period.[14] Some of that housing could take the form of multifamily development in the core of Madras.

Hotel

Madras has six hotels and motels. ECONorthwest did not complete a full market analysis for hotels in Madras for the Action Plan Update, but has done recent analysis for another client on hotel demand in Central Oregon. The analysis showed that the high-end hotel market is tight in Central Oregon, resulting from a long period with no added capacity paired with the surging Central Oregon visitor market. Additionally, Madras will continue to see increased traffic on Highway 97 as trucks seek alternate routes from I-5 and the Columbia Crossing. Half of the hotel business is driven by local population growth (the best indicator is personal income of the area).

However, the existing seasonality of the Madras hotel market creates challenges for local hoteliers. The peak season in Madras is from April to October, with much higher vacancies during the slower winter months, when room rates decrease to up to $30 per night.[15] All these factors show that Madras is unlikely to support an additional hotel within the next five years, even a limited-service mid-scale hotel.

Part 3: Development Opportunities

This section provides an overview of development opportunities in the District. These are the sites that could accommodate additional commercial development that serves the market segments defined in Part 1, given the market conditions described in Part 2. This analysis is based on a technical analysis of development opportunities and conversations with stakeholders, real estate professionals, and City staff.

The District has many sites that would be suitable for redevelopment, many of which are located in the core of the urban renewal district. However, some of these vacant sites are located within the floodway and floodplain, which prevent development or add additional development barriers. In 2016, the City of Madras and the Army Corps of Engineers will commence remapping the floodplain, which may result in revised Floodplain and Floodway boundaries.

Technical Analysis

Much of the public outreach themes generated through the action plan process echoed a sentiment that there are properties within the District that feel “empty” or “neglected.” These sites provide an opportunity for new investment or redevelopment, if supported by the Urban

[14] ECONorthwest. City of Madras Urbanization Report, November 2007. Page ii.
[15] Interviews with local hoteliers, November 2015

Renewal District. To quantify the number of acres within the District that would be most likely to redevelop within the District, ECONorthwest conducted a preliminary technical analysis of development opportunities in the District, using the City's 2015 Buildable Lands Inventory layer and parcel data from the Jefferson County assessor. Exhibit 17 provides an overview of findings. Of the parcel acres within the district, 37% are vacant or partially vacant, and 19% are underutilized (meaning that their land value is worth at least the value of the structure on the parcel).

Exhibit 17. Development Potential on Parcel Acres within the District

	Acres	Percent
Vacant & Partially Vacant	90.9	37%
Underutilized	45.9	19%
Developed	94.4	38%
Public	16.4	7%
Total	247.6	100%

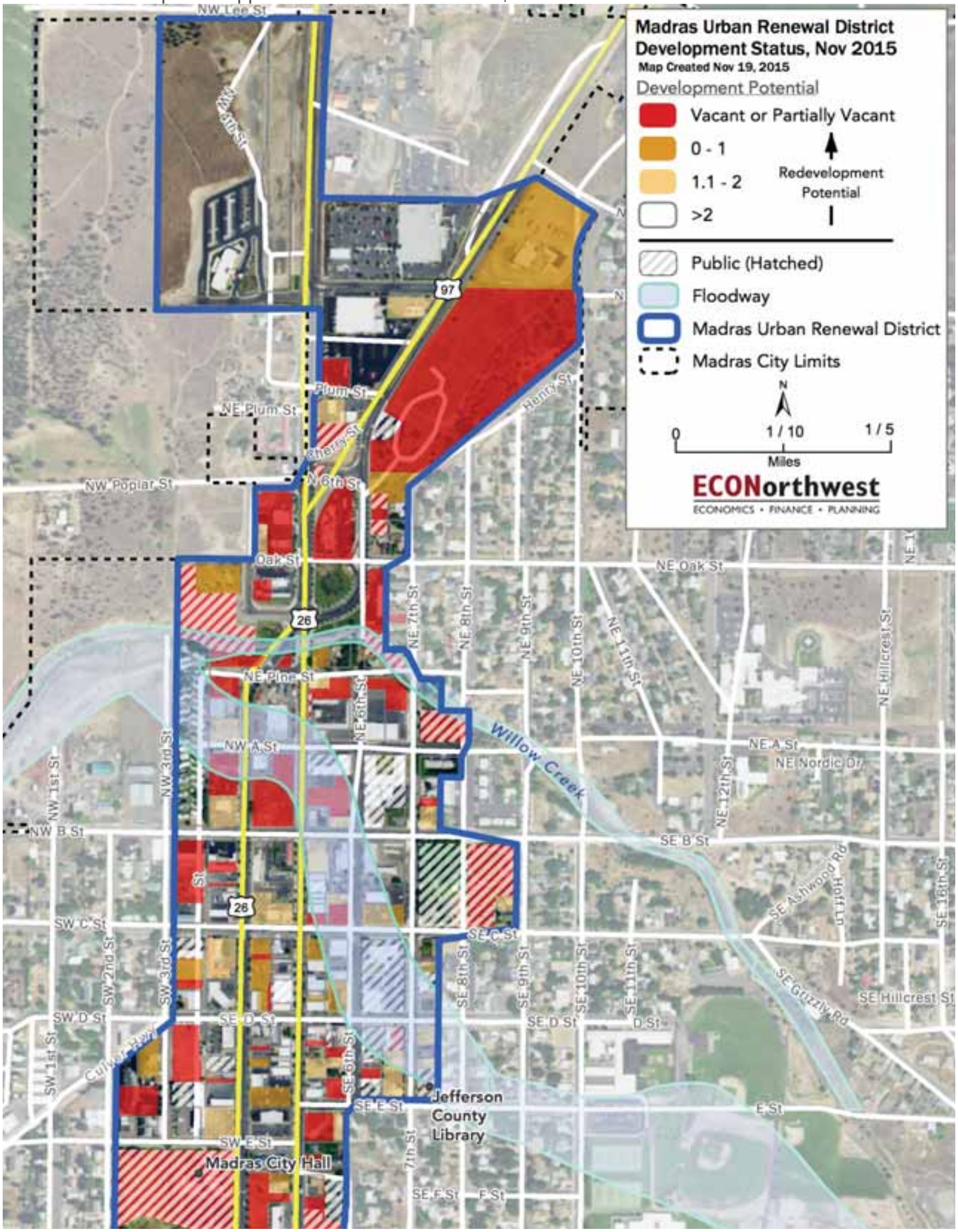
Source: ECONorthwest, 2015

Exhibit 18 and Exhibit 19 show the *Improvement to Land Value Ratio* on parcels in the northern and southern sections of the District based on Jefferson County Assessor data. This ratio is the assessed value of improvements divided by the assessed value of the land. This is a commonly used indicator of potential for redevelopment when the ratio is low, although it is not the only indicator.

In the northern section, 4th Street from A to E Streets have a number of underutilized and vacant parcels, particularly at the intersection of 4th and C. There are also many underutilized and vacant parcels at the northern tip of the boundary along Highway 97.

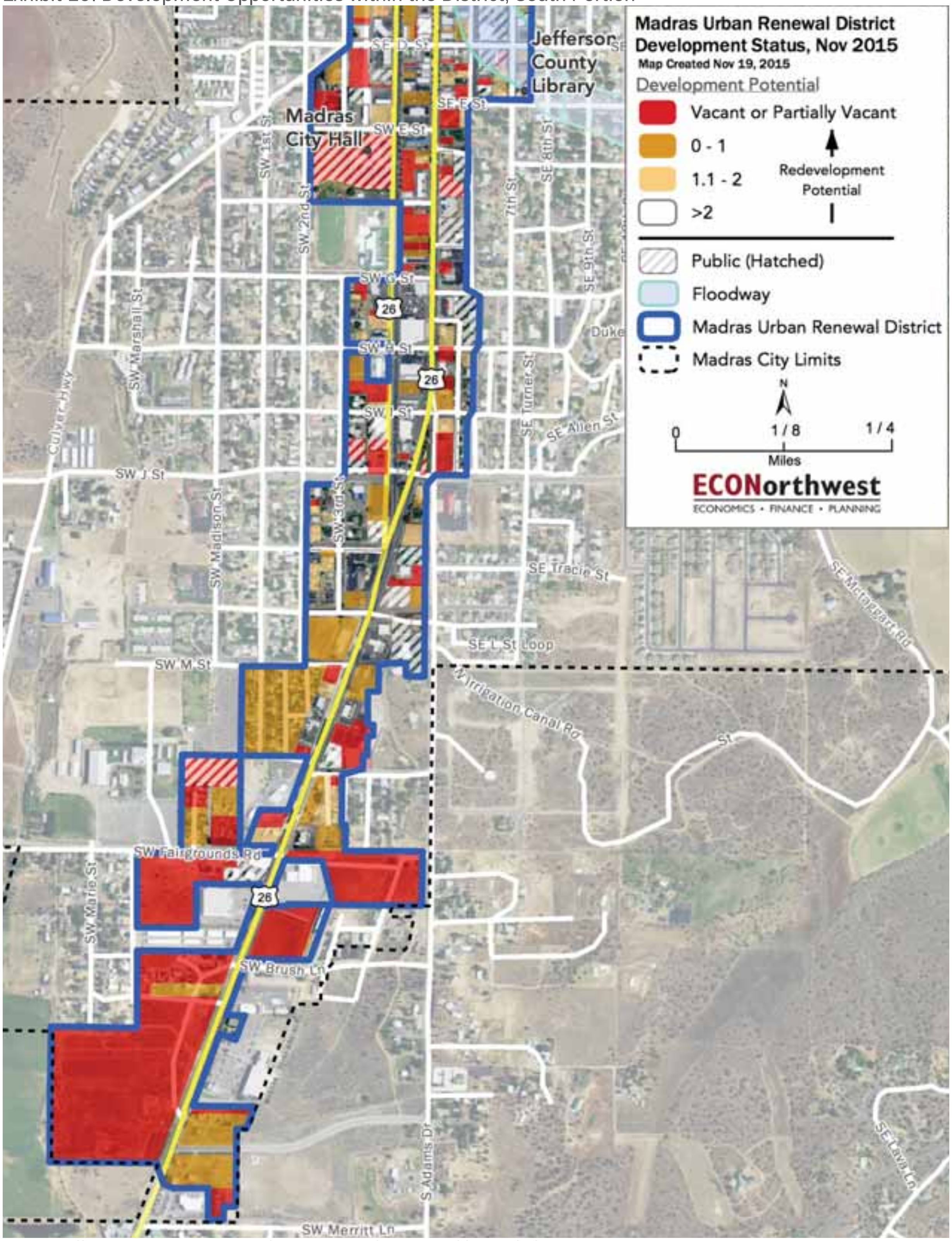
The southern section of the District has many underutilized and vacant parcels. Vacant and partially vacant parcels are prevalent along the southern portion of Highway 26, as well as scattered along 4th Street between D to J Street.

Exhibit 18. Development Opportunities within the District, North Portion



Source: Jefferson County Assessor and 2015 Economic Opportunities Analysis

Exhibit 19. Development Opportunities within the District, South Portion



Source: Jefferson County Assessor and 2015 Economic Opportunities Analysis

Implications for Action Plan

The analysis so far finds that: (1) the City can do more to attract unexploited demand segments such as tourists and workers to the city's retail offerings, (2) the development market is challenged, and (3) there are many sites that could accommodate new development. This section provides a preliminary description of the "niche" for downtown Madras in a regional context. It also better defines how the Action Plan should be shaped, given the findings in this analysis. Given those findings, the Action Plan Update needs to take the following actions:

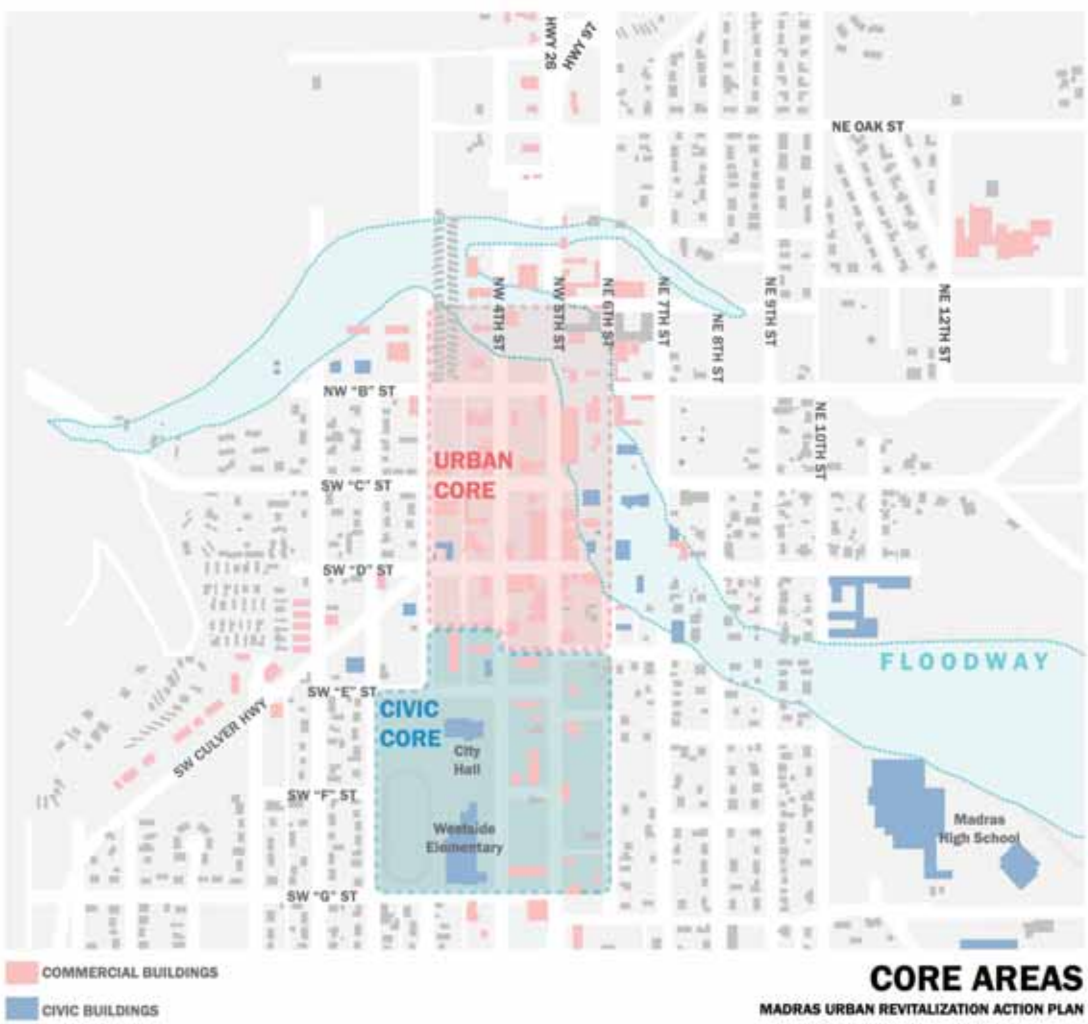
- **Address market barriers to attract appropriate retail development.** Attracting the demand segments described in this report will require strategic additions to the existing mix of businesses:
  - **Madras should position itself to attract general merchandise stores that sell everyday goods like clothes and other dry goods**. With a retail gap for general merchandise of $16 million within the Trade Area, Madras could accommodate roughly 24,000-36,000 square feet of new general merchandise space. It is likely that general merchandise businesses will locate at the northern or southern ends of the District where access is easiest.
  - **This technical analysis can help to point toward other general categories of retail demand, echoed by community member needs detailed in Appendix A.** In addition to General Merchandise, current and future needs include Health and Personal Care, and Building Materials/Garden stores. At the same time, the City needs to be responsive to businesses that emerge outside of the status quo, but that support the District objectives.
  - **Madras' core would benefit from additional anchor restaurants and/or a brewery that can attract visitor through traffic as well as serve a local market.** There is already a good set of restaurants in downtown Madras located along the couplet. However, the District would benefit from the addition of a restaurant that specifically meets the needs of tourists and marketable travelers, as detailed in Exhibit 3.
- **Strategically target investment.** Given the concentration of underdeveloped and vacant parcels in the District and the downtown, and the evaluation of demand segments presented in this document, the City's Action Plan should focus on near-term development opportunities and tenant attraction strategies.

