

FAQ



# FAQ on Urban Renewal

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## FAQ: Urban Renewal

### 1. What is “Urban Renewal”?

Urban renewal is a financing mechanism used to improve the economic viability of specified areas. Specifically, ORS Chapter 457 gives cities and counties the authority to activate an urban renewal agency, with the power to propose and act on plans and projects to address “blight” in identified areas.<sup>1</sup> Examples of “blight” include buildings that are unsafe or unfit for occupancy, inadequate infrastructure, or population loss.<sup>2</sup> The area subject to urban renewal is called the “plan area.”

### 2. How does My City Determine if Urban Renewal is Necessary?

The best way to determine if urban renewal is right for your city is to engage in preliminary feasibility studies. State law does not require cities or counties to conduct preliminary feasibility studies, but they can greatly help a city determine if blight exists in an area, how large a plan area should be, and what projects will successfully address the blight. Preliminary feasibility studies are often drafted by a technical advisory committee, ideally with input from residents, business owners, and other stakeholders.

### 3. How Does My City Create an Urban Renewal Agency?

A city or county can activate an urban renewal agency by declaring, via ordinance, that a blighted area exists in the city or county and there is a need for an urban renewal agency to function in the area.<sup>3</sup>

### 4. Is an Urban Renewal Agency Part of the City or County?

No. The new urban renewal agency is a separate entity from the city or county that created it. Thus, when the city or county activates an urban renewal agency, it must also establish a governing structure for the agency and appoint a board. An urban renewal agency board can take one of three forms: (1) the governing body of the municipality (*e.g.*, the city council) acts as the agency board; (2) a separate group—appointed by the municipal governing body—acts as the board; or (3) the city housing authority acts as the board.<sup>4</sup> The urban renewal agency board may also appoint an advisory committee, although state law does not require one.

### 5. Are There any Limits on the Size of an Urban Renewal Area?

Yes. State law limits the amount of acreage and assessed value that may be under the jurisdiction of an urban renewal agency.<sup>5</sup> For cities with a population greater than 50,000, that limit is fifteen (15) percent, and for cities with a population less than 50,000, that limit is 25 percent. The 15 percent and 25 percent for maximum acreage and assessed value includes both the proposed urban renewal area *and* all other areas in the city already under an urban renewal plan.

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<sup>1</sup>Article 9 of the Oregon Constitution gives the Legislature authority to provide for urban renewal throughout the state. ORS chapter 457 sets out the state laws that govern urban renewal areas and agencies.

<sup>2</sup> See ORS 457.010(1) (statutory definition of blight).

<sup>3</sup> ORS 457.035.

<sup>4</sup> ORS 457.045.

<sup>5</sup> ORS 457.420.

## 6. What Must be Included in an Urban Renewal Plan?

After being activated by the city or county, an urban renewal agency is tasked with drafting an urban renewal plan.<sup>6</sup> State law identifies the components that must be included in an urban renewal plan.

Urban renewal plans must include the following components:

- a. A description of each urban renewal project to be undertaken.
- b. An outline of the major project activities planned for the urban renewal area(s).
- c. A map and legal description of the urban renewal area(s).
- d. An explanation of how the plan relates to local objectives.
- e. An indication of proposed land uses, maximum densities, and building requirements for each urban renewal area.
- f. A description of relocation methods for residents or businesses that must move because of urban renewal agency projects.
- g. A description of property to be acquired by the urban renewal agency (if any) and how it will be disposed (*e.g.*, sale or lease), along with a schedule for acquisition and disposition.
- h. If the plan calls for use of tax increment financing, the maximum amount of indebtedness to be issued or incurred.
- i. A description of which changes to the urban renewal plan are to be considered “substantial amendments.”
- j. If the plan calls for the development of a public building (*e.g.*, police station), an explanation of how the building serves or benefits the urban renewal area.

## 7. How does Urban Renewal Relate to my City’s Comprehensive Plan?

State law mandates that an urban renewal plan conform with a city’s acknowledged comprehensive plan.<sup>7</sup> However, if a city council certifies that an area is in need of redevelopment or rehabilitation as a result of a flood, fire, hurricane, earthquake, storm or other catastrophe respecting which the governor has certified the need for disaster assistance under federal law, the city council may approve an urban renewal plan and project for such area without having the urban renewal plan and project conform to the city’s comprehensive plan.<sup>8</sup>

## 8. Does the Public have the Right to Participate in Urban Renewal Planning?

Yes. State law requires that an urban renewal agency provides for public involvement in all stages of the development of an urban renewal plan.<sup>9</sup> Public involvement can take different forms, including the following: meetings between agency staff and elected officials; meetings with business owners and chambers of commerce; public hearings and information sessions for residents; and outreach with other taxing jurisdictions (*e.g.*, school districts and special districts).

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<sup>6</sup> ORS 457.085(2).

<sup>7</sup> ORS 457.095(3).

<sup>8</sup> ORS 457.160.

<sup>9</sup> ORS 457.085(1).

## 9. How is Urban Renewal Funded?

Urban renewal may be funded in a variety of manners, including, but not necessarily limited to: tax increment financing (TIF), selling property, loans, grants and bonds.

Tax increment financing, perhaps the primary way urban renewal is funded, is used to fund projects within urban renewal areas by earmarking property tax revenue from increases in assessed property value within an urban renewal area. Essentially, the tax increment financing process splits tax revenue from properties within the urban renewal area into two components: base revenue and incremental revenue. Base revenue is the level of property tax revenue available before the urban renewal area is established and is unaffected by urban renewal. Incremental revenue is the revenue that exceeds base revenue and is (ideally) generated by development projects in the urban renewal area. Incremental revenues are allocated to the urban renewal agency to finance urban renewal projects.

## 10. Where Can I Find More Information on Urban Renewal?

- The Oregon Department of Revenue (DOR) publishes the annual *Oregon Property Tax Statistics*, which contain property tax information for each urban renewal agency and urban renewal plan.
  - DOR Property Tax Statistics: <https://www.oregon.gov/dor/gov-research/Pages/Research-Reports-and-Statistics.aspx>.
- The former Association of Oregon Redevelopment Agencies (AORA), now a part of the Oregon Economic Development Association (OEDA) as an urban renewal committee, advocates for local redevelopment throughout Oregon.
  - OEDA website: <https://oeda.biz/committees/urban-renewal>
- The Legal Research Department at the League of Oregon Cities can assist members with questions about urban renewal in their cities.<sup>10</sup>

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<sup>10</sup> See LOC Municipal Handbook – Chapter 26: Economic Development: [https://www.orcities.org/application/files/3016/6636/8249/Chapter\\_26\\_-\\_Economic\\_Development\\_EDITED.pdf](https://www.orcities.org/application/files/3016/6636/8249/Chapter_26_-_Economic_Development_EDITED.pdf).