

BEST PRACTICES

FOR URBAN RENEWAL AGENCIES

IN OREGON

January 2014



Association of
Oregon
Redevelopment Agencies

ABOUT THE ASSOCIATION OF OREGON REDEVELOPMENT AGENCIES (AORA)

The Association of Oregon Redevelopment Agencies (AORA), established in 1987, represents established urban renewal agencies. Urban renewal agencies may be initiated by cities or counties, and their boards can be comprised of the municipal governing body, a housing authority, or members may be appointed by the governing body.

Leadership of AORA is vested in a board of three officers that includes a President, Vice-President, and Secretary/Treasurer. The Executive Committee includes, in addition, two elected directors at-large and the immediate past President also serves.

AORA holds at least two general membership meetings each year, one of which is at the League of Oregon Cities' annual conference. Other meetings are convened on an as-needed basis.

AORA is a resource for urban renewal agencies and public and private redevelopment professionals that:

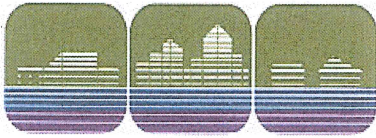
- Promotes urban renewal 'best practices' among the state's urban renewal agencies;
- Provides a forum for discussion with professional colleagues throughout the state on issues pertinent to redevelopment;
- Provides education and information to the Legislature and state agencies on issues related to redevelopment and tax increment financing;
- Evaluates and coordinates urban renewal agency responses to litigation on urban renewal and redevelopment; and
- Assists the League of Oregon Cities.

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Dear Urban Renewal Practitioner,

The Best Practices document before you is designed to be an easy-to-navigate, consolidated reference about urban renewal in Oregon. Whether you are considering a new district for your community, or if you are a seasoned practitioner, this document provides valuable information related to all aspects of urban renewal.

The name of the document was chosen to represent what it truly is—a sharing of best practices related to urban renewal in Oregon. From a background on how urban renewal works, to the procedural steps and requirements of districts, the document contains great information. Throughout the manual, you will find best-practice tips from experienced practitioners including local district managers and consultants as well as urban renewal attorneys and bond counsel (of course it is always recommended to check with your consultant or attorney when navigating new territory in urban renewal).

A letter from the Special Districts Association of Oregon and Oregon School Boards Association—two groups directly impacted by the use of urban renewal-- has been included in the appendix. Their letter and thoughts give great insight into the concerns and tension spots surrounding urban renewal, but also provide recommendations for how communities can work to better partner with taxing districts to create successful urban renewal districts supported by all.

The document represents the energy of a great group of people committed to making urban renewal a better tool for redevelopment and economic development in Oregon.

We hope you find this to be a useful reference in your urban renewal work, and that these best practices help to keep the tool of urban renewal strong in Oregon.

Kate Porsche
AORA President

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1. Introduction and Overview

1.1 INTRODUCTION

The Association of Oregon Redevelopment Agencies represents urban renewal agencies throughout the state of Oregon. A major part of AORA's mission is to provide guidance and information to urban renewal agencies in the planning, administration, and implementation of their urban renewal programs. To fulfill part of its mission, AORA has partnered with several consultants that have served Oregon's redevelopment agencies and its parent city and county entities, as well as with similar organizations in other states to review the *Urban Renewal Administrative Guidelines and Procedures* (2001) and update the document.

This document and the best practices tips contained herein were reviewed and discussed with the AORA Board, the AORA Advisory Committee, and experienced urban renewal bond counsel who volunteered to assist the AORA board. This urban renewal manual addresses issues that commonly arise in the practice of urban redevelopment within the state of Oregon. The best practices tips will provide agencies and practitioners with guidance based on over 250 combined years of consultants' experience with urban redevelopment.

The online version of this document is intended to be a living document and will be reviewed and revised as appropriate. AORA welcomes the comments and suggestions of urban renewal agencies at any time.

DISCLAIMER

The information in the *Best Practices for Urban Renewal Agencies in Oregon* is not intended to be legal advice and should not be relied upon by the user as a substitute for specific legal or other expert opinions. All users are responsible for determining the applicability of these materials for their particular issue.

CHAPTER CONTENTS

This chapter contains the following sections:

- 1.1 Introduction
- 1.2 How to use this document

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1.2 HOW TO USE THE DOCUMENT

This document provides an update and expansion to a previous AORA publication, *Urban Renewal Administrative Guidelines and Procedures* (2001). AORA's goal for this document is to provide Oregon's cities and counties with an easy-to-navigate, consolidated reference about the following information:

- Requirements for urban renewal in Oregon
- Background on how urban renewal works and its procedural steps
- Best practices for urban renewal topics from practitioners who have been working in Oregon for many years

The document is organized by major topic. For each topic, there is an introduction, the statutory provisions that pertain to the topic, a discussion, and best practices tips. Throughout the document there are sidebars to assist the reader or to provide examples from communities around the state.

The online version of this document will provide updated content on a regular basis, and this PDF version will be reviewed periodically to add updated information and note any changes to the law in Oregon.

The online document can be found at www.orurbanrenewal.org.