Core Area: The City should seek to concentrate downtown-scale retail and services in a smaller node that has some opportunity sites in it, and consider other kinds of uses in other parts of the District. As implementation begins, the City of Madras should be prepared to be both proactive and responsive as development opportunities arise. Small, main-street level improvements can invigorate the downtown and civic cores of the City, as shown in

  - Exhibit 20.

- **Outside of the Core:**
  - **The City can provide information and technical assistance related to existing sites for possible highway commercial tenants that offer products that meet the needs of current residents and visitors.**
  - **There are likely properties in the District that can accommodate "flex" space, if zoning allows**. Flex space buildings provide occupants a flexible amount of office or showroom space in combination with manufacturing, laboratory, warehouse distribution, etc. It is generally constructed with little or no common areas, load-bearing floors, loading dock facilities and high ceilings to allow for a variety of users over time. Sometimes, these buildings contain a retail area where customers can buy products that are made in that building. This type of arrangement can buffer businesses against retail seasonality by allowing the business to produce goods year round.

Exhibit 20. Core Investment Area



Appendix D:
Financial Analysis

DATE: February 16, 2016
TO: Madras Redevelopment Commission
FROM: Nick Popenuk and Emily Picha
SUBJECT: Financial Projections for Madras Urban Renewal District

ECONorthwest was hired by the Madras Redevelopment Commission (MRC) to develop an action plan that to assesses the city's development market, provides analysis related to the Urban Renewal Agency's finances, and facilitates a refreshed community conversation regarding priorities for investment to attract development to Madras. The ultimate goal of the 2016 Action Plan is a list of projects that can further the goals of the 2002 Urban Renewal Plan and 2006 Urban Revitalization Action Plan.

An important consideration for the URAP is the financial capacity of the Madras Urban Renewal District ("the District"). Understanding how much revenue the District is likely to generate in the future, and the extent of outstanding financial obligations for the District, is important to set realistic expectations for the value and timing of new investments the MRC will be able to make in the District.

This memorandum is intended to serve as an appendix/attachment to the URAP. In this document, we provide a forecast of future revenues for the area, and document outstanding financial obligations to estimate the future annual financial capacity of the District. We then describe the implications of our analysis, in terms of prioritizing MRC investments in the short-term. This document has the following four sections:

- **Background** – How does urban renewal work?
- **Methods** – How did we conduct the analysis?
- **Results** – What is the financial capacity of the District?
- **Implications** – What does this mean for the MRC when making investment decisions?

1 Background

1.1 How does urban renewal work?

Urban renewal is a state-sanctioned program used by over 50 cities and counties in Oregon to help them, through partnerships with the private sector, implement adopted plans to revitalize specified areas within their jurisdiction. Urban renewal, through the provision of tax increment financing (TIF), can provide for capital improvements such as parks, water and waste water infrastructure, parking facilities, and transportation improvements that stimulate private investment and attract new businesses, jobs, and residents. It can also be used to assist with development activities that are approved in an urban renewal plan, such as storefront improvement loans, property acquisition, site preparation, or other loans or grants to private businesses and developers.

In Oregon, planning and analysis associated with the creation of a new URD is guided by state statute (ORS Chapter 457). The statutes stipulate that urban renewal plans must find the proposed URD is eligible for urban renewal because of existing *blight*, typified by conditions such as deteriorated buildings and lack of adequate infrastructure (or any of a long list of other characteristics defined in statute as evidence of blight). The plan must also contain goals and objectives, authorized urban renewal projects, a limit on the expenditures (i.e., maximum indebtedness), specific provisions regarding acquisition and disposition of land, and provisions regarding how the plan may be amended in the future.

What is TIF?

Tax increment financing is the primary funding tool used within URDs. Tax increment revenue is generated within a URD when the assessed value of that area is 'frozen' (called the *frozen base*). Any growth in assessed value within that area through either appreciation or new investment becomes the *increment value*. Taxing jurisdictions continue to collect tax income from the frozen base but agree to release tax revenue generated from the increment value to the URD. The URD can then obtain loans or issue bonds to pay for projects identified in the urban renewal plan. The tax increment is used to pay debt service on these projects.

The Madras Urban Renewal District has a frozen base of $41,853,156. In FYE 2016, the total assessed value of the District was $65,831,519, resulting in increment value (i.e., the portion generating TIF revenue for the District) of $23,978,363.

What is maximum indebtedness?

Maximum indebtedness (MI) means the amount of the principal of indebtedness included in a plan pursuant to ORS 457.190 and does not include indebtedness incurred to refund or refinance existing indebtedness. Essentially, this is the total dollar amount that can be spent from tax increment proceeds for projects, programs and administration. The maximum indebtedness of the Madras Urban Renewal District, as defined in the adopted Madras Urban Renewal Plan, is $14,000,000. As of the end of FYE 2015, the District has used $4,417,813 of their maximum indebtedness, leaving $9,582,187 remaining to be spent in future years.

1.2 How does Oregon's property tax system work?

Citizen initiatives have changed the way that property taxes are raised in Oregon, and have limited the growth of assessed value and property tax revenues for taxing jurisdictions. Measure 5, passed in 1990, introduced tax rate limits. Measure 50 passed in 1996, cut taxes, introduced assessed value growth limits, and replaced most dollar-limited *levies* (an amount) with permanent tax *rates*.

Measure 5 introduced limits on the taxes paid by individual properties. It imposed limits of $5 per $1,000 of real market value for school taxes and $10 per $1,000 of real market value for general government taxes. These limits apply to all property taxes, other than those levied to repay voter-approved general obligation bonds.

Under Measure 50, most levies were replaced by permanent limits on tax rates. The permanent rate limit is fixed, and does not change from year to year. In addition to the permanent rate, taxing districts may impose temporary general obligation bond levies and local option levies. The sum of all the tax rates (including permanent rates, local option levy rates, and rates for bonds and other levies) of all taxing districts in a given levy code area is known as the *consolidated tax rate*.

Measure 50 also changed the concept of "assessed value." Assessed value no longer equals real market value. Real market value is the sale price for property that changes hands between a willing seller and a willing buyer in the open market. Assessed value is the value assigned to that property for tax purposes. The assessed value for a given property is equal to the lesser of its real market value or its "maximum assessed value." The maximum assessed value for properties was originally established in 1996 with the passage of ballot measure 50. The maximum assessed value for all properties increases by exactly 3.0% per year, unless there is an "exception" event that occurs, for example, new construction or a change in zoning and use.

2 Methods

Our analysis focused on creating an independent forecast of TIF revenues to be combined with City assumptions on planned expenditures to create a cash flow projection for the District. Forecasting TIF revenues has four basic steps:

1. Forecast assessed value
2. Confirm consolidated tax rate
3. Calculate TIF
4. Create cash flow projections

Although we identify four steps in this process, the vast majority of the technical analysis focuses on Step 1, forecast assessed value, and Step 5, create cash flow projections.

Step 1. Forecast assessed value

Disaggregated forecast

The assessed value in the District is equal to the sum of the assessed value of all individual property accounts located within the District. Most properties across the State of Oregon have real market values above their maximum assessed value, which means that their assessed value is capped at the maximum assessed value (since it is the lower of the two figures). This makes forecasting assessed value relatively simple in most areas, as most properties can be assumed to experience assessed value growth of 3.0% per year, with minor adjustments to account for exception events, and the small portion of properties that are assessed at their real market values, instead of maximum assessed values.

The Madras Urban Renewal District, however, is not in this typical situation. Over the past five years, assessed value in the District has experienced an average annual growth rate of only 0.8%. Something in the District is causing the aggregate assessed value to increase more slowly than would be expected.

An evaluation of historical Jefferson County Assessment data for the District shows that real market values in the area have experienced sustained and significant declines in recent years. These declines in real market value indicate that many properties may have real market values below the maximum assessed value, which would constrain their ability to experience the expected 3.0% growth per year. The evaluation of the aggregate assessment data, led us to conduct a more detailed parcel-specific analysis of assessed value and real market value trends in the District.

To forecast the assessed value of the District, we forecast values for each of the 693 individual property tax account in the District each year, and then aggregated the parcel-specific forecasts. This method requires forecasting the real market value and maximum assessed value of each account separately, and setting the assessed value as the lesser of the two values. Forecasting the maximum assessed value is easy, since it increases 3.0% each year for all properties. Thus, the challenge is forecasting the real market values for each tax account.

Real market value growth rates

Although the real market value of the area as a whole has been declining significantly in recent years, the trends for individual properties vary significantly. We calculated the average annual rate of change in real market value for each property over the past five years. We applied this property specific growth rate to each property for the first year of our forecast, FYE 2017. For FYE 2020, and all subsequent years, we assumed each property would achieve a long-term annual growth rate of 3.5% per year. For the intervening years between FYE 2017 and FYE 2020, we assumed a gradual transition from the property-specific historical trend to the assumed long-term growth rate.

Note that the growth rates described above only apply to "real" property in the District. Real property includes land and improvements, and is what we typically think about when we think about property. In Oregon, however, there are other property types, including Utility, Personal, and Manufactured. Those other property types tend to represent a relatively small share of the total property in an area (for example, 12.7% of the assessed value in the Madras Urban Renewal District in FYE 2016). Growth rate assumptions for these other property types were based off of our experience in other jurisdictions across the State. We assumed growth of 1.0% per year for personal property, 0.0% per year for utility property, and negative 1.0% per year for manufactured property.

Scenario analysis

Our analysis included two scenarios for assessed value growth: Scenario 1: Baseline, and Scenario 2: Baseline plus new development. In this memorandum, we present the results of both of these scenarios.

The baseline scenario assumed no new development would occur over the forecast period. In this scenario, change in assessed value is due only to appreciation or depreciation in property values. This scenario provides a conservative baseline forecast for the URD.

It is likely, however, that the District will experience some new development over the life of the URD. The exact amount, value, and timing of that new development is speculative, which is why it was not included in the baseline forecast. In Scenario 2: Baseline plus new development, we made assumptions about potential development that could occur in the near future. This scenario assumes a limited number of development projects occurring over the first three years of the forecast period. Assumptions for the amount, type, and timing of new development were based on conversations with City staff, regarding potential short-term development projects. Assumptions on the real market value of new development were based on an analysis of comparable buildings throughout the region and the State.

Step 2. Confirm consolidated tax rate

To confirm the consolidated tax rate, we rely on information provided by the Jefferson County Assessor. Tax rates are not the same for all properties countywide, and typically are not the same for all properties citywide. Dozens of taxing districts (e.g., school districts, community colleges, cities, special districts, etc.) overlap the county, creating a patchwork of tax rates. Each unique combination of taxing districts is known as a tax code area (TCA). All properties within a TCA have the same consolidated tax rate.

Detailed parcel-specific assessment data shows that the entirety of the District is located within two Jefferson County tax code areas: TCA 015 and TCA 025, which are composed of the same taxing districts and therefore have identical tax rates. We referred to official publications from the Jefferson County Assessor to document these tax rates. These documents are known as SAL Report 4a and 4e.

The taxing districts that comprise TCA 015 and 025 include three types of tax rates: permanent rates, local option levies, and general obligation bonds. State statutes governing urban renewal, however, limit the types of tax rates that are considered in the calculation of TIF revenue. These rules differ for different urban renewal plans, depending on what year the plan was adopted or revised. For the Madras Urban Renewal District, the only property taxes included in the calculation of TIF are permanent tax rates, and any local option levies or general obligation bonds that were approved by voters prior to October, 2001.

All local option levies and outstanding general obligation bonds that apply to TCA 015 and 025 were approved after 2001, which means they are excluded from the calculation of TIF revenue. Thus, the consolidated tax rate for the purposes of calculating TIF revenue is limited to permanent tax rates. As the name implies, permanent tax rates do not change over time. Thus, after identifying the sum total of permanent tax rates for FYE 2016, that same tax rate is applied to all future years, without any need to forecast future changes in the tax rate.

Step 3. Calculate TIF

The calculation of gross TIF revenue is straightforward. The frozen base value is subtracted from the total assessed value to determine the increment value. That increment value is multiplied by the consolidated tax rate (which is expressed in terms of dollars per $1,000 of assessed value). The product of the increment value and the tax rate is the gross TIF revenue.

The actual TIF revenue that will be received by the District in any given year, however, will be less than the projected gross TIF revenue. There are various adjustments that need to be made to convert *gross* TIF revenue (i.e., taxes imposed) to *net* TIF revenue (i.e., taxes received). These adjustments can include rate truncation, compression, discounts, and delinquencies. Based on historical trends in the District, discounts and delinquencies are the only significant factors affecting the collection of gross TIF revenue. Based on these historical trends, we assume a 5.0% reduction in gross TIF revenue. This adjustment, however, is partially offset in our cash flow analysis by the collection of prior-year tax revenues from delinquent property tax accounts.

Step 4. Create cash flow projections

The final step in the analysis is to combine the TIF revenue projections with planned future expenditures and potential financing mechanisms to create a cash flow. The cash flow analysis shows what resources will be available in each future year, what expenditures are scheduled for those years, and what is the financial capacity of the District to undertake additional projects.

To create the cash flow, we reviewed the District's most up-to-date financial information and budget data, and discussed this information with City staff to ensure an accurate understanding of the District's existing resources, and scheduled future expenditures. Further discussions with City staff clarified the potential future needs of the District, the available financing mechanisms, and the likely terms of that financing. The resulting cash flow projection extends through FYE 2035 to show a 20-year forecast period.

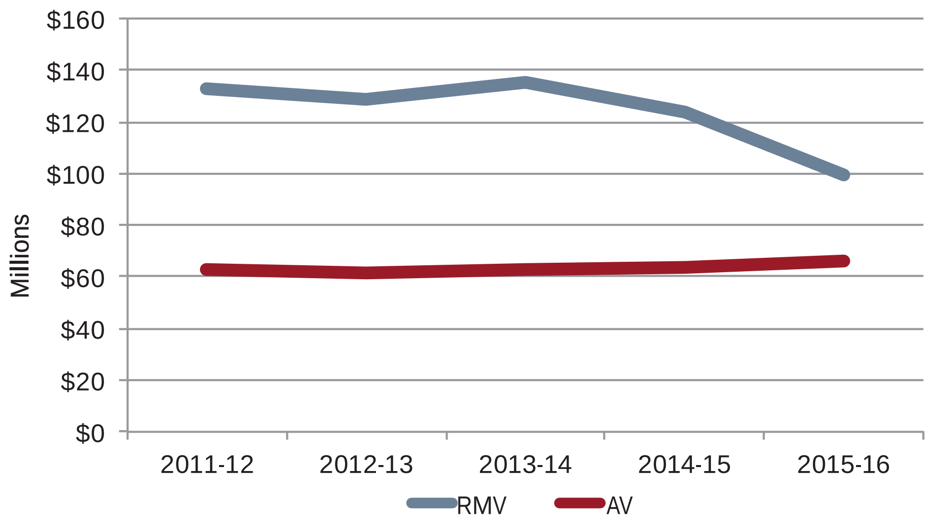
3 Results

In this section we describe the results of our financial projections for the District. We focus on the results of the baseline analysis, as it is more conservative, and does not rely on speculative future development. However, we provide the results for both scenarios, to provide an understanding of the potential impact that new development could have on the cash flow in the short- and long-term.

