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2015-16 Annual Report & Financial Statement

Letter from City Manager Erin Reynolds

I am excited to present the annual report of Florence Urban Renewal Agency (FURA) for the fiscal year ended June 30, 2016, and its budgeted activities for the year ending June 30, 2017.

Property values have stabilized within the District, property tax collections have increased, FURA refinanced its existing debt, leveraging the use of the City's full faith and credit, and FURA once again has capacity to make public investments within the urban renewal district.

In the fiscal year ended 2016, FURA had strategic discussions with the City Council regarding its debt obligations and alternatives, and collaborated with the City regarding economic development strategies and public investment priorities. The City Council agreed to use the City's full faith and credit to back FURA debt.

In August 2015, the City and FURA entered into an Intergovernmental Agreement for the City to loan \$3.7 million to FURA from City issued debt. The interest rate on the new debt is 3.25%, compared to 6.0% for the previous debt, which provided FURA \$2.1 million of additional debt capacity for projects. In December 2015, FURA used debt proceeds and existing resources to pay off a \$1.665 million loan obligation and a \$210,000 funding commitment to the Siuslaw Library.

During the budgeting process for fiscal year 2016-17, the FURA board established the following capital outlay budget:

<i>ReVision Florence</i>	<i>\$ 600,000</i>
<i>Development Projects</i>	<i>500,000</i>
<i>Public Artwork</i>	<i>125,000</i>
<i>2nd Street Sidewalk</i>	<i>75,000</i>
Project Budget	\$1,300,000

The following highlights the ongoing activities from fiscal

year 2015-16 of FURA and what is happening during fiscal year 2016-17.

ReVision Florence

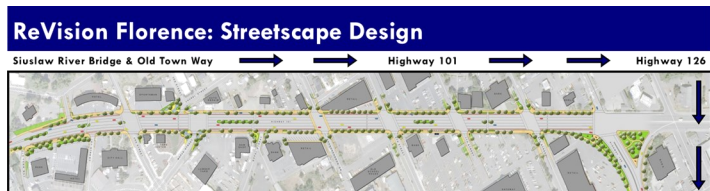
In August 2015, Murray Smith and Associates (MSA) was hired by FURA to develop concept designs for street and sidewalk improvements on Highways 101 and 126 within the District. MSA has collaborated with the Oregon Department of Transportation (ODOT), City staff, and City and FURA officials to inform its design concepts. MSA presented design concepts in a public open house in February 2016 and the final concept report was presented to the FURA Board in March 2016.

The FURA Board included the streetscape project, now

known as ReVision Florence, in the fiscal year 2016-17 budget. In June 2016, the FURA Board entered into a contract with MSA to continue the design work on ReVision Florence and to work closely with ODOT as they plan for the Highway 101 pavement preservation project. The first milestone in the design and engineering process was the 30% Design Acceptance Package (DAP) to be submitted to ODOT for review. The next steps for ReVision Florence as we proceed is to negotiate the scope of work and fee with MSA to design the project through final design.

In addition to design, the funding package for ReVision Florence needs to be further developed and finalized. In Fall