2. Preliminary Feasibility Studies

Feasibility studies are used to evaluate the potential political and economic success of an urban renewal area (URA). They typically entail less detail than an urban renewal plan and report and allow a jurisdiction to take a relatively inexpensive look at the benefits and constraints of a proposed URA. There are no statutory requirements for a feasibility study.

Feasibility studies provide valuable information about the potential success of an URA and are usually completed prior to writing an urban renewal plan. Exceptions to this may include, but are not limited to, response to an opportunity that has certain time constraints that would not allow for completion of an urban renewal feasibility study.

CHAPTER CONTENTS

This chapter contains the following sections:

- 2.1 Public involvement
- 2.2 Area boundary
- 2.3 Blight
- 2.4 Preliminary projects and programs
- 2.5 Comprehensive plan review
- 2.6 Financial analysis
- 2.7 Impacts on taxes imposed by overlapping taxing districts
- 2.8 Gaps and issues

2.1 PUBLIC INVOLVEMENT

A. Background

Feasibility studies can either be an internal technical study to determine if tax increment financing (TIF) would be an effective tool or they can be a more fully vetted study that incorporates input from stakeholders. Some jurisdictions prefer to examine the technical aspects of urban renewal before including stakeholder input, as they may decide not to proceed with an urban renewal plan depending on the outcome of the initial technical study.

B. Statutory Provisions

ORS 457.085(1) requires public involvement in all stages of development of an urban renewal plan.

C. Discussion

Different types of public involvement include meetings with the jurisdiction's staff and elected/appointed officials (a technical advisory committee), business district participants, residents, and taxing jurisdictions (a community advisory committee).

The technical advisory committee can ensure that projects are consistent with the jurisdiction's plans and can provide valuable information about the cost of projects. They can also analyze a project in the context of other jurisdictional needs and look at the impact of TIF on the overall city or county budget.

The community advisory committee can provide important input on the viability of projects and the willingness of the taxing jurisdictions to support the effort.

For other ideas, refer to **Section 4.1 on Public Involvement**.

D. Best Practice Tips

Stakeholder participation will assist a locality in adopting an urban renewal plan that has been fully vetted with both public officials and community stakeholders. The scope of the feasibility study should determine the amount of stakeholder involvement.



In 2010 and 2011, the Hood River City Council developed the Hood River Heights Business District Urban Renewal Plan with cooperative input from the Hood River Heights Business Association (HRHBA). During the feasibility stage, the HRHBA met monthly in open public meetings to review the boundary, establish goals and objectives, and establish and prioritize projects. Once the feasibility study was completed, the HRHBA reviewed the components of the proposed urban renewal plan and became an advocacy group for the preparation of the urban renewal plan, which resulted in a widely supported urban renewal plan.

2.2 AREA BOUNDARY

A. Background

An urban renewal feasibility study must be predicated on specific boundaries and, if desired, specific alternative boundaries.

B. Statutory Provisions

ORS 457.420 limits the amount of acreage and assessed value that may be in urban renewal for cities with a population of more than 50,000 (15%) and less than 50,000 (25%). The area must also be blighted in accordance with ORS 457.010.

C. Discussion

Area boundaries are meant to include the entire blighted area where the jurisdiction intends to undertake its projects and programs. For example, if a jurisdiction is considering a commercial district in the downtown, it makes sense to include all of the commercially-zoned properties in that district. There are a few special circumstances to consider when establishing boundaries:

- **Cherry stems:** There may be development opportunities or blighting conditions that are not directly adjacent to the area being studied, but which have a direct relationship to the main area. Those areas can be added to the study area through a “cherry stem,” a small section that connects one area to the other.
- **Donuts:** There may be an area within the potential boundary of an URA that is not included in the URA. This may be because it is a different land use, no projects are planned in that area, or because it may not relate to the URA in some other way. It is acceptable to establish a boundary and exclude that area, making a “donut.”
- **Non-contiguous areas:** If a jurisdiction is considering multiple areas in one urban renewal boundary that are not tied together by area, there should be a direct functional or planning relationship between the two areas.

Jurisdictions sometimes study the possibility of adding more acreage to an URA than the specific area where projects will be considered. This is done because the larger area typically benefits from the improvements and can use the overall growth to help establish the URA.

D. Best Practices Tips

The most logical boundary encompasses the area that is blighted and will benefit from the use of tax increment funding for projects and programs within the area. Larger URAs should be carefully reviewed to avoid controversy in a later stage of plan development.

A boundary including non-contiguous areas should be established only after legal counsel review and approval. A cherry stem is the most conservative method to address this situation and should be the first method explored.

2.3 BLIGHT

A. Background

Blighting conditions must be present in an URA. However, not every parcel in an URA has to be blighted. Blighting conditions are documented through an existing conditions analysis.

B. Statutory Provisions

ORS 457.010(1) defines blight.

ORS 457.085(3)(a) states the requirements of an urban renewal report that identifies blight.

