WHY IS URBAN RENEWAL ON MY PROPERTY TAX BILL?

The first question on most people's minds about urban renewal is "does it increase my taxes?" followed by the second question of "why is it on my property tax bill". To answer the first question, question, no. Urban renewal does not increase the amount one pays for property taxes. Each year the assessor may increase the assessed value of a given property by 3.0%, or by more if there is a substantial improvement done to the property that requires it be reassessed. Increased assessed value of a property increases the property tax impact to the owner of said property. Urban renewal does not change the 3.0% limitation.

To answer the second, urban renewal takes a portion of the tax revenue caused by increases in assessed value year to year on every property in the city that pays property taxes. This money is used to fund special projects in the specific urban renewal area. However, the most important thing to know about assessed value increases in relation to urban renewal is the fact that the increases would happen with or without an urban renewal district and if urban renewal were to go away the amount of money required to pay one's property tax bill would not change. The financial impact of the urban renewal is not on the property tax payer, but on taxing jurisdictions.

The remainder of this handout is dedicated to further explaining why urban renewal is on every property tax bill in a city that has urban renewal.

URBAN RENEWAL INTRODUCTION

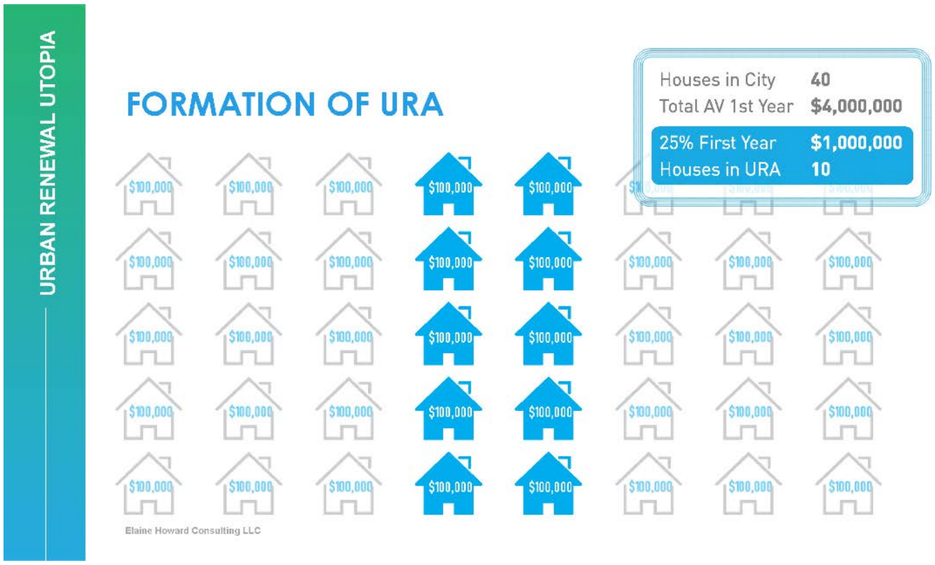
Urban renewal is one of the few economic development tools available to cities in Oregon. It provides an alternative funding source to a cities usual funding sources, such as the general fund or system development charges. It is indicated on every property taxpayer's property tax statement after the formation of an urban renewal area, even though urban renewal does not increase property taxes.

HOW DOES URBAN RENEWAL GENERATE REVENUE IF IT DOES NOT INCREASE PROPERTY TAX IMPACTS?

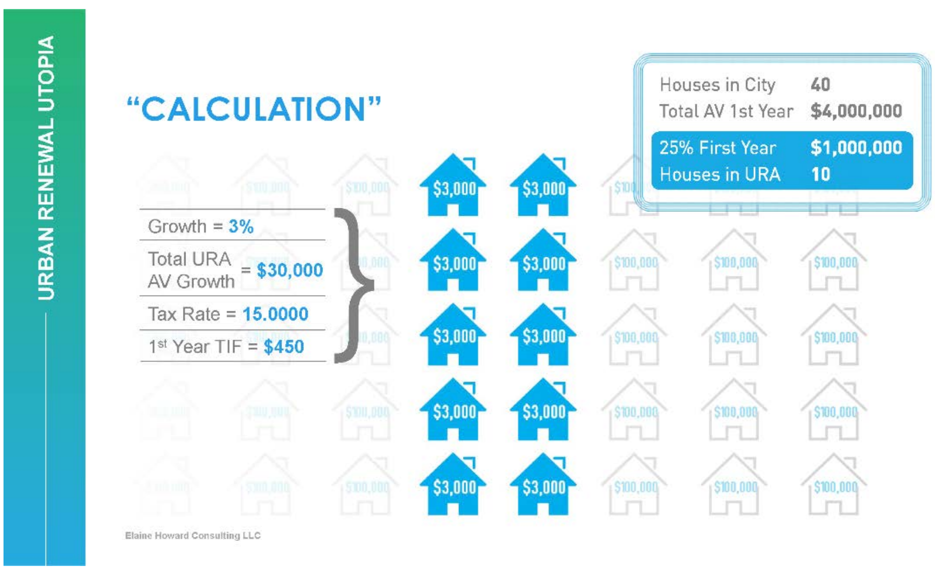
Urban renewal revenues are generated from increases in assessed value of property within an urban renewal area after it is formed. The process used by the county assessor to allocate these funds is called the "division of taxes". The key concept from the division of taxes for a property tax payer is the fact that an individual's property tax bill will remain the same whether or not there is an urban renewal area in their city. This happens because each of the property taxing jurisdictions represented on an individual's property tax statement contribute a portion of their revenues to the urban renewal area. If an urban renewal area was to go away, the property tax revenues represented by urban renewal on an individual's property tax bill would then be redistributed back to the regular taxing jurisdictions and would not be distributed back to the property tax payer.