3.1 Historical trends in assessed value

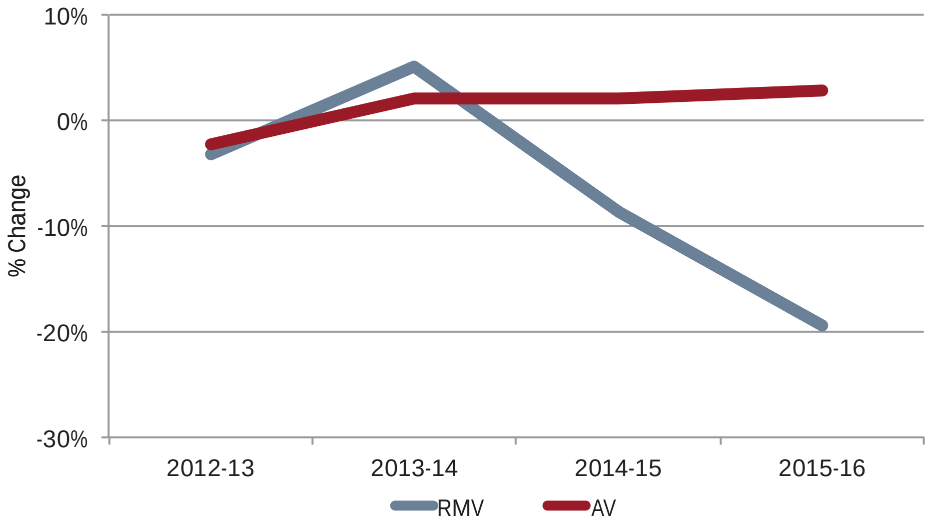
Exhibits Exhibit 1 and Exhibit 2 show historical trends in property values in the District. These charts show that assessed value has remained virtually stagnant in the area over the past five years, while real market values have declined in three of the past four years. These declines have been more pronounced in recent years with a 9% decline in real market value in FYE 2015 and a 19% decline in real market value in FYE 2016. Obviously, if these historical trends continue into the future for a sustained period of time, they would be a cause for concern for the financial capacity of the District.

Exhibit 1. Historical assessed value and real market value,
Madras Urban Renewal District, FYE 2012 to 2016



Calculated by ECONorthwest with data provided by Jefferson County Assessor.

Exhibit 2. Historical annual percent change in assessed value and real market value, Madras Urban Renewal District, FYE 2013 to 2016



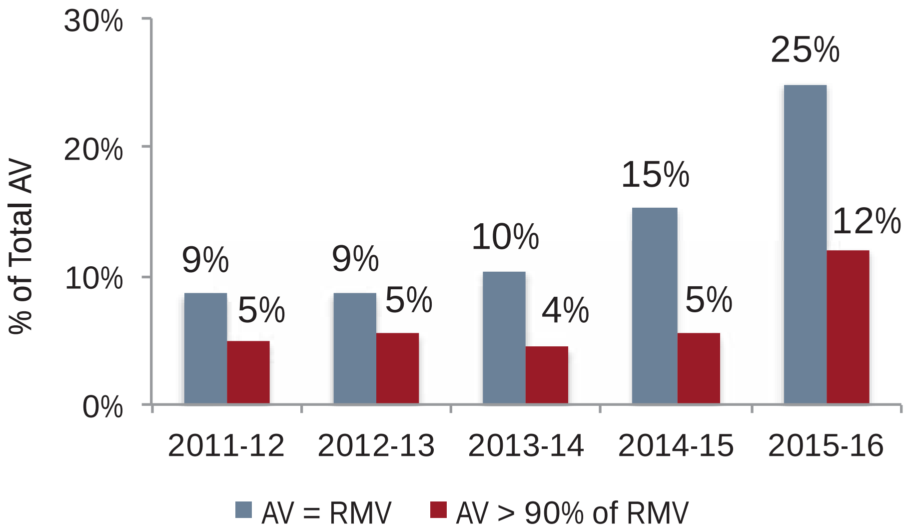
Calculated by ECONorthwest with data provided by Jefferson County Assessor.

Looking at aggregate numbers for assessed value and real market value can be instructive, but a more detailed, property-specific examination of assessment data can provide a better understanding of the financial health of the District. An important metric is the portion of property in the District that has a real market value below its maximum assessed value. These properties cannot be assumed to experience 3.0% growth in assessed value each year, and instead are beholden to changes in real market value, which can be volatile and unpredictable.

Exhibit 3 shows the share of total assessed value in the District that is equal to its real market value, or within 90% of its real market value (i.e., at risk of having the real market value fall below the maximum assessed value if declines in real market value continue). In FYE 2012 only 9% of real property in the District had assessed value equal to real market value. That share has grown over time as real market values have fallen, and in FYE 2016, 25% of real property in the District had assessed values equal to their real market values, rather than their maximum assessed values. Another 12% of properties had assessed values greater than 90% of their real market value, putting them at risk to fall into the previous category, if declines in real market value continue.[1]

[1] Note that the values shown in Exhibit 3 are limited to "Real" property, and excludes utility, personal, and manufactured property.

Exhibit 3. Historical share of real property assessed value equal to or greater than 90% of real market value, Madras Urban Renewal District, FYE 2012 to 2016



Calculated by ECONorthwest with data provided by Jefferson County Assessor.
Note: Data includes only real property accounts, and excludes utility, personal, and manufactured property.

This evaluation of historical assessed value trends in the District provide context for our forecast of future TIF revenues. In particular, the historical average annual rate of change in real market value for individual properties was used in our analysis to forecast short-term changes in value in the District.

3.2 Assessed value forecast

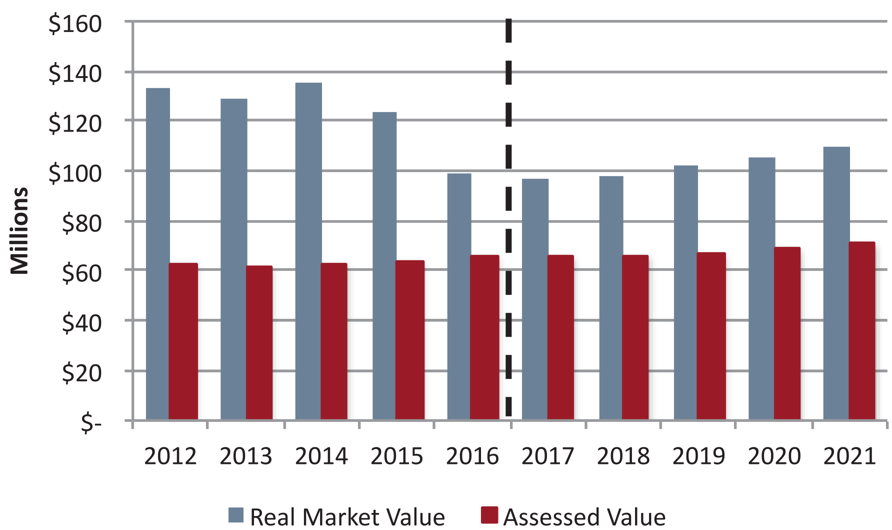
Our experience across the State, in dozens of other urban renewal areas, and across multiple economic cycles tells us that sustained declines in real market value cannot continue forever. Real estate markets are cyclical. Most of the rest of the State (and the rest of the Country for that matter) experienced sharp declines in property values during the recession which began in 2007, but have seen a recovery take hold several years ago, with property values at or near pre-recession levels. Although property values in the Madras Urban Renewal District have yet to begin their recovery, it is reasonable to assume that economic recovery is not far off.

Conversations with staff for the Jefferson County Assessor's Office, however, indicate that for at least the next fiscal year (FYE 2017) real market values will continue to decline. Though this decline is unlikely to be as severe as in FYE 2016, when the aggregate real market value of properties in the District dropped by 19%.

For our analysis, we assumed that the long-term trend in real market value of properties in the District would be 3.5% per year for real property, which is consistent with observed long-term statewide trends.[2] We assume that properties in the District would achieve this long-term stabilized rate of growth in FYE 2020, and that in the intervening years, properties would gradually transition from their property-specific historical growth rates to this 3.5% assumption.

The result of these assumptions is a modest decline in real market values predicted in FYE 2017, followed by slow growth through FYE 2020, after which point in time we forecast steady growth for the future. These forecasts for real market value result in essentially no growth in assessed value for FYE 2017, and slow but increasing growth in the following years. Exhibit 4 shows historical property values for the District from FYE 2012 to FYE 2016 and projections through FYE 2021.

Exhibit 4. Historical and forecast real market values and assessed values, Madras Urban Renewal District, FYE 2012 to FYE 2021



Calculated by ECONorthwest with data from Jefferson County Assessor.

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[2] Note that we assumed long-term trends of 1.0% per year for Personal property, 0% per year for Utility property, and -1.0% per year for Manufactured property. Again, theses assumptions are based on our experience in other communities statewide.

Scenario 1: Baseline

Exhibit 5 shows the annual projections of assessed value and real market value for the District from FYE 2016 (actual) through FYE 2035 for Scenario 1: Baseline. Assessed value growth is forecast to be minimal through FYE 2019, followed by several years of growth greater than 3.0% (as real market value growth allows assessed values to rebound to their maximum assessed values). Long-term, the District is anticipated to experience growth of approximately 3.0% per year. This scenario assumes no new development during the forecast period.

Exhibit 5. Scenario 1: Baseline - forecast of real market value and assessed value, Madras Urban Renewal District, FYE 2016 to FYE 2035

FYE	Real Market Value	Assessed Value	Percent Change in AV
2016	$ 99,449,093	$ 65,831,519	2.8%
2017	$ 96,595,071	$ 65,887,646	0.1%
2018	$ 98,277,173	$ 66,004,292	0.2%
2019	$ 102,181,797	$ 66,854,822	1.3%
2020	$ 105,863,081	$ 68,977,372	3.2%
2021	$ 109,731,389	$ 71,165,470	3.2%
2022	$ 113,806,810	$ 73,414,988	3.2%
2023	$ 118,113,772	$ 75,756,828	3.2%
2024	$ 122,682,108	$ 78,155,577	3.2%
2025	$ 127,548,634	$ 80,527,515	3.0%
2026	$ 132,759,156	$ 82,974,912	3.0%
2027	$ 138,371,112	$ 85,481,513	3.0%
2028	$ 144,456,895	$ 88,058,022	3.0%
2029	$ 151,108,460	$ 90,707,738	3.0%
2030	$ 158,443,209	$ 93,442,490	3.0%
2031	$ 166,611,940	$ 96,213,324	3.0%
2032	$ 175,809,186	$ 99,062,679	3.0%
2033	$ 186,287,114	$ 101,998,971	3.0%
2034	$ 198,373,923	$ 105,028,439	3.0%
2035	$ 212,498,430	$ 108,147,380	3.0%

Calculated by ECONorthwest with FYE 2016 actual data provided by Jefferson County Assessor.

Scenario 2: Baseline plus new development

Scenario 2 relies on the same underlying assumptions as Scenario 1. The same growth rates are applied to each of the property accounts in the District. However, Scenario 2 also assumes that some new development takes place in the District.

Exhibit 6 summarizes the assumptions for new development in Scenario 2. These assumptions call for three new buildings to be developed over the course of the next three years: a brewery, a grocer, and a general merchandise store. Each of these assumed developments is based off of conversations with City staff regarding potential and desired development opportunities. Although these developments are speculative, and there is no guarantee that any significant development would occur in the next few years (let alone all three of the developments shown in Exhibit 6), the purpose of Scenario 2 is to show how the cash flow for the District would be affected if development were to occur in the short-term.

Assumptions on the value of new development were based on comparable buildings throughout the region and the state. The assessed value for each development is calculated by multiplying the real market value by the Changed Property Ratio (CPR), which is updated annually by the County Assessor, based on the ratio of total assessed value to total real market value for all commercial properties in the County. Note that there is a two-year lag from when development occurs, to when the increased value is reflected on the Assessor's tax roll, due to the timing of annual assessment processes.

Exhibit 6. Exception value assumptions for Scenario 2: Baseline plus new development

	General Merchandise Store	Grocer	Brewery
Improvement value (RMV)	$ 1,500,000	$ 1,100,000	$ 500,000
CPR	0.8591	0.8591	0.8591
Improvement value (AV)	$ 1,288,640	$ 945,002	$ 429,547
Calendar Year Built	2018	2017	2019
Fiscal Year on Tax Roll	2020	2019	2021
Investment Threshold	$ 190,000	$ 140,000	$ 60,000

Source: Calculated by ECONorthwest in consultation with City staff.
CPR provided by Jefferson County Assessor.
Improvement values based on case studies of similar developments in the region and State.

Note that Exhibit 6 shows the assumed amount of urban renewal funding that would be invested in each of the three buildings. This is based on the fundamental assumption that development in the short-term will require incentives to be financially feasible, and that a reasonable amount for the MRC to invest in projects like these could be equal to ten times the annual property tax revenues generated by the development. These investment assumptions are for illustrative purposes only. When the MRC is presented with actual investment opportunities in the future, it should evaluate each project on its own merits and decide what a reasonable amount of investment would be, weighing the benefit of the project to the cost to the taxpayers.

Exhibit 7 shows the annual projections of assessed value and real market value for the District from FYE 2016 (actual) through FYE 2035 for Scenario 2: Baseline plus new development. Assuming the first new development occurs in calendar year 2019, the increase in assessed value would not be realized until FYE 2019. Thus, the forecast for Scenario 1 and 2 are identical through FYE 2018. In other words, the soonest that any new development could have a positive impact on the assessed value of the District is FYE 2019.

The assumed new development in Scenario 2 results in higher growth rates in fiscal years ending 2019 through 2022. Long-term, the growth rates are essentially the same for the two scenarios, however the combination of the three development projects in the early years, results in assessed value that is approximately $3 million to $4 million higher in each subsequent year of the forecast period.

Exhibit 7. Scenario 2: Baseline plus new development - forecast of real market value and assessed value, Madras Urban Renewal District, FYE 2016 to FYE 2035

FYE	Real Market Value	Assessed Value	Percent Change in AV
2016	$ 99,449,093	$ 65,831,519	2.8%
2017	$ 96,595,071	$ 65,887,646	0.1%
2018	$ 98,277,173	$ 66,004,292	0.2%
2019	$ 103,383,767	$ 67,887,426	2.9%
2020	$ 108,789,360	$ 71,491,318	5.3%
2021	$ 113,325,106	$ 74,252,808	3.9%
2022	$ 117,508,339	$ 76,594,946	3.2%
2023	$ 121,926,347	$ 79,032,185	3.2%
2024	$ 126,609,060	$ 81,529,195	3.2%
2025	$ 131,593,395	$ 84,002,342	3.0%
2026	$ 136,925,260	$ 86,553,984	3.0%
2027	$ 142,662,199	$ 89,167,957	3.0%
2028	$ 148,876,715	$ 91,855,059	3.0%
2029	$ 155,660,875	$ 94,618,686	3.0%
2030	$ 163,132,196	$ 97,470,766	3.0%
2031	$ 171,441,597	$ 100,362,448	3.0%
2032	$ 180,783,733	$ 103,336,277	3.0%
2033	$ 191,410,897	$ 106,400,777	3.0%
2034	$ 203,651,419	$ 109,562,299	3.0%
2035	$ 217,934,251	$ 112,817,256	3.0%

Calculated by ECONorthwest with FYE 2016 actual data provided by Jefferson County Assessor.

3.3 TIF revenue projections

Subtracting the frozen base from the total assessed value projections shown in Exhibit 6 and Exhibit 7 determines the increment value. Multiplying the increment value by the tax rate results in gross TIF revenues. After making adjustments for discounts and delinquencies, we arrive at our forecast of net TIF revenues.

Scenario 1: Baseline

Exhibit 8 show historical and projected TIF revenue for the District for Scenario 1: Baseline. The dashed line on the table separates historical actual values from the forecast values. Note that the net TIF revenues for FYE 2016 and FYE 2017 are highlighted in grey, because these values are approximate, and pulled from the most recent City budget documents. In subsequent years, we assume adjustments for discounts and delinquencies equal to 5% of gross TIF revenues. Net TIF revenues are anticipated to be $347,447 in FYE 2016, with very little growth through FYE 2019. In subsequent years, net TIF revenues are anticipated to grow steadily, exceeding $900,000 per year in FYE 2035.

