Urban Renewal FAQ

What is urban renewal?
Urban renewal is a public financing tool. Using a mechanism called Tax Increment Financing (or TIF), urban renewal directs property taxes on growth in assessed value within an established urban renewal area toward projects that will improve conditions in that area. The driving idea behind urban renewal is that the extra investment, and the expectation of investment, in the urban renewal area generates growth that would not have occurred but for that investment. This extra growth is what funds urban renewal projects, and ultimately provides additional tax revenues to the city as a whole.

What are the benefits of urban renewal?
To qualify for urban renewal, an area must be identified as blighted (which can mean, among other things, underdeveloped, underperforming, dangerous, deteriorated, underserved). Through direct investment, urban renewal can help change a blighted portion of a city into a valuable and productive contributor to the local economy. This will help a city in multiple ways. A more vibrant area will draw business, create jobs, and stimulate the local economy. Increased property values will boost local tax rolls after the urban renewal area expires. Improvements to local infrastructure, such as transportation improvements, will make the community safer and will streamline traffic flow to and from the area.

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.

What are the steps for creating an urban renewal area?
An urban renewal area is created through a process that includes community input, notice to impacted taxing jurisdictions, review by a city's urban renewal agency, planning commission and city council. The city council hearing notice must be sent to a specified group of citizens, that is typically postal patrons. Adoption of a plan must be with a non-emergency ordinance by the city council that does not go into effect for 30 days after adoption. The plan, together with an accompanying urban renewal report, identifies the goals of the urban renewal area and projects to be funded with TIF, describes how the area complies with statutory requirements for blight, projects tax increment revenues, and identifies a maximum amount of debt an urban renewal area can incur, among other topics.

What are the criteria for creating an urban renewal area?
To create an urban renewal area, blight has to be found in the area. Blight is fully defined in the Oregon Revised Statutes 457, and generally can be described as areas which are underdeveloped, underperforming, dangerous, deteriorated, or underserved.

Who administers an urban renewal area?
An Urban Renewal Agency administers the urban renewal plan, and this agency is established by a city council. In Lake Oswego, as with many other municipalities, the City Council serves as the board of the City's Lake Oswego Redevelopment Agency (LORA).

Does urban renewal increase property taxes?
No, urban renewal does not increase property taxes; it simply allows for the reallocation of growth on taxes to the urban renewal agency rather than the overlapping taxing districts. Taxpayers in Lake Oswego see urban renewal as a line item on their tax statements whether or not they own property inside of an urban renewal area, a situation that can cause some confusion. This line item does not represent an extra charge, or result in a larger tax bill than would otherwise occur; instead, it represents a division of tax dollars, collected from all properties in an amount that equals the growth on taxes inside the urban renewal district. If urban renewal was terminated in Lake Oswego, general property taxes would not decrease; they would just be reallocated to all taxing jurisdictions.

Does urban renewal have a financial effect on the taxing jurisdictions?
Urban renewal will have a financial effect on local taxing jurisdictions, but the impact is different for schools than for other districts. An urban renewal area, as explained in later parts of this Q&A document, does not directly affect school districts. Other taxing districts may experience fiscal impacts that limit their total revenue capacity while the urban renewal area is in place. While the urban renewal area is active, a taxing jurisdiction's revenue from that area will be frozen, and will not increase until revenue-sharing is triggered. So, while an urban renewal area is active, taxing jurisdictions will not receive as much money as they would otherwise have received. In essence, the taxing districts forego some revenue in exchange for a greater total property tax base and revenue capacity as a result of urban renewal investments. The goal of urban renewal is to spur development that would not have occurred but for urban renewal, so when the urban renewal area expires, taxing jurisdictions can expect to receive more tax revenues than they would have had the urban renewal area never existed at all.
In 2009, the Oregon legislature passed HB 3056, which enacted what is known as "revenue sharing". Revenue sharing requires urban renewal agencies to share increment when certain thresholds are met. The thresholds are tied to the area's "maximum indebtedness", or the limit on the amount of debt that the agency can incur in an area. The revenue sharing legislation means that successful urban renewal investments begin creating returns for overlapping taxing districts in advance of an urban renewal area's expiration.

Supporting Documents

Urban Renewal in Oregon 2002-2012