



CITY OF OREGON CITY URBAN RENEWAL COMMISSION - REVISED AGENDA

**Commission Chambers, Libke Public Safety Facility, 1234 Linn Ave, Oregon City
Wednesday, January 15, 2025 at 6:00 PM**

Ways to participate in this public meeting:

- *Attend in person, location listed above. Please see the public comment guidelines below.*
- *Attend the livestream of the meeting on the City's YouTube Channel:*

<https://www.youtube.com/user/CityofOregonCity>

- *Register to provide electronic testimony (email recorderteam@orc.org or call 503-496-1509 by 3:00 PM on the day of the meeting to register)*

- *Email recorderteam@orc.org (deadline to submit written testimony via email is 3:00 PM on the day of the meeting)*

- *Mail to City of Oregon City, Attn: City Recorder, P.O. Box 3040, Oregon City, OR 97045*

1. CALL TO ORDER AND ROLL CALL

2. PUBLIC COMMENTS

3. DISCUSSION ITEMS

- Election of Chair and Vice Chair
- Adaptive Re-use Building Rehabilitation Program 2.0
- Financial Report for the Fiscal Year Ended June 30, 2024

4. COMMUNICATIONS

5. ADJOURNMENT

PUBLIC COMMENT GUIDELINES

Complete a Comment Card prior to the meeting and submit it to the clerk. When the Chair calls your name, proceed to the speaker table, and state your name and city of residence. Each speaker is given 3 minutes to speak. As a general practice, the committee does not engage in discussion with those making comments. Complaints shall be addressed at the department level prior to addressing the committee.

ADA NOTICE

The location is ADA accessible. Hearing devices may be requested from the City Recorder prior to the meeting. Individuals requiring other assistance must make their request known 48 hours preceding the meeting by contacting the City Recorder's Office at 503-657-0891.

Agenda Posted at City Hall, Pioneer Community Center, Library, City Website.

Video Streaming & Broadcasts: The meeting is streamed live on the [Oregon City's website](#) and available on demand following the meeting. The meeting can be viewed on Willamette Falls Television channel 28 for Oregon City area residents as a rebroadcast. Please contact WFMC at 503-650-0275 for a programming schedule.



CITY OF OREGON CITY

625 Center Street
Oregon City, OR 97045
503-657-0891

Staff Report

To: Urban Renewal Commission **Agenda Date:** January 15, 2025
From: James Graham, Economic Development Manager

SUBJECT:

Item 3.b. - Adaptive Re-use Building Rehabilitation Program 2.0

STAFF RECOMMENDATION:

Review and accept staff's latest revised version of the Adaptive Re-use Building Rehabilitation Program 2.0 from the November 20, 2024, City Commission Meeting.

EXECUTIVE SUMMARY:

On August 21, 2024, October 16, 2024, and on November 20, 2024, staff presented various draft revisions of the Adaptive Re-use Rehabilitation Program 2.0. The economic development staff made further revisions to reflect the consensus that ensued.

The source of funding for the program remained a topic of discussion. City Commissioners concurred that the program should be referred to the Urban Renewal Commission because most of the eligible buildings exist within the Urban Renewal District. In addition, the City Commissioners agreed that the funding for the initiative should come from the Urban Renewal Agency.

BACKGROUND:

On August 21, 2024, staff presented a revised draft of the older Adaptive Re-use program calling it Adaptive Re-use Rehabilitation Program 2.0. During much discussion, City Commission members reached a consensus on several topics:

1. Re-affirmed that the program will be limited to the Urban Renewal District.
2. Funding for the program will come from the general fund.
3. 40+ year old buildings would be eligible.
4. Projects that house repair/maintenance and wholesale distribution businesses would not be eligible to receive financial support under the program.
5. Commercial mixed-use projects are preferred, but single-use projects would be accepted provided that the investment creates economic vibrancy, pedestrian activism within the area, and meets at least four of the program's goals.
6. Agreed that the funding would be setup as a loan and would be forgiven if the project follows the development agreement.
7. Agreed that a second position would be permitted provided there exists sufficient collateral.
8. Nonprofits could apply if they owned the building, and agreed to pay property taxes when the structure/building is finished, and a certificate of occupancy has been issued.

9. Applications will be reviewed and funded on a first-come-first-serve basis.
10. The investor would receive 50% of the funding request after the loan review committee has approved the forgivable loan.
11. The remaining 50% of the forgivable loan would be disbursed after it has been declared that the project is in compliance with the development agreement and a certificate of occupancy has been issued.

On October 16, 2024, the City Commission made further revisions to the Adaptive Re-Use Rehabilitation Program 2.0. They included the following:

1. Agreed that a second position against the forgivable loan would be permitted except in instances when SDC financing is part of the project and there exists sufficient collateral.
2. Remove the word “structural” from the program’s definition,
3. With substantiation, allow consideration of project extension requests if delays are necessary due to circumstances beyond the control of the project developer,
4. In determining whether a project developer has fulfilled their obligations under a disposition and development agreement, the City manager will consult with the City Commission as part of the process.
5. More clarity with regard to who and what will be required to provide financial information, project vs developer.
6. Revise the loan terms to reduce the severity of loan terms for noncompliance.
7. In consultation with the Finance Director, it is recommended that up to \$150,000 could be allocated to the program for the remainder of the existing budget year (though June 30, 2025). Additional funding for the program in the 25-27 fiscal year would be determined through the budget process.

On November 20, 2024, the source of funding for the program remained a topic of discussion. City Commissioners concurred that the program should be referred to the Urban Renewal Commission because most of the eligible buildings exist within the Urban Renewal District. Hence, the City Commissioners agreed that the funding for the initiative should come from the Urban Renewal Agency. Nevertheless, the City Commission made additional revisions to the Adaptive Re-Use Rehabilitation Program 2.0. The latest set of revisions include the following:

1. Do not require nonprofits to pay property taxes.
2. Remove the word structural.
3. Projects, instead of “applicants,” receiving funding through this program within the last 12 months are not eligible to apply in the following fiscal year.
4. Applicants who are delinquent in their taxes and permit fee obligations are not eligible to apply.
5. The loan review committee MAY instead of WILL accept a subordinate position on program loans.
6. Include a statement that makes it clear that the loan review committee’s charge is to mitigate risk to the funding organization.

As a result of the discussion on these topics and the consensus that ensued, staff further

revised the Adaptive Re-Use Rehabilitation Program 2.0. Included with this staff report are the following documents:

1. A red-lined version of the most recent changes.
2. A clean copy comprised of the most recent changes.
3. A flow chart depicting the process of the newly proposed initiative.

OPTIONS:

1. Review and accept staff's latest revised version of the Adaptive Re-use Building Rehabilitation Program 2.0 from the November 20, 2024, City Commission Meeting.
2. Do not accept staff's latest revised version of the Adaptive Re-use Building Rehabilitation Program 2.0.
3. Direct staff to offer another version

BUDGET IMPACT:

Amount	\$150,000
Fiscal Year(s):	2023/2025
Funding Source(s):	Urban Renewal Agency

ADAPTIVE REUSE BUILDING REHABILITATION PROGRAM 2.0

APPLICATION PROCESS AND REQUIREMENTS

I. DEFINITION

Adaptive Reuse: To make changes (interior and/or exterior) to reinstitute the use of an existing building for a purpose other than which it was originally built or designed.

Building Rehabilitation: To stabilize, restore and to modernize an existing building. Does not involve conducting maintenance work and/or making repairs on the building.

II. PROGRAM GOALS AND OBJECTIVES

Overall, the Adaptive Reuse Building Rehabilitation Program is designed to encourage significant rehabilitation of existing older buildings that result in improving their value. The program will accomplish the following goals:

- encourage the reuse and/or rehabilitation of the existing older buildings within the urban renewal district,
- contribute to the economic vibrancy and pedestrian activism of the area,
- enhance the safety factor of older buildings,
- increase the assessed value of eligible existing buildings, and
- support projects that actually come to fruition.

Through this initiative, Oregon City will accomplish the aforementioned goals by realizing the following objectives:

- reduce the number of underutilized older buildings within the community,
- broaden and increase the tax base, and
- retain jobs and/or create net new jobs.

III. GENERAL PROGRAM DESCRIPTION

The newly revised Adaptive Reuse Building Rehab Program is a forgivable loan program instead of an outright grant program. The program will provide forgivable loans to for-profit businesses, commercial development investors and nonprofit organizations seeking to rehab existing buildings within the legal boundaries of the Urban Renewal District. If the proposed building rehab project has been completed and has been approved for occupancy, the loan will be converted into a grant.

The initial funding instruments will be set up as a collateralized loan. If the project is not completed within the time frame negotiated or the project cannot be completed, or the project has changed contrary to the development agreement, the initial funding instruments and funding will remain in place as a loan. Amortized loan repayments will commence 60 days after it has been determined that the project is not in compliance with the development agreement.

If program funding is promptly returned by the investor either through refinancing with another lender or the funding is simply returned by other means, the loan will be considered paid in full. Reassignment or flipping of a project is permissible as long as the completed project adheres to the terms of the existing covenants of the development agreement, the proposed new owner of the project has demonstrated financial stability, and the City Commission has approved the proposed new project reassignment.

The City Manager or his/her designee, in consultation with the City Commission will determine the project's funding status (remaining as a loan or converting to a grant).

An extension for project completion may be granted by the City Manager or his/her designee provided it has been determined that the causes that made the request necessary was beyond the control of the project developer.

IV. PROJECT ELIGIBILITY

Eligible projects include existing buildings that are at least 40 years old or more at time of application and are within the legal boundaries of the Urban Renewal District. Projects must be properly zoned for the uses being proposed and can demonstrate the ability to comply with the City's permit entitlement requirements.