C. Discussion

The existing conditions analysis includes data on:

- Land use
- Zoning
- Comprehensive plan designations
- Platting (if pertinent)
- The conditions of the utilities in the area, including water, sewer, and wastewater systems
- Conditions of the transportation system
- Economic analysis, including an investment to land ratio analysis
- An analysis of the social conditions of the area

If a master plan or capital improvement plan exists for the utilities, it can be analyzed for projects identified for the study area. This analysis should include a cross-check by the jurisdiction's engineer for projects that have been completed or are going to be added to the master plan.

Improvement to land ratio values are determined by analyzing the county assessor's data on properties within the area and are used to demonstrate underdevelopment in an area.

Blighting indications include deficiencies in the jurisdiction's utility and transportation systems and any issues in the present platting of the properties within the area. This is the same information that is required in the preparation of a report that accompanies an urban renewal plan.

D. Best Practices Tips

The URA must meet at least one condition of blight identified in the statute .

2.4 PRELIMINARY PROJECTS AND PROGRAMS

A. Background

Projects and programs are meant to address the blighting conditions of the area and should help catalyze future development in the area.

B. Statutory Provisions

There are no statutory requirements for the identification of projects and programs at the feasibility study phase. However, the projects and programs identified for an urban renewal plan ultimately need to comply with ORS 457.

C. Discussion

Projects are ideally identified and prioritized based on their maximum effect in curing blight and encouraging the private development that will provide the increment necessary to pay the urban renewal plan debt. Prioritization must also be flexible enough to react to opportunities, such as providing “match” for grant programs or responding to development opportunities as they arise. Local preferences will also influence project choices.



FORT GEORGE BREWERY REMODEL

Remodeled in 2009, the Fort George Brewery has become a major attraction in Astoria. The project was funded through a variety of loans and grants, some of which were sourced through urban renewal.

2. PRELIMINARY FEASIBILITY STUDIES



Before



After

STOREFRONT IMPROVEMENT

Coos Bay has a façade improvement program that has successfully revitalized its downtown area.



STREET INFRASTRUCTURE

The Columbia Gateway URA in The Dalles provided redevelopment financing to assist in the redevelopment of the eastern entrance to the city's downtown, pictured here.

Projected costs for projects should come from the city engineer and/or master plans or capital improvement plans for infrastructure projects and other adopted plans on the study area. Costs may also come from input from consultants and/or other jurisdictions for projects and programs such as storefront grant and loan programs and redevelopment assistance. At the feasibility stage of review, the costs do not need to be detailed, but a general idea of the magnitude of costs associated with the projects will enable the locality to determine the trends that are needed to address blight in the area.

The types of projects and programs typically used in urban renewal are:

- Storefront grant and loan programs
- Redevelopment grant and loan programs
- Infrastructure projects, including streetscape, water, sewer, wastewater, and undergrounding utilities
- Developing parking to support downtown businesses
- Development of public buildings
- Assistance to private developers and owners to rehabilitate or redevelop property

D. Best Practices Tips

Projects should be identified that will address the blighting conditions in the area and help catalyze development in the area, thereby increasing property values.



DEVELOP PARKING TO SUPPORT DOWNTOWN BUSINESSES

Lake Oswego worked under a redevelopment agreement with a private developer for an anchor project on the south end of the retail district in downtown Lake Oswego. The City of Lake Oswego paid for the construction of a structured parking facility that was integral to the development of the surrounding retail and office space. The city owns the parking facility, which is adjacent to the highly successful Millennium Park.

2.5 COMPREHENSIVE PLAN REVIEW

A. Background

A succinct review of the comprehensive plan and other plans and reports enables the jurisdiction to ensure that a future urban renewal plan will conform to the comprehensive plan and other local objectives.

B. Statutory Provisions

There are no statutory requirements for comprehensive plan review at the feasibility study phase. However, ORS 457.085 (1)(d) and ORS 457.095(3) address the need for an urban renewal plan to be in conformance with the comprehensive plan.

C. Discussion

A review of the comprehensive plan and other adopted plans does not require the full analysis that is required in the preparation of an urban renewal plan, but it can help to ensure that these issues will not interfere with the adoption of a plan. For example, if a jurisdiction would like to see a mixed-use development on a site that is presently designated as industrial land and does not allow for mixed-use development, that issue must be resolved before the adoption of an urban renewal plan.

D. Best Practices Tips

A comprehensive plan should be reviewed in a feasibility study to identify any issues that may need to be resolved before preparing an urban renewal plan.

2.6 FINANCIAL ANALYSIS

A. Background

An initial assessment of the financial feasibility of a plan can determine if the anticipated revenue sources, including tax increment revenues, will be sufficient to cover the anticipated project costs. It is beneficial for estimates of tax increment revenues to be based on an informed judgment of the types and levels of development likely to occur within the URA.

B. Statutory Provisions

There are no statutory requirements for financial review at the feasibility study phase. However, ORS 457.085(3)(f) and (g) require financial analysis in an urban renewal plan.