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FURA Board of Directors

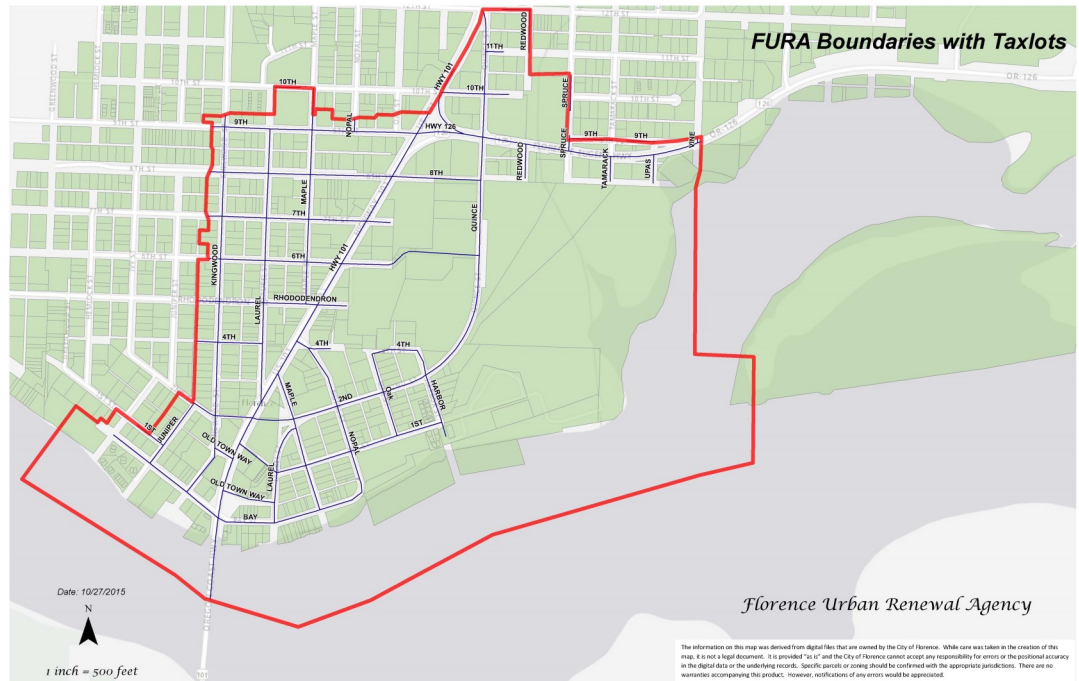
FURA is overseen by a nine-member board of directors; three positions from the City of Florence, one from each of the overlapping taxing jurisdictions, excluding the School District and ESD, and one at-large position. The term of office for members of the Board of Directors, with the exception of the Mayor, is three years with the term expiration on January 31st.

<u>Member</u>	<u>Term Expires</u>	<u>Member</u>	<u>Term Expires</u>	<u>Member</u>	<u>Term Expires</u>
Joshua Greene Councilor, Chair	2016	Ron Preisler Councilor	2016	Patricia Riley Siuslaw Public Library	2016
John Scott SVFR, Vice-Chair	2016	Dave Braley Community Member	2015	Mike Webb Western Lane Ambulance	2015
Joe Henry Mayor	2016	Ron Caputo Port of Siuslaw	2016	Woody Woodbury Lane County Representative	2016

What is FURA?

Florence voters approved the formation of the Florence Downtown Preservation and Renewal Plan in 2007, which created the Florence Urban Renewal Agency (FURA) district (boundary shown to the right). FURA uses property tax increment financing, repaid with dedicated property taxes, to fund projects within the Urban Renew District to facilitate both development and redevelopment.

Urban Renewal focuses on projects such as construction and repair of public infrastructure — including parks, streets, and other public facilities; facilitation of public-private partnerships for revitalization and preservation of downtown properties; rehabilitation of the waterfront for public and commercial uses; and promotion of mixed-use development.



FURA's nine-member board, consisting of the Mayor, two City Councilors, and members appointed by the overlapping taxing jurisdictions within Florence, authorized \$3.7

million of borrowing from the City in fiscal year 2015-16. Of that amount, \$1.6 million was borrowed to refinance existing urban renewal debt with more favorable terms. The \$2.1

million balance of borrowing is budgeted in fiscal year 2016-17 to fund planned projects.

Letter from City Manager Erin Reynolds Continued

2015, City staff presented a \$750,000 funding request to Lane Area Commission on Transportation (Lane ACT) for the project that included a \$250,000 FURA match. The project has progressed through the SuperAct as a funded project totaling \$1,000,000. The remaining funding identified for ReVision Florence includes reimbursements from ODOT and FURA funds. Additional funding opportunities from Lane County and the State are being reviewed.

Public Artwork

The FURA Board has continued their partnership with the City's Public Art Committee to implement significant

investments in public art as part of their strategy to encourage public and private investment in the District. The Public Art Committee, which has developed a Public Art Policy over the past year is currently revising the City's mural code, and is in the process of implementing several public art projects.