Emphasis and priority are placed on rehabilitation projects that meet at least four goals of the program. There is a preference for commercial mixed-use real estate projects, but single use projects will also be considered if they meet at least four of the five program goals. Commercial mixed-use projects include real estate that are a combination of retail, housing, office, restaurant and/or entertainment venue.

This program is designed to provide funds to a limited number of small-scale rehabilitation projects (non-façade). Eligible total project size will range from a minimum of \$300,000 in total eligible project costs up to a total of \$1,000,000 of such costs. Proposals will be reviewed depending on and subject to availability of program funding.

V. ELIGIBLE EXPENSES

The following expenses are eligible under this program (property owner, investor developer may choose which expense(s) to apply for:

- expenses relating to improvements and expansion,
- seismic upgrade and code improvements,
- hard cost facility upgrades such as new HVAC equipment, new sprinkler system infrastructure,
- installation of new electrical system, and other such hard cost upgrades (not repairs),
- system development charges (SDCs),
- other Oregon City permit fees,
- engineering and architectural fees,
- interior demolition,
- exterior renovation, and
- addition and/or expansion of residential units of an existing eligible building, as long as the expenses are consistent with the rehabilitation and adaptive reuse of the building.

VI. INELIGIBLE EXPENSES AND CONDITIONS

The following are ineligible expenses and conditions under this program:

- Property appraisal costs.
- Projects that house repair/maintenance and wholesale distribution businesses would not be eligible to receive financial support under the program.
- Soft project costs including license fees, accounting/bookkeeping fees, insurance costs, taxes, penalty fees, other governmental jurisdiction permit fees and other such expenses.
- Administrative and/or managerial personnel-related costs, utilities, rents, insurance, penalty fees, finance-related costs and other such working capital-related expenses.
- Projects receiving funding through this program within the last 12 months are not eligible to apply in the following fiscal year.
- Applicants that are delinquent in their local, county, state, and/or federal taxes, city utility fees, and permit fee obligations are not eligible to apply.
- Applicants who are not in good standing with local, state, and/or federal agencies' business registration requirements are not eligible to apply.
- Applicants involved in any legal proceedings that may impact on the ownership, financial performance and/or feasibility of the project are ineligible conditions.

VII. GRANT/LOAN TERMS AND CONDITIONS

Initially, funding is provided to eligible recipients as a loan up to 15% of eligible rehab costs or a maximum of up to \$150,000 max. A program-related loan review committee will examine each funding request with the mission to evaluate and mitigate the degree of risk to the funding organization.

The Adaptive Reuse Building Rehab Loan Review Committee may accept a subordinate position, except in the instance when SDC financing takes a first collateral position. Ultimately, the decision to take a subordinate position will be predicated on whether there is sufficient collateral remaining to protect the funding organization's investment.

Eligible recipients may obtain partial funding up to 50% of the approved loan amount with remaining 50% to be disbursed upon an approved certificate of occupancy. If the project does not come to fruition, the dispersed funding will remain a loan, subject to the following terms and conditions:

1. Up to \$150,000 max
2. Loan term up to 4 years
3. Simple interest rate of 20% annually
4. Loan collateralized at 80% Loan-to-Value Ratio
5. Loan may be subordinated to other funding sources, except SDC Financing
6. No penalty for early repayment

VIII. APPLICATION CHECKLIST

1. Complete PROGRAM ELIGIBILITY APPLICATION with the following accompanying documentation
 - a. Submit electronic copy(ies) of the application and supporting documents, except financial related documentation.
 - b. Detailed written description of the scope of the project.
 - c. Documentation of property ownership (including, but not limited to a deed of trust) or copy of lease. Lessees must have written authorization from the property owner
 - d. Documentation on the legal form of the business that owns the project (LLC, Sub-chapter S, Sub-chapter C, LLP, partnership agreement, etc.)
 - e. Copy of current Oregon City Business License
 - f. Photos of existing site and its current use
2. Complete FINANCIAL SUPPORT REQUEST Application
 - a. Financial Review of Project Itself
 - i. Project budget showing ALL sources of funding/amounts and ALL uses of funding/amounts for the project (should include construction expenses, fees, permits, design costs, etc.)
 - ii. Financial pro-forma of the project documenting the net operating income, return on investment and if relevant, cap rate
 - b. Financial Review of Business or Corporate Entity as the Project Developer
 - i. Past two years profit and loss statement of project developer (if applicable)
 - ii. Current profit and loss statement of project developer
 - iii. Projected profit and loss statement by month for 24 months
 - iv. Balance sheets for past and current year of operation
 - v. Other such financial information that may be necessary
 - c. Financial Review of Individual as Project Developer
 - i. Personal Financial Statement
 - ii. Two years Federal Income Tax Filing (current and previous year)
 - iii. Financial pro forma of the project
 - iv. Other such other financial information that may be necessary

IX. APPLICATION PERIOD

1. Applications are reviewed on a first-come, first-served basis. Incomplete and/or inaccurate applications shall lose their place in the queue to complete applications.
2. Once an application is received, expect a minimum of a 30-to-40-day review period.

X. APPLICATION PROCESS: "PROJECT OF INTEREST"

1. PROJECT ELIGIBILITY REVIEW and GRANT/LOAN APPLICATION REVIEW meeting with the Economic Development Manager
2. The City Commission conducts a "project of interest review" whereby the governing body express an interest in seeing the project move forward through the City's permit process

because it meets the goals and objectives of the program. This does not constitute an approval of any funding assistance or approval of any permits.

XI. PERMIT PROCESS

1. Planning Review/Approval Meeting

- a. Contact the Planning Division at ocplanning@orccity.org or (503) 722-3789 for details.
- b. Smaller projects may be eligible for planning approval through the Planning Division's expedited Type I Site Plan and Design Review process. Project types that can be reviewed as a Type I permit are listed in Oregon City Municipal Code [17.62.035.A](#).
- c. If Type II Plan Review (Community Development Director renders the City's decision)
 - i. Pre-application meeting with City Planning Division. Information needed for the meeting, go to link: <https://www.orccity.org/775/Pre-Application-Conference>
 - ii. Go to link: <https://www.orccity.org/DocumentCenter/View/3596/Type-II-Process-PDF?bidId=>
 - iii. Submittal of a Land Use Application: <https://www.orccity.org/DocumentCenter/View/2571/Land-Use-Application-Form-Fillable-PDF>
- d. If Type III Plan Review (The Planning Commission or Historic Review Board shall render City's decision)
 - i. Pre-application meeting with City Planning Division. Information needed for the meeting, go to link: <https://www.orccity.org/775/Pre-Application-Conference> .
 - ii. Go to link: <https://www.orccity.org/DocumentCenter/View/3597/Type-III-Process-PDF?bidId=>
 - iii. Submittal of a Land Use Application: <https://www.orccity.org/DocumentCenter/View/2571/Land-Use-Application-Form-Fillable-PDF>
- e. If Type IV Plan Review, include only quasi-judicial plan amendments and zone changes (The Planning Commission and City Commission shall render a decision)
 - i. Pre-application meeting with City Planning Division. Information needed for the meeting, go to link: <https://www.orccity.org/775/Pre-Application-Conference> .
 - ii. Go to Link: <https://www.orccity.org/DocumentCenter/View/3598/Type-IV-Process-PDF?bidId=>
 - iii. Submittal of a Land Use Application: <https://www.orccity.org/DocumentCenter/View/2571/Land-Use-Application-Form-Fillable-PDF>

2. Building Division Permit

- a. Why is a building permit required: <https://www.orccity.org/1401/Apply-for-a-Building-Permit>
- b. Building permit instructions: <https://www.orccity.org/DocumentCenter/View/7025/Submittal-Guidelines-and-Requirements-PDF-1>
- c. Building permit application: <https://www.orccity.org/DocumentCenter/View/7111/Building-Permit-Application-New-May-1-2023-PDF-1>

3. Public Works Development Services/Engineering Review
 - a. Development & Engineering Requirements: <https://www.oregoncity.org/742/Documents-Drawings-Forms-Permits>
 - b. SDC Charges: <https://www.oregoncity.org/868/System-Development-Charges-SDCs>

XII. CITY COMMISSION MEETING

- a. Staff negotiates project development agreement
- b. The City Commission reviews and approves the project's development agreement
- c. Project moves forward to the Loan Review Committee for credit analysis

XIII. FINANCIAL SUPPORT (FORGIVABLE LOAN)

1. Committee's loan review criteria:
 - a. Applicants should have a minimum credit score of 700 (Equifax, TransUnion, Experian)
 - b. Maximum debt to income ratio of 40% for individuals or businesses
 - c. Minimum debt service coverage of 1.25:1 for businesses
 - d. Minimum global debt coverage ratios 1.25:1
 - e. Value of collateral/Will take a 2nd position (if necessary)
 - f. Co-signor not required but will enhance credit request
 - g. No prior bankruptcies for individual or business
2. Loan Committee reviews the financial support request application
The mission of this committee is to evaluate and mitigate the degree of risk associated with each funding request to the funding organization
 - a. Financial Support Application
 - b. Conducts financial review of project and applicant
 - c. Approves loan underwriting requirements
 - d. Approves the loan/grant

XIV. FUNDS DISBURSEMENT

1. Applicant receives 50% of loan/grant funds after committee approval.
 2. Terms of the loan will commence if it has been determined that the project is not going forward or if the project has changed relative to the conditions in the executed development agreement, (noncompliant).
 3. If the project is noncompliant, the portion disbursed will remain a loan and payments will commence 60 days after noncompliance declaration.
 4. If the project is realized, i.e., it is in compliance with the development agreement and a certificate of occupancy is issued, the investor receives 100% of grant funding. Loan is forgiven.
-

ADAPTIVE REUSE BUILDING REHABILITATION PROGRAM 2.0

APPLICATION PROCESS AND REQUIREMENTS

I. DEFINITION

Adaptive Reuse: To make changes (interior and/or exterior) to reinstitute the use of an existing building for a purpose other than which it was originally built or designed.

