

ORDINANCE NO. 98-10AN ORDINANCE APPROVING AN AMENDMENT TO THE KLAMATH FALLS URBAN
RENEWAL PLAN AND TO THE REPORT

THE CITY OF KLAMATH FALLS ORDAINS AS FOLLOWS:

Section 1

By enactment of this Ordinance, the Council of the City of Klamath Falls approves the attached Renewal Plan - Third Amendment and the Report on the Third Amendment to the Plan pursuant to ORS 457.095 and ORS 457.190.

Section 2

In support of its adoption of the Third Amendment to the Downtown Klamath Falls Urban Renewal Plan, the following findings of fact are adopted:

- 98 JUL -6 P2:25
- A. The Klamath Falls Urban Renewal Plan ("Plan") and Report on the Plan ("Report") were duly adopted and approved in November of 1989. The Klamath Falls Urban Renewal Agency ("Agency") proposes an amendment to the Plan ("Third Amendment") and to the Report at this time to add language which makes the Plan consistent with the provisions of Measure 50 as it applies to Urban Renewal Tax Increment Financing, and which permits the use of Tax Increment Financing utilizing the provisions of Measure 50 and enabling legislation for the Plan.
 - B. The Third Amendment must be made to the Plan and Report in order to best continue correcting blighting influences in the Urban Renewal Area and provide for orderly and efficient development.
 - C. The Third Amendment to the Plan and Report conforms to the adopted Comprehensive Plan of the City of Klamath Falls.
 - D. The Third Amendment does not remove or restrict existing provisions contained in the Plan to house or relocate displaced persons or businesses as a result of Plan implementation.
 - E. The acquisition of real property in order to implement projects is not changed by the Third Amendment.
 - F. Adoption of the Third Amendment is necessary to carry out the Plan and is economically sound and feasible.
 - G. The City of Klamath Falls shall assume and complete activities prescribed to it by the Plan.
 - H. The Third Amendment to the Plan and Report was forwarded to the Klamath Fall City Planning Commission for review prior to being considered by the Council.
 - I. Affected overlapping taxing districts were consulted and conferred with prior to this Third Amendment being forwarded to the Council.
 - J. Legislation implementing changes to the Oregon Constitution adopted by voters May 20, 1997 (Measure 50) amended ORS Chapter 457. These changes allow a municipality, which had adopted an urban renewal plan by ordinance prior to December 6, 1996 to collect ad valorem property taxes using one of three options to pay indebtedness issued or incurred to carry out the plan.
 - K. In order for the City to collect ad valorem taxes using one of the three options for Collection described in ORS 457.435(2), the plan must be changed by substantial amendment to include a maximum amount of indebtedness that may be issued or incurred under the Plan as determined under ORS 457.190(3)(c)(B).

- L. The City Council, acting as the Agency, has reviewed the records relating to the scope and cost of projects provided for in the Plan and scheduled for completion as of December 5, 1996. The description of the review is included in the Report on the Third Amendment to the Plan and is hereby incorporated into this Ordinance as additional findings.
- M. The description of the review of the scope and cost of the projects constitutes a good faith estimate of the scope and costs of projects anticipated as of December 5, 1996.
- N. The City Council, acting as the Agency, has estimated the maximum amount of indebtedness to be incurred needed to complete the project. "Maximum Indebtedness" means the amount of the principal indebtedness included in the Plan pursuant to ORS 457.190 and does not include indebtedness incurred to refund or refinance existing indebtedness. ORS 457.090(3)(c)(B) provides the maximum amount of indebtedness that may be issued or incurred under plan shall be based upon good faith estimates of the scope and costs of projects, including, but not limited to increases in costs due to reasonably anticipated inflation, in the existing urban renewal plan and the schedule for their completion dates were anticipated as of December 5, 1996.
- O. The City has met with the Klamath County Board of Commissioners as the affected municipality to review the proposed maximum amount of indebtedness for the Plan.