Exhibit 8. Scenario 1: Baseline – historical and forecast TIF revenue,
Madras Urban Renewal District, FYE 2010 to FYE 2035

FYE	Assessed Value	Frozen Base	Excess Value	Tax Rate	TIF Gross TIF	TIF Adjustments	TIF Net TIF
2010	$ 61,193,149	$ 41,853,156	$ 19,339,993	17.8840	$ 345,876	$ 17,294	$ 328,582
2011	$ 62,531,052	$ 41,853,156	$ 20,677,896	17.8808	$ 369,737	$ 18,487	$ 351,250
2012	$ 63,796,051	$ 41,853,156	$ 21,942,895	17.8477	$ 391,630	$ 19,582	$ 372,048
2013	$ 62,394,561	$ 41,853,156	$ 20,541,405	18.0003	$ 369,751	$ 18,488	$ 351,263
2014	$ 62,965,640	$ 41,853,156	$ 21,112,484	15.9497	$ 336,738	$ 16,837	$ 319,901
2015	$ 64,170,948	$ 41,853,156	$ 22,317,792	15.0093	$ 334,974	$ 16,749	$ 318,225
2016	$ 65,831,519	$ 41,853,156	$ 23,978,363	15.0093	$ 359,898	$ 12,451	$ 347,447
2017	$ 65,887,646	$ 41,853,156	$ 24,034,490	15.0093	$ 360,741	$ 5,006	$ 355,735
2018	$ 66,004,292	$ 41,853,156	$ 24,151,136	15.0093	$ 362,492	$ 18,125	$ 344,367
2019	$ 66,854,822	$ 41,853,156	$ 25,001,666	15.0093	$ 375,258	$ 18,763	$ 356,495
2020	$ 68,977,372	$ 41,853,156	$ 27,124,216	15.0093	$ 407,115	$ 20,356	$ 386,759
2021	$ 71,165,470	$ 41,853,156	$ 29,312,314	15.0093	$ 439,957	$ 21,998	$ 417,959
2022	$ 73,414,988	$ 41,853,156	$ 31,561,832	15.0093	$ 473,721	$ 23,686	$ 450,035
2023	$ 75,756,828	$ 41,853,156	$ 33,903,672	15.0093	$ 508,870	$ 25,444	$ 483,426
2024	$ 78,155,577	$ 41,853,156	$ 36,302,421	15.0093	$ 544,874	$ 27,244	$ 517,630
2025	$ 80,527,515	$ 41,853,156	$ 38,674,359	15.0093	$ 580,475	$ 29,024	$ 551,451
2026	$ 82,974,912	$ 41,853,156	$ 41,121,756	15.0093	$ 617,209	$ 30,860	$ 586,349
2027	$ 85,481,513	$ 41,853,156	$ 43,628,357	15.0093	$ 654,831	$ 32,742	$ 622,089
2028	$ 88,058,022	$ 41,853,156	$ 46,204,866	15.0093	$ 693,503	$ 34,675	$ 658,828
2029	$ 90,707,738	$ 41,853,156	$ 48,854,582	15.0093	$ 733,273	$ 36,664	$ 696,609
2030	$ 93,442,490	$ 41,853,156	$ 51,589,334	15.0093	$ 774,320	$ 38,716	$ 735,604
2031	$ 96,213,324	$ 41,853,156	$ 54,360,168	15.0093	$ 815,908	$ 40,795	$ 775,113
2032	$ 99,062,679	$ 41,853,156	$ 57,209,523	15.0093	$ 858,675	$ 42,934	$ 815,741
2033	$ 101,998,971	$ 41,853,156	$ 60,145,815	15.0093	$ 902,747	$ 45,137	$ 857,610
2034	$ 105,028,439	$ 41,853,156	$ 63,175,283	15.0093	$ 948,217	$ 47,411	$ 900,806
2035	$ 108,147,380	$ 41,853,156	$ 66,294,224	15.0093	$ 995,030	$ 49,752	$ 945,278

Calculated by ECONorthwest with historical data provided by the Jefferson County Assessor, and budget data for FYE 2016 and FYE 2017 provided by the City of Madras.

Note that historically, the declining tax rate contributed to declines in TIF revenue. The declining tax rate was due to expiration of general obligation bonds that had been approved prior to 2001. In FYE 2015, those bonds were paid off in full, and the District achieved its long-term stabilized tax rate of $15.0093 per $1,000 of assessed value. This tax rate is the sum total of all permanent levy rates in the tax code area, and this tax rate is not expected to change in future years.

Scenario 2: Baseline plus new development

Exhibit 9 shows historical and projected TIF revenue for Scenario 2: Baseline plus new development. The two scenarios are identical through FYE 2018, after which time we see the effects of new development on the area. Note that the cumulative effect of three new developments over the course of three years is fully realized by FYE 2021. In that year, Scenario

2 forecasts approximately $44,000 more in net TIF revenue for the District than in Scenario 1, an increase of roughly 10%. Thus, while new development has the potential to increase TIF revenue in the area, there is a practical limit to how much of an impact development can have on the District's TIF revenue.

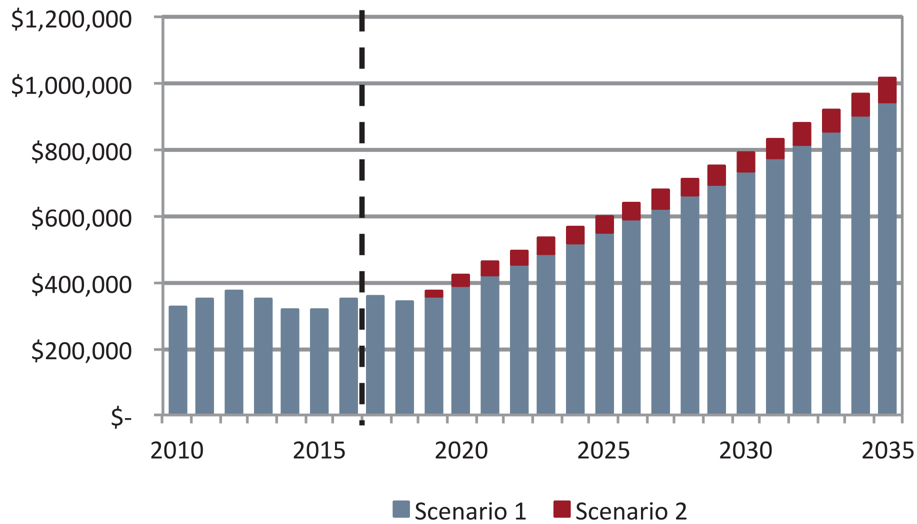
Exhibit 9. Scenario 2: Baseline plus new growth – historical and forecast TIF revenue, Madras Urban Renewal District, FYE 2010 to FYE 2035

FYE	Assessed Value	Frozen Base	Excess Value	Tax Rate	TIF Gross TIF	TIF Adjustments	TIF Net TIF
2010	$ 61,193,149	$ 41,853,156	$ 19,339,993	17.8840	$ 345,876	$ 17,294	$ 328,582
2011	$ 62,531,052	$ 41,853,156	$ 20,677,896	17.8808	$ 369,737	$ 18,487	$ 351,250
2012	$ 63,796,051	$ 41,853,156	$ 21,942,895	17.8477	$ 391,630	$ 19,582	$ 372,048
2013	$ 62,394,561	$ 41,853,156	$ 20,541,405	18.0003	$ 369,751	$ 18,488	$ 351,263
2014	$ 62,965,640	$ 41,853,156	$ 21,112,484	15.9497	$ 336,738	$ 16,837	$ 319,901
2015	$ 64,170,948	$ 41,853,156	$ 22,317,792	15.0093	$ 334,974	$ 16,749	$ 318,225
2016	$ 65,831,519	$ 41,853,156	$ 23,978,363	15.0093	$ 359,898	$ 12,451	$ 347,447
2017	$ 65,887,646	$ 41,853,156	$ 24,034,490	15.0093	$ 360,741	$ 5,006	$ 355,735
2018	$ 66,004,292	$ 41,853,156	$ 24,151,136	15.0093	$ 362,492	$ 18,125	$ 344,367
2019	$ 67,887,426	$ 41,853,156	$ 26,034,270	15.0093	$ 390,756	$ 19,538	$ 371,218
2020	$ 71,491,318	$ 41,853,156	$ 29,638,162	15.0093	$ 444,848	$ 22,242	$ 422,606
2021	$ 74,252,808	$ 41,853,156	$ 32,399,652	15.0093	$ 486,296	$ 24,315	$ 461,981
2022	$ 76,594,946	$ 41,853,156	$ 34,741,790	15.0093	$ 521,450	$ 26,073	$ 495,377
2023	$ 79,032,185	$ 41,853,156	$ 37,179,029	15.0093	$ 558,031	$ 27,902	$ 530,129
2024	$ 81,529,195	$ 41,853,156	$ 39,676,039	15.0093	$ 595,510	$ 29,776	$ 565,734
2025	$ 84,002,342	$ 41,853,156	$ 42,149,186	15.0093	$ 632,630	$ 31,632	$ 600,998
2026	$ 86,553,984	$ 41,853,156	$ 44,700,828	15.0093	$ 670,928	$ 33,546	$ 637,382
2027	$ 89,167,957	$ 41,853,156	$ 47,314,801	15.0093	$ 710,162	$ 35,508	$ 674,654
2028	$ 91,855,059	$ 41,853,156	$ 50,001,903	15.0093	$ 750,494	$ 37,525	$ 712,969
2029	$ 94,618,686	$ 41,853,156	$ 52,765,530	15.0093	$ 791,974	$ 39,599	$ 752,375
2030	$ 97,470,766	$ 41,853,156	$ 55,617,610	15.0093	$ 834,781	$ 41,739	$ 793,042
2031	$ 100,362,448	$ 41,853,156	$ 58,509,292	15.0093	$ 878,184	$ 43,909	$ 834,275
2032	$ 103,336,277	$ 41,853,156	$ 61,483,121	15.0093	$ 922,819	$ 46,141	$ 876,678
2033	$ 106,400,777	$ 41,853,156	$ 64,547,621	15.0093	$ 968,815	$ 48,441	$ 920,374
2034	$ 109,562,299	$ 41,853,156	$ 67,709,143	15.0093	$ 1,016,267	$ 50,813	$ 965,454
2035	$ 112,817,256	$ 41,853,156	$ 70,964,100	15.0093	$ 1,065,121	$ 53,256	$ 1,011,865

Calculated by ECONorthwest with historical data provided by the Jefferson County Assessor, and budget data for FYE 2016 and FYE 2017 provided by the City of Madras.

Exhibit 10 shows a comparison of the TIF revenue forecast in Scenarios 1 and 2. The cumulative impact over the duration of the forecast period is an increase of $870,000 from the new development assumed in Scenario 2. Again, while this impact is appreciable, it amounts to a 7.6% increase over the baseline scenario. However, even Scenario 2 fails to account for the potential long-term catalytic impacts of urban renewal investment in the District. If these early investments in the District are successful in transforming market conditions, then it could stimulate additional development in later years, leading to higher TIF revenues than are projected in either Scenario 1 or Scenario 2.

Exhibit 10. Comparison of TIF revenue forecasts for Scenarios 1 and 2, Madras Urban Renewal District, FYE 2010 to FYE 2035



Calculated by ECONorthwest with historical data provided by the City of Madras.

3.4 Cash flow projections

Projections of TIF revenue are important, but to fully understand the financial situation of the District, we need to compare annual revenues to annual expenditures, and make assumptions about what expenditures will occur in future years, and what financing tools the MRC will use.

Our analysis includes Excel spreadsheets that show a detailed cash flow through FYE 2035. In this memorandum, we highlight the projected cash flow for only the next five years, because the full 20-year cash flow is too detailed to condense meaningfully into this memo, and the City can refer to the spreadsheet for information on the long-term future cash flow projections.

Scenario 1: Baseline – without financing

Exhibit 11 shows the cash flow for Scenario 1: Baseline. In Exhibit 11, and subsequent tables showing different cash flow scenarios, FYE 2016 and FYE 2017 are highlighted in grey to distinguish them from numbers in subsequent years. This is because numbers for FYE 2016 and FYE 2017 were provided by City staff, based on input from ECONorthwest. In subsequent years, the projections are done by ECONorthwest, and do not come from any official City budget projections. Although even in these later years, projections for long-term outstanding financial obligations are based on assumptions provided by City staff. Note that we distinguish these long-term outstanding financial obligations from potential future new projects with a dashed line on the expenditures section of the cash flow tables.

Note that the cash flow shown in Exhibit 11 assumes no additionally borrowing by the City after FYE 2016. This is the most conservative cash flow scenario that we ran, assuming no new development occurs in the near future, and that the City does not borrow additional funds to invest in new projects.

In FYE 2016 (the current fiscal year at the time this memo is written), the City is planning to invest in a number of economic development projects in the District (including property acquisition, façade grants, sidewalk grants, economic development planning, etc.), for a total estimated annual cost of $250,000. This is in addition to roughly $328,000 in planned annual expenditures for long-term financial obligations like debt service, materials and service, and the District's City Hall obligation. Collectively, anticipated expenditures for FYE 2016 are estimated to be 1.67 times annual TIF revenue in that year, which means that level of expenditures is unsustainable in the future, and is only possible in FYE 2016 because of a beginning fund balance from prior years ($46,248), and drawing on a line of credit for $250,000 this year.

Without additional borrowing from the line of credit or other financing mechanisms in future years, and assuming that the District would prefer to keep an ending fund balance of approximately $100,000 per year to provide a cushion should the actual cash flow turn out worse than projected, the District would have a very limited ability to invest in additional projects in future years. Under these assumptions, the City projects only $25,000 in spending in FYE 2017 for projects other than long-term outstanding financial obligations, including $5,000 for sidewalk grants, and $20,000 for miscellaneous other projects and contingency (which we have lumped under the general heading of "economic development" in Exhibit 11. In future years, we forecast no expenditures on new projects until FYE 2020, when we anticipate the District would have approximately $40,000 of financial capacity to invest in new projects.

Exhibit 11. Scenario 1: Baseline – projected cash flow without financing,
Madras Urban Renewal District, FYE 2016 to FYE 2020

	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Resources					
Beginning fund balance	$ 46,248	$ 65,647	$ 69,932	$ 90,002	$ 101,030
TIF revenue	$ 347,447	$ 355,735	$ 344,367	$ 356,495	$ 386,759
Line of credit	$ 250,000	$ -	$ -	$ -	$ -
Interest earnings	$ 500	$ 500	$ 350	$ 450	$ 450
Total resources	**$ 644,195**	**$ 421,882**	**$ 414,649**	**$ 446,947**	**$ 488,239**
Expenditures					
City Hall obligation	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Outstanding long-term debt	$ 181,500	$ 179,950	$ 181,700	$ 201,761	$ 210,061
Line of credit	$ 5,800	$ 7,500	$ 7,500	$ 7,500	$ -
Materials and services	$ 66,248	$ 64,500	$ 60,447	$ 61,656	$ 62,889
Economic development	$ -	$ 20,000	$ -	$ -	$ 40,288
Theater and Crosskey	$ 100,000	$ -	$ -	$ -	$ -
Potter Property	$ 10,000	$ -	$ -	$ -	$ -
Jefferson County Courthouse	$ 20,000	$ -	$ -	$ -	$ -
Lee Baggett Façade Grant	$ 20,000	$ -	$ -	$ -	$ -
Sidewalk Grants	$ 10,000	$ 5,000	$ -	$ -	$ -
ECONorthwest contract	$ 90,000	$ -	$ -	$ -	$ -
Total Expenditures	**$ 578,548**	**$ 351,950**	**$ 324,647**	**$ 345,917**	**$ 388,238**
Ending Fund Balance	**$ 65,647**	**$ 69,932**	**$ 90,002**	**$ 101,030**	**$ 100,000**

Sources:
Assumptions for FYE 2016 and FYE 2017 (highlighted in grey) are provided by City of Madras staff, with input from ECONorthwest. Projections for FYE 2018 and beyond are from ECONorthwest, including assumptions from the City of Madras for long-term outstanding financial obligations.

Scenario 1: Baseline – with financing

Exhibit 12 shows an alternate cash flow scenario. TIF revenue projections in Exhibit 12 are the same as in Exhibit 11, because they are both based off of the Scenario 1: Baseline TIF forecast. However, the cash flow shown in Exhibit 12 assumes that the District secures financing in future years to increase short-term revenues (at the expense of long-term debt service obligations), allowing the District to invest in more projects in future years.

Key differences between Exhibits Exhibit 11 and Exhibit 12, are highlighted in yellow. With financing, we assume the District could borrow an additional $425,000 on their existing line of credit over the course of the next four years. This significantly increases the district's ability to invest in new projects in future years, but comes with the added risk of higher annual debt service payments. These payments become even higher in future years (not shown in Exhibit 12) as more of the line of credit balance is refinanced through a long-term borrowing that requires principal and interest payments, rather than just interest that is due on the line of credit in the short-term.