Building Rehabilitation: To stabilize, restore and to modernize an existing building. Does not involve conducting maintenance work and/or making repairs on the building.

II. PROGRAM GOALS AND OBJECTIVES

~~Oregon City to set aside a total of \$300,000 in an Adaptive Reuse Building Rehab Program. (This program could be a model for the Urban Renewal Agency whereby by both entities could partner to fund the initiative).~~ Overall, the Adaptive Reuse Building Rehabilitation Program is designed to encourage significant rehabilitation of existing older buildings that result in improving their value. The program will accomplish the following goals:

- encourage the reuse and/or rehabilitation of the existing older buildings within the urban renewal district,
- contribute to the economic vibrancy and pedestrian activism of the area,
- enhance the safety factor of older buildings,
- increase the assessed value of eligible existing buildings, and
- support projects that actually come to fruition.

Through this initiative, Oregon City will accomplish the aforementioned goals by realizing the following objectives:

- reduce the number of underutilized older buildings within the community,
- broaden and increase the tax base, and
- retain jobs and/or create net new jobs.

III. GENERAL PROGRAM DESCRIPTION

The newly revised Adaptive Reuse Building Rehab Program is a forgivable loan program instead of an outright grant program. The program will provide forgivable loans to for-profit businesses, ~~and~~ commercial development investors, and nonprofit organizations seeking to rehab existing buildings within the legal boundaries of the Urban Renewal District. ~~Nonprofit organizations who are building owners and agree to pay property taxes are eligible applicants.~~ If the proposed building rehab project has been completed and has been approved for occupancy, the loan will be converted into a grant.

The initial funding instruments will be set up as a collateralized loan. If the project is not completed within the time frame negotiated or the project cannot be completed, or the project has changed contrary to the

development agreement, the initial funding instruments and funding will remain in place as a loan. Amortized loan repayments will commence 60 days after it has been determined that the project is not in compliance with the development agreement.

If program funding is promptly returned by the investor either through refinancing with another lender or the funding is simply returned by other means, the loan will be considered paid in full. Reassignment or flipping of a project is permissible as long as the completed project adheres to the terms of the existing covenants of the development agreement, the proposed new owner of the project has demonstrated financial stability, and the City Commission has approved the proposed new project reassignment.

The City Manager or his/her designee, in consultation with the City ~~Commisison~~ Commission will determine the project's funding status (remaining as a loan or converting to a grant).

An extension for project completion may be granted by the City Manager or his/her designee provided it has been determined that the causes that made the request necessary was beyond the control of the project developer.

IV. PROJECT ELIGIBILITY

Eligible projects include existing buildings that are at least 40 years old or more at time of application and are within the legal boundaries of the Urban Renewal District. Projects must be properly zoned for the uses being proposed and can demonstrate the ability to comply with the City's permit entitlement requirements.

Emphasis and priority are placed on rehabilitation projects that meet at least four goals of the program. There is a preference for commercial mixed-use real estate projects, but single use projects will also be considered if they meet at least four of the five program goals. Commercial mixed-use projects include real estate that are a combination of retail, housing, office, restaurant and/or entertainment venue.

This program is designed to provide funds to a limited number of small-scale rehabilitation projects (non-façade). Eligible total project size will range from a minimum of \$300,000 in total eligible project costs up to a total of \$1,000,000 of such costs. Proposals will be reviewed depending on and subject to availability of program funding.

V. ELIGIBLE EXPENSES

The following expenses are eligible under this program (property owner, investor developer may choose which expense(s) to apply for:

- expenses relating to ~~structural~~ improvements and expansion₁₇;
- seismic upgrade and code improvements₁₇;
- hard cost facility upgrades such as new HVAC equipment, new sprinkler system infrastructure₁₇;
- installation of new electrical system, and other such hard cost upgrades (not repairs)₁₇;
- system development charges (SDCs)₁₇;
- other Oregon City permit fees₁₇; ~~and/or~~
- engineering and architectural fees
- interior demolition; ~~and~~

- exterior renovations, and
- addition and/or expansion of residential units of an existing eligible building, as long as the expenses are consistent with the rehabilitation and adaptive reuse of the building.

VI. INELIGIBLE EXPENSES AND CONDITIONS

The following are ineligible expenses and conditions under this program:

- Property appraisal costs.
- Projects that house repair/maintenance and wholesale distribution businesses would not be eligible to receive financial support under the program.
- Soft project costs including license fees, accounting/bookkeeping fees, insurance costs, taxes, penalty fees, other governmental jurisdiction permit fees and other such expenses.
- Administrative and/or managerial personnel-related costs, utilities, rents, insurance, penalty fees, finance-related costs and other such working capital-related expenses.
- Applicants Projects receiving funding through this program within the last 12 months are not eligible to apply in the following fiscal year.
- Applicants that are delinquent in their owe-local, county, state, and/or federal taxes, city utility fees, and permit fees obligations are not eligible to apply.
- Applicants who are not in good standing with local, state, and/or federal agencies' business registration requirements are not eligible to apply.
- ~~Nonprofit organizations are not eligible unless there is an agreement to pay local property taxes.~~
- Applicants involved in any legal proceedings that may impact on the ownership, financial performance and/or feasibility of the project are ineligible conditions.

VII. GRANT/LOAN TERMS AND CONDITIONS

Initially, funding is provided to eligible recipients as a loan up to 15% of eligible rehab costs or a maximum of up to \$150,000 max. A program-related loan review committee will examine each funding request with the mission to evaluate and mitigate the degree of risk to the funding organization.

The Adaptive Reuse Building Rehab Loan Review Committee will may accept a subordinate position, except in the instance when SDC financing takes a first collateral position. Ultimately, the decision to take a subordinate position will be predicated on whether there is sufficient collateral remaining to protect the funding organization's investment.

Eligible recipients may obtain partial funding up to 50% of the approved loan amount with remaining 50% to be disbursed upon an approved certificate of occupancy. If the project does not come to fruition, the dispersed funding will remain a loan, subject to the following terms and conditions:

1. Up to \$150,000 max
2. Loan term up to 4 years
3. Simple interest rate of 20% annually
4. Loan collateralized at 80% Loan-to-Value Ratio
5. Loan ~~will~~ may ~~not~~ be subordinated to other funding sources, except SDC Financing
6. No penalty for early repayment

VIII. APPLICATION CHECKLIST

1. Complete PROGRAM ELIGIBILITY APPLICATION with the following accompanying documentation
 - a. Submit electronic copy(ies) of the application and supporting documents, except financial related documentation.
 - b. Detailed written description of the scope of the project.
 - c. Documentation of property ownership (including, but not limited to a deed of trust) or copy of lease. Lessees must have written authorization from the property owner
 - d. Documentation on the legal form of the business that owns the project (LLC, Sub-chapter S, Sub-chapter C, LLP, partnership agreement, etc.)
 - e. Copy of current Oregon City Business License
 - f. Photos of existing site and its current use
2. Complete FINANCIAL SUPPORT REQUEST Application
 - a. Financial Review of Project Itself
 - i. Project budget showing ALL sources of funding/amounts and ALL uses of funding/amounts for the project (should include construction expenses, fees, permits, design costs, etc.)
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 - b. Financial Review of Business or Corporate Entity as the Project Developer
 - i. Past two years profit and loss statement of project developer (if applicable)
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 - iv. Balance sheets for past and current year of operation
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2. The City Commission conducts a "project of interest review" whereby the governing body express an interest in seeing the project move forward through the City's permit process

because it meets the goals and objectives of the program. This does not constitute an approval of any funding assistance or approval of any permits.

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 - iii. Submittal of a Land Use Application: <https://www.orcity.org/DocumentCenter/View/2571/Land-Use-Application-Form-Fillable-PDF>

2. Building Division Permit

- a. Why is a building permit required: <https://www.orcity.org/1401/Apply-for-a-Building-Permit>
- b. Building permit instructions: <https://www.orcity.org/DocumentCenter/View/7025/Submittal-Guidelines-and-Requirements-PDF-1>
- c. Building permit application: <https://www.orcity.org/DocumentCenter/View/7111/Building-Permit-Application-New-May-1-2023-PDF-1>

3. Public Works Development Services/Engineering Review
 - a. Development & Engineering Requirements: <https://www.orcity.org/742/Documents-Drawings-Forms-Permits>
 - b. SDC Charges: <https://www.orcity.org/868/System-Development-Charges-SDCs>

XII. CITY COMMISSION MEETING

- a. Staff negotiates project development agreement
- b. The City Commission reviews and approves the project's development agreement
- c. Project moves for to the Loan Review Committee for credit analysis