C. Discussion

At the feasibility study stage, detailed cost estimates for specific projects may be unknown. Jurisdictions often find that it is helpful for the emphasis at this stage of analysis to be on understanding the order of magnitude of the financial resources available, and whether or not those revenues seem reasonable to cover estimated project costs in a reasonable time period. It is often useful to look at long-term historical trends as a starting place for future growth assumptions, then adjust these assumptions to account for known taxable redevelopment that is planned or in progress, current market conditions, and anticipated urban renewal projects that would stimulate additional redevelopment in the future.

It is valuable to consider the timing of revenues and expenditures. Timing can be particularly important when establishing the frozen base, and determining the first year to receive TIF. The frozen base is the total assessed value of the URA and is based on the most recent year of assessor's data. The first year to receive TIF is based on the first year that tax rolls are set after adoption of the plan. For more on how the timing of plan adoption can affect early year TIF revenues, see **Section 4.9 Finance**.

Other timing issues can arise when trying to finance projects early in the life of an URA. Many lenders look at historical tax collections when determining the terms of available financing. It may be difficult to obtain financing for expensive projects in the early years of an URA, even if preliminary projections show rapidly growing TIF revenues.

It is not always necessary (or ideal) to focus on one specific forecast of TIF revenues. Often, jurisdictions model multiple scenarios, presenting a range of forecasts and showing the TIF revenue potential under various assumptions.

It is important to remember that TIF revenues do not equal the dollars available for projects. TIF revenues are used to pay debt service on debt that pays for project costs. Thus, the financial feasibility analysis needs to make general assumptions on the type of debt that will be incurred by the URA and the terms associated with that debt (for example, interest rates, coverage ratios, reserve requirements, issuance costs, and amortization period). At the feasibility stage it is not necessary to have all of these assumptions nailed down, but it may be helpful to check with financial advisors to ensure that the analysis is grounded in reasonable assumptions.

D. Best Practices Tips

A jurisdiction should conduct a preliminary financial analysis to ensure that projected revenues are of an order of magnitude that is sufficient to cover its anticipated project costs. Forecasts of TIF revenues should be based on conservative assumptions of growth in assessed value.

A jurisdiction should account for inflation in its financial feasibility analysis. It may be a decade or more before some urban renewal projects are funded. Even with conservative inflation assumptions of 3% per year, project costs can increase by more than 33% in a decade. A jurisdiction should cite the source of its inflation assumptions (e.g., consumer price index, construction cost indices, etc.).

Also, a jurisdiction should include some funding for administrative costs throughout the life of the urban renewal plan.

If, at the feasibility stage, a jurisdiction wants to recover the costs of conducting the feasibility study and developing the plan itself, it must identify those activities as a project of the plan.

HELPFUL TIPS

When evaluating the financial feasibility of an URA, consider the following:

Inflation: Always make sure to have realistic forecasts for inflation. URAs often wait years (if not decades) before funding certain projects. Inflation can significantly increase project costs over this time. Including inflation in your project cost estimates is necessary to ensure the maximum indebtedness is sufficient to cover all project costs.

Administrative costs: While it is natural to focus on the costs for specific capital projects, make sure that administrative costs are also included. URAs typically incur some level of ongoing administrative costs.

Reimbursement of preliminary expenditures: Prior to adopting an urban renewal plan, a jurisdiction may incur costs writing, evaluating, and adopting the plan. These costs require an upfront source of funding (typically a jurisdiction's general fund), but can be reimbursed by an URA, when resources are available. Jurisdictions that wish to have these costs reimbursed by the urban renewal area need to list these activities as a project in the plan.

2.7 IMPACTS ON TAXES IMPOSED BY OVERLAPPING TAXING DISTRICTS

A. Background

Taxing districts are understandably concerned about the impact of urban renewal on their future tax revenues. During the operation of an urban renewal plan, the taxing districts will forego any increase in property taxes within the URA. The reason for pursuing urban renewal is to increase the value of properties in the URA, thereby increasing the property tax revenues. At the termination of an URA, taxing districts will receive the benefit of the use of urban renewal if the URA was successful at increasing the taxable assessed value.

B. Statutory Provisions

There are no statutory provisions for analyzing the impacts on taxing jurisdictions in a feasibility study. However, ORS 457.085(3)(h) requires the analysis of impacts on taxing jurisdictions in an urban renewal plan.

C. Discussion

Financial analysis of the revenues foregone by overlapping taxing districts is required in the report accompanying an urban renewal plan and it can be helpful to conduct this analysis during the preliminary feasibility study. The analysis can show the impact to other jurisdictions without new development, using the average annual appreciation rate in the area, and the impact of new development using projections developed within the feasibility study. A key factor to consider is whether the projected new development would occur regardless of urban renewal, and, therefore, whether those taxes should be considered as foregone or whether the taxing district would not have seen that growth without urban renewal.

It can be beneficial to involve taxing districts in the information sharing about a potential new URA. The jurisdiction may benefit from the participation of special districts in the collaborative effort to design projects and programs to benefit the URA.

Analyzing the impact to taxing districts entails estimating the taxes that may be foregone by overlapping taxing districts from the division of taxes for the urban renewal plan. Again, these would be the taxes that would have been generated by growth, with or without the urban renewal plan. At the feasibility stage, estimating the order of magnitude of impacts is typically all that is necessary.