By using financing mechanisms, like a line of credit, we forecast the District would be able to invest over $700,000 in projects over the five year period from FYE 2016 to FYE 2020, as opposed to only $315,000 that was shown in Exhibit 11, where financing tools were not used. Note that this comes with an added expense of roughly $15,000 per year in additional debt service costs, which means that the improved short-term cash flow from borrowing against the line of credit, has negative consequences for the long-term cash flow, unless the investments made by the District in the early years stimulate additional taxable development that increases future TIF revenue collections.

Exhibit 12. Scenario 1: Baseline – projected cash flow with financing, Madras Urban Renewal District, FYE 2016 to FYE 2020

	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Resources					
Beginning fund balance	$ 46,248	$ 65,647	$ 76,182	$ 92,502	$ 88,756
TIF revenue	$ 347,447	$ 355,735	$ 344,367	$ 356,495	$ 386,759
Line of credit	$ 250,000	$ 125,000	$ 100,000	$ 100,000	$ 100,000
Interest earnings	$ 500	$ 500	$ 350	$ 450	$ 450
Total resources	**$ 644,195**	**$ 546,882**	**$ 520,899**	**$ 549,447**	**$ 575,965**
Expenditures					
City Hall obligation	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Outstanding long-term debt	$ 181,500	$ 179,950	$ 181,700	$ 209,785	$ 218,085
Line of credit	$ 5,800	$ 11,250	$ 11,250	$ 14,250	$ 6,750
Materials and services	$ 66,248	$ 64,500	$ 60,447	$ 61,656	$ 62,889
Economic development	$ -	$ 130,000	$ 100,000	$ 100,000	$ 120,000
Theater and Crosskey	$ 100,000	$ -	$ -	$ -	$ -
Potter Property	$ 10,000	$ -	$ -	$ -	$ -
Jefferson County Courthouse	$ 20,000	$ -	$ -	$ -	$ -
Lee Baggett Façade Grant	$ 20,000	$ -	$ -	$ -	$ -
Sidewalk Grants	$ 10,000	$ 10,000	$ -	$ -	$ -
ECONorthwest contract	$ 90,000	$ -	$ -	$ -	$ -
Total Expenditures	**$ 578,548**	**$ 470,700**	**$ 428,397**	**$ 460,691**	**$ 482,724**
Ending Fund Balance	**$ 65,647**	**$ 76,182**	**$ 92,502**	**$ 88,756**	**$ 93,240**

Sources: City of Madras and ECONorthwest
Assumptions for FYE 2016 and FYE 2017 (highlighted in grey) are provided by City of Madras staff, with input from ECONorthwest. Projections for FYE 2018 and beyond are from ECONorthwest, including assumptions from the City of Madras for long-term outstanding financial obligations.

Scenario 2: Baseline plus new development

Exhibit 13 shows another cash flow scenario. This cash flow uses the TIF revenue projections from Scenario 2: Baseline plus new development. This results in higher TIF revenues in FYE 2019 and FYE 2020, based on new development occurring during this period. To achieve these higher TIF revenues in later years, however, we assume that the District must invest in projects in earlier years. Thus, Exhibit 13 shows specific dollar amounts of investments in specific projects in FYE 2017, FYE 2018, and FYE 2019. These three hypothetical investments include a grocery store, a general merchandise store, and a brewery. The amount of the investments shown in Exhibit 13 are sized to result in a 10-year pay-off for the District (i.e., the increase in TIF revenue stemming from the new development over the course of ten years will equal the initial amount the District invests in each project).

Note that the investment shown in Scenario 2 would only be possible through the use of the line of credit to borrow funds in the early years. The result of Scenario 2 is that the District would be able to invest approximately $757,000 on new projects over the next five years, as opposed to approximately $700,000 shown in Exhibit 12 for Scenario 1: Baseline – with financing.

Exhibit 13. Scenario 2: Baseline plus new development – projected cash flow with financing, Madras Urban Renewal District, FYE 2016 to FYE 2020

	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Resources					
Beginning fund balance	$ 46,248	$ 65,647	$ 71,182	$ 67,937	$ 64,172
TIF revenue	$ 347,447	$ 355,735	$ 344,367	$ 371,218	$ 422,606
Line of credit	$ 250,000	$ 125,000	$ 182,000	$ 70,000	$ 100,000
Interest earnings	$ 500	$ 500	$ 356	$ 340	$ 321
Total resources	**$ 644,195**	**$ 546,882**	**$ 597,905**	**$ 509,495**	**$ 587,099**
Expenditures					
City Hall obligation	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Outstanding long-term debt	$ 181,500	$ 179,950	$ 181,700	$ 226,395	$ 234,695
Line of credit	$ 5,800	$ 11,250	$ 11,250	$ 16,710	$ 2,100
Materials and services	$ 66,248	$ 69,500	$ 60,447	$ 61,656	$ 62,889
Economic development	$ -	$ -	$ -	$ -	$ 100,000
Grocery	$ -	$ 140,000	$ -	$ -	$ -
General Merchandise Store	$ -	$ -	$ 201,571	$ -	$ -
Brewery	$ -	$ -	$ -	$ 65,562	$ -
Theater and Crosskey	$ 100,000	$ -	$ -	$ -	$ -
Potter Property	$ 10,000	$ -	$ -	$ -	$ -
Jefferson County Courthouse	$ 20,000	$ -	$ -	$ -	$ -
Lee Baggett Façade Grant	$ 20,000	$ -	$ -	$ -	$ -
Sidewalk Grants	$ 10,000	$ -	$ -	$ -	$ -
ECONorthwest contract	$ 90,000	$ -	$ -	$ -	$ -
Total Expenditures	**$ 578,548**	**$ 475,700**	**$ 529,968**	**$ 445,323**	**$ 474,684**
Ending Fund Balance	**$ 65,647**	**$ 71,182**	**$ 67,937**	**$ 64,172**	**$ 112,414**

Sources: City of Madras and ECONorthwest
Assumptions for FYE 2016 and FYE 2017 (highlighted in grey) are provided by City of Madras staff, with input from ECONorthwest. Projections for FYE 2018 and beyond are from ECONorthwest, including assumptions from the City of Madras for long-term outstanding financial obligations.

4 Implications

Our analysis yields the following conclusions and implications:

- **Any significant investment in projects in the short-term will require borrowing**. New development in the District could lead to higher TIF revenues long-term, allowing the MRC to invest more heavily in economic development projects in the District. However, in the short-term, the District's annual revenues are forecast to barely exceed the District's long-term outstanding financial obligations. Thus, any significant investment in new projects in the short-term will require borrowing to accelerate funding for the District.
- **The District should not borrow without certainty that investments will stimulate higher TIF**. While borrowing is necessary to invest in projects in the short-term, such borrowing should only occur if the MRC is certain that the projects they are investing in will lead to new taxable development, increasing long-term TIF revenue. That is because borrowing comes at the expense of increased long-term debt service payments, and given the slim margin between the District's annual revenues and expenditures, increasing long-term debt service obligations should only be done, if the MRC is confident they will be able to afford those payments in future years, based on increased TIF revenues.
- **Even with borrowing, funds are limited to about $125,000 per year**. Exhibit 13 shows our most aggressive cash flow scenario for the next five-years. This scenario assumes borrowing is used to invest in new taxable development projects in each of the next three years. Even in this scenario, the total amount of funding available to the District for new projects from FYE 2017 to FYE 2020, is approximately $500,000. This is equivalent to annual expenditures of $125,000 per year. Compare that to estimated expenditures for the current fiscal year. In FYE 2016, the District is estimated to spend $250,000 on projects other than long-term outstanding financial obligations. This recent historical level of spending is unsustainable, and the MRC should have more modest expectations for the number and cost of projects they will be able to invest in, in the near future.
- **The long-term forecast is better, with increasing revenue after FYE 2020**. The cash flow tables shown in this report only extend through FYE 2020. However, after 2020 the financial situation of the District is anticipated to improve. By FYE 2020, we forecast that the District will have recovered from the current recession in property values, and be on a long-term gradual upward trend in property values. This will allow for higher annual TIF revenue collection. Additionally, if new development occurs in the District over the next several years, it should officially be recognized on the tax roll by FYE 2020, further increasing annual TIF revenues. Although the MRC should exercise caution when investing in projects in the short-term (FYE 2017 through FYE 2020), we anticipate that this is a temporary challenge, and that long-term (after FYE 2020) the District will have sufficient TIF revenues to accommodate more significant investment from the MRC.

ECONorthwest
ECONOMICS • FINANCE • PLANNING

DATE: February 16, 2016
TO: Madras Redevelopment Commission
FROM: Nick Popenuk and Emily Picha
SUBJECT: Financial Projections for Madras Urban Renewal District

ECONorthwest was hired by the Madras Redevelopment Commission (MRC) to develop an action plan that to assesses the city's development market, provides analysis related to the Urban Renewal Agency's finances, and facilitates a refreshed community conversation regarding priorities for investment to attract development to Madras. The ultimate goal of the 2016 Action Plan is a list of projects that can further the goals of the 2002 Urban Renewal Plan and 2006 Urban Revitalization Action Plan.

An important consideration for the URAP is the financial capacity of the Madras Urban Renewal District ("the District"). Understanding how much revenue the District is likely to generate in the future, and the extent of outstanding financial obligations for the District, is important to set realistic expectations for the value and timing of new investments the MRC will be able to make in the District.

This memorandum is intended to serve as an appendix/attachment to the URAP. In this document, we provide a forecast of future revenues for the area, and document outstanding financial obligations to estimate the future annual financial capacity of the District. We then describe the implications of our analysis, in terms of prioritizing MRC investments in the short-term. This document has the following four sections:

- **Background** – How does urban renewal work?
- **Methods** – How did we conduct the analysis?
- **Results** – What is the financial capacity of the District?
- **Implications** – What does this mean for the MRC when making investment decisions?

1 Background

1.1 How does urban renewal work?

Urban renewal is a state-sanctioned program used by over 50 cities and counties in Oregon to help them, through partnerships with the private sector, implement adopted plans to revitalize specified areas within their jurisdiction. Urban renewal, through the provision of tax increment financing (TIF), can provide for capital improvements such as parks, water and waste water infrastructure, parking facilities, and transportation improvements that stimulate private investment and attract new businesses, jobs, and residents. It can also be used to assist with development activities that are approved in an urban renewal plan, such as storefront improvement loans, property acquisition, site preparation, or other loans or grants to private businesses and developers.

In Oregon, planning and analysis associated with the creation of a new URD is guided by state statute (ORS Chapter 457). The statutes stipulate that urban renewal plans must find the proposed URD is eligible for urban renewal because of existing *blight*, typified by conditions such as deteriorated buildings and lack of adequate infrastructure (or any of a long list of other characteristics defined in statute as evidence of blight). The plan must also contain goals and objectives, authorized urban renewal projects, a limit on the expenditures (i.e., maximum indebtedness), specific provisions regarding acquisition and disposition of land, and provisions regarding how the plan may be amended in the future.

What is TIF?

Tax increment financing is the primary funding tool used within URDs. Tax increment revenue is generated within a URD when the assessed value of that area is 'frozen' (called the *frozen base*). Any growth in assessed value within that area through either appreciation or new investment becomes the *increment value*. Taxing jurisdictions continue to collect tax income from the frozen base but agree to release tax revenue generated from the increment value to the URD. The URD can then obtain loans or issue bonds to pay for projects identified in the urban renewal plan. The tax increment is used to pay debt service on these projects.

The Madras Urban Renewal District has a frozen base of $41,853,156. In FYE 2016, the total assessed value of the District was $65,831,519, resulting in increment value (i.e., the portion generating TIF revenue for the District) of $23,978,363.

What is maximum indebtedness?

Maximum indebtedness (MI) means the amount of the principal of indebtedness included in a plan pursuant to ORS 457.190 and does not include indebtedness incurred to refund or refinance existing indebtedness. Essentially, this is the total dollar amount that can be spent from tax increment proceeds for projects, programs and administration. The maximum indebtedness of the Madras Urban Renewal District, as defined in the adopted Madras Urban Renewal Plan, is $14,000,000. As of the end of FYE 2015, the District has used $4,417,813 of their maximum indebtedness, leaving $9,582,187 remaining to be spent in future years.

1.2 How does Oregon's property tax system work?

Citizen initiatives have changed the way that property taxes are raised in Oregon, and have limited the growth of assessed value and property tax revenues for taxing jurisdictions. Measure 5, passed in 1990, introduced tax rate limits. Measure 50 passed in 1996, cut taxes, introduced assessed value growth limits, and replaced most dollar-limited *levies* (an amount) with permanent tax *rates*.

Measure 5 introduced limits on the taxes paid by individual properties. It imposed limits of $5 per $1,000 of real market value for school taxes and $10 per $1,000 of real market value for general government taxes. These limits apply to all property taxes, other than those levied to repay voter-approved general obligation bonds.

Under Measure 50, most levies were replaced by permanent limits on tax rates. The permanent rate limit is fixed, and does not change from year to year. In addition to the permanent rate, taxing districts may impose temporary general obligation bond levies and local option levies. The sum of all the tax rates (including permanent rates, local option levy rates, and rates for bonds and other levies) of all taxing districts in a given levy code area is known as the *consolidated tax rate*.

Measure 50 also changed the concept of "assessed value." Assessed value no longer equals real market value. Real market value is the sale price for property that changes hands between a willing seller and a willing buyer in the open market. Assessed value is the value assigned to that property for tax purposes. The assessed value for a given property is equal to the lesser of its real market value or its "maximum assessed value." The maximum assessed value for properties was originally established in 1996 with the passage of ballot measure 50. The maximum assessed value for all properties increases by exactly 3.0% per year, unless there is an "exception" event that occurs, for example, new construction or a change in zoning and use.

2 Methods

Our analysis focused on creating an independent forecast of TIF revenues to be combined with City assumptions on planned expenditures to create a cash flow projection for the District. Forecasting TIF revenues has four basic steps:

1. Forecast assessed value
2. Confirm consolidated tax rate
3. Calculate TIF
4. Create cash flow projections

Although we identify four steps in this process, the vast majority of the technical analysis focuses on Step 1, forecast assessed value, and Step 5, create cash flow projections.

Step 1. Forecast assessed value

Disaggregated forecast

The assessed value in the District is equal to the sum of the assessed value of all individual property accounts located within the District. Most properties across the State of Oregon have real market values above their maximum assessed value, which means that their assessed value is capped at the maximum assessed value (since it is the lower of the two figures). This makes forecasting assessed value relatively simple in most areas, as most properties can be assumed to experience assessed value growth of 3.0% per year, with minor adjustments to account for exception events, and the small portion of properties that are assessed at their real market values, instead of maximum assessed values.

The Madras Urban Renewal District, however, is not in this typical situation. Over the past five years, assessed value in the District has experienced an average annual growth rate of only 0.8%. Something in the District is causing the aggregate assessed value to increase more slowly than would be expected.

An evaluation of historical Jefferson County Assessment data for the District shows that real market values in the area have experienced sustained and significant declines in recent years. These declines in real market value indicate that many properties may have real market values below the maximum assessed value, which would constrain their ability to experience the expected 3.0% growth per year. The evaluation of the aggregate assessment data, led us to conduct a more detailed parcel-specific analysis of assessed value and real market value trends in the District.

To forecast the assessed value of the District, we forecast values for each of the 693 individual property tax account in the District each year, and then aggregated the parcel-specific forecasts. This method requires forecasting the real market value and maximum assessed value of each account separately, and setting the assessed value as the lesser of the two values. Forecasting the maximum assessed value is easy, since it increases 3.0% each year for all properties. Thus, the challenge is forecasting the real market values for each tax account.

Real market value growth rates

Although the real market value of the area as a whole has been declining significantly in recent years, the trends for individual properties vary significantly. We calculated the average annual rate of change in real market value for each property over the past five years. We applied this property specific growth rate to each property for the first year of our forecast, FYE 2017. For FYE 2020, and all subsequent years, we assumed each property would achieve a long-term annual growth rate of 3.5% per year. For the intervening years between FYE 2017 and FYE 2020, we assumed a gradual transition from the property-specific historical trend to the assumed long-term growth rate.

Note that the growth rates described above only apply to "real" property in the District. Real property includes land and improvements, and is what we typically think about when we think about property. In Oregon, however, there are other property types, including Utility, Personal, and Manufactured. Those other property types tend to represent a relatively small share of the total property in an area (for example, 12.7% of the assessed value in the Madras Urban Renewal District in FYE 2016). Growth rate assumptions for these other property types were based off of our experience in other jurisdictions across the State. We assumed growth of 1.0% per year for personal property, 0.0% per year for utility property, and negative 1.0% per year for manufactured property.

