

PHOENIX URBAN RENEWAL AGENCY

PROPOSED BUDGET

Fiscal Year 2024-2025

BUDGET COMMITTEE

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To: Phoenix Urban Renewal Agency (PHURA) Budget Committee

From: Eric Swanson, Executive Director

Date: May 9, 2024

Subject: FY July 1, 2024 - June 30, 2025 Budget Message

I am pleased to present you with the proposed Phoenix Urban Renewal Agency (PHURA) budget for Fiscal Year July 1, 2024-June 30, 2025.

As shown in the Urban renewal District Area Map, which is included in this budget document, much of the commercial development/redevelopment completed, underway, and in process in Phoenix since the 2020 Alameda Fire has or will occur within the Phoenix Urban Renewal District boundary. The roughly 19% year-over-year increase in budgeted tax revenue for the 2024-2025 year reflects the increased value within the urban renewal (UR) boundary. This trend of increased tax revenue is expected to last for at least the next couple of years as additional projects are completed.

While development has been occurring within the UR boundary, PHURA itself has not been active in buying/selling property or completing capital projects over the past year. PHURA has the properties on the west side of Main Street, south of 2nd Street and north of 1st Street (known as the HOP - Heart of Phoenix - property) and the 0.93-acre site on the southwest corner of Bear Creek Drive and E 4th Street, listed for sale. There has been some interest in both properties over the past year and this interest has increased recently with the anticipated completion of the Phoenix Government and Public Safety Center and the Phoenix Phoodery less than a month away. Both the Bear Creek Drive property and the HOP property are intended to attract larger, multi-story developments to serve as anchors to the downtown area. PHURA will continue to seek partners for the development of these sites.

In the 2023-2024 budget, the PHURA Board allocated \$80,000 in funds for the Urban Revitalization Grant program which contributed to several improvement projects in the downtown area in the past year. With the funds mostly spent, the Board directed staff to end the program at the end of 2023.

The proposed budget allocates \$300,000 toward capital projects for 2024-2025. There are no specific projects identified for the upcoming year but this budgeted amount will provide flexibility to the Board should a property acquisition or capital project be identified over the course of the year. Additional funds are also budgeted for increased PHURA costs for City of

Phoenix employee support for the upcoming year as the City of Phoenix intends to begin passing along the full costs of these services to PHURA.

With increased revenue and continued development within the UR boundary, the Board may consider updating the Urban Renewal Plan to account for new development and set priorities for capital expenditures. The Goals and objectives for PHURA are noted in the City of Phoenix Strategic Plan (dated October 2021). As shown in the November 2023 update which is included in this budget document, most of the actionable items within that plan have been completed in the past few years.

The proposed PHURA budget is very straightforward. Most of the increment available within the district is dedicated to the retirement of the bonds that were originally issued by the City of Phoenix for construction of the Civic Center in 2017 and anticipating the sale, development and purchase of properties within the district. These bonds were refinanced in 2022.

Lastly, the 2024-2025 proposed budget includes funds for hiring an urban renewal consultant to provide an annual report for the district.

VR,

Eric Swanson, Executive Director



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BUDGET CATEGORIES

There are two funds established for the agency: **Capital Projects Fund** and **Debt Service Fund**.

The **Capital Projects Fund** includes all expenses associated with the operation of the agency, including administration and project construction.

The **Debt Service Fund** consists of only tax revenue deposits and debt payments or transfers out for contracted debt, long term debt (bond issuances) and short-term borrowing. Unlike other municipal forms of government, urban renewal agencies cannot spend tax revenue when it is received; agencies are required to borrow or be in debt against anticipated tax revenue. It is this process of borrowing and being in debt that “converts” tax revenue in the Debt Service Fund to spendable funds in the Capital Projects Fund.

CAPITAL PROJECTS FUND -- BUDGET DETAILS

Resources

Transfers – These are funds originating as tax revenue in the Debt Service Fund, and transferred to pay for capital projects or contract obligations.

Requirements (Expenditures)

Materials & Services – This includes all normal “day-to-day” operational expenses: insurance costs, staff reimbursements to the City of Phoenix, legal and accounting/auditing expenses.

Capital Outlay – This category includes small projects that may be completed during the fiscal year.

DEBT SERVICE FUND –BUDGET DETAILS

Resources

Beginning Fund Balance – The beginning fund balance in the Debt Service Fund reflects unspent revenue remaining from the previous fiscal year, which is carried forwarded into the next fiscal year.