HOW ARE URBAN RENEWAL REVENUES CALCULATED AND COLLECTED?

Because of Oregon's complicated property tax laws, urban renewal revenues must be collected in an equally complicated manner. There are three key steps to understand urban renewal revenues, 1) Calculation 2) Distribution and 3) Collection. The following infographics guide us through these three steps. To start, there is a hypothetical city with 40 houses each valued at $100,000 for total assessed value in the city of $4,000,000, utopic urban renewal conditions. An urban renewal area is formed with 10 houses in the boundary.

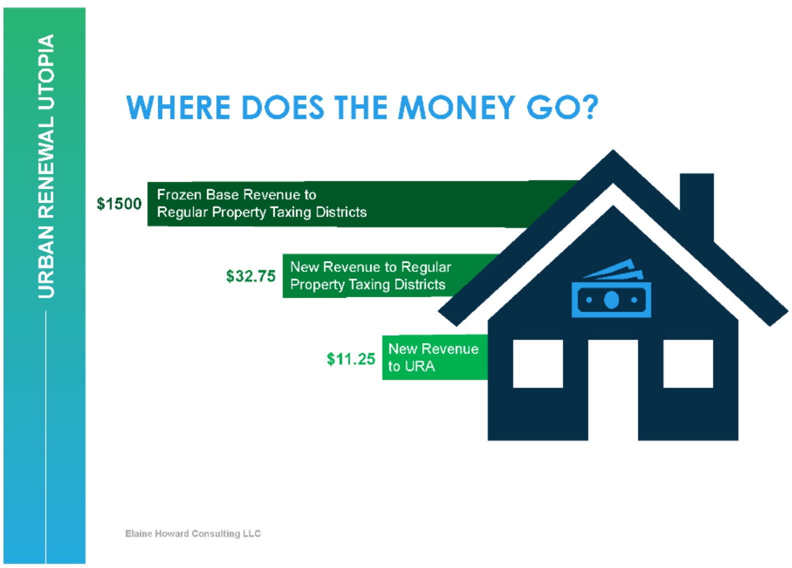


If the assessed value of these houses were to appreciate at the standard 3% rate allowed by Oregon state law, the calculation of increased property tax revenue for the urban renewal area would be as shown below.



Before Measures 5 and 50 Urban renewal revenues were distributed at most people expect, with only the houses in an urban renewal area seeing an indication of urban renewal on their property tax bill. However, as a consequence of measures 5 and 50 Oregon property taxes are limited to $10 per thousand of real market value for general government and $5 per thousand of real market value for education for a total tax rate of $15 per thousand of real market value. Also, as a consequence of Measures 5 and 50 Oregon law states that urban renewal must fall within these limits. To accomplish this, the calculated amount of urban renewal revenue shown above is distributed among all of the houses in a city opposed to just the houses within the urban renewal area. Urban renewal still only functions on increases in property tax revenue which are already occurring, regardless of whether it is distributed only to those houses in the urban renewal area or over the entire city. Again, this does not cause an increase in property taxes, just a division of the taxes a property owner already pays.

So, where does the property tax revenue from the "utopia houses" go? The below infographic shows the distribution of the $45.00 in new property tax revenue, $11.25 to the urban renewal agency and $32.75 to the regular property taxing jurisdictions, and the $1,500 of property tax revenue from the frozen base that will continue to go to all the regular property taxing jurisdictions.



In summary, urban renewal will be on every property tax bill in a city with an urban renewal area and urban renewal does not increase permanent rate levy tax rates or impacts to property tax payers. Urban renewal functions on increases in property taxes that are already occurring to calculate its annual revenue.