The Council has considered all information presented and all matters discussed at the meetings described above, the action of affected municipalities, if any, and any other testimony provided to the record, and finds that based on a good faith estimate of the scope and costs of projects, including, but not limited to increases in costs due to reasonably anticipated inflation in the Plan and the schedule of their completion as the completion dates were anticipated as of December 5, 1996, the maximum amount of indebtedness that may be issued or incurred under the Plan is \$8.4 million.

The Council hereby selects Option One under ORS 457.435(2)(a) as its method for collecting ad valorem taxes sufficient to pay indebtedness issued or incurred to carry out the Plan.

Section 3

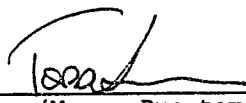
To minimize potential financial impact on other taxing districts within the City, the Council agrees that the annual percentage growth in the tax increment revenues realized by the City (which includes those revenues realized by special levy) shall be limited to the annual percentage growth in the assessed value within the district.

Section 4

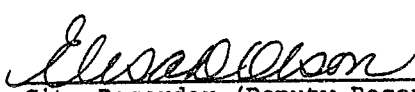
This Third Amendment to the Plan attached as Exhibit A and included herein is hereby and approved. The Report on the Third Amendment to the Plan attached as Exhibit B and included herein is hereby adopted and approved.

Passed by the Council of the City of Klamath Falls, Oregon, the 25th day of June, 1998.

Presented to the Mayor (~~Mayor Pro-tem~~), approved and signed this 27th day of June, 1998.


Mayor (~~Mayor Pro-tem~~)

ATTEST:


City Recorder (~~Deputy Recorder~~)

STATE OF OREGON
COUNTY OF KLAMATH
CITY OF KLAMATH FALLS } ss

I, Shirley Kappas, ~~Recorder~~ (Deputy Recorder) for the City of Klamath Falls, Oregon, do hereby certify that the foregoing is a true and correct copy of an Ordinance duly adopted by the Council of the City of Klamath Falls, Oregon, at the meeting held on the 25th day of June, 1998, and thereafter approved and signed by the Mayor (~~Mayor Pro Tem~~) and attested by the City Recorder (~~Deputy Recorder~~).

Shirley Kappas
~~City Recorder~~ (Deputy Recorder)

EXHIBIT A

THIRD AMENDMENT TO THE KLAMATH FALLS URBAN RENEWAL PLAN

Background

This Third Amendment to the Urban Renewal Plan for the City of Klamath Falls is undertaken pursuant to ORS 457.190(3)(c)(A), which provides:

"Each existing urban renewal plan that provides for a division of taxes pursuant to ORS 457.420 to 457.460 may be changed by substantial amendment no later than July 1, 1998, to include a maximum amount of indebtedness that may be issued or incurred under the plan determined as described in subparagraph (B) of this paragraph. The additional notices required under ORS 457.120 are not required for an amendment adopted pursuant to this paragraph."

Pursuant to ORS 457.190(3)(c)(A), the Third Amendment to the Klamath Falls Urban Renewal Agency Renewal Plan for the Downtown District therefore adds the following new section to the Urban Renewal Plan:

Section X - Establishment of Maximum Debt

The maximum amount of indebtedness that may be issued or incurred under this Urban Renewal Plan is \$8,407,771.

REPORT ON THE THIRD AMENDMENT TO THE KLAMATH FALLS URBAN RENEWAL PLAN

Background

The Third Amendment to the Klamath Falls Urban Renewal Plan is carried out pursuant to the requirements of ORS 457.190(3)(c)(A), which requires that this Urban Renewal Plan be amended to include a maximum amount of indebtedness that may be issued or incurred under the plan. Calculating and inserting this maximum amount of indebtedness requires changes to information in the Report on the 1987 Plan.

