

City of Scappoose Urban Renewal Plan

Frequently Asked Questions About Urban Renewal

November 2018

What is urban renewal?

Urban renewal is a program used throughout Oregon to provide a financing mechanism to implement City plans in designated urban renewal areas. The goal of urban renewal is to make investments that spur development that would not have otherwise occurred. The revenue to pay for projects in an urban renewal area is generated by the growth in assessed property value that occurs through (1) new development and (2) annual growth in assessed property values within the urban renewal area.

Does urban renewal increase my taxes?

No, urban renewal is not a new tax on property and does not increase the amount a property owner pays in property taxes. Property taxes are based on the tax rate and the property's assessed value, and increase as the assessed value grows. Oregon law limits the amount that the county assessor may increase the assessed value to no more than 3.0% unless there is a substantial improvement done to the property that requires it be reassessed. Urban renewal does not change the total tax rate or the 3.0% limit on the annual increase in assessed value.

How does urban renewal generate revenue if it does not increase property taxes?

The financial impact of the urban renewal is not on the property tax payer, but on taxing jurisdictions. Urban renewal revenues are generated from increases in assessed value of property within an urban renewal area after it is formed. While the urban renewal area is active, other taxing jurisdictions' revenue from that area remains largely fixed, and the tax revenue from the increase in assessed values goes to the urban renewal area to pay for projects that help to spur new investment. When the urban renewal area expires, taxing jurisdictions can expect to receive more tax revenue than they would have without an urban renewal area, due to the increased assessed values stemming from the increased investment in the area.

Does urban renewal affect school district funding?

School districts are not directly affected by urban renewal. Under Oregon's school funding law, the Oregon Department of Education combines property tax revenues with State School Fund revenues to achieve per-student funding targets. All schools receive the same per pupil allocations. Under this system, property taxes foregone due to the use of tax increment financing are replaced with State School Fund revenues, as determined by the State funding formula. While urban renewal statewide has an impact on the amount of funding in the School Fund, the legislature can re-allocate other funding sources to the School Fund.

What are the benefits of urban renewal?

Over the long term, the district could produce significant revenues for capital projects. Some examples of urban renewal investments include:

- Capital improvement loans for small or startup businesses
- Storefront improvement grants for aesthetic improvements to existing properties
- Streetscape improvements and transportation enhancements, including new lighting, trees, sidewalks, and intersection improvements
- Redevelopment projects, such as mixed-use or infill housing developments
- Historic preservation projects
- Parks and plazas
- Utility or infrastructure projects to support new employment

What is the adoption process for urban renewal?

The City will prepare an urban renewal plan, 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 (called maximum indebtedness) for the urban renewal area. A technical report accompanies the plan, 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 a public review process and be adopted by City Council.

The public review process includes the following steps:

- Creation of an Urban Renewal Agency¹ and initial meeting
- Meetings to explain the process, boundary, and potential projects 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.

How is urban renewal financed?

In Oregon, property taxes, with or without urban renewal, increase for two reasons: 1) The assessor can increase property values at a rate of 3.0% per year and does so in most cases 2) If the property owner completes substantial renovation of their property resulting in increased assessed valuation.

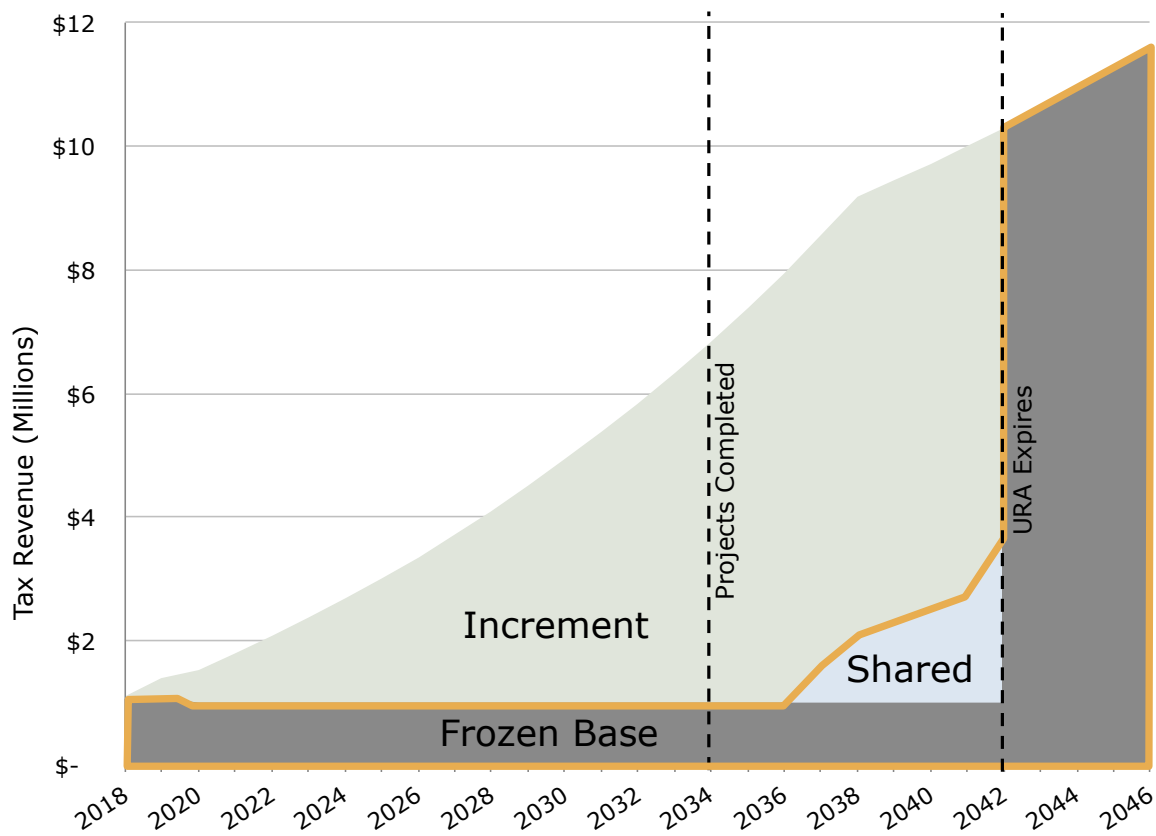
When an urban renewal area is created, the property tax revenue from that area is diverted into two revenue streams:

¹ Members of the Urban Renewal Agency typically include the Mayor, City Manager, and City Council.

Frozen Base: The total assessed value of all properties in the urban renewal area when it is formed. The frozen base revenue stream continues to go to the regular taxing jurisdictions, such as the city, the county, the school district etc.

Increment: When property values increase over time from new development and appreciation, it goes to the urban renewal area instead of overlapping taxing districts for use on projects, programs, and administration throughout the life of the district.

Shared: Once the urban renewal area is successful and generating significant increment each year, a portion of the increment is “shared” with affected taxing districts.



Early Years:
Increment revenues are small. The urban renewal area incurs loans to fund strategic improvements to stimulate new development.

Middle Years:
Development occurs, boosting increment revenue. The urban renewal has more capacity to fund projects.

Late Years:
Annual increment revenues are large. Final projects are completed, outstanding debt is repaid, and the urban renewal closes down.

After Expiration:
Once all projects have been completed and debt repaid, all of the tax revenue returns to overlapping taxing districts and they receive the benefits of increased property values.