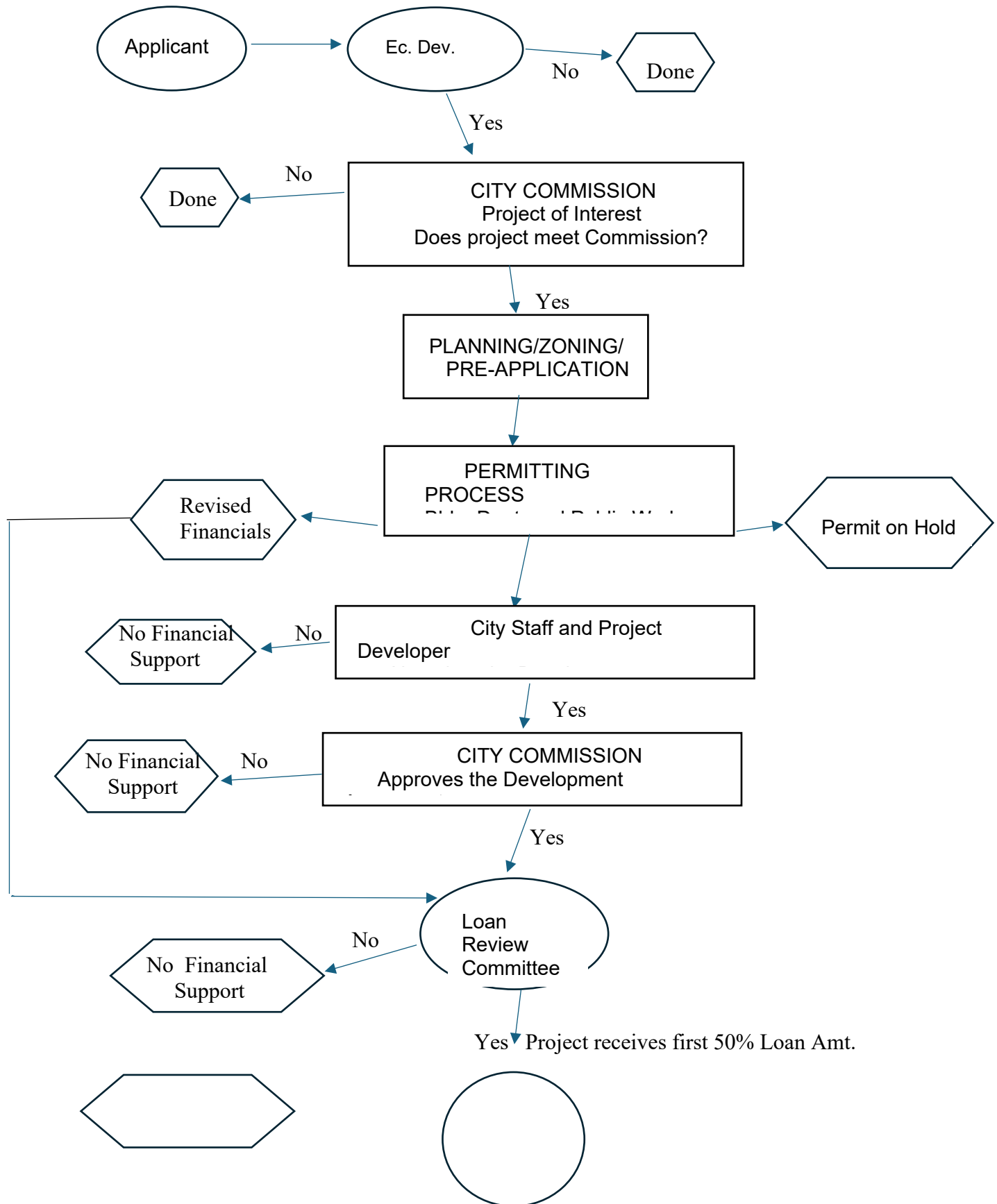
XIII. FINANCIAL SUPPORT (FORGIVABLE LOAN)

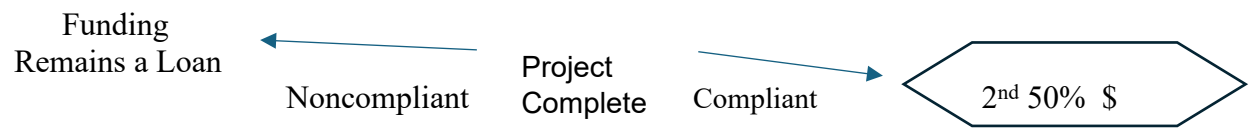
1. Committee's loan review criteria:
 - a. Applicants should have a minimum credit score of 700 (Equifax, TransUnion, Experian)
 - b. Maximum debt to income ratio of 40% for individuals or businesses
 - c. Minimum debt service coverage of 1.25:1 for businesses
 - d. Minimum global debt coverage ratios 1.25:1
 - e. Value of collateral/Will take a 2nd position (if necessary)
 - f. Co-signor not required but will enhance credit request
 - g. No prior bankruptcies for individual or business
2. Loan Committee reviews the financial support request-application
The mission of this committee is to evaluate and mitigate the degree of risk associated with each funding request to the funding organization
 - a. Financial Support Application
 - b. Conducts financial review of project and applicant
 - c. Approves loan underwriting requirements
 - d. Approves the loan/grant

XIV. FUNDS DISBURSEMENT

1. Applicant receives 50% of loan/grant funds after committee approval.
 2. Terms of the loan will commence if has been determined that the project is not going forward or if the project has changed relative to the conditions in the executed development agreement, (noncompliant).
 3. If the project is noncompliant, the portion disbursed will remain a loan and payments will commence 60 days after noncompliance declaration.
 4. If the project is realized, i.e., it is in compliance with the development agreement and a certificate of occupancy is issued, the investor receives 100% of grant funding. Loan is forgiven.
-

Adaptive Re-use Building Rehabilitation Program 2.0







CITY OF OREGON CITY

625 Center Street
Oregon City, OR 97045
503-657-0891

Staff Report

To: Urban Renewal Commission **Agenda Date:** January 15, 2025
From: Matt Zook, Finance Director

SUBJECT:

Item 3.c. - Financial Report for the Fiscal Year Ended June 30, 2024

STAFF RECOMMENDATION:

Information Only

EXECUTIVE SUMMARY:

Urban Renewal Agency (URA) staff prepares the Annual Financial Report (AFR) each year and invites a qualified municipal audit firm to perform an annual audit of the financial report. Included with this staff report is the AFR for the fiscal year ended June 30, 2024. In addition, there is a letter from the audit firm, Aldrich CPAs + Advisors LLP, to the Commission that is required by the firm's auditing standards.

The auditors issued an unmodified or "clean" opinion, which means that the financial statements present fairly, in all material respects, the financial position and activities of the Agency for the year. The attached report was submitted to the Secretary of State in accordance with municipal audit law on December 3, 2024.

The Management's Discussion and Analysis on pages 4-6 of the attached AFR provides a brief, three-page summary of the financial status, activity, and highlights of the Urban Renewal Agency. In summary, the net financial position of the URA decreased by \$0.6 million over the previous year, primarily due to property tax not being levied in the 2023-24 fiscal year while depreciation and program expenses remained flat. The URA financial position is primarily comprised of three years of property tax receipts (cash on hand) and capital assets.

BACKGROUND:

OPTIONS:

BUDGET IMPACT:

Amount \$0
Fiscal Year(s): 2023-24
Funding Source(s): N/A

City of Oregon City Urban Renewal Agency

REPORT TO THE AGENCY OFFICIALS

Year Ended June 30, 2024



CITY OF OREGON CITY URBAN RENEWAL AGENCY

Report to the Agency Officials

Year Ended June 30, 2024

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To assist you in your responsibilities as a member of the Board of Directors, this section summarizes the most significant conclusions reached and issues addressed during our audit of the City of Oregon City Urban Renewal Agency for the year ended June 30, 2024.

SIGNIFICANT CONCLUSIONS AND ISSUES

We have completed our audit and issued our report, dated December 3, 2024. Based on our work performed:

- Our audit scope was in accordance with that communicated in our engagement letter for the year ended June 30, 2024.
- We rendered an unmodified opinion on the June 30, 2024 financial statements for the City of Oregon City Urban Renewal Agency.
- We identified no material weaknesses or significant deficiencies in internal controls.
- We performed tests of compliance with the Minimum Standards for Audits of Oregon Municipal Corporations and no instances of noncompliance were reported.

We received the full cooperation of management and staff throughout the audit and were kept informed as to developments and plans affecting our audit scope.

The following report includes required communications and additional information for the benefit of the Board of Directors.

December 3, 2024

To the Agency Officials
City of Oregon City Urban Renewal Agency
Oregon City, Oregon

We have audited the financial statements of the governmental activities and major fund of the City of Oregon City Urban Renewal Agency (the Agency) for the year ended June 30, 2024. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated September 26, 2024. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Matters

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Agency are described in Note 1 to the financial statements. As described in the notes to the financial statements, the Agency changed accounting policies related to accounting changes and error corrections by adopting Governmental Accounting Standards Board (GASB) Statement No. 100, *Accounting Changes and Error Corrections* in fiscal year 2024. We noted no transactions entered into by Agency during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Agency's financial statements were:

Management's estimate of depreciation expense is based on the Agency's estimated useful lives of capital assets. We evaluated the key factors and assumptions used to estimate useful lives of capital assets and depreciation expense in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure affecting the financial statements was:

The disclosure of cash and cash equivalents in Note B to the financial statements.

The financial statement disclosures are neutral, consistent, and clear.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. No such misstatements were identified. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have received certain representations from management that are included in the management representation letter dated December 3, 2024.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Agency's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Agency's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

We applied certain limited procedures to the management's discussion and analysis which is required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We subjected the General Fund budgetary comparison schedule, as listed in the table of contents under required supplementary information, to auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

We were engaged to report on the schedule of property tax transactions which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

Restriction on Use

This information is intended solely for the information and use of the Agency Officials and management of the City of Oregon City Urban Renewal Agency and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

Aldrich CPAs + Advisors LLP



Finance Department

625 Center Street | PO Box 3040 | Oregon City OR 97045
Ph (503) 657-0891 | Fax (503) 657-3339

December 3, 2024

Aldrich CPAs + Advisors, LLP
5665 Meadows Rd #200
Lake Oswego, OR 97035

This representation letter is provided in connection with your audit of the financial statements of the City of Oregon City Urban Renewal Agency (Agency), which comprise the respective financial position of the governmental activities and major fund as of June 30, 2024, and the respective changes in financial position and, where applicable, cash flows for the year then ended, and the disclosures (collectively, the "financial statements"), for the purpose of expressing opinions as to whether the financial statements are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, as of the date of this letter, the following representations made to you during your audit.