The Report on the Third Amendment to the Urban Renewal Plan therefore makes the following changes and additions to the Report on the Plan: New text is shown in *italics*

Section V - Estimated Project/Program Cost and Revenue Sources

Section V of the Report on the Plan is hereby revised to read:

ORS 457.190(3)(c)(B) states that the maximum amount of indebtedness that may be issued or incurred under the plan, as determined for the purposes of meeting the requirements of this paragraph, shall be based upon good faith estimates of the scope and costs of projects, included, but not limited to increases in the costs due to reasonably anticipated inflation.

A. Update of Project/Program Costs to 1998 values

Project costs have been updated from the November 1996 adoption date to March 1998. Costs were updated using the construction cost index from the Engineering News Record.

The November 1996 construction cost index was 5740, and the March 1998 index was 5874. The 134 points difference in the index constitutes a 2 % growth in costs during the 1996-1998 period. The 1996 plan costs therefore were increased 2 % to account for inflation of construction costs.

Table 1 of the Report on the Plan is amended to update the 1996 costs to 1998 values. Table 1 is shown below:

TABLE 1 CITY OF KLAMATH FALLS - DOWNTOWN DISTRICT PROJECT COSTS UPDATED TO 1998 VALUES		
<i>Total Project Costs</i>	<i>1996</i>	<i>1998</i>
Streetscape	\$5,340,000	\$5,464,662
Historic Sign Program	\$106,000	\$108,475
Alley Improvements	\$454,000	\$464,599
Public Parking Improvements	\$500,000	\$511,672
Gateway SW	\$284,000	\$290,630
Plan Administration - Annual		\$30,000

Section VI - Anticipated Project/Program Completion Dates

Section VI of the Report on the Plan is hereby revised to read:

The costs shown in Table 1 of this Third Amendment are 1998 costs. Anticipated annual tax increment revenues, and anticipated revenues from other sources will not be sufficient to carry out all project activities in 1998. Project activities instead will be undertaken as revenues become available, either through short or longer term borrowings. The need to phase project activities will lead to further inflation of project costs. Recent construction cost increases shown in the Engineering News Record are in the 2.5% range. The 1998 costs from Table 1 are therefore further increased by 2.5% annually, until revenues and borrowings are sufficient to cover all project activity costs.

A new Table 2 below shows the estimated total principal cost to complete all remaining activities in the Urban Renewal Plan, and to cover the outstanding principal balance on an Agency debt which was outstanding as of December 6, 1996.

TABLE 2			
CITY OF KLAMATH FALLS - DOWNTOWN DISTRICT			
COST OF PROJECTS AND ANTICIPATED COMPLETION			
	Beginning		Ending
Year	cost	Outlay	Balance
1998	\$6,870,038	\$612,570	\$6,257,467
1999	\$6,445,191	\$573,262	\$5,871,929
2000	\$6,048,087	\$664,734	\$5,383,353
2001	\$5,544,854	\$733,033	\$4,811,821
2002	\$4,956,176	\$803,210	\$4,152,966
2003	\$4,277,555	\$875,317	\$3,402,238
2004	\$3,504,305	\$949,407	\$2,554,898
2005	\$2,631,545	\$1,025,535	\$1,606,010
2006	\$1,654,190	\$1,103,756	\$550,434
2007	\$566,947	\$566,947	\$0
Total capital cost of projects		\$7,907,771	
Add to capital costs:			
Costs of bond issuance		\$100,000	
Debt Service Reserve		\$400,000	
Total cost of project activities		\$8,407,771	

Notes on Table 2**(a) Outlays on Project activities**

Annual outlays on project activities are based upon anticipated annual tax increment revenues over the life of the project, interest earnings, proceeds from borrowings, and other resources available to the Agency. Anticipated annual tax increment revenues are shown in Table 4, in Section VII of this Report.

(b) Costs of debt and principal on existing debt

Klamath Falls Downtown Urban Renewal Area currently has outstanding \$150,000 in indebtedness for project activities. This indebtedness is programmed to be retired by the year 2000-2001.