This will help the governing body understand how an urban renewal plan would affect overlapping taxing districts before it proceeds with creating a plan.

To determine the impact to other taxing districts, a jurisdiction must first estimate what the future assessed value of the URA would be without urban renewal. Then the future assessed value without urban renewal must be multiplied by the permanent tax rates for all overlapping taxing districts.¹ If the URA is anticipated to experience revenue sharing, then the revenue sharing amount is added to calculate the total impact to taxing districts. It may also be helpful to calculate what the positive impact to taxing districts will be in the first year that the URA is scheduled to end. This will provide affected taxing districts with an idea of the revenue they would give up in the early years compared to the benefit they would receive in later years. **Table 1** shows an example of a table summarizing the impacts of an existing URA.

Table 1. Summary of impacts of an existing URA

Rate Type	Tax Rate	Included in TIF Consolidated Rate?	Incremental Value	Annual Foregone Revenue
Permanent	\$4.0000	Yes	\$ 10,000,000	\$ 40,000
Local Option Levy	\$1.0000	No	\$ 10,000,000	\$ -
General Obligation Bond				
Approved prior to Oct. 2001	\$0.7500	Yes	\$ 10,000,000	\$ 7,500
Approved after Oct. 2001	\$1.2500	No	\$ 10,000,000	\$ -
Total	\$7.0000		\$ 10,000,000	\$ 47,500

HB2632 was adopted by the Oregon legislature in 2013. It provides that standard rate plans will not receive division of taxes from local option levies approved after January 1, 2013.

D. Best Practices Tips

An analysis of the impacts on taxing jurisdictions should be an integral component of a feasibility study and should be reviewed with the taxing jurisdictions if the agency intends to pursue development of an urban renewal plan.

Taxing districts should be involved in the information sharing about a potential new URA and should participate in the collaborative effort on designing projects and programs that will benefit the URA. Although urban renewal does not have a direct impact on local school district funding, it is important for school districts to also be included in the information sharing so that all interested parties understand the extent of the potential impacts.

1. Local option levies are excluded from the consolidated tax rate for new URAs, as are general obligation bonds approved after 2001. Even if there are general obligation (GO) bonds approved prior to 2001, a new URA would affect the bond rate, but not the amount of the levy collected, and therefore would have no fiscal impact on a jurisdiction's GO bonds collection.

IMPACTS ON SCHOOL DISTRICTS

When considering the impact on taxes imposed by overlapping taxing districts, it should be noted that school districts are affected differently than other types of taxing districts.

Property taxes were once the primary funding source for K-12 schools, and tax rates varied by district. Today, the State of Oregon “equalizes” school funding, using a formula that takes into account property tax revenue generated at the school district level and revenue from the State’s coffers generated by the statewide income tax, Oregon Lottery, and intergovernmental revenues.

Allocation of State revenues to local school districts comes in the form of “general purpose grants.” The primary driver of the State allocation is the number of students in each district. This means that local property taxes generated by a school district have no direct impact on school funding in that district. Thus, any impacts that an URA might have on local school district property tax revenues would have no direct impact on school funding in that district.

2.8 GAPS AND ISSUES

A. Background

A feasibility study is used to assess the preliminary viability of using urban renewal and TIF for redevelopment. It will identify the gaps and issues that could arise if the jurisdiction determines that it would like to proceed with the preparation of an urban renewal plan. These may be technical or political issues.

B. Statutory Provisions

There are no specific statutory provisions for feasibility studies.

C. Discussion

The types of gaps and issues are generally either technical or political in nature. Technical issues often include:

- **More project expenditures than projected TIF revenue.** Once preliminary URA boundaries are identified many jurisdictions will fold extensive projects outlined in their capital improvement plans and transportation systems plans into consideration for TIF assistance. Those projects, in addition to projects and programs targeted to directly promote redevelopment of the URA, such as rehabilitation loan programs, site assembly, and storefront improvements, can result in a very long list. If the total estimated cost of these projects exceeds the financial projections for tax increment funds, the projects will need to be prioritized and reduced to a level that can be reasonably funded through TIF. If the projects cannot be reduced, the jurisdiction will need to look for other sources of funding that can potentially be leveraged with TIF.
- **Lack of funding in the early years.** Most URAs have very small amounts of TIF cash flow in the early years, which limits their bonding capacity. This sometimes means that a jurisdiction may need to defer larger scale projects that rely on TIF for a period of time. A jurisdiction that chooses to initiate more projects and programs earlier on can borrow from sources other than the bond market, though some of these sources will have restrictions on how their monies can be used. Alternative sources can include: a jurisdiction’s general fund; GO Bond of the jurisdiction; enterprise funds from system development charges (SDCs) from transportation, public works, parks, or other departments; private lenders; and tax anticipation notes based on TIF projections from the URA. All of these can be repaid by future TIF cash flow or by issuing a TIF bond once that becomes viable.