Financial Statements

- 1) We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter dated June 28, 2024, including our responsibility for the preparation and fair presentation of the financial statements in accordance with U.S. GAAP and for preparation of the supplementary information in accordance with the applicable criteria.
- 2) The financial statements referred to above are fairly presented in conformity with U.S. GAAP and include all properly classified funds and other financial information of the primary government and all component units required by generally accepted accounting principles to be included in the financial reporting entity.
- 3) We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
- 4) We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
- 5) The methods, significant assumptions, and data used in making accounting estimates and their related disclosures are appropriate to achieve recognition, measurement, or disclosure that is reasonable in accordance with U.S. GAAP.
- 6) Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with U.S. GAAP.
- 7) Adjustments or disclosures have been made for all events, including instances of noncompliance, subsequent to the date of the financial statements that would require adjustment to or disclosure in the financial statements.
- 8) Guarantees, whether written or oral, under which the Agency is contingently liable, if any, have been properly recorded or disclosed.

Information Provided

- 9) We have provided you with:
- Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as records (including information obtained from outside of the general and subsidiary ledgers), documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
 - Additional information that you have requested from us for the purpose of the audit.
 - Unrestricted access to persons within the Agency from whom you determined it necessary to obtain audit evidence.
 - Minutes of the meetings of Agency or summaries of actions of recent meetings for which minutes have not yet been prepared.
- 10) All material transactions have been recorded in the accounting records and are reflected in the financial statements.
- 11) We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- 12) We have no knowledge of any fraud or suspected fraud that affects the Agency and involves—
- Management,
 - Employees who have significant roles in internal control, or
 - Others where the fraud could have a material effect on the financial statements.
- 13) We have no knowledge of any allegations of fraud or suspected fraud affecting the Agency's financial statements communicated by employees, former employees, regulators, or others.
- 14) We have no knowledge of instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or waste or abuse, whose effects should be considered when preparing financial statements.
- 15) We are not aware of any pending or threatened litigation, claims, or assessments or unasserted claims or assessments that are required to be accrued or disclosed in the financial statements.
- 16) We have disclosed to you the names of the Agency's related parties and all the related party relationships and transactions, including any side agreements.

Government-specific

- 17) There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.
- 18) We have a process to track the status of audit findings and recommendations.
- 19) We have identified to you any previous audits, attestation engagements, and other studies related to the objectives of the audit and whether related recommendations have been implemented.
- 20) We have identified to you any investigations or legal proceedings that have been initiated with respect to the period under audit.
- 21) The Agency has no plans or intentions that may materially affect the carrying value or classification of assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fund balance or net position.
- 22) We are responsible for compliance with the laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits and debt contracts, and legal and contractual provisions for reporting specific activities in separate funds.
- 23) We have appropriately identified, recorded, and disclosed all leases in accordance with GASB No. 87.
- 24) We have identified and disclosed to you all instances of identified and suspected fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we believe have a material effect on the financial statements.

- 25) There are no violations or possible violations of budget ordinances, laws and regulations (including those pertaining to adopting, approving, and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements, or as a basis for recording a loss contingency, or for reporting on noncompliance.
 - 26) The Agency has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
 - 27) The Agency has complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of noncompliance.
 - 28) The financial statements include all component units, appropriately present majority equity interests in legally separate organizations and joint ventures with an equity interest, and properly disclose all other joint ventures and other related organizations.
 - 29) The financial statements include all fiduciary activities required by [GASBS No. 84](#) , as amended.
 - 30) The financial statements properly classify all funds and activities in accordance with [GASBS No. 34](#) , as amended.
 - 31) All funds that meet the quantitative criteria in [GASBS Nos. 34](#) and [37](#) for presentation as major are identified and presented as such and all other funds that are presented as major are particularly important to financial statement users.
 - 32) Components of net position (net investment in capital assets; restricted; and unrestricted) and classifications of fund balance (nonspendable, restricted, committed, assigned, and unassigned) are properly classified and, if applicable, approved.
 - 33) Investments, derivative instrument transactions, and land and other real estate held by endowments are properly valued.
 - 34) Provisions for uncollectible receivables have been properly identified and recorded.
 - 35) Expenses have been appropriately classified in or allocated to functions and programs in the statement of activities, and allocations have been made on a reasonable basis.
 - 36) Revenues are appropriately classified in the statement of activities within program revenues, general revenues, contributions to term or permanent endowments, or contributions to permanent fund principal.
 - 37) Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
 - 38) Deposits and investment securities and derivative instrument transactions are properly classified as to risk and are properly disclosed.
 - 39) Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated or amortized.
 - 40) We have appropriately disclosed the Agency's policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available and have determined that net position is properly recognized under the policy.
 - 41) We are following our established accounting policy regarding which resources (that is, restricted, committed, assigned, or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available. That policy determines the fund balance classifications for financial reporting purposes.
 - 42) We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
- 19) With respect to the schedule of property tax transactions:
- a) We acknowledge our responsibility for presenting the schedule of property tax transactions in accordance with accounting principles generally accepted in the United States of America, and we believe the schedule of property tax transactions, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the schedule of property tax transactions have not changed from those used in the prior

period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.

- b) If the schedule of property tax transactions is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.



Signature

Finance Director

Title

December 3, 2024

Date



Signature

Deputy Finance Director

Title

December 3, 2024

Date

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A component unit of the City of Oregon City, Oregon)
ANNUAL FINANCIAL REPORT

Year Ended June 30, 2024

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AGENCY OFFICIALS

(as of June 30, 2024)

Name	Term Expires
Michael Mitchell	December 31, 2024
Frank O'Donnell	December 31, 2024
Doug Neeley	December 31, 2025
Adam Marl	December 31, 2026
Denyse McGriff	December 31, 2026
Rocky Smith, Jr.	December 31, 2026
Laurie Ariniello	December 31, 2027

Agency members may be contacted at:
625 Center Street
Oregon City, Oregon 97045

Tony Konkol, City Manager
City Hall
625 Center Street
Oregon City, Oregon 97045

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CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
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INDEPENDENT AUDITOR'S REPORT

Agency Officials
City of Oregon City Urban Renewal Agency
Oregon City, Oregon

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and major fund of the City of Oregon City Urban Renewal Agency (the Agency), a component unit of the City of Oregon City, Oregon, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Agency's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Agency, as of June 30, 2024, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Agency, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Agency's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and General Fund schedule of revenues, expenditures and changes in fund balance – budget and actual be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the management's discussion and analysis in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The General Fund schedules of revenues, expenditures and changes in fund balance – budget and actual, as listed in the table of contents under required supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, this information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

INDEPENDENT AUDITOR'S REPORT, CONTINUED

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Agency's basic financial statements. The schedule of property tax transactions is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of property tax transactions is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Reports on Other Legal and Regulatory Requirements

Other Reporting Required by Oregon State Regulations

In accordance with Minimum Standards for Audits of Oregon Municipal Corporations, we have also issued our report dated December 3, 2024, on our consideration of the Agency's compliance with certain provisions of laws and regulations, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules. The purpose of that report is to describe the scope of our testing of compliance and the results of that testing, and not to provide an opinion on compliance.

Aldrich CPAs + Advisors LLP

By: *Andy Maffia*

Andrew Maffia, CPA, Partner
Lake Oswego, Oregon
December 3, 2024

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
MANAGEMENT’S DISCUSSION AND ANALYSIS
JUNE 30, 2024

As management of the Oregon City Urban Renewal Agency (the Agency), we offer readers of the Agency’s financial statements this narrative overview and analysis of the financial position and activities of the Agency for the fiscal year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in the notes to the basic financial statements.

Overview of the Financial Statements

The Agency provides for rehabilitation of blighted and deteriorated areas within the City of Oregon City’s designated urban renewal boundary. The Agency is a component unit of the City of Oregon City, Oregon. The governing body of the Agency is the Mayor and City Commission, plus two additional appointed members. The Agency’s financial statements consist of agency-wide statements, fund financial statements, notes to the statements, and supplementary information. The agency-wide statements include the Statement of Net Position and the Statement of Activities.

Statement of Net Position – The Statement of Net Position presents all the Agency’s assets and liabilities with the difference reported as net position. Unrestricted net position represents the Agency’s resources that are generally available to finance operations.

Statement of Activities – The Statement of Activities focuses on program costs and matching resources. It provides information on the changes to net position. Property taxes are the primary resource for funding urban renewal programs.

Fund Statements – Following the agency-wide statements is a section containing fund financial statements (including the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balance) for the Agency’s sole fund.

Notes to the Statements – The notes to the financial statements provide additional information that is essential to a complete understanding of the data provided in the financial statements.

Financial Highlights

	<u>2024</u>	<u>2023</u>	<u>Change</u>
Net position	\$ 33,046,726	\$ 33,645,553	\$ (598,827)
Change in net position	\$ (598,827)	\$ 2,429,745	\$ (3,028,572)

- The Agency’s assets exceeded its liabilities by \$33.05 million (reported as net position). Within the net position, \$23.40 million is invested in capital assets. The remaining balance, \$9.64 million, is unrestricted net position and may be used to meet the Agency’s obligations to citizens and creditors.
- Total assets decreased by \$0.67 million, while liabilities and deferred inflows of resources decreased by \$0.07 million; this results in a decrease in net position of \$0.60 million.

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

Financial Summary

The following table shows a summary of the statement of net position at fiscal year end and for the previous year end.

Statements of Net Position at June 30		
	2024	2023
Assets:		
Current and other assets	\$ 9,749,929	\$ 9,528,544
Capital assets, net of depreciation	23,403,157	24,290,660
Total Assets	33,153,086	33,819,204
Liabilities:		
Current liabilities	30,115	22,217
Total Liabilities	30,115	22,217
Deferred inflows of Resources		
Deferred inflows of lease resources	76,245	151,434
Total Deferred Inflows of Resources	76,245	151,434
Net Position:		
Net investment in capital assets	23,403,157	24,290,660
Unrestricted	9,643,569	9,354,893
Total Net Position	\$ 33,046,726	\$ 33,645,553

- Net capital assets decreased by \$887,503 due to depreciation.
- The Agency recognized deferred inflow of lease resources of \$76,245 for properties the Agency owns. The \$0.08 million decrease is due to recognition of the annual receipts.

