



*Where Life is Sweet*

# Urban Renewal

## Frequently Asked Questions

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

Urban renewal is a financing tool used to stimulate suitably-located growth in underdeveloped areas. The tool is called “Tax Increment Financing” - funding derived from the *increase* in taxable property values over time within an urban renewal area (URA). As property values increase within the district because of new investment and appreciation of existing property, the resulting increase in property taxes (the ‘tax increment’) is captured and used to pay off the bonds.

### **How does Urban Renewal Funding Work?**

Urban renewal is funded through Tax Increment Financing. When an urban renewal area is established, the county assessor determines the current assessed value of all property within the area, and freezes that tax base. Whatever property tax revenue local jurisdictions receive from this frozen base is the same amount they will receive on a yearly basis until the urban renewal area is terminated. As property values increase above this frozen base, all tax revenues from increases in permanent rates are directed to projects within the urban renewal area. For new urban renewal areas, local option levies are not collected by the urban renewal agency. Assessed values can increase yearly at the 3% maximum allowed amount by state statute, or by more than this if new development occurs within the area. This increase above the frozen base is also called the “increment.” When the urban renewal area expires, the frozen base also expires, and the local taxing jurisdictions resume receiving taxes on the full assessed value of the area.

### **Does Urban Renewal increase property taxes?**

No, urban renewal does not increase property taxes; it simply allows for the reallocation of growth on existing taxes to go to the urban renewal agency rather than the overlapping taxing districts.

### **How can Urban Renewal funds be spent?**

Urban renewal funds can be spent on capital projects which help to alleviate the deteriorated conditions within the URA. Urban renewal funds cannot be used for operations or maintenance. Eligible expenditures include:

- Permanent public improvements such as transportation facilities, lighting, trees, parks, utilities
- Financial and technical assistance for private reinvestment including storefront grants, home repairs and improvements, and commercial rehabilitation incentives
- Funding partnerships for new housing and mixed use developments
- Land acquisition (typically for key redevelopment sites or public projects)
- Planning of capital projects (including development of the urban renewal plan) and general administrative costs related to the activities of the Urban Renewal Agency

### **How does the City benefit from Urban Renewal?**

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Urban renewal can help to stabilize neighborhoods and commercial districts by assisting in the reinvestment of these areas, and by also focusing new development where it is most appropriate. Urban renewal is a potential funding source to fulfill the City's and the public's vision for downtown Hermiston.

### **What are the steps for creating an Urban Renewal District?**

1. Preparation of a feasibility study to determine if the criteria for formation of an URA are met.
2. Preparation of a formal report which addresses the criteria and also satisfies other requirement of Oregon Revised Statutes 457 (State's Urban Renewal law).
3. Preparation of a Urban Renewal Plan to establish the boundary, maximum indebtedness (maximum amount of urban renewal debt that can be issued over the life of the URA), guiding principles, demonstration of compliance with relevant Comprehensive Plan policies and goals, and a list of eligible improvements.

### **What are the criteria for creating an Urban Renewal Area?**

- The total amount of land within the City's existing and proposed urban renewal areas constitutes no more than 15% of the total land area in the City.
- The total amount of assessed values within the City's existing and proposed urban renewal areas constitutes no more than 15% of the City's total assessed value.
- The area in question meets the statutory definition of "blight". State urban renewal law makes it clear that "blight" can refer to a host of conditions, including lack of infrastructure, age and physical condition of buildings, under-utilization of property (frequently evaluated in terms of low improvement-to-land value ratios), and other factors.
- Carrying out the urban renewal plan is economically sound and feasible.

### **Who administers an Urban Renewal Area?**

Nearly all Urban Renewal Districts in Oregon are administered by the City Council of the jurisdiction where the district is. Some cities create a separate entity name, but ultimately appoint the City Council as the board of the separate entity.

### **Can an Urban Renewal Area be amended after its formation? If so, what's the process?**

Urban renewal plans must provide a description of the possible types of future amendments that are "substantial" and will therefore require the same noticing, hearing, and approval procedure as the original plan. The state statutes offer some guidance as to amendments that are required to be defined as "substantial": those that increase the size of the URA by more than 1%, and those that increase maximum indebtedness by any amount. It is typical for municipalities to define lesser amendments for Council approval or other administrative approvals with specified approval processes.

### **Does Urban Renewal have a financial impact on taxing jurisdictions?**

During the time that the urban renewal plan is in effect, the City, County and other taxing entities will receive the same funding as they are currently collecting in the area. Any increase over current tax revenue will be set aside to directly pay for projects in the URA. After the URA is closed out, our

expectation is that taxing jurisdictions will see *more* revenues due to the success of the URA in generating more private investment than would have taken place if the URA had not been formed in the first place; and the public entities will have additional assets paid in part by the URA. The City is obligated to consult with affected taxing jurisdictions in the formation of an urban renewal area. It is also required to send a notice citywide regarding the proposal to form the URA.

**Will Urban Renewal have a financial impact on the School District?**

Urban renewal will have a negligible impact on the Hermiston School District because the money it gives up to the urban renewal area is replaced by the State School Fund.

\* Please note that the information in this document serves as a general overview of urban renewal. There are aspects of urban renewal law in Oregon that are complex, and the following information is not intended to serve as an exhaustive description.