- **Revenue sharing within the taxing districts impacts time period of the district.** Revenue sharing with taxing districts (see Section 4.9) needs to be planned for and URAs should accommodate projected changes in TIF revenue (adjusting project goals and/or securing non-TIF resources to complete projects). The options are to lengthen the estimates for the time frame of the URA or reduce the amount of money to be used.
- **Comprehensive plan needs to be updated to conform with the present desires of the jurisdiction.** Redevelopment often requires changes to the underlying zoning and comprehensive plan designations. The adoption of an urban renewal plan requires that the plan be in conformance with the comprehensive plan. Therefore, there may be instances where the comprehensive plan should be updated before an urban renewal plan can be adopted.
- **Compression impacts financial feasibility.** The financial feasibility of a plan needs to take into account the impact of tax compression (see Section 4.9) in the analysis, understanding that the analysis is an estimate and cannot account for unexpected changes in economic dynamics.

The major political issues identified are:

- **Impacts on taxing jurisdictions, including the jurisdiction pursuing the urban renewal plan.** Other taxing districts will forego revenues upon the adoption of an urban renewal plan. There are many instances where the taxing jurisdictions are aware of that impact and are supportive of the efforts of the jurisdiction to implement urban renewal. They understand the overall impact urban renewal can have on the community and feel that the overall benefit is positive. However, there are also taxing districts who feel they cannot forego tax revenues. The jurisdiction must decide how to balance the needs of the taxing districts with the needs of the community.
- **Lack of support for the proposed redevelopment.** The jurisdiction may be proposing redevelopment in an area where there is not support for the redevelopment. This is an issue that is best resolved by the jurisdiction prior to proceeding with the adoption of an urban renewal plan.
- **Need to go to a public vote.** Some jurisdictions require that voters approve new urban renewal plans or substantial amendments to existing plans. Such approvals will add time to the district formation process. There may also be extra work required to effectively and legally communicate the objectives of urban renewal to voters.
- **Changing governing body before feasibility study adoption.** If the urban renewal feasibility process spans an election, there is a risk that the composition of the governing body and support for urban renewal could change before the feasibility analysis is complete.

D. Best Practices Tips

It is helpful for governmental entities to perform feasibility studies that identify issues and gaps, prior to creating an urban renewal agency.

3. Creating an Urban Renewal Agency

Urban renewal agencies are separate and unique entities that may be activated by municipal entities (cities or counties) under the authority of Oregon Revised Statutes (ORS 457.035).

As a separate entity, the elected municipal governing board must establish the governing structure of the agency, including appointing a board. This decision may be influenced by a number of factors discussed in this section, as well as other factors such as the various projects and programs that are considered for inclusion in the URA's plan.

CHAPTER CONTENTS

This chapter contains the following sections:

- 3.1 Establishing the Board
- 3.2 Advisory Committees

3.1 ESTABLISHING THE BOARD

A. Background

Urban renewal agencies are governed by a body that is separate and distinct from the municipality that activates the URA. For simplicity in this document the URA body is called a “board.” The municipal entity that creates the URA is responsible for determining the structure of the board, as provided by ORS. There are three potential structures for the urban renewal agency board:

- Governing body itself
- Separate group—appointed by the municipal governing body
- Housing authority

B. Statutory Provisions

ORS 457.045 provides that a municipality’s governing body may choose to exercise the powers of an urban renewal agency by:

- (1) the municipality’s housing authority,
- (2) a separate board or commission of no fewer than three members, or
- (3) by the governing body itself, acting as a governing body separate from the municipality they were elected to represent.

A housing authority functioning as an urban renewal agency must appoint an advisory board, but otherwise, advisory committees are not required.

C. Discussion

Historically, in Oregon, elected municipal officials have generally desired substantial control over urban renewal decisions. Therefore, most urban renewal agency boards consist of the members of the city council or county commission. Of those urban renewal agencies where the municipality’s governing board created boards consisting of non-elected officials, some require that at least one member of the board be an elected municipal official.

The governing bodies of municipalities just starting an urban renewal program can sometimes find it difficult to decide whether to establish a separate board or retain direct authority. There are examples where municipalities have created a separate board and later decided to return authority to the elected governing body. The agency board may also decide whether or not to designate one or more advisory committees, and if so, the board also determines what functions those committee(s) should serve.



Phoenix urban renewal agency at work reviewing a loan application.

So what is the best governance structure and why? Although there are no specific authoritative sources that address best practices for local government board governance, guidance can be found in *Best Practices: Nonprofit Corporate Governance* and the *Five Habits of High Performance Boards*. The key issues raised by the authors of these documents are as follows:

Key considerations included in both documents directly relevant to the creation of an urban renewal agency:

- The relationship between the board and staff
- Duty of loyalty, distinct entity

1. Relationship between board and staff

The success of the URA, just as is the case with the municipality itself, is very much dependent upon the staff and the support they receive from the urban renewal agency board. Additionally, what often undermines the success of an organization are actual or perceived conflicts of interest.