The following table presents a summary of revenues, expenses and changes in net position for the Agency during the current year and prior year.

Statements of Activities For the Years Ended June 30		
	2024	2023
Revenues:		
Property taxes	\$ 11,876	\$ 3,214,966
Charges for services	134,728	112,743
Interest income	536,250	274,379
Miscellaneous	7,003	19,305
Total Revenues	689,857	3,621,393
Expenses:		
Programs	1,288,684	1,191,648
Change in Net Position	(598,827)	2,429,745
Beginning Net Position	33,645,553	31,215,808
Ending Net Position	\$ 33,046,726	\$ 33,645,553

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2024

- The Agency generated approximately \$12,000 in tax increment property taxes from prior year collections. This was a decrease of \$3.20 million, or 99.63% less than the prior year. The decrease was due to no levy collections for the fiscal year as the Urban Renewal Commission declared an Incremental Assessed Value of \$0.
- The \$0.26 million increase, or 95.44%, in interest income was due to a rise in interest rates and a higher fair market value at the Local Government Investment Pool (LGIP).
- The \$0.10 million increase, or 8.14%, in expenses is due to ongoing operation costs while the Agency continues to identify projects to fund in the upcoming biennium. Further information on this is found below under Economic Factors and in the Notes to the Financial Statements.

Budget Variances

The budget for the Agency was adopted on a biennial basis for the period beginning July 1, 2023 and ending June 30, 2025. There were no budget amendments during the year. There are no significant budget variances.

Capital Assets

At June 30, 2024, the Agency had \$23.40 million invested in capital assets including land, land improvements and street projects. There was no capital spending during the year. See notes to the financial statements for additional information on capital assets.

Economic Factors and Next Year's Budget and Rates

The Urban Renewal Agency's goals include the elimination of blight within the Area and implementation of the objectives of Oregon City's Comprehensive Plan, including designation of the City as a "Regional Center" within the State's largest metropolitan area. The Area continues to thrive with infrastructure and surface enhancements and community programs like farmers markets, special events, and holiday celebrations.

On November 8, 2016, voters approved Measure 3-514, which was intended to limit the use of urban renewal in Oregon City. On July 18, 2017, the Circuit Court determined that the measure is preempted by Oregon Revised Statutes Chapter 457. The Court found that the measure is inconsistent with State law and the Agency's expenditures are not restricted. This decision was appealed to the Oregon Court of Appeals. On November 15, 2022, the Court of Appeals declared that a portion of the measure, specifically part E of Section 59 in the Oregon City Municipal Code is unenforceable as preempted by state law.

The Urban Renewal Commission approved the 11th amendment to the Urban Renewal Plan on December 21, 2022. This amendment updated the project plan to three primary projects, which are the Rossman Landfill, Clackamette Cove, and the Stimson Property, and several secondary projects, including the County Courthouse on Main Street, Improvements to the End of the Oregon Trail Interpretive Center, and downtown railroad Quiet Zone, and development of the vacant 12th and Main Street property.

On May 16, 2023, voters rejected Measure 3-597, which requested the approval for the Urban Renewal Agency to borrow up to \$44 million for projects in the Urban Renewal Plan. During the budget adoption process, the Urban Renewal Commission declared an Incremental Assessed Value of \$0 for fiscal year 2023-24 with prior year collections as \$46,000 and an Incremental Assessed Value of \$55,165,000, which anticipates approximately \$828,000 in fiscal year 2024-25 levy collections with prior year collections at \$26,000.

Requests for Information

This financial report is designed to provide a general overview of the Oregon City Urban Renewal Agency's finances. Questions concerning the information provided in this report or requests for additional financial information should be addressed to the Finance Director, P.O. Box 3040, Oregon City, Oregon 97045.

BASIC FINANCIAL STATEMENTS

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
STATEMENT OF NET POSITION
JUNE 30, 2024

ASSETS

Cash and cash equivalents	\$ 9,615,045
Accounts receivable	4,231
Property taxes receivable	48,165
Lease receivable	80,496
Lease interest receivable	189
Deposits & prepaids	1,803
Nondepreciable capital assets	5,084,459
Depreciable capital assets, net	<u>18,318,698</u>

TOTAL ASSETS	<u>33,153,086</u>
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LIABILITIES

Accounts payable	23,132
Deposits	1,800
Unearned revenue	<u>5,183</u>

TOTAL LIABILITIES	<u>30,115</u>
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DEFERRED INFLOWS OF RESOURCES

Deferred inflows of lease resources	<u>76,245</u>
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TOTAL DEFERRED INFLOWS OF RESOURCES	<u>76,245</u>
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NET POSITION

Net investment in capital assets	23,403,157
Unrestricted	<u>9,643,569</u>

TOTAL NET POSITION	<u><u>\$ 33,046,726</u></u>
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The notes to the financial statements are an integral part of this statement

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024

PROGRAM EXPENSES

General government	\$ 401,181
Depreciation	<u>887,503</u>

TOTAL EXPENSES	<u>1,288,684</u>
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PROGRAM REVENUES

Charges for services	<u>134,728</u>
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TOTAL PROGRAM REVENUE	<u>134,728</u>
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NET PROGRAM REVENUE (EXPENSE)	(1,153,956)
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GENERAL REVENUES

Property taxes	11,876
Interest income	536,250
Miscellaneous	<u>7,003</u>

TOTAL GENERAL REVENUE	<u>555,129</u>
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CHANGE IN NET POSITION	(598,827)
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BEGINNING NET POSITION	<u>33,645,553</u>
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NET POSITION, END OF YEAR	<u><u>\$ 33,046,726</u></u>
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The notes to the financial statements are an integral part of this statement

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
BALANCE SHEET – URBAN RENEWAL AGENCY
JUNE 30, 2024

ASSETS

Cash and cash equivalents	\$ 9,615,045
Accounts receivable	4,231
Property taxes receivable	48,165
Lease receivable	80,496
Lease interest receivable	189
Deposits & prepaids	<u>1,803</u>

TOTAL ASSETS \$ 9,749,929

**LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND
LIABILITIES**

Accounts payable	\$ 23,132
Unearned revenue	5,183
Deposits	<u>1,800</u>

TOTAL LIABILITIES 30,115

DEFERRED INFLOWS OF RESOURCES:

Unavailable revenue	40,954
Deferred inflows of lease resources	<u>76,245</u>

TOTAL DEFERRED INFLOW OF RESOURCES 117,199

FUND BALANCE

Non-spendable	1,803
Unassigned	<u>9,600,812</u>

TOTAL FUND BALANCE 9,602,615

**TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES,
AND FUND BALANCE** \$ 9,749,929

The notes to the financial statements are an integral part of this statement

CITY OF OREGON CITY URBAN RENEWAL AGENCY

(A Component Unit of the City of Oregon City, Oregon)

RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET POSITION

JUNE 30, 2024

FUND BALANCE	\$ 9,602,615
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The Statement of Net Position reports receivables at their net realizable value. However, receivables not available to pay for current period expenditures are deferred in governmental funds.	40,954
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Capital assets are not financial resources in governmental funds, but are reported in the Statement of Net Position at their net depreciable value.

Cost	40,584,568
Accumulated depreciation	<u>(17,181,411)</u>

NET POSITION	<u>\$ 33,046,726</u>
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The notes to the financial statements are an integral part of this statement

CITY OF OREGON CITY URBAN RENEWAL AGENCY**(A Component Unit of the City of Oregon City, Oregon)****STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
URBAN RENEWAL AGENCY
YEAR ENDED JUNE 30, 2024**

REVENUES

Property taxes	\$ 38,783
Assessments and other taxes	14,585
Charges for services	134,728
Interest income	536,250
Miscellaneous	<u>7,003</u>

TOTAL REVENUES	731,349
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EXPENSES

Current operating:	
General government	<u>401,181</u>

TOTAL EXPENDITURES	<u>401,181</u>
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NET CHANGE IN FUND BALANCE	330,168
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FUND BALANCE, BEGINNING OF YEAR	<u>9,272,447</u>
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FUND BALANCE, END OF YEAR	<u>\$ 9,602,615</u>
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The notes to the financial statements are an integral part of this statement

CITY OF OREGON CITY URBAN RENEWAL AGENCY

(A Component Unit of the City of Oregon City, Oregon)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2024**

NET CHANGE IN FUND BALANCE	\$ 330,168
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Amounts reported in the Statement of Activities are different because:

Governmental funds consider revenues that do not provide current financial resources to be unearned revenue. However, the Statement of Activities recognizes such revenues at their net realizable value when earned, regardless of when received.	(41,492)
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Capital outlays are reported as expenditures in governmental funds. However, the Statement of Activities allocates the cost of capital outlay over their estimated useful lives as depreciation expense.	
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Depreciation	<u>(887,503)</u>
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CHANGE IN NET POSITION	<u>\$ (598,827)</u>
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The notes to the financial statements are an integral part of this statement

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Urban Renewal Agency (Agency) of the City of Oregon City, Oregon (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting standards. The more significant of the Agency's accounting policies are described below.

Reporting Entity

The Agency, a component unit of the City of Oregon City, was created on October 5, 1983 to provide for rehabilitation of blighted and deteriorated areas within the City's designated urban renewal areas. The Agency is governed by a seven-member board of directors that include the City's mayor and other commission members.

The Agency is a legally separate entity governed by the Agency's Board. The City Commission has the ability to impose its will over the Agency as determined on the basis of budget adoption, taxing authority and funding for the Agency. Therefore, under the criteria of the Governmental Accounting Standards Board, the Agency is considered a component unit of the City and the Agency's financial activities are included as a blended component unit (a special revenue fund) in the financial statements of the City.