Scenario analysis

Our analysis included two scenarios for assessed value growth: Scenario 1: Baseline, and Scenario 2: Baseline plus new development. In this memorandum, we present the results of both of these scenarios.

The baseline scenario assumed no new development would occur over the forecast period. In this scenario, change in assessed value is due only to appreciation or depreciation in property values. This scenario provides a conservative baseline forecast for the URD.

It is likely, however, that the District will experience some new development over the life of the URD. The exact amount, value, and timing of that new development is speculative, which is why it was not included in the baseline forecast. In Scenario 2: Baseline plus new development, we made assumptions about potential development that could occur in the near future. This scenario assumes a limited number of development projects occurring over the first three years of the forecast period. Assumptions for the amount, type, and timing of new development were based on conversations with City staff, regarding potential short-term development projects. Assumptions on the real market value of new development were based on an analysis of comparable buildings throughout the region and the State.

Step 2. Confirm consolidated tax rate

To confirm the consolidated tax rate, we rely on information provided by the Jefferson County Assessor. Tax rates are not the same for all properties countywide, and typically are not the same for all properties citywide. Dozens of taxing districts (e.g., school districts, community colleges, cities, special districts, etc.) overlap the county, creating a patchwork of tax rates. Each unique combination of taxing districts is known as a tax code area (TCA). All properties within a TCA have the same consolidated tax rate.

Detailed parcel-specific assessment data shows that the entirety of the District is located within two Jefferson County tax code areas: TCA 015 and TCA 025, which are composed of the same taxing districts and therefore have identical tax rates. We referred to official publications from the Jefferson County Assessor to document these tax rates. These documents are known as SAL Report 4a and 4e.

The taxing districts that comprise TCA 015 and 025 include three types of tax rates: permanent rates, local option levies, and general obligation bonds. State statutes governing urban renewal, however, limit the types of tax rates that are considered in the calculation of TIF revenue. These rules differ for different urban renewal plans, depending on what year the plan was adopted or revised. For the Madras Urban Renewal District, the only property taxes included in the calculation of TIF are permanent tax rates, and any local option levies or general obligation bonds that were approved by voters prior to October, 2001.

All local option levies and outstanding general obligation bonds that apply to TCA 015 and 025 were approved after 2001, which means they are excluded from the calculation of TIF revenue. Thus, the consolidated tax rate for the purposes of calculating TIF revenue is limited to permanent tax rates. As the name implies, permanent tax rates do not change over time. Thus, after identifying the sum total of permanent tax rates for FYE 2016, that same tax rate is applied to all future years, without any need to forecast future changes in the tax rate.

Step 3. Calculate TIF

The calculation of gross TIF revenue is straightforward. The frozen base value is subtracted from the total assessed value to determine the increment value. That increment value is multiplied by the consolidated tax rate (which is expressed in terms of dollars per $1,000 of assessed value). The product of the increment value and the tax rate is the gross TIF revenue.

The actual TIF revenue that will be received by the District in any given year, however, will be less than the projected gross TIF revenue. There are various adjustments that need to be made to convert *gross* TIF revenue (i.e., taxes imposed) to *net* TIF revenue (i.e., taxes received). These adjustments can include rate truncation, compression, discounts, and delinquencies. Based on historical trends in the District, discounts and delinquencies are the only significant factors affecting the collection of gross TIF revenue. Based on these historical trends, we assume a 5.0% reduction in gross TIF revenue. This adjustment, however, is partially offset in our cash flow analysis by the collection of prior-year tax revenues from delinquent property tax accounts.

Step 4. Create cash flow projections

The final step in the analysis is to combine the TIF revenue projections with planned future expenditures and potential financing mechanisms to create a cash flow. The cash flow analysis shows what resources will be available in each future year, what expenditures are scheduled for those years, and what is the financial capacity of the District to undertake additional projects.

To create the cash flow, we reviewed the District's most up-to-date financial information and budget data, and discussed this information with City staff to ensure an accurate understanding of the District's existing resources, and scheduled future expenditures. Further discussions with City staff clarified the potential future needs of the District, the available financing mechanisms, and the likely terms of that financing. The resulting cash flow projection extends through FYE 2035 to show a 20-year forecast period.

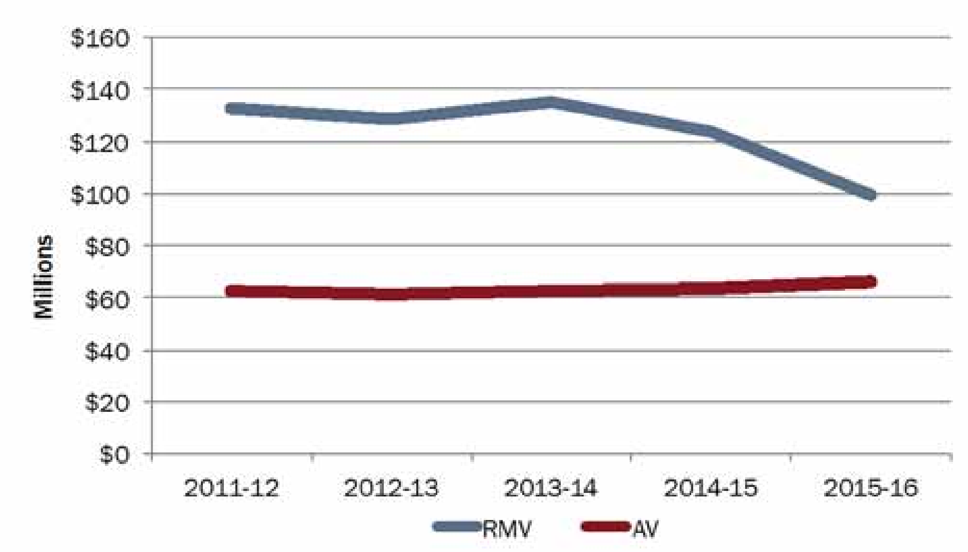
3 Results

In this section we describe the results of our financial projections for the District. We focus on the results of the baseline analysis, as it is more conservative, and does not rely on speculative future development. However, we provide the results for both scenarios, to provide an understanding of the potential impact that new development could have on the cash flow in the short- and long-term.

3.1 Historical trends in assessed value

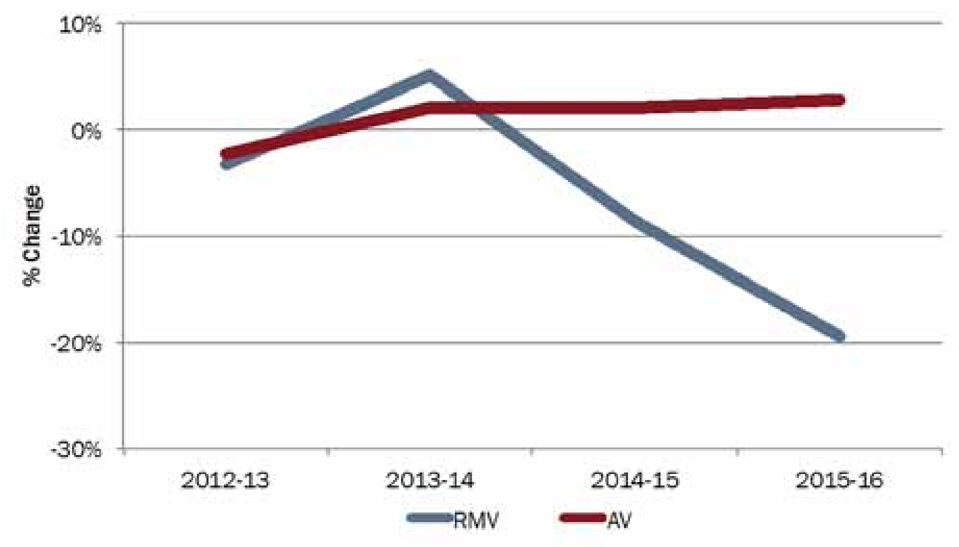
Exhibits 1 and 2 show historical trends in property values in the District. These charts show that assessed value has remained virtually stagnant in the area over the past five years, while real market values have declined in three of the past four years. These declines have been more pronounced in recent years with a 9% decline in real market value in FYE 2015 and a 19% decline in real market value in FYE 2016. Obviously, if these historical trends continue into the future for a sustained period of time, they would be a cause for concern for the financial capacity of the District.

Exhibit 1. Historical assessed value and real market value,
Madras Urban Renewal District, FYE 2012 to 2016



Calculated by ECONorthwest with data provided by Jefferson County Assessor.

Exhibit 2. Historical annual percent change in assessed value and real market value, Madras Urban Renewal District, FYE 2013 to 2016



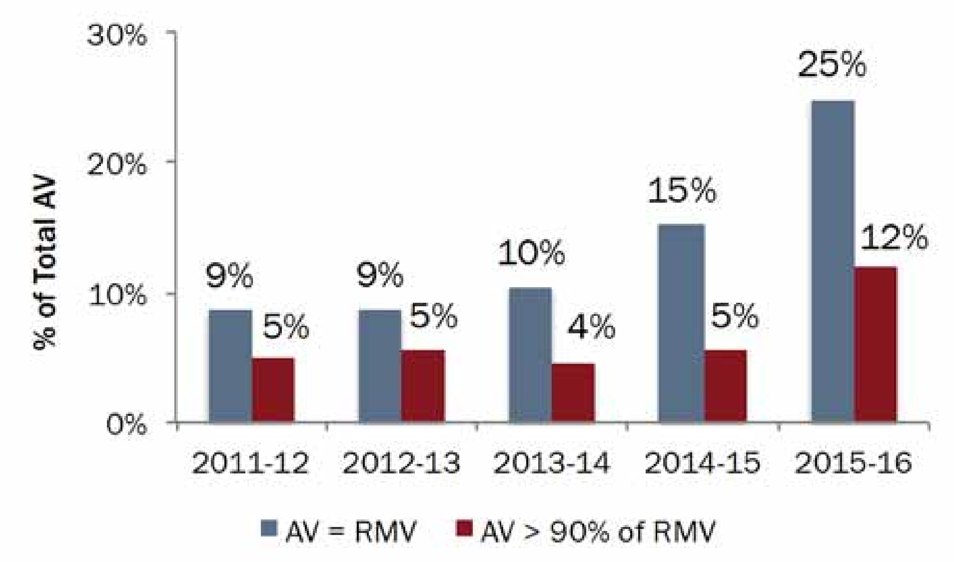
Calculated by ECONorthwest with data provided by Jefferson County Assessor.

Looking at aggregate numbers for assessed value and real market value can be instructive, but a more detailed, property-specific examination of assessment data can provide a better understanding of the financial health of the District. An important metric is the portion of property in the District that has a real market value below its maximum assessed value. These properties cannot be assumed to experience 3.0% growth in assessed value each year, and instead are beholden to changes in real market value, which can be volatile and unpredictable.

Exhibit 3 shows the share of total assessed value in the District that is equal to its real market value, or within 90% of its real market value (i.e., at risk of having the real market value fall below the maximum assessed value if declines in real market value continue). In FYE 2012 only 9% of real property in the District had assessed value equal to real market value. That share has grown over time as real market values have fallen, and in FYE 2016, 25% of real property in the District had assessed values equal to their real market values, rather than their maximum assessed values. Another 12% of properties had assessed values greater than 90% of their real market value, putting them at risk to fall into the previous category, if declines in real market value continue.[1]

[1] Note that the values shown in Exhibit 3 are limited to "Real" property, and excludes utility, personal, and manufactured property.

Exhibit 3. Historical share of real property assessed value equal to or greater than 90% of real market value, Madras Urban Renewal District, FYE 2012 to 2016



Calculated by ECONorthwest with data provided by Jefferson County Assessor.
Note: Data includes only real property accounts, and excludes utility, personal, and manufactured property.

This evaluation of historical assessed value trends in the District provide context for our forecast of future TIF revenues. In particular, the historical average annual rate of change in real market value for individual properties was used in our analysis to forecast short-term changes in value in the District.

3.2 Assessed value forecast

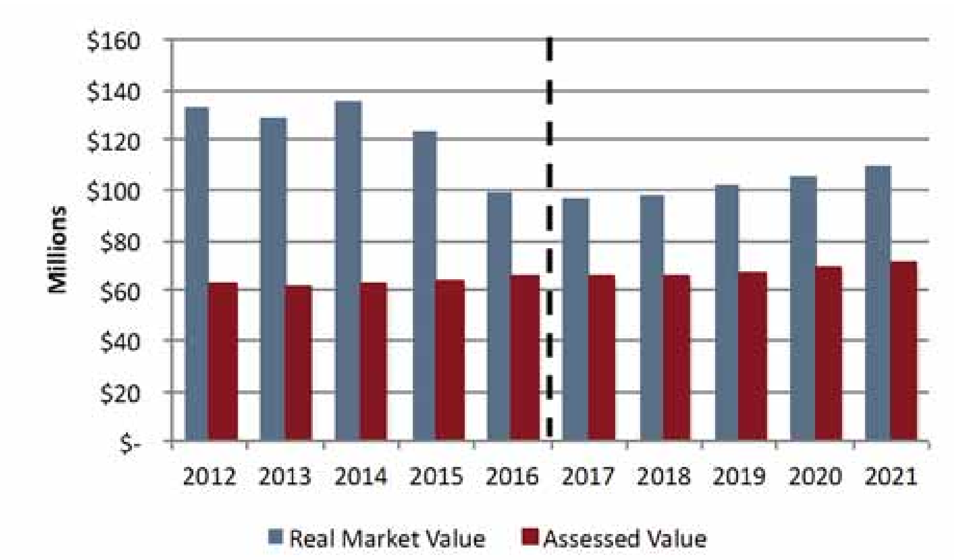
Our experience across the State, in dozens of other urban renewal areas, and across multiple economic cycles tells us that sustained declines in real market value cannot continue forever. Real estate markets are cyclical. Most of the rest of the State (and the rest of the Country for that matter) experienced sharp declines in property values during the recession which began in 2007, but have seen a recovery take hold several years ago, with property values at or near pre-recession levels. Although property values in the Madras Urban Renewal District have yet to begin their recovery, it is reasonable to assume that economic recovery is not far off.

Conversations with staff for the Jefferson County Assessor's Office, however, indicate that for at least the next fiscal year (FYE 2017) real market values will continue to decline. Though this decline is unlikely to be as severe as in FYE 2016, when the aggregate real market value of properties in the District dropped by 19%.

For our analysis, we assumed that the long-term trend in real market value of properties in the District would be 3.5% per year for real property, which is consistent with observed long-term statewide trends.[2] We assume that properties in the District would achieve this long-term stabilized rate of growth in FYE 2020, and that in the intervening years, properties would gradually transition from their property-specific historical growth rates to this 3.5% assumption.

The result of these assumptions is a modest decline in real market values predicted in FYE 2017, followed by slow growth through FYE 2020, after which point in time we forecast steady growth for the future. These forecasts for real market value result in essentially no growth in assessed value for FYE 2017, and slow but increasing growth in the following years. Exhibit 4 shows historical property values for the District from FYE 2012 to FYE 2016 and projections through FYE 2021.

Exhibit 4. Historical and forecast real market values and assessed values, Madras Urban Renewal District, FYE 2012 to FYE 2021



Calculated by ECONorthwest with data from Jefferson County Assessor.

[2] Note that we assumed long-term trends of 1.0% per year for Personal property, 0% per year for Utility property, and -1.0% per year for Manufactured property. Again, theses assumptions are based on our experience in other communities statewide.

Scenario 1: Baseline

Exhibit 5 shows the annual projections of assessed value and real market value for the District from FYE 2016 (actual) through FYE 2035 for Scenario 1: Baseline. Assessed value growth is forecast to be minimal through FYE 2019, followed by several years of growth greater than 3.0% (as real market value growth allows assessed values to rebound to their maximum assessed values). Long-term, the District is anticipated to experience growth of approximately 3.0% per year. This scenario assumes no new development during the forecast period.