Those projects include a mural at the intersection of Highways 101 and 126 through a partnership with Central Lincoln PUD; creating a tiled art piece on the Siuslaw Bridge staircase in Old Town; soliciting donations of art pieces for public display; beautification of trash receptacles and transit

stops; and the Committee's outdoor gallery rental program called Art Exposed that will create a public art gallery throughout Florence. Several of these public art displays will be incorporated into the ReVision Florence design.

Other Initiatives

Gateways, Signage & Sidewalks – FURA and the Downtown Revitalization Team (DRT) have continued their efforts to collaborate on items to beautify Old Town and the rest of the Urban Renewal District. The hanging flower basket and banners have continued and have picked up momentum with local businesses, citizens and visitors.

Additionally, ReVision Florence will bring some of these features to the highway corridor and will include gateway elements. FURA has also budgeted funds to improve sidewalks and pedestrian amenities in the District.

Development – The FURA Board continues to budget funding for potential development partnerships within the District. The FURA Economic Analysis and Strategy outlined catalyst sites as well as potential incentive programs for the Board to consider.

I encourage you to participate in future open houses and meetings concerning these

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Financial Summary

FURA received \$327,875 in property taxes in fiscal year 2016, an increase of \$15,433 (4.9%) over the prior year. Debt service totaled \$1,936,247 during the year. The Agency refinanced a \$1.665 million obligation at a lower interest

rate (3.25%) compared to the prior rate of 6.0%. Additionally, the Agency paid off an obligation to the Siuslaw Library District of \$210,000. The Agency secured a \$3.7 million financing for the debt refinancing and to fund new

projects, of this amount \$1.574 million was drawn. The balance of funds will be received in fiscal year 2017. Program activities during the year cost \$448,823. These included completion of an economic strategies study, conceptual

design for the ReVision Florence project, bond sale expenses, and reimbursement to the City for administrative and technical support.

In addition to budgeting \$1.725 million in debt proceeds in fiscal

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Schedule of Revenue, Expenditures and Changes in Fund Balance

Actual - Fiscal Year Ended June 30, 2016, and Adopted Budget – Fiscal Year Ending June 30, 2017

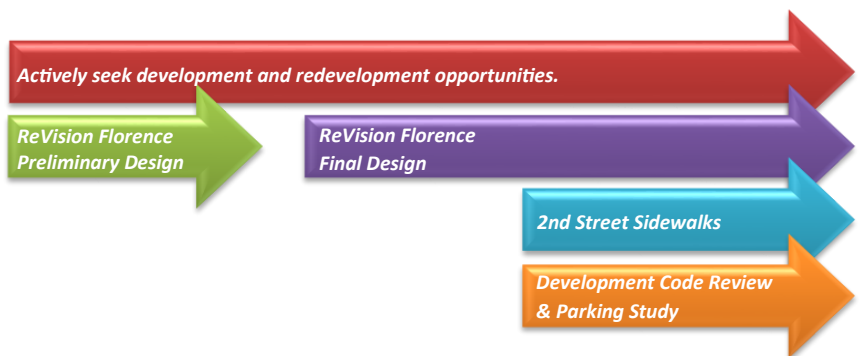
	General Fund		Debt Service Fund		Total	
	Actual 2015-16	Budget 2016-17	Actual 2015-16	Budget 2016-17	Actual 2015-16	Budget 2016-17
Resources						
Property Taxes	\$ -	\$ -	\$ 327,875	\$ 363,600	\$ 327,875	\$ 363,600
Miscellaneous	3,461	1,000	946	1,000	4,407	2,300
Debt Proceeds	110,349	1,725,351	1,464,288	-	1,574,637	1,725,351
Total Resources	113,810	1,726,351	1,793,109	364,600	1,906,919	2,091,851
Expenditures						
Materials & Services	320,254	249,300	22,517	-	342,771	249,300
Capital Outlay	128,569	1,300,000	-	-	128,569	1,300,000
Debt Service	-	-	1,936,247	127,800	1,936,247	127,800
Transfers	-	-	-	-	-	-
Total Expenditures	448,823	1,549,300	1,958,764	127,800	2,407,587	1,677,100
Resources Over (Under) Expenditures	(335,013)	177,051	(165,655)	236,800	(500,688)	413,851
Other Requirements						
Contingency	-	352,170	-	272,149	-	624,319
Total Other Requirements	-	352,170	-	272,149	-	624,319
Net Change in Fund Balance	(335,013)	(175,119)	(165,655)	(35,349)	(500,688)	(210,468)
Beginning Fund Balance	262,770	175,119	253,549	35,349	516,319	210,468
Ending Fund Balance	\$ (72,243)	\$ -	\$ 87,894	\$ -	\$ 15,651	\$ -