Practically speaking, there are very few urban renewal agencies that have the staff resources to operate independently. Although the urban renewal agency may have staff dedicated to urban renewal projects and activities, the agency is generally supported by departments in the rest of the municipal organization, such as finance, planning, public works, and city or county management. This reality makes it very challenging for staff should there be two separate and distinct boards.

2. Duty of loyalty

The duty of loyalty to a distinct entity may be addressed through the recognition that the urban renewal agency is a “component unit” of its founding municipality. In other words, loyalty belongs to the parent entity, i.e. the municipality that created the urban renewal agency.

Urban renewal functions and activities are generally specific and limited. The urban renewal agency’s authority is controlled not only by state law but also by policy documents, e.g. the urban renewal plan, that specify, among other items, the projects and activities to be undertaken, the estimated cost of projects and activities, the maximum amount of funding, and the estimated period of time to accomplish the plan.

Each urban renewal plan is different, with various projects and activities of the urban renewal agency supporting the overall vision. Therefore, each urban renewal agency has different leadership and governing requirements, and these may vary from time to time during the life and implementation of an urban renewal plan.



In Astoria, the Agency is the the City Council.

3. Municipal governing board vs. appointed board configuration

There are advantages and disadvantages to each of the two options that are currently used in Oregon (no housing authorities currently exercise urban renewal powers).

Table 2. Overview of Board Structure

	ELECTED CITY OR COUNTY OFFICIALS	APPOINTED BOARD
Direct oversight of elected officials	Retained	Compromised
Perception of decision being final	Retained	Perception may be that decisions may be challenged
Public attendance at meetings	Improved attendance (other business)	Attendance may be reduced
Representation of board	Limited to elected officials	Board members with unique qualifications can be recruited
Accountability	Accountable to voters	Accountable to elected body
Stability	Potential to be less stable (subject to change with each election)	Generally more stable
Sufficient Attention	Heavy demands of the primary entity may reduce attention—involvement with other related issues may offset	Generally more direct attention

4. City council or county commission as agency board

The advantages of designating the city council, city commission, or county commission as the urban renewal agency board include:

- Direct oversight is retained by the municipality's elected officials. Given the scope and importance of decisions regarding urban renewal in most communities, this degree of oversight is important.
- Decisions will be considered final, as opposed to the decisions of a separate board, which might be appealed to the governing body. (However, the decisions of a separate urban renewal agency board in undertaking an adopted urban renewal plan are not, strictly speaking, appealable to the municipal's governing body.)
- The urban renewal agency's board meetings may be better attended if they are held concurrently with council or commission meetings.

The disadvantages of this form of governance include:

- Representation on the urban renewal agency board is limited to the elected municipal officials. Opportunities for other qualified or interested citizens (e.g. real estate developers, lenders, and other experts) to directly participate in URA governance are eliminated.
- Board membership can be unstable, i.e., subject to change with each election, potentially resulting in a lack of continuity in urban renewal agency governance and decision-making. This instability is often mitigated by continuity among staff, legal representation, and advisors.
- Urban renewal agency decisions may, in part, be based on political agendas rather than sound development considerations.
- Urban renewal agency issues may not receive sufficient attention from board members who often have heavy demands placed on them in their roles as city council or county commission members. This can be mitigated by the use of advisory committees (ad-hoc or otherwise).
- Actual or perceived conflicts between the urban renewal agency and the municipality may exist, making it more difficult for these interests to be kept separate.
- The urban renewal agency board may not be as willing to advocate for their interests when they conflict with municipal interests.
- In some cases, there may be simple confusion as to which legal body has the authority to make a particular decision.

5. Separate agency board

The advantages of designating a separate urban renewal agency board include:

- The board's full attention can be given to urban renewal matters.
- The board may be more likely to represent the interests of the urban renewal agency in those circumstances where there may be conflicts with the municipality.
- The potential conflict of interest is limited as the urban renewal agency is a component unit of the parent municipality.
- Urban renewal agency decisions might be more likely to be made on the basis of sound development considerations.
- Board membership may include one or more elected officials in order to retain a measure of direct oversight by the municipal governing body.
- There may be other unintended consequences associated with appointing fewer than all elected officials to an advisory committee.

- Perception, real or not, that the appointed elected officials speak for the majority of the municipal governing board.
- Potential communication issues created by filtering information.
- Board membership may represent particular areas of expertise, interests in the community, and/or within the URA.

The disadvantages of this form of governance include:

- The municipal governing body may be unwilling to truly delegate authority to a separate board, and this may result in “second guessing” board decisions.
- The board is less accountable to the voters of the municipality.
- Board decisions may not be considered final by the public. They may be appealed to the governing body, causing delays or reversals of board decisions.
- In smaller organizations, where the same staff that performs city or county functions also performs urban renewal functions, the potential for conflicting direction increases.

6. Urban renewal boards in Oregon

In Oregon, a majority of urban renewal agencies are governed by the elected officials of the municipality by which it was created. Additionally, there are examples within the state of the elected body of the municipality changing the board composition to address changes in conditions within the community or the urban renewal plan.