Exhibit 5. Scenario 1: Baseline - forecast of real market value and assessed value, Madras Urban Renewal District, FYE 2016 to FYE 2035

FYE	Real Market Value	Assessed Value	Percent Change in AV
2016	$ 99,449,093	$ 65,831,519	2.8%
2017	$ 96,595,071	$ 65,887,646	0.1%
2018	$ 98,277,173	$ 66,004,292	0.2%
2019	$ 102,181,797	$ 66,854,822	1.3%
2020	$ 105,863,081	$ 68,977,372	3.2%
2021	$ 109,731,389	$ 71,165,470	3.2%
2022	$ 113,806,810	$ 73,414,988	3.2%
2023	$ 118,113,772	$ 75,756,828	3.2%
2024	$ 122,682,108	$ 78,155,577	3.2%
2025	$ 127,548,634	$ 80,527,515	3.0%
2026	$ 132,759,156	$ 82,974,912	3.0%
2027	$ 138,371,112	$ 85,481,513	3.0%
2028	$ 144,456,895	$ 88,058,022	3.0%
2029	$ 151,108,460	$ 90,707,738	3.0%
2030	$ 158,443,209	$ 93,442,490	3.0%
2031	$ 166,611,940	$ 96,213,324	3.0%
2032	$ 175,809,186	$ 99,062,679	3.0%
2033	$ 186,287,114	$ 101,998,971	3.0%
2034	$ 198,373,923	$ 105,028,439	3.0%
2035	$ 212,498,430	$ 108,147,380	3.0%

Calculated by ECONorthwest with FYE 2016 actual data provided by Jefferson County Assessor.

Scenario 2: Baseline plus new development

Scenario 2 relies on the same underlying assumptions as Scenario 1. The same growth rates are applied to each of the property accounts in the District. However, Scenario 2 also assumes that some new development takes place in the District.

Exhibit 6 summarizes the assumptions for new development in Scenario 2. These assumptions call for three new buildings to be developed over the course of the next three years: a brewery, a grocer, and a general merchandise store. Each of these assumed developments is based off of conversations with City staff regarding potential and desired development opportunities. Although these developments are speculative, and there is no guarantee that any significant development would occur in the next few years (let alone all three of the developments shown in Exhibit 6), the purpose of Scenario 2 is to show how the cash flow for the District would be affected if development were to occur in the short-term.

Assumptions on the value of new development were based on comparable buildings throughout the region and the state. The assessed value for each development is calculated by multiplying the real market value by the Changed Property Ratio (CPR), which is updated annually by the County Assessor, based on the ratio of total assessed value to total real market value for all commercial properties in the County. Note that there is a two-year lag from when development occurs, to when the increased value is reflected on the Assessor's tax roll, due to the timing of annual assessment processes.

Exhibit 6. Exception value assumptions for Scenario 2: Baseline plus new development

	General Merchandise Store	Grocer	Brewery
Improvement value (RMV)	**$ 1,500,000**	**$ 1,100,000**	**$ 500,000**
CPR	0.8591	0.8591	0.8591
Improvement value (AV)	**$ 1,288,640**	**$ 945,002**	**$ 429,547**
Calendar Year Built	2018	2017	2019
Fiscal Year on Tax Roll	**2020**	**2019**	**2021**
Investment Threshold	$ 190,000	$ 140,000	$ 60,000

Source: Calculated by ECONorthwest in consultation with City staff.
CPR provided by Jefferson County Assessor.
Improvement values based on case studies of similar developments in the region and State.

Note that Exhibit 6 shows the assumed amount of urban renewal funding that would be invested in each of the three buildings. This is based on the fundamental assumption that development in the short-term will require incentives to be financially feasible, and that a reasonable amount for the MRC to invest in projects like these could be equal to ten times the annual property tax revenues generated by the development. These investment assumptions are for illustrative purposes only. When the MRC is presented with actual investment opportunities in the future, it should evaluate each project on its own merits and decide what a reasonable amount of investment would be, weighing the benefit of the project to the cost to the taxpayers.

Exhibit 7 shows the annual projections of assessed value and real market value for the District from FYE 2016 (actual) through FYE 2035 for Scenario 2: Baseline plus new development. Assuming the first new development occurs in calendar year 2019, the increase in assessed value would not be realized until FYE 2019. Thus, the forecast for Scenario 1 and 2 are identical through FYE 2018. In other words, the soonest that any new development could have a positive impact on the assessed value of the District is FYE 2019.

The assumed new development in Scenario 2 results in higher growth rates in fiscal years ending 2019 through 2022. Long-term, the growth rates are essentially the same for the two scenarios, however the combination of the three development projects in the early years, results in assessed value that is approximately $3 million to $4 million higher in each subsequent year of the forecast period.

Exhibit 7. Scenario 2: Baseline plus new development - forecast of real market value and assessed value, Madras Urban Renewal District, FYE 2016 to FYE 2035

FYE	Real Market Value	Assessed Value	Percent Change in AV
2016	$ 99,449,093	$ 65,831,519	2.8%
2017	**$ 96,595,071**	**$ 65,887,646**	**0.1%**
2018	$ 98,277,173	$ 66,004,292	0.2%
2019	**$ 103,383,767**	**$ 67,887,426**	**2.9%**
2020	$ 108,789,360	$ 71,491,318	5.3%
2021	**$ 113,325,106**	**$ 74,252,808**	**3.9%**
2022	$ 117,508,339	$ 76,594,946	3.2%
2023	**$ 121,926,347**	**$ 79,032,185**	**3.2%**
2024	$ 126,609,060	$ 81,529,195	3.2%
2025	**$ 131,593,395**	**$ 84,002,342**	**3.0%**
2026	$ 136,925,260	$ 86,553,984	3.0%
2027	**$ 142,662,199**	**$ 89,167,957**	**3.0%**
2028	$ 148,876,715	$ 91,855,059	3.0%
2029	**$ 155,660,875**	**$ 94,618,686**	**3.0%**
2030	$ 163,132,196	$ 97,470,766	3.0%
2031	**$ 171,441,597**	**$ 100,362,448**	**3.0%**
2032	$ 180,783,733	$ 103,336,277	3.0%
2033	**$ 191,410,897**	**$ 106,400,777**	**3.0%**
2034	$ 203,651,419	$ 109,562,299	3.0%
2035	**$ 217,934,251**	**$ 112,817,256**	**3.0%**

Calculated by ECONorthwest with FYE 2016 actual data provided by Jefferson County Assessor.

3.3 TIF revenue projections

Subtracting the frozen base from the total assessed value projections shown in Exhibit 6 and Exhibit 7 determines the increment value. Multiplying the increment value by the tax rate results in gross TIF revenues. After making adjustments for discounts and delinquencies, we arrive at our forecast of net TIF revenues.

Scenario 1: Baseline

Exhibit 8 show historical and projected TIF revenue for the District for Scenario 1: Baseline. The dashed line on the table separates historical actual values from the forecast values. Note that the net TIF revenues for FYE 2016 and FYE 2017 are highlighted in grey, because these values are approximate, and pulled from the most recent City budget documents. In subsequent years, we assume adjustments for discounts and delinquencies equal to 5% of gross TIF revenues. Net TIF revenues are anticipated to be $347,447 in FYE 2016, with very little growth through FYE 2019. In subsequent years, net TIF revenues are anticipated to grow steadily, exceeding $900,000 per year in FYE 2035.

Exhibit 8. Scenario 1: Baseline – historical and forecast TIF revenue,
Madras Urban Renewal District, FYE 2010 to FYE 2035

									TIF			
FYE		**Assessed Value**		**Frozen Base**		**Excess Value**	**Tax Rate**		**Gross TIF**		**Adjustments**		**Net TIF**
2010	$	61,193,149	$	41,853,156	$	19,339,993	17.8840	$	345,876	$	17,294	$	328,582
2011	$	62,531,052	$	41,853,156	$	20,677,896	17.8808	$	369,737	$	18,487	$	351,250
2012	$	63,796,051	$	41,853,156	$	21,942,895	17.8477	$	391,630	$	19,582	$	372,048
2013	$	62,394,561	$	41,853,156	$	20,541,405	18.0003	$	369,751	$	18,488	$	351,263
2014	$	62,965,640	$	41,853,156	$	21,112,484	15.9497	$	336,738	$	16,837	$	319,901
2015	$	64,170,948	$	41,853,156	$	22,317,792	15.0093	$	334,974	$	16,749	$	318,225
2016	$	65,831,519	$	41,853,156	$	23,978,363	15.0093	$	359,898	$	12,451	$	347,447
2017	$	65,887,646	$	41,853,156	$	24,034,490	15.0093	$	360,741	$	5,006	$	355,735
2018	$	66,004,292	$	41,853,156	$	24,151,136	15.0093	$	362,492	$	18,125	$	344,367
2019	$	66,854,822	$	41,853,156	$	25,001,666	15.0093	$	375,258	$	18,763	$	356,495
2020	$	68,977,372	$	41,853,156	$	27,124,216	15.0093	$	407,115	$	20,356	$	386,759
2021	$	71,165,470	$	41,853,156	$	29,312,314	15.0093	$	439,957	$	21,998	$	417,959
2022	$	73,414,988	$	41,853,156	$	31,561,832	15.0093	$	473,721	$	23,686	$	450,035
2023	$	75,756,828	$	41,853,156	$	33,903,672	15.0093	$	508,870	$	25,444	$	483,426
2024	$	78,155,577	$	41,853,156	$	36,302,421	15.0093	$	544,874	$	27,244	$	517,630
2025	$	80,527,515	$	41,853,156	$	38,674,359	15.0093	$	580,475	$	29,024	$	551,451
2026	$	82,974,912	$	41,853,156	$	41,121,756	15.0093	$	617,209	$	30,860	$	586,349
2027	$	85,481,513	$	41,853,156	$	43,628,357	15.0093	$	654,831	$	32,742	$	622,089
2028	$	88,058,022	$	41,853,156	$	46,204,866	15.0093	$	693,503	$	34,675	$	658,828
2029	$	90,707,738	$	41,853,156	$	48,854,582	15.0093	$	733,273	$	36,664	$	696,609
2030	$	93,442,490	$	41,853,156	$	51,589,334	15.0093	$	774,320	$	38,716	$	735,604
2031	$	96,213,324	$	41,853,156	$	54,360,168	15.0093	$	815,908	$	40,795	$	775,113
2032	$	99,062,679	$	41,853,156	$	57,209,523	15.0093	$	858,675	$	42,934	$	815,741
2033	$	101,998,971	$	41,853,156	$	60,145,815	15.0093	$	902,747	$	45,137	$	857,610
2034	$	105,028,439	$	41,853,156	$	63,175,283	15.0093	$	948,217	$	47,411	$	900,806
2035	$	108,147,380	$	41,853,156	$	66,294,224	15.0093	$	995,030	$	49,752	$	945,278

Calculated by ECONorthwest with historical data provided by the Jefferson County Assessor, and budget data for FYE 2016 and FYE 2017 provided by the City of Madras.

Note that historically, the declining tax rate contributed to declines in TIF revenue. The declining tax rate was due to expiration of general obligation bonds that had been approved prior to 2001. In FYE 2015, those bonds were paid off in full, and the District achieved its long-term stabilized tax rate of $15.0093 per $1,000 of assessed value. This tax rate is the sum total of all permanent levy rates in the tax code area, and this tax rate is not expected to change in future years.

Scenario 2: Baseline plus new development

Exhibit 9 shows historical and projected TIF revenue for Scenario 2: Baseline plus new development. The two scenarios are identical through FYE 2018, after which time we see the effects of new development on the area. Note that the cumulative effect of three new developments over the course of three years is fully realized by FYE 2021. In that year, Scenario

2 forecasts approximately $44,000 more in net TIF revenue for the District than in Scenario 1, an increase of roughly 10%. Thus, while new development has the potential to increase TIF revenue in the area, there is a practical limit to how much of an impact development can have on the District's TIF revenue.

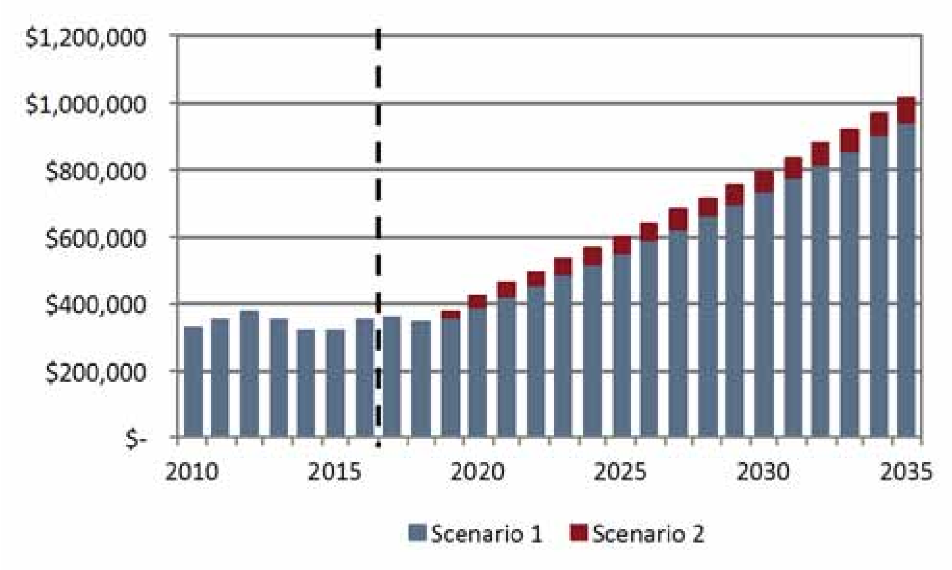
Exhibit 9. Scenario 2: Baseline plus new growth – historical and forecast TIF revenue, Madras Urban Renewal District, FYE 2010 to FYE 2035

FYE	Assessed Value	Frozen Base	Excess Value	Tax Rate	TIF Gross TIF	TIF Adjustments	TIF Net TIF
2010	$ 61,193,149	$ 41,853,156	$ 19,339,993	17.8840	$ 345,876	$ 17,294	$ 328,582
2011	$ 62,531,052	$ 41,853,156	$ 20,677,896	17.8808	$ 369,737	$ 18,487	$ 351,250
2012	$ 63,796,051	$ 41,853,156	$ 21,942,895	17.8477	$ 391,630	$ 19,582	$ 372,048
2013	$ 62,394,561	$ 41,853,156	$ 20,541,405	18.0003	$ 369,751	$ 18,488	$ 351,263
2014	$ 62,965,640	$ 41,853,156	$ 21,112,484	15.9497	$ 336,738	$ 16,837	$ 319,901
2015	$ 64,170,948	$ 41,853,156	$ 22,317,792	15.0093	$ 334,974	$ 16,749	$ 318,225
2016	$ 65,831,519	$ 41,853,156	$ 23,978,363	15.0093	$ 359,898	$ 12,451	$ 347,447
2017	$ 65,887,646	$ 41,853,156	$ 24,034,490	15.0093	$ 360,741	$ 5,006	$ 355,735
2018	$ 66,004,292	$ 41,853,156	$ 24,151,136	15.0093	$ 362,492	$ 18,125	$ 344,367
2019	$ 67,887,426	$ 41,853,156	$ 26,034,270	15.0093	$ 390,756	$ 19,538	$ 371,218
2020	$ 71,491,318	$ 41,853,156	$ 29,638,162	15.0093	$ 444,848	$ 22,242	$ 422,606
2021	$ 74,252,808	$ 41,853,156	$ 32,399,652	15.0093	$ 486,296	$ 24,315	$ 461,981
2022	$ 76,594,946	$ 41,853,156	$ 34,741,790	15.0093	$ 521,450	$ 26,073	$ 495,377
2023	$ 79,032,185	$ 41,853,156	$ 37,179,029	15.0093	$ 558,031	$ 27,902	$ 530,129
2024	$ 81,529,195	$ 41,853,156	$ 39,676,039	15.0093	$ 595,510	$ 29,776	$ 565,734
2025	$ 84,002,342	$ 41,853,156	$ 42,149,186	15.0093	$ 632,630	$ 31,632	$ 600,998
2026	$ 86,553,984	$ 41,853,156	$ 44,700,828	15.0093	$ 670,928	$ 33,546	$ 637,382
2027	$ 89,167,957	$ 41,853,156	$ 47,314,801	15.0093	$ 710,162	$ 35,508	$ 674,654
2028	$ 91,855,059	$ 41,853,156	$ 50,001,903	15.0093	$ 750,494	$ 37,525	$ 712,969
2029	$ 94,618,686	$ 41,853,156	$ 52,765,530	15.0093	$ 791,974	$ 39,599	$ 752,375
2030	$ 97,470,766	$ 41,853,156	$ 55,617,610	15.0093	$ 834,781	$ 41,739	$ 793,042
2031	$ 100,362,448	$ 41,853,156	$ 58,509,292	15.0093	$ 878,184	$ 43,909	$ 834,275
2032	$ 103,336,277	$ 41,853,156	$ 61,483,121	15.0093	$ 922,819	$ 46,141	$ 876,678
2033	$ 106,400,777	$ 41,853,156	$ 64,547,621	15.0093	$ 968,815	$ 48,441	$ 920,374
2034	$ 109,562,299	$ 41,853,156	$ 67,709,143	15.0093	$ 1,016,267	$ 50,813	$ 965,454
2035	$ 112,817,256	$ 41,853,156	$ 70,964,100	15.0093	$ 1,065,121	$ 53,256	$ 1,011,865

Calculated by ECONorthwest with historical data provided by the Jefferson County Assessor, and budget data for FYE 2016 and FYE 2017 provided by the City of Madras.