FURA Work Plan

The Urban Renewal Agency has been working to develop project priorities over the past two years. The FY 2016-17 Work Plan includes many of those priorities. During FY 2016, the FURA Board has completed an Economic Analysis of the District, including review of the five main catalyst sites that would be ideal for future development opportunities. The FURA Board also completed the Hwy 101 streetscaping conceptual design, which led to ReVision Florence. Other items included in the workplan and their timelines are outlined here.

FURA FY 2016-17 Work Plan Timeline (Quarter Ending)

September 30, 2016	December 31, 2016	March 31, 2017	June 30, 2017
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Florence Urban Renewal Agency

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Letter from City Manager Erin Reynolds Continued

exciting projects. The decisions that the FURA board will make following these public sessions will have a significant impact on our community's appearance and development for decades to come.

Please see FURA's website for additional information or contact us if you have any questions.

Sincerely,



Erin Reynolds, City Manager

Financial Summary Continued

year 2017, FURA budgeted \$363,600 in property taxes, for total resources of \$2.092 million. FURA has budgeted \$1.3 million for capital projects, \$127,800 for debt service, and \$249,300 for administrative support and program related activities such as a parking study and facade grants. A contingency of \$624,319 is budgeted to provide flexibility for timing differences in project costs. Any unspent funds will be carried over to the subsequent year.

The Urban Renewal Concept

Tax increment financing is used in areas that have become physically deteriorated, unsafe, are suffering economic stagnation, or were poorly planned. Public funds are used to help accelerate changes to these conditions. The types of urban renewal activities undertaken generally include land assembly and development of infrastructure and public amenities (i.e., streets, utility lines, lighting, public open spaces, building improvements, and parks). As a result of these publicly funded efforts, private sector investment becomes more feasible.

How Does Tax Increment Financing Work?

Tax increment financing works by identifying an area where property values have stagnated, are declining, or are not rising as rapidly as the rest of the community; drawing a line

around it; planning for major public improvements like roadways, street lighting, parks, and other amenities; and encouraging private investment in the area and selling bonds to finance public improvements. As property values rise and bring an increase in tax revenues, that increase generates property taxes to pay off urban renewal bonds. Years into the future, the area – now vibrant and prosperous – yields significantly more for property tax revenue for the entire city, and overlapping taxing entities, than it would have if not for the urban renewal investment.

Tax Increment Calculations

To determine the amount of the taxes levied, the total assessed value within each urban renewal area is segregated by the County Assessor into two parts: (a) the total taxable assessed value in the district at the time the

Urban Renewal Plan was adopted (the base or “frozen” value), and (b) the difference between the frozen base value and the current total assessed value (the incremental value or “excess”).

Revenues derived from the application of the tax rate for each affected taxing district to the amount of the incremental value may be collected by the urban renewal agency and deposited in its debt service fund. This revenue is used to repay indebtedness incurred in carrying out the projects. The following schedule shows the amount of property taxes and the percentage of its total levy from each taxing entity that was redirected to FURA in fiscal year 2014-15. Note that school district and ESD funding are established by the State and therefore the school district does not realize a reduction in overall funding.

Schedule of Incremental Property Taxes and Percentage of Taxes Redirected to FURA

Fiscal Year Ended June 30, 2016

Taxing Entity	Increment Amount	Percent of Taxing Entities Levy
City of Florence	\$ 94,360	3.44%
Lane Community College	19,233	0.07%
Lane County	39,730	0.08%
Lane ESD	6,863	0.10%
Port of Siuslaw	4,515	1.46%
Siuslaw Public Library District	15,982	1.68%
Siuslaw School District 97J	149,079	1.53%
Siuslaw Valley Fire & Rescue	35,318	1.87%
Western Lane Ambulance District	9,933	0.67%
Total	\$ 375,013	