It is anticipated that the Renewal Agency also may issue a long term bond or other form of borrowing to carry out project activities. The size and timing of that borrowing is not yet established. It is assumed borrowing will be for a ten year term, and will require a 1.5 to 1 debt service coverage ratio. A debt service reserve of 10%, and 1.5 % cost of issue are expected to be funded from bond proceeds.

(c) Cash on hand

It is assumed that cash on hand as of July 1, 1998 will be \$200,000. This cash will be applied to carry out project activities shown in Table 1.

(d) Other resources

No additional resources are anticipated to be available for carrying out project activities.

Section VII - Estimated Tax Increment Requirements and Year of Debt Retirement

Section VII of the Report on the Plan is hereby revised to read:

Table 2 anticipates that revenues will be sufficient to carry out all project activities by the year 2007. It is possible that debt service on debt issued during this period will extend beyond that year. When all debt service has been retired, the tax increment collections for this plan are expected to be terminated.

These dates depend on many assumptions regarding the level and timing of increases in values in values within the urban renewal area, and upon the assumption that there will be no adverse changes to Oregon's property tax system, or urban renewal statutes. If these assumptions prove incorrect, the anticipated dates for completion will change.

Table 3 of the original Report on the Plan will be deleted and will be replaced by this new Table 4. Table 4 is shown on the following page.

TABLE 4		
CITY OF KLAMATH FALLS - DOWNTOWN AREA		
PROJECTED TAX INCREMENT REVENUES		
Year	% Growth in Incremental	Maximum Tax Increment Amt
1998-99	13.379%	\$523,108
1999-00	12.124%	\$586,532
2000-01	11.111%	\$651,700
2001-02	10.275%	\$718,659
2002-03	9.574%	\$787,461
2003-04	8.977%	\$858,154
2004-05	8.464%	\$930,791
2005-06	8.018%	\$1,005,426
2006-07	7.627%	\$1,082,114
2007-08	7.282%	\$1,160,910
2008-09	6.974%	\$1,241,873
2009-10	6.699%	\$1,325,063
2010-11	6.451%	\$1,410,540
2011-12	6.227%	\$1,498,368
2012-13	6.023%	\$1,588,611

The tax increment revenues shown in Table 4 are based on the following assumptions:

1. *It is assumed that Option One will be selected as the tax increment revenue certification method.*
2. *It is assumed that the renewal agency will certify only the division of tax, plus a levy amount equal to the 1997-98 levy for the next two years; and thereafter certify up to the maximum tax increment amount in each remaining year of the projection period.*
3. *It is assumed that total assessed value within urban renewal area number one will increase 3 % annually in each year of the projection period.*
4. *In addition, it is assumed that new construction will add \$1,000,000 of value during each year of the projection period.*
5. *These revenue projections are consistent with Ballot Measure 50 provisions on value increases, and produce annual growth and renewal values consistent with growth patterns in the recent past for the Klamath Falls Urban Renewal Area.*

The Third Amendment to the Urban Renewal Plan revises Section VIII to read as follows:

Section VIII - Financial Feasibility Analysis

Tables I and 2 in Section V of the Report on the Third Amendment to the Plan show the anticipated costs of project activities, and the estimated time required to carry out all project activities, and pay off indebtedness. The principal source of revenue to carry out project activities will be annual tax increment revenues of the Renewal Agency. Anticipated tax increment revenues are shown in a new Table 4 of Section VII.

The revenues shown in Table 4 are expected to be sufficient to carry out all project activities currently shown in the Urban Renewal Plan for the Downtown Area, and to retire project indebtedness within a reasonable period of time. It is financially feasible to carry out the Urban Renewal Plan for the Klamath Falls Downtown Renewal Area.