Exhibit 10 shows a comparison of the TIF revenue forecast in Scenarios 1 and 2. The cumulative impact over the duration of the forecast period is an increase of $870,000 from the new development assumed in Scenario 2. Again, while this impact is appreciable, it amounts to a 7.6% increase over the baseline scenario. However, even Scenario 2 fails to account for the potential long-term catalytic impacts of urban renewal investment in the District. If these early investments in the District are successful in transforming market conditions, then it could stimulate additional development in later years, leading to higher TIF revenues than are projected in either Scenario 1 or Scenario 2.

Exhibit 10. Comparison of TIF revenue forecasts for Scenarios 1 and 2, Madras Urban Renewal District, FYE 2010 to FYE 2035



Calculated by ECONorthwest with historical data provided by the City of Madras.

3.4 Cash flow projections

Projections of TIF revenue are important, but to fully understand the financial situation of the District, we need to compare annual revenues to annual expenditures, and make assumptions about what expenditures will occur in future years, and what financing tools the MRC will use.

Our analysis includes Excel spreadsheets that show a detailed cash flow through FYE 2035. In this memorandum, we highlight the projected cash flow for only the next five years, because the full 20-year cash flow is too detailed to condense meaningfully into this memo, and the City can refer to the spreadsheet for information on the long-term future cash flow projections.

Scenario 1: Baseline – without financing

Exhibit 11 shows the cash flow for Scenario 1: Baseline. In Exhibit 11, and subsequent tables showing different cash flow scenarios, FYE 2016 and FYE 2017 are highlighted in grey to distinguish them from numbers in subsequent years. This is because numbers for FYE 2016 and FYE 2017 were provided by City staff, based on input from ECONorthwest. In subsequent years, the projections are done by ECONorthwest, and do not come from any official City budget projections. Although even in these later years, projections for long-term outstanding financial obligations are based on assumptions provided by City staff. Note that we distinguish these long-term outstanding financial obligations from potential future new projects with a dashed line on the expenditures section of the cash flow tables.

Note that the cash flow shown in Exhibit 11 assumes no additionally borrowing by the City after FYE 2016. This is the most conservative cash flow scenario that we ran, assuming no new development occurs in the near future, and that the City does not borrow additional funds to invest in new projects.

In FYE 2016 (the current fiscal year at the time this memo is written), the City is planning to invest in a number of economic development projects in the District (including property acquisition, façade grants, sidewalk grants, economic development planning, etc.), for a total estimated annual cost of $250,000. This is in addition to roughly $328,000 in planned annual expenditures for long-term financial obligations like debt service, materials and service, and the District's City Hall obligation. Collectively, anticipated expenditures for FYE 2016 are estimated to be 1.67 times annual TIF revenue in that year, which means that level of expenditures is unsustainable in the future, and is only possible in FYE 2016 because of a beginning fund balance from prior years ($46,248), and drawing on a line of credit for $250,000 this year.

Without additional borrowing from the line of credit or other financing mechanisms in future years, and assuming that the District would prefer to keep an ending fund balance of approximately $100,000 per year to provide a cushion should the actual cash flow turn out worse than projected, the District would have a very limited ability to invest in additional projects in future years. Under these assumptions, the City projects only $25,000 in spending in FYE 2017 for projects other than long-term outstanding financial obligations, including $5,000 for sidewalk grants, and $20,000 for miscellaneous other projects and contingency (which we have lumped under the general heading of "economic development" in Exhibit 11. In future years, we forecast no expenditures on new projects until FYE 2020, when we anticipate the District would have approximately $40,000 of financial capacity to invest in new projects.

Exhibit 11. Scenario 1: Baseline – projected cash flow without financing, Madras Urban Renewal District, FYE 2016 to FYE 2020

	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Resources					
Beginning fund balance	$ 46,248	$ 65,647	$ 69,932	$ 90,002	$ 101,030
TIF revenue	$ 347,447	$ 355,735	$ 344,367	$ 356,495	$ 386,759
Line of credit	$ 250,000	$ -	$ -	$ -	$ -
Interest earnings	$ 500	$ 500	$ 350	$ 450	$ 450
Total resources	**$ 644,195**	**$ 421,882**	**$ 414,649**	**$ 446,947**	**$ 488,239**
Expenditures					
City Hall obligation	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Outstanding long-term debt	$ 181,500	$ 179,950	$ 181,700	$ 201,761	$ 210,061
Line of credit	$ 5,800	$ 7,500	$ 7,500	$ 7,500	$ -
Materials and services	$ 66,248	$ 64,500	$ 60,447	$ 61,656	$ 62,889
Economic development	$ -	$ 20,000	$ -	$ -	$ 40,288
Theater and Crosskey	$ 100,000	$ -	$ -	$ -	$ -
Potter Property	$ 10,000	$ -	$ -	$ -	$ -
Jefferson County Courthouse	$ 20,000	$ -	$ -	$ -	$ -
Lee Baggett Façade Grant	$ 20,000	$ -	$ -	$ -	$ -
Sidewalk Grants	$ 10,000	$ 5,000	$ -	$ -	$ -
ECONorthwest contract	$ 90,000	$ -	$ -	$ -	$ -
Total Expenditures	**$ 578,548**	**$ 351,950**	**$ 324,647**	**$ 345,917**	**$ 388,238**
Ending Fund Balance	**$ 65,647**	**$ 69,932**	**$ 90,002**	**$ 101,030**	**$ 100,000**

Sources:
Assumptions for FYE 2016 and FYE 2017 (highlighted in grey) are provided by City of Madras staff, with input from ECONorthwest. Projections for FYE 2018 and beyond are from ECONorthwest, including assumptions from the City of Madras for long-term outstanding financial obligations.

Scenario 1: Baseline – with financing

Exhibit 12 shows an alternate cash flow scenario. TIF revenue projections in Exhibit 12 are the same as in Exhibit 11, because they are both based off of the Scenario 1: Baseline TIF forecast. However, the cash flow shown in Exhibit 12 assumes that the District secures financing in future years to increase short-term revenues (at the expense of long-term debt service obligations), allowing the District to invest in more projects in future years.

Key differences between Exhibits 11 and 12, are highlighted in yellow. With financing, we assume the District could borrow an additional $425,000 on their existing line of credit over the course of the next four years. This significantly increases the district's ability to invest in new projects in future years, but comes with the added risk of higher annual debt service payments. These payments become even higher in future years (not shown in Exhibit 12) as more of the line of credit balance is refinanced through a long-term borrowing that requires principal and interest payments, rather than just interest that is due on the line of credit in the short-term.

By using financing mechanisms, like a line of credit, we forecast the District would be able to invest over $700,000 in projects over the five year period from FYE 2016 to FYE 2020, as opposed to only $315,000 that was shown in Exhibit 11, where financing tools were not used. Note that this comes with an added expense of roughly $15,000 per year in additional debt service costs, which means that the improved short-term cash flow from borrowing against the line of credit, has negative consequences for the long-term cash flow, unless the investments made by the District in the early years stimulate additional taxable development that increases future TIF revenue collections.

Exhibit 12. Scenario 1: Baseline – projected cash flow with financing,
Madras Urban Renewal District, FYE 2016 to FYE 2020

	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Resources					
Beginning fund balance	$ 46,248	$ 65,647	$ 76,182	$ 92,502	$ 88,756
TIF revenue	$ 347,447	$ 355,735	$ 344,367	$ 356,495	$ 386,759
Line of credit	$ 250,000	$ 125,000	$ 100,000	$ 100,000	$ 100,000
Interest earnings	$ 500	$ 500	$ 350	$ 450	$ 450
Total resources	**$ 644,195**	**$ 546,882**	**$ 520,899**	**$ 549,447**	**$ 575,965**
Expenditures					
City Hall obligation	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Outstanding long-term debt	$ 181,500	$ 179,950	$ 181,700	$ 209,785	$ 218,085
Line of credit	$ 5,800	$ 11,250	$ 11,250	$ 14,250	$ 6,750
Materials and services	$ 66,248	$ 64,500	$ 60,447	$ 61,656	$ 62,889
Economic development	$ -	$ 130,000	$ 100,000	$ 100,000	$ 120,000
Theater and Crosskey	$ 100,000	$ -	$ -	$ -	$ -
Potter Property	$ 10,000	$ -	$ -	$ -	$ -
Jefferson County Courthouse	$ 20,000	$ -	$ -	$ -	$ -
Lee Baggett Façade Grant	$ 20,000	$ -	$ -	$ -	$ -
Sidewalk Grants	$ 10,000	$ 10,000	$ -	$ -	$ -
ECONorthwest contract	$ 90,000	$ -	$ -	$ -	$ -
Total Expenditures	**$ 578,548**	**$ 470,700**	**$ 428,397**	**$ 460,691**	**$ 482,724**
Ending Fund Balance	**$ 65,647**	**$ 76,182**	**$ 92,502**	**$ 88,756**	**$ 93,240**

Sources: City of Madras and ECONorthwest
Assumptions for FYE 2016 and FYE 2017 (highlighted in grey) are provided by City of Madras staff, with input from ECONorthwest. Projections for FYE 2018 and beyond are from ECONorthwest, including assumptions from the City of Madras for long-term outstanding financial obligations.

Scenario 2: Baseline plus new development

Exhibit 13 shows another cash flow scenario. This cash flow uses the TIF revenue projections from Scenario 2: Baseline plus new development. This results in higher TIF revenues in FYE 2019 and FYE 2020, based on new development occurring during this period. To achieve these higher TIF revenues in later years, however, we assume that the District must invest in projects in earlier years. Thus, Exhibit 13 shows specific dollar amounts of investments in specific projects in FYE 2017, FYE 2018, and FYE 2019. These three hypothetical investments include a grocery store, a general merchandise store, and a brewery. The amount of the investments shown in Exhibit 13 are sized to result in a 10-year pay-off for the District (i.e., the increase in TIF revenue stemming from the new development over the course of ten years will equal the initial amount the District invests in each project).

Note that the investment shown in Scenario 2 would only be possible through the use of the line of credit to borrow funds in the early years. The result of Scenario 2 is that the District would be able to invest approximately $757,000 on new projects over the next five years, as opposed to approximately $700,000 shown in Exhibit 12 for Scenario 1: Baseline – with financing.

Exhibit 13. Scenario 2: Baseline plus new development – projected cash flow with financing, Madras Urban Renewal District, FYE 2016 to FYE 2020

	FYE 2016	FYE 2017	FYE 2018	FYE 2019	FYE 2020
Resources					
Beginning fund balance	$ 46,248	$ 65,647	$ 71,182	$ 67,937	$ 64,172
TIF revenue	$ 347,447	$ 355,735	$ 344,367	$ 371,218	$ 422,606
Line of credit	$ 250,000	$ 125,000	$ 182,000	$ 70,000	$ 100,000
Interest earnings	$ 500	$ 500	$ 356	$ 340	$ 321
Total resources	**$ 644,195**	**$ 546,882**	**$ 597,905**	**$ 509,495**	**$ 587,099**
Expenditures					
City Hall obligation	$ 75,000	$ 75,000	$ 75,000	$ 75,000	$ 75,000
Outstanding long-term debt	$ 181,500	$ 179,950	$ 181,700	$ 226,395	$ 234,695
Line of credit	$ 5,800	$ 11,250	$ 11,250	$ 16,710	$ 2,100
Materials and services	$ 66,248	$ 69,500	$ 60,447	$ 61,656	$ 62,889
Economic development	$ -	$ -	$ -	$ -	$ 100,000
Grocery	$ -	$ 140,000	$ -	$ -	$ -
General Merchandise Store	$ -	$ -	$ 201,571	$ -	$ -
Brewery	$ -	$ -	$ -	$ 65,562	$ -
Theater and Crosskey	$ 100,000	$ -	$ -	$ -	$ -
Potter Property	$ 10,000	$ -	$ -	$ -	$ -
Jefferson County Courthouse	$ 20,000	$ -	$ -	$ -	$ -
Lee Baggett Façade Grant	$ 20,000	$ -	$ -	$ -	$ -
Sidewalk Grants	$ 10,000	$ -	$ -	$ -	$ -
ECONorthwest contract	$ 90,000	$ -	$ -	$ -	$ -
Total Expenditures	**$ 578,548**	**$ 475,700**	**$ 529,968**	**$ 445,323**	**$ 474,684**
Ending Fund Balance	**$ 65,647**	**$ 71,182**	**$ 67,937**	**$ 64,172**	**$ 112,414**

Sources: City of Madras and ECONorthwest
Assumptions for FYE 2016 and FYE 2017 (highlighted in grey) are provided by City of Madras staff, with input from ECONorthwest. Projections for FYE 2018 and beyond are from ECONorthwest, including assumptions from the City of Madras for long-term outstanding financial obligations.

4 Implications

Our analysis yields the following conclusions and implications:

- **Any significant investment in projects in the short-term will require borrowing**. New development in the District could lead to higher TIF revenues long-term, allowing the MRC to invest more heavily in economic development projects in the District. However, in the short-term, the District's annual revenues are forecast to barely exceed the District's long-term outstanding financial obligations. Thus, any significant investment in new projects in the short-term will require borrowing to accelerate funding for the District.
- **The District should not borrow without certainty that investments will stimulate higher TIF**. While borrowing is necessary to invest in projects in the short-term, such borrowing should only occur if the MRC is certain that the projects they are investing in will lead to new taxable development, increasing long-term TIF revenue. That is because borrowing comes at the expense of increased long-term debt service payments, and given the slim margin between the District's annual revenues and expenditures, increasing long-term debt service obligations should only be done, if the MRC is confident they will be able to afford those payments in future years, based on increased TIF revenues.
- **Even with borrowing, funds are limited to about $125,000 per year**. Exhibit 13 shows our most aggressive cash flow scenario for the next five-years. This scenario assumes borrowing is used to invest in new taxable development projects in each of the next three years. Even in this scenario, the total amount of funding available to the District for new projects from FYE 2017 to FYE 2020, is approximately $500,000. This is equivalent to annual expenditures of $125,000 per year. Compare that to estimated expenditures for the current fiscal year. In FYE 2016, the District is estimated to spend $250,000 on projects other than long-term outstanding financial obligations. This recent historical level of spending is unsustainable, and the MRC should have more modest expectations for the number and cost of projects they will be able to invest in, in the near future.
- **The long-term forecast is better, with increasing revenue after FYE 2020**. The cash flow tables shown in this report only extend through FYE 2020. However, after 2020 the financial situation of the District is anticipated to improve. By FYE 2020, we forecast that the District will have recovered from the current recession in property values, and be on a long-term gradual upward trend in property values. This will allow for higher annual TIF revenue collection. Additionally, if new development occurs in the District over the next several years, it should officially be recognized on the tax roll by FYE 2020, further increasing annual TIF revenues. Although the MRC should exercise caution when investing in projects in the short-term (FYE 2017 through FYE 2020), we anticipate that this is a temporary challenge, and that long-term (after FYE 2020) the District will have sufficient TIF revenues to accommodate more significant investment from the MRC.