Basic Financial Statements

Basic financial statements are presented at both the government-wide and fund financial levels. All of the Agency's activities are categorized as governmental activities.

Government-wide financial statements display information about the reporting government as a whole. These statements focus on the sustainability of the Agency as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. These aggregated statements consist of the Statement of Net Position and the Statement of Activities.

Fund financial statements display information at the individual fund level. Each fund is considered to be a separate accounting entity. Funds are classified and summarized as governmental, proprietary or fiduciary. Currently, the Agency has one governmental fund.

Basis of Presentation

The financial transactions of the Agency are recorded in a single individual fund accounted for by providing a self-balancing set of accounts that comprise its assets, liabilities, reserves, fund equity, revenues and expenses.

GAAP set forth minimum criteria (percentage of the assets, liabilities, revenues or expenses of either fund category or the government and enterprise combined) for the determination of major funds. The Agency's sole fund is considered a major fund. The Downtown Urban Renewal Agency Fund accounts for property taxes collected to improve the Downtown District.

Measurement Focus and Basis of Accounting

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Agency receives value without giving equal value in exchange, include property taxes, grants, entitlements and donations. On the accrual basis of accounting, revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

Governmental fund financial statements are reported using the current financial resources measurement focus and modified accrual basis of accounting. Under this method, revenues are recognized when

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

measurable and available. The Agency considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Property taxes and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt and claims and judgments, which are recognized as expenditures to the extent they have matured. Capital asset acquisitions are reported as expenditures in the governmental funds and proceeds from long-term debt are reported as other financing sources.

The accounts of the Agency are organized and operated as a single fund. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the agency-wide statements, reconciliations are provided to explain the differences between the fund financial statements and the agency-wide statements.

Assets, Liabilities, Deferred Inflows/Outflows of Resources, and Net Position/Fund Balance

Cash, Cash Equivalents and Investments

The Agency maintains cash, cash equivalents and investments in a common pool maintained by the City.

Oregon Revised Statutes authorize the Agency to invest in certificates of deposit, savings accounts, bank repurchase agreements, bankers' acceptances, general obligations of the U.S. Government and its agencies, certain bonded obligations of Oregon Municipalities and the State Treasurer's Local Government Investment Pool, among other options. Investments are stated at fair value.

Receivables and Deferred Inflows/Outflows of Resources

Property taxes are levied by the County Assessor and collected by the County Tax Collector. The taxes are levied and become a lien as of July 1. They may be paid in three installments of equal payments due November 15, February 15, and May 15. Uncollected property taxes levied for the current and prior years are recorded as a receivable at year-end. The Agency's property tax collection records show that most of the property taxes due are collected during the year of levy and delinquent taxes are collected in the next few years.

In the fund financial statements, property taxes receivable that have been collected within 60 days of fiscal year-end are considered measurable and available and are recognized as revenue. The remaining balance is recorded as a deferred inflow of resources as it is deemed unavailable to finance operations of the current period. In the government-wide financial statements, property taxes receivable are recognized as revenue when earned.

Lease receivables are recognized at the net present value of the leased assets, reduced by principal payments received. The net present value is calculated using a borrowing rate either explicitly described in the agreement or implicitly determined by the Agency. The Agency also reports deferred inflows of resources for leases.

Capital Assets

Capital assets (items costing more than \$5,000 and lasting more than one year) are valued at estimated historical cost or actual historical cost. Capital assets are recorded as expenditures in the fund financial statements and capitalized on the Statement of Net Position. Maintenance and repairs of fixed assets are charged to expenditures in the fund as incurred and are not capitalized. Upon disposal, the capital asset records are relieved of the related cost. Depreciation is computed on capital assets on the straight-line basis of their estimated useful lives up to 40 years. Interest is not capitalized as a cost of construction of capital assets.

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Fund Balance

In the fund financial statements, the fund balance for governmental funds is reported in classifications that comprise a hierarchy based primarily on the extent to which the Agency is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Governmental Fund type fund balances are required to be reported in the following classifications, when applicable.

Fund balance is reported as nonspendable when the resources cannot be spent because they are either in a nonspendable form or legally or contractually required to be maintained intact. Resources in nonspendable form include inventories, prepaids and deposits, and assets held for resale.

Fund balance is reported as restricted when the constraints placed on the use of resources are either: (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Fund balance is reported as committed when the Agency takes formal action that places specific constraints on how the resources may be used. The Agency can modify or rescind the commitment at any time through taking a similar formal action.

Resources that are constrained by the Agency's intent to use them for a specific purpose, but are neither restricted nor committed, are reported as assigned fund balance. Intent is expressed when the Agency approves which resources should be "reserved" during the adoption of the annual budget. The Agency's Finance Director uses that information to determine whether those resources should be classified as assigned or unassigned for presentation in the Agency's Annual Financial Report.

Unassigned fund balance is the residual classification for the fund. This classification represents fund balance that has not been restricted, committed, or assigned within the fund.

Budget and Budgetary Accounting

A biennial budget is prepared for the Agency's fund in accordance with the modified accrual basis of accounting. Appropriations are made at the organizational unit and object levels (Oregon City Urban Renewal Agency, Debt Service and Contingency). Expenditures may not legally exceed appropriations. Appropriations lapse at the end of each biennium. Budget amounts include original approved amounts and all subsequent appropriation transfers approved by the Agency. After budget approval, the Agency may approve supplemental appropriations through the use of appropriation resolutions and require supplemental budget procedures in some cases if an occurrence, condition, or need exists which had not been ascertained at the time the budget was adopted. A supplemental budget requires hearings before the public, publications in newspapers and approval by the Agency Board.

Use of Estimates

The preparation of basic financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the basic financial statements and reported amounts of revenues and expenses/expenditures during the reporting period. Actual results may differ from those estimates.

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

B. CASH AND CASH EQUIVALENTS

Cash and cash equivalents are comprised of the following at June 30, 2024:

Deposits with financial institutions	\$ 97,709
Local Government Investment Pool	<u>9,517,336</u>
Total cash and cash equivalents	<u>\$ 9,615,045</u>

Deposits

The book balance and bank balance of the Agency’s bank deposits (checking accounts) was \$97,709 at year end. Bank deposits are secured to legal limits by federal deposit insurance. Any remaining amount is secured in accordance with ORS 295 under the collateral program administered by the Oregon State Treasurer.

Custodial Credit Risk - Deposits

This is the risk that in the event of a bank failure, the Agency’s deposits may not be returned. The Federal Depository Insurance Corporation (FDIC) provides insurance for the Agency’s deposits with financial institutions for up to \$250,000 each for the aggregate of all demand deposits and the aggregate of all time deposit and savings accounts at each financial institution. Deposits in excess of FDIC coverage are held with institutions participating in the Oregon Public Funds Collateralization Program (PFCP). The PFCP is a shared liability structure for participating bank depositories, better protecting public funds though still not guaranteeing that all funds are 100% protected. Barring any exceptions, a bank depository is required to pledge collateral valued at least 10% of their quarter-end public fund deposits if they are well capitalized, 25% of their quarter-end public fund deposits if they are adequately capitalized, or 110% of their quarter-end public fund deposits if they are undercapitalized or assigned to pledge 110% by the Office of the State Treasurer. In the event of a bank failure, the entire pool of collateral pledged by all qualified Oregon public funds bank depositories is available to repay deposits of public funds of government entities. As of June 30, 2024, none of the Agency’s bank balances were exposed to custodial credit risk.

State of Oregon Local Government Investment Pool

The Agency invests in the Local Government Investment Pool (LGIP). The LGIP is not registered with the U.S. Securities and Exchange Commission as an investment company. Oregon Revised Statutes 294.805 to 294.895 and the Oregon Investment Council govern the LGIP’s investment policies. The State Treasurer is the investment officer responsible for the funds, and investments are further governed by portfolio guidelines issued by the Oregon Short-Term Fund Board. The fair value of pool shares is equal to the Agency’s proportionate position in the pool.

Balances in the State of Oregon LGIP are stated at fair value. Fair value is determined at the quoted market price, if available; otherwise the fair value is estimated based on the amount at which the investment could be exchanged in a current transaction between willing parties, other than a forced liquidation sale. The Oregon State Treasury administers the LGIP. The LGIP is an unrated, open-ended, no-load, diversified portfolio offered to any agency, political subdivision or public corporation of the state who by law is made the custodian of, or has control of, any fund. The LGIP is commingled with the State’s short-term funds. To provide regulatory oversight, the Oregon Legislature established the Oregon Short-Term Fund Board and LGIP investments are approved by the Oregon Investment Council. The fair value of the Agency’s position in the LGIP is the same as the value of the pool shares.

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Interest Rate Risk

In accordance with its investment policy, the Agency manages its exposure to declines in fair value of its investments by limiting the weighted average maturity of its investments, specifically by maintaining funds in the Local Government Investment Pool.

Custodial Risk - Investments

For an investment, this is the risk that, in the event of a failure of the counterparty, the Agency will not be able to recover the value of its investments or collateralized securities that are in the possession of an outside party. Currently the Agency's investments are limited to the LGIP.

The LGIP is administered by the Oregon State Treasury with the advice of other state agencies and is not registered with the U.S. Securities and Exchange Agency. The LGIP is an open-ended no-load diversified portfolio offered to any agency, political subdivision, or public corporation of the state that by law is made the custodian of or has control of any fund. The LGIP is commingled with the State's short-term funds. In seeking to best serve local governments of Oregon, the Oregon Legislature established the Oregon Short-term Fund Board, which has established diversification percentages and specifies the types and maturities of the investments. The purpose of the Board is to advise the Oregon State Treasury in the management and investment of the LGIP. These investments within the LGIP must be invested and managed as a prudent investor would, exercising reasonable care, skill and caution. Professional standards indicate that the investments in external investment pools are not subject to custodial risk because they are not evidenced by securities that exist in physical or book entry form. Nevertheless, management does not believe that there is any substantial custodial risk related to investments in the LGIP.