Section IX - Tax Impacts

The following text is added to Section IX of the Report on the Urban Renewal Plan for the Klamath Falls Urban Renewal Area:

Appendix B of the Second Amendment to the Report on the Urban Renewal Plan addresses increases in property tax rates which result from carrying out the urban renewal program. The permanent Ballot Measure 50 tax rates for overlapping taxing bodies have been increased as a result of being calculated without including the 1997-98 level of incremental values in the Klamath Falls Urban Renewal Area.

Under Ballot Measure 50, the choice of tax increment revenue certification method can impact the potential property tax revenues received by overlapping taxing bodies. A Table 5 hereby is added to Section IX of the Report on the Third Amendment to the Urban Renewal Plan.

Table 5 shows the anticipated cumulative incremental values in the Renewal Area over the life of the Plan, and the anticipated property tax revenues foregone as a result of taxing bodies not being able to apply their permanent BM50 tax rates to those values. The dollars foregone in each year also are shown as a percentage of the total potential property tax revenue for that taxing body. The percentage represents how much total property tax revenues for that body would increase if it had access to the renewal area values.

Table 5 is shown on the following page.

KLAMATH FALLS DOWNTOWN RENEWAL DISTRICT
REPORT ON 3RD AMENDMENT TO THE PLAN
TABLE 5 - POTENTIAL REVENUE FOREGONE BY TAX BODIES

Year	Cumulative New Incremental Values in area	County taxes foregone on new values	Am't foregone as % of Total County Tax	City taxes foregone on new values	Am't foregone as % of Total City Tax	Vector taxes foregone on new values	Am't foregone as % of Total Vector Tax	Fire Dis tax foregone on new values	Am't foregone as % of Total Rd Dist Tax	4H tax foregone on new values	Am't foregone as % of Total 4H Tax	TransDist tax foregone on new values	Am't foregone as % of Total Trans Tax
1998-99	\$2,699,669	\$4,555	0.06%	\$14,723	0.46%	\$472	0.16%	\$7,774	0.19%	\$822	0.10%	\$1,253	0.20%
1999-00	\$5,453,264	\$9,236	0.12%	\$29,852	0.69%	\$958	0.32%	\$15,762	0.38%	\$822	0.19%	\$2,541	0.39%
2000-01	\$8,292,909	\$14,045	0.17%	\$45,396	1.30%	\$1,456	0.46%	\$23,970	0.55%	\$1,250	0.28%	\$3,864	0.55%
2001-02	\$11,210,623	\$18,986	0.23%	\$61,368	1.69%	\$1,969	0.60%	\$32,403	0.72%	\$1,689	0.37%	\$5,223	0.73%
2002-03	\$14,208,575	\$24,064	0.28%	\$77,779	2.04%	\$2,495	0.73%	\$41,068	0.87%	\$2,141	0.45%	\$6,620	0.88%
2003-04	\$17,288,970	\$29,281	0.32%	\$94,642	2.39%	\$3,036	0.86%	\$49,972	1.02%	\$2,605	0.52%	\$8,065	1.03%
2004-05	\$20,454,076	\$34,941	0.37%	\$111,968	2.70%	\$3,592	0.97%	\$59,120	1.15%	\$3,082	0.59%	\$9,530	1.17%
2005-06	\$23,706,223	\$40,149	0.41%	\$129,770	2.99%	\$4,163	1.08%	\$69,520	1.29%	\$3,573	0.66%	\$11,045	1.31%
2006-07	\$27,047,803	\$45,898	0.45%	\$148,062	3.28%	\$4,750	1.19%	\$79,179	1.41%	\$4,076	0.72%	\$12,502	1.43%
2007-08	\$30,481,277	\$51,623	0.49%	\$166,898	3.54%	\$5,353	1.28%	\$88,103	1.52%	\$4,594	0.78%	\$14,201	1.57%
2008-09	\$34,009,172	\$57,598	0.52%	\$186,170	3.79%	\$5,972	1.38%	\$98,300	1.63%	\$5,125	0.84%	\$15,845	1.69%
2009-10	\$37,634,083	\$63,737	0.55%	\$206,013	4.02%	\$6,569	1.46%	\$108,778	1.74%	\$5,671	0.89%	\$17,534	1.76%
2010-11	\$41,358,680	\$70,045	0.59%	\$226,402	4.21%	\$7,263	1.54%	\$119,543	1.83%	\$6,233	0.94%	\$19,269	1.86%
2011-12	\$45,185,703	\$76,527	0.62%	\$247,351	4.44%	\$7,935	1.62%	\$130,605	1.92%	\$6,809	0.99%	\$21,052	1.85%
2012-13	\$49,117,969	\$83,186	0.64%	\$268,877	4.64%	\$8,626	1.69%	\$141,971	2.01%	\$7,402	1.04%	\$22,804	2.04%

