

### **Why use Urban Renewal?**

Many cities have well designed plans for creating special places in the city, but there is no funding source for implementing these plans. City councils may be interested in creating the right conditions for new development in the city and improving the infrastructure to allow for improved conditions for residents and to help facilitate new development. In these situations, urban renewal may be the right tool for a city. Urban renewal boundaries typically contain portions of the city where there are infrastructure needs and where there exists a significant number of vacant parcels or parcels are not being used to their highest and best use. There has often been other planning precedent to the desire to create an urban renewal area.

### **Will Urban Renewal increase my property taxes?**

No, urban renewal **will not** increase your property taxes. Urban renewal is a division of taxes that you already pay.

### **What is Urban Renewal?**

Urban renewal is one of the few remaining tools for encouraging local economic development and addressing blight. Urban renewal plans provide cities and counties with an alternative revenue stream called tax increment financing. This revenue stream may be used on projects and programs in specifically designated urban renewal areas.

### **How is an Urban Renewal Plan Started?**

An urban renewal plan will be prepared which will establish an official urban renewal boundary, goals and objectives for the area, and outline projects and programs which will help improve conditions of the area. The plan also sets the spending limit, or maximum indebtedness, for the urban renewal area. The urban renewal plan is also accompanied by a technical report which contains the financial feasibility analysis and projects when funding will become available to pursue projects within the area. The urban renewal plan must go through the public review process and be adopted by City Council prior to being valid.

### **How is an Urban Renewal Plan Adopted?**

Prior to being adopted by City Council every urban renewal plan must go through the public review process which includes:

- Urban Renewal Agency Meeting
- Consult and Confer with all Overlapping Taxing Districts
- County Briefing and vote
- Planning Commission Meeting
- City Council Hearing and Vote

Any action by the City Council must be by non-emergency ordinance and after a public hearing is held. Notice of the public hearing must be sent to each individual household in the city. Non-emergency ordinances can be referred to voters within 30 days of adoption.

### **Why will I see urban renewal on my property tax bills?**

The “division of taxes”, which represents the vast majority of tax increment financing revenues, does not increase property tax rates. Regardless, every taxpayer in a city where an urban renewal district exist will see an indication of urban renewal as a line item on their property tax bill. This can be confusing, but just remember that the money in the urban renewal line item is money that would have gone to other taxing

jurisdictions even if urban renewal did not exist. Your property tax bill would remain exactly the same with or without urban renewal, the money would just be distributed differently among the taxing jurisdictions.

### **How does this financing tool work?**

In Oregon, property taxes in general, with or without urban renewal, may increase for two reasons, one, the assessor can increase property values at a rate of 3% per year and does so in most cases, and, two, if the individual completed a substantial renovation of their property resulting in increased assessed valuation. While urban renewal itself does not increase property tax rates, it does function on the increases in property tax revenues from year-to-year.

When an urban renewal area is created the property tax revenue from that area is diverted into two revenue streams. The first stream is what is called “the frozen base”. The frozen base is the property tax revenue from the total assessed value of the urban renewal area from the year the urban renewal area was formed. The frozen base revenue stream continues to go to the regular taxing jurisdictions, such as the city, the county, the school district etc. The second revenue stream is any increase over the frozen base which is called “the increment”. The increment represents the basis for tax increment financing and is any increase in property tax revenues above the frozen base. The second revenue stream goes to the urban renewal agency for use on projects, programs, and administration throughout the life of the district.

### **How are Overlapping Taxing Districts Impacted by Urban Renewal?**

As mentioned earlier, when an urban renewal area is formed the property tax revenue stream for that area is split in two. The overlapping taxing districts continue to receive property tax revenues on the frozen base assessed value of the area, but do not receive property tax revenues from any growth in the area. In many urban renewal areas that growth from new investment would not have occurred but for the use of urban renewal that stimulated the growth.

Once an urban renewal area is terminated, there will generally be an increase in property tax revenues to all taxing jurisdictions. This increase of property tax revenue is a result of the ability to concentrate funding in a specific area, encouraging the area to develop properly.

### **How does an Urban Renewal Area Function?**

An urban renewal area is run by an urban renewal agency which at its most basic level has an income, expenses, and a spending limit. The income for an urban renewal agency is its yearly tax increment financing revenues. The expenses for an urban renewal agency are its yearly expenditures on projects, programs and administration. The spending limit for an urban renewal agency is its maximum indebtedness. Maximum indebtedness is the total amount of money that can be spent in an urban renewal plan on projects, programs and administration.

### **What types of Programs or Projects are Eligible under Urban Renewal?**

Urban renewal agencies can do certain projects or activities under an adopted urban renewal plan. These activities generally include:

- Construction or improvement of public facilities including streets, streetscape, utilities, parking and other public uses.
- Acquisition and improvement of property.
- Storefront loans or grants.
- Incentivizing private development through participation with developers.