Tax Revenue – Assumes 95% of the anticipated County Assessor’s tax levy will be received during the current year. The amount is based on projections for the current year from the Assessor’s Office and prior year collections.

Interest Earnings – Interest on tax revenue and interest income from bank accounts and state treasury accounts.

Requirements (Expenditures)

Bond Principal & Interest – These are payments made on long term bonds. Each bond issued is shown separately according to the year issued. All would be paid off over the life of the agency.

Bond Issuance/Borrowing Costs – These costs include the costs of issuing long or short-term bonds. On an ongoing basis, this is the cost for the bond paying agent.

Of Note:

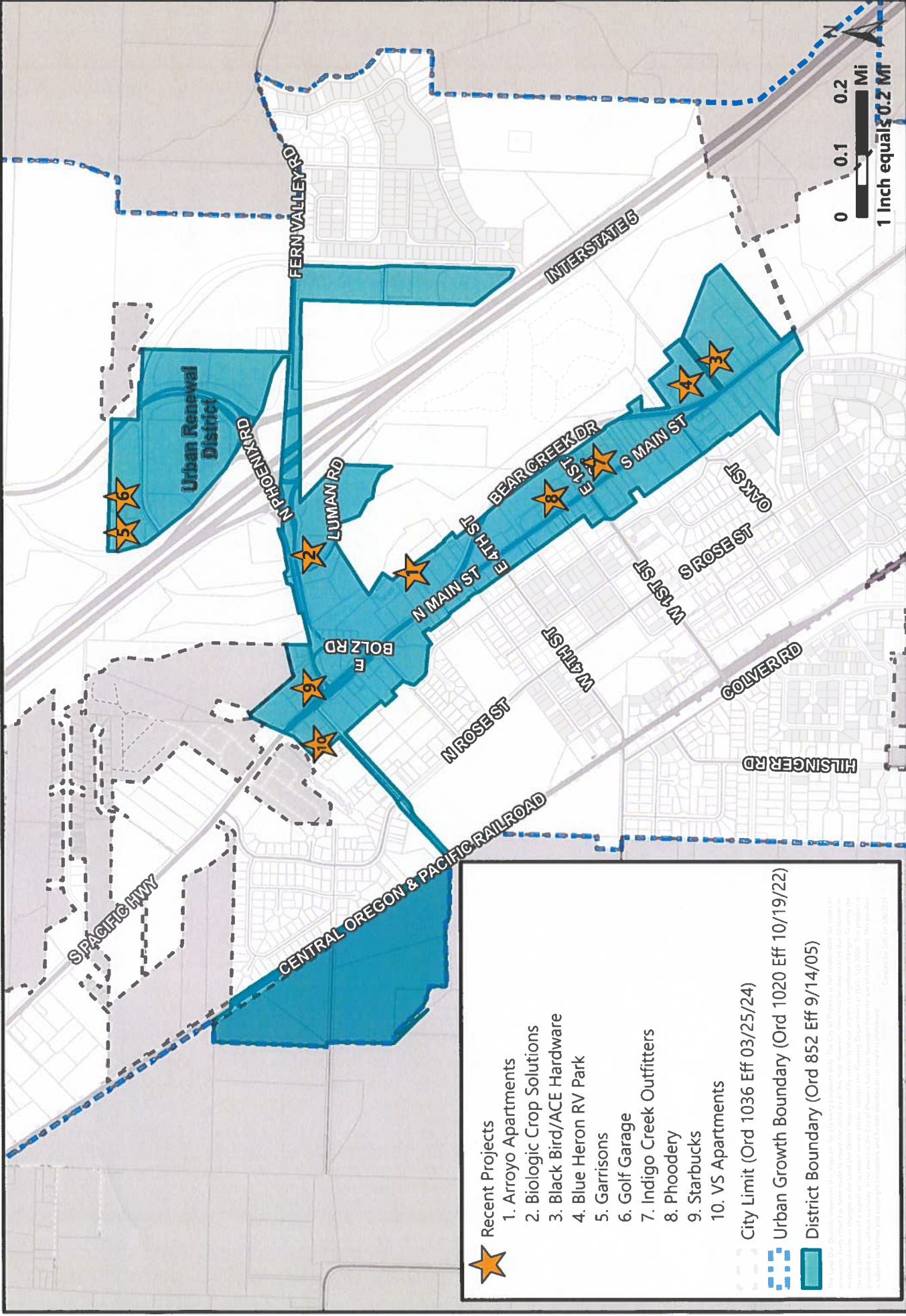
Tax Revenue – urban renewal agencies capture a portion of property taxes that would otherwise be collected by individual taxing jurisdictions such as cities, counties, school and other service districts. This arrangement, known as Tax Increment Financing (TIF), establishes a base value for all real property located within the geographic boundaries of the designated urban renewal agency district. Taxes assessed on that base value continue to be collected by the taxing jurisdictions; any additional tax revenue generated from increases in the base value are diverted to the urban renewal agency. In doing so, urban renewal agencies benefit from new construction and improvements within their districts that they are designed to encourage.