NOTE: THERE ALSO IS A LOCAL OPTION LIBRARY LEVY IN KLAMATH FALLS

BUT RENEWAL VALUES WILL IMPACT THE TAX RATE, NOT REVENUE. SEE DISCUSSION OF COMPRESSION IMPACTS ALSO.

Impacts - Compression

The Klamath Falls Urban Renewal Agency requested a special levy of \$189,798 for 1997-98. The tax rate for the special levy for the Klamath Falls Urban Renewal Agency was 31 cents per thousand of valuation. The combined General Government tax rates within Klamath Falls were affected by this levy. The affected tax codes within Klamath Falls had general government tax rates of \$11.57 or \$11.79 for 1997-98. These tax codes therefore would be subject to compression of revenues under Ballot Measure 5. The levy for the Klamath Falls Urban Renewal Agency would be a contributing factor in those compression losses. However, exact information on the allocation of compression losses is not available from the Assessor at the time this report is written. To put the impact of the renewal levy into perspective, the 31 cents for the Agency represents 2.68% of the \$11.57 rate, and 2.63% of the \$11.79 rate. Removing the urban renewal levy therefore would reduce the compression problem, but would not come close to eliminating it. To view the compression problem another way, The Assessor's publication, "Klamath County Taxes 1997-98" states that there was \$1,304,501 of general government revenue lost to compression in 1997-98. Removing the entire \$189,798 urban renewal levy from the picture still would leave more than \$1.1 million in general government revenue to be compressed. Local option levies, such as the Library levy, would absorb the first share of any compression losses. Again, even if there had been no renewal levy at all in 1997-98, there would have been substantial compression of the library levy within Klamath Falls tax codes. It is the working of Measure 5, and the 1997 Legislature's decision to require local option levies to absorb the first compression losses that causes this unfortunate impact on local option levies.

Future voter-approved levies, or urban renewal levies may affect compression of general government revenues in the future. Maximum renewal revenues are expected to grow only gradually during the life of the plan. In any event, the Urban Renewal Agency is not obliged to take the maximum revenue to which it is entitled. Decisions on whether to employ a special levy, and the amount of the special levy, will be made each year, in the City and Urban Renewal Agency budget process.

Effect on Bond Rates

The presence of the Klamath Falls Renewal Area impacts the tax rate for general obligation bonds issued by overlapping taxing bodies. Klamath County had a general obligation bond rate of \$0.6446 for the Courthouse bond during 1997-98. If renewal agency incremental values were available for calculating that bond rate, the result would have been a one-half cent decrease in the County wide bond rate. It is assumed that the proportion of total taxable values represented by the Renewal Area incremental values would remain relatively stable throughout the life of the Klamath Falls Renewal Plan, and so would bond impacts.

Klamath Falls Urban Renewal Plan - 3rd Amendment Page 9

STATE OF OREGON: COUNTY OF KLAMATH : ss.

Filed for record at request of City of Klamath Falls the 6th day
of July A.D., 19 98 at 2:25 o'clock P. M., and duly recorded in Vol. M98,
of Deeds on Page 23717.

FEE \$65.00

By Bernetha G. Letsch, County Clerk
Kathleen Rose