C. LEASE RECEIVABLE

The Agency recognizes a lease receivable for the following contracts in which the Agency, acting as a lessor, grants a lessee the right to use an asset of the Agency.

The Agency has a five-year lease, expiring in fiscal year 2027, for the premises located at 1757 Washington Street, and a two-year lease, expiring in fiscal year 2025, for a portion of the real property located at 1799 Washington Street. Inflows of resources from these two leases are recorded in the Urban Renewal Fund.

Lease receivables at June 30, 2024, consisted of the following:

	Outstanding June 30, 2023	Additions	Decrease	Outstanding June 30, 2024
Facility Lease, issued June 1, 2021, interest rate at 2.96%, total annual principal and interest ranges from \$27,600 to \$30,000, due 2027	\$ 83,737	\$ -	\$ (27,901)	\$ 55,836
Facility Lease, issued January 1, 2021, interest rate at 2.50%, total annual principal and interest ranges from \$46,100 to \$47,300, due 2025	72,467	-	(47,807)	24,660
Total lease receivables	\$ 156,204	\$ -	\$ (75,708)	\$ 80,496

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

Future maturities are as follows:

Fiscal Year Ending June 30,	Governmental Activities	
	Principal	Interest
2025	\$ 53,398	\$ 1,443
2026	27,098	402
	<u>\$ 80,496</u>	<u>\$ 1,845</u>

D. CAPITAL ASSETS

The changes in the capital assets for governmental activities for the year ended June 30, 2024 are as follows:

	June 30, 2023	Additions	Retirements	Reclasses	June 30, 2024
Nondepreciable capital assets					
Land	\$ 5,084,459	\$ -	\$ -	\$ -	\$ 5,084,459
Total non-depreciable	5,084,459	-	-	-	5,084,459
Depreciable capital assets					
General improvements	35,500,109	-	-	-	35,500,109
Total depreciable	35,500,109	-	-	-	35,500,109
Accumulated depreciation					
General improvements	(16,293,908)	(887,503)	-	-	(17,181,411)
Total accumulated depreciation	(16,293,908)	(887,503)	-	-	(17,181,411)
Depreciable capital assets, net	19,206,201	(887,503)	-	-	18,318,698
Total capital assets, net	<u>\$ 24,290,660</u>	<u>\$ (887,503)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 23,403,157</u>

E. TAX ABATEMENTS

The Agency enters into property tax abatement agreements with local businesses under the state Vertical Housing Program, authorized by ORS 307.841 through ORS 307.867, administered by Oregon Housing and Community Services, authorized by ORS 456.555 and Oregon Administrative Rule (OAR) 813-013. The purpose of the Program is to encourage investment in and rehabilitation of properties in targeted areas of a city or community, to augment the availability of appropriate housing, and to revitalize communities. The program encourages mixed-use developments that contain both non-residential and residential uses in areas (zones) designated by local jurisdictions. Eligible projects receive a partial property tax exemption which varies with the number of "Equalized Floors" in a project, with a maximum property tax exemption of 80% over a 10-year term. The City has one project under this program. The exemption is 60% of the residential property taxes for 10 years. For the current year, the abatement is \$0 for Urban Renewal as no property taxes were levied.

Additionally, the State of Oregon under the Oregon Business Development Department offers an Enterprise Zone (EZ) Tax Abatement program, authorized by ORS 285C. Under this program, local governments are responsible for creating, managing and renewing enterprise zones. In exchange for locating or expanding

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2024

into an enterprise zone, eligible (generally non-retail) businesses receive total exemption from the property taxes normally assessed on new plant and equipment for three to five years after the property is in service. Minimum eligibility requirements include an increase in full-time, permanent employment by 10%, maintaining minimum employment levels during the exemption period, and employee wages to exceed at least 150% of the State minimum wage. The Agency has one agreement under this program. For the current year, the abatement is approximately \$0 for Urban Renewal as no property taxes were levied.

F. NEW ACCOUNTING PRONOUNCEMENTS

The Agency will implement new GASB pronouncements no later than the required fiscal year. During the fiscal year ended June 30, 2024, the Agency implemented the following GASB pronouncements:

GASB Statement No. 100, Accounting Changes and Error Corrections. This statement enhances financial reporting by clarifying the definitions and treatment of three kinds of accounting changes; changes in accounting principle, changes in accounting estimates and changes to or within the financial reporting entity. It also provides guidance distinguishing between accounting changes from error corrections. Under this Statement, the aggregate amount of restatements and adjustments must be displayed on the face of the financial statements to each reporting unit. The Agency did not have any accounting changes or error corrections in the fiscal year ending June 30, 2024. Therefore, there are no effects on the Agency's financial statements upon implementation.

G. OTHER INFORMATION

The Urban Renewal Commission declared an Incremental Assessed Value of \$0 for the first fiscal year of the 2023-2025 biennial budget. Therefore, the Agency did not levy any tax during the fiscal year ended June 30, 2024.

H. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 3, 2024, the date on which the financial statements were available to be issued. There were no significant subsequent events.

REQUIRED SUPPLEMENTARY INFORMATION

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CITY OF OREGON CITY URBAN RENEWAL AGENCY

(A Component Unit of the City of Oregon City, Oregon)

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -

BUDGET AND ACTUAL - URBAN RENEWAL AGENCY

YEAR ENDED JUNE 30, 2024

	Budget Amounts		Actual			Variance
	Original	Final	FY 2024	FY 2025	Biennial	
REVENUES						
Property taxes	\$ 888,000	\$ 888,000	\$ 38,783	\$ -	\$ 38,783	\$ (849,217)
Assessments and other taxes	12,000	12,000	14,585	-	14,585	2,585
Charges for services	240,000	240,000	134,728	-	134,728	(105,272)
Interest income	90,000	90,000	536,250	-	536,250	446,250
Miscellaneous	30,000	30,000	7,003	-	7,003	(22,997)
Total Revenues	1,260,000	1,260,000	731,349	-	731,349	(528,651)
EXPENSES						
General government	10,426,800	10,426,800	401,181	-	401,181	10,025,619
Contingency	64,000	64,000	-	-	-	64,000
Total Expenditures	10,490,800	10,490,800	401,181	-	401,181	10,089,619
NET CHANGE IN FUND BALANCE	(9,230,800)	(9,230,800)	330,168	-	330,168	9,560,968
FUND BALANCE, BEGINNING OF YEAR	9,230,800	9,230,800	9,272,447	-	9,272,447	41,647
FUND BALANCE, END OF YEAR	\$ -	\$ -	\$ 9,602,615	\$ -	\$ 9,602,615	\$ 9,602,615

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OTHER SUPPLEMENTARY INFORMATION

CITY OF OREGON CITY URBAN RENEWAL AGENCY
(A Component Unit of the City of Oregon City, Oregon)
SCHEDULE OF PROPERTY TAX TRANSACTIONS
YEAR ENDED JUNE 30, 2024

Tax Year	Uncollected Balances June 30, 2023	2023-2024 Levy	Interest, Discounts & Adjustments	Turnovers	Uncollected Balances June 30, 2024
2023-24	\$ -	\$ -	\$ -	\$ -	\$ -
2022-23	91,872	-	(510)	(65,280)	26,082
2021-22	20,194	-	384	(8,897)	11,681
2020-21	9,796	-	858	(6,243)	4,411
2019-20	3,954	-	478	(2,913)	1,519
2018-19 and prior	5,148	-	(59)	(617)	4,472
Total	<u>\$ 130,964</u>	<u>\$ -</u>	<u>\$ 1,151</u>	<u>\$ (83,950)</u>	<u>\$ 48,165</u>

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS

Agency Officials
City of Oregon City Urban Renewal Agency
Oregon City, Oregon

We have audited the basic financial statements of the City of Oregon City Urban Renewal Agency (the Agency) as of and for the year ended June 30, 2024, and have issued our report thereon dated December 3, 2024. We conducted our audit in accordance with auditing standards generally accepted in the United States of America.

Compliance

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations, noncompliance with which could have a direct and material effect on the determination of financial statements amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

We performed procedures to the extent we considered necessary to address the required comments and disclosures which included, but were not limited to the following:

- **Deposit of public funds with financial institutions (ORS Chapter 295).**
- **Indebtedness limitations, restrictions and repayment.**
- **Budgets legally required (ORS Chapter 294).**
- **Insurance and fidelity bonds in force or required by law.**
- **Programs funded from outside sources.**
- **Highway revenues used for public highways, roads, and streets.**
- **Authorized investment of surplus funds (ORS Chapter 294).**
- **Public contracts and purchasing (ORS Chapters 279A, 279B, 279C).**
- **State school fund factors and calculation.**

In connection with our testing nothing came to our attention that caused us to believe the Agency was not in substantial compliance with certain provisions of laws, regulations, contracts, and grants, including the provisions of Oregon Revised Statutes as specified in Oregon Administrative Rules 162-10-000 through 162-10-320 of the Minimum Standards for Audits of Oregon Municipal Corporations.

OAR 162-10-0230 Internal Control

In planning and performing our audit, we considered the Agency's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control over financial reporting.

INDEPENDENT AUDITOR'S REPORT REQUIRED BY OREGON STATE REGULATIONS, CONTINUED

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

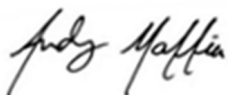
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses or significant deficiencies. However, material weaknesses or significant deficiencies may exist that were not identified.

Restriction on Use

This report is intended solely for the information and use of the Agency Officials and management of the City of Oregon City Urban Renewal Agency and the Oregon Secretary of State and is not intended to be and should not be used by anyone other than these parties.

Aldrich CPAs + Advisors LLP

By:



Andrew Maffia, CPA, Partner
Lake Oswego, Oregon
December 3, 2024