Capital Outlay – projects shown under Capital Outlay are intended to be consistent with projects authorized in the Urban Renewal Plan approved by the Phoenix city council when the agency was established by the City in 2005.

There are no new projects proposed in FY 2024-2025, however funds are budgeted for small miscellaneous projects.

Please see the following page for reference regarding the Urban Renewal Boundary.

Community & Economic Development Department Urban Renewal District Area



Recent Projects

- ★ 1. Arroyo Apartments
- 2. Biologic Crop Solutions
- 3. Black Bird/ACE Hardware
- 4. Blue Heron RV Park
- 5. Garrisons
- 6. Golf Garage
- 7. Indigo Creek Outfitters
- 8. Phoodery
- 9. Starbucks
- 10. VS Apartments

City Limit (Ord 1036 Eff 03/25/24)
 Urban Growth Boundary (Ord 1020 Eff 10/19/22)
 District Boundary (Ord 852 Eff 9/14/05)

The land use designations shown on this map are intended to guide the development of the City of Phoenix. They are not intended to be used as a legal document. The City of Phoenix is not responsible for the accuracy of the information shown on this map. The City of Phoenix is not responsible for the accuracy of the information shown on this map. The City of Phoenix is not responsible for the accuracy of the information shown on this map.



Phoenix Urban Renewal Capital Projects Fund Summary

	(Unaudited) 2021-2022 ACTUAL	(Unaudited) 2022-2023 ADOPTED	2023-2024 ADOPTED	2024-2025 Proposed	2024-2025 APPROVED	2024-2025 ADOPTED
Resources:						
Beginning Fund Balance	\$ 159,124	-	\$ 250,000	\$ 175,000		
Donations/Grants/Taxes	-	-	-	-	-	-
Miscellaneous Revenue	-	242,907	125,000			
Bond Proceeds - 2015B/2015C	-	-		-	-	-
Bond Proceeds - 2017	-	-		-	-	-
Transfers	460,000	200,000	200,000	300,000		
Total Resources	\$ 619,124	\$ 442,907	\$ 575,000	\$ 475,000	\$ -	\$ -

Requirements:						
Personnel Services	\$ -	\$ -		\$ -	\$ -	\$ -
Materials & Services	43,710	75,000	100,000	175,000		
Debt Service	-		-			
Capital Outlay	574,442	92,245	300,000	300,000		
Ending Fund Balance	972	275,662	175,000			
Total Requirements	\$ 619,124	\$ 442,907	\$ 575,000	\$ 475,000	\$ -	\$ -

Phoenix Urban Renewal Debt Service Fund

	(Unaudited) 021-2022	(Unaudited) 2022-2023 ACTUAL	2023-2024 ADOPTED	2024-2025 PROPOSED	2024-2025 APPROVED	2024-2025 ADOPTED
Resources:						
Beginning Fund Balance	\$ 181,866	\$ 403,209	\$ 600,000	\$ 490,000.00		
Tax Revenue	560,406	571,538	575,000	685,000.00		
Interest Earnings	5,067	33,760	10,000	25,000.00		
Total Resources	\$ 747,339	\$ 1,008,507	\$ 1,185,000	\$ 1,200,000	\$ -	\$ -
Requirements:						
Materials & Services						
Bond/Borrowing Costs	\$ 650	\$ 750	\$ 3,000	\$ 1,000		
Debt Service						
Bond Principal 2015B/2015C	135,000	140,000	145,000	155,000		
Bond Interest 2015B/2015C	99,600	94,199	89,000	83,000		
Bond Principal 2021	8,880	107,000	110,000	111,000		
Bond Interest 2021		22,822	22,000	19,000		
Transfers Out						
Transfers out - Capital Projects	100,000	200,000	200,000	300,000		
Ending Fund Balance	403,209	205,193	616,000	531,000		
Total Requirements	\$ 747,339	\$ 769,965	\$ 1,185,000	\$ 1,200,000	\$ -	\$ -