Table 3. Elected boards vs. appointed boards

	ELECTED CITY OR COUNTY OFFICIALS	APPOINTED BOARD
Number of agencies	Retained	Compromised
Advisory boards	Retained	Perception may be that decisions may be challenged
Change in board composition	Improved attendance – other business	Attendance may be reduced

D. Best Practices Tips

Elected officials of the municipal governing board are encouraged to give serious consideration to the issues presented above. They should also consider public comments about the various options for board composition, given their specific plan, community, and other issues, prior to forming the urban renewal agency and/or making changes to an existing agency board.

If the municipal governing board chooses to appoint a “separate group,” whether that group includes one or more elected municipal governing board members or not, the municipal governing board is encouraged to document desired board member profiles, roles and responsibilities for the board, its members, and the governing body.

3.2 ADVISORY COMMITTEES

A. Background

Any urban renewal agency board may appoint an advisory committee, although advisory committees are more frequently appointed by boards that consist of the municipal governing body. Advising committees can be either long-standing or ad-hoc to respond to specific issues.

B. Statutory Provisions

There are no statutory provisions for advisory committees.

C. Discussion

Appointing an advisory committee(s) can help mitigate some of the disadvantages of having the city council or county commission serve as the urban renewal agency board.

- Advisory committees can devote their full attention to urban renewal issues, and the urban renewal agency board, in many cases, can choose to heavily rely on their advice.
- Advisory committees can also broaden participation in urban renewal decisions and can represent varying interests and expertise in the community.
 - o Municipalities should be aware that advisory committees may have a tendency to desire direct decision-making authority when it is not desired by the urban renewal agency board, which can lead to conflicts with the urban renewal agency board.
- The urban renewal agency board can also decide whether the committee is to advise on all urban renewal issues or only on certain types of issues.
- Ad-hoc committees may serve the urban renewal agency board best because they have a limited scope and time frame. This may serve to:
 - o Increase the efficiency of an organization

3. CREATING AN URBAN RENEWAL AGENCY

- o Reduce potential conflicts in authority with elected boards
- o Increase ability to recruit experts for a given project or program
- o Expand the field of potential committee members due to reduced length of time commitment
- An urban renewal agency board can give consistent and substantial weight to advisory committee recommendations.
- Though the urban renewal agency board is not bound by advisory committee recommendations, if such recommendations are not given a prominent place in board decisions, the advisory committee will lose its effectiveness.
- Ad-hoc committees can be assigned to specific projects or programs.

Table 4. Ad-hoc committees vs. standing committees

	AD-HOC COMMITTEE	STANDING COMMITTEE
Dedicate full attention to agency activities	Yes	Yes
Broaden participation in agency activities	Yes	Yes
May desire direct decision authority	Less likely	More likely
Limited scope and timeline	Generally	Generally no
Increase efficiency of staff	Generally	Possibly, but less often
Reduce potential conflicts of authority with elected officials	Generally	Possibly, but less often
Increase potential to recruit experts	Yes	More so than elected bodies, less so than ad-hoc committee
Expanded pool of potential members due to reduced time commitment	Yes	More so than elected bodies, less so than ad-hoc committee

D. Best Practices Tips

If the board consists of the municipal governing board, ad-hoc committees may be effective to advise the municipal governing board on various projects and/or programs.

If jurisdictions decide to create continuing advisory committees, then these committees should have clear and defined parameters, and those parameters should include topics like: purpose, composition, term-limits, staffing, costs, etc.

4. Urban Renewal Plan

An urban renewal plan sets out the parameters of the actions to be undertaken in an URA by an urban renewal agency. It is important to consider all issues in preparation of an urban renewal plan, as implementing substantial amendments to an urban renewal plan is very time-consuming and expensive.

Urban renewal plans must be proposed by an urban renewal agency (ORS 457.085(2)). Therefore, if a jurisdiction is considering adopting an urban renewal plan, they must first establish an urban renewal agency.

The statutes require that an urban renewal agency shall provide for public involvement in all stages of the development of an urban renewal plan.

CHAPTER CONTENTS

This chapter contains the following sections:

- 4.1 Public involvement
- 4.2 Area boundary
- 4.3 Goals/objectives
- 4.4 Projects funded with TIF revenue
- 4.5 Comprehensive plan and economic development plan review
- 4.6 Procedural requirements for approval of a plan
- 4.7 Urban renewal report
- 4.8 Blight
- 4.9 Finance

URBAN RENEWAL PLAN COMPONENTS

1. A description of each urban renewal project to be undertaken.
2. An outline of the major project activities planned for the URA or areas.
3. A map and legal description of the URAs of the plan.
4. An explanation of how the plan relates to local objectives.
5. A discussion of the relevant objectives of the local comprehensive plan and other council - adopted related plans.
6. An indication (map and text) of proposed land uses, maximum densities, and building requirements for each URA.
7. Urban renewal plans no longer regulate land uses, and this section of the statute is obsolete, but has not been repealed. Therefore, the plan should consist of a reference to the jurisdiction's comprehensive plan and implementing ordinances.
8. A description of relocation methods for residents or businesses that must move because of urban renewal agency projects.
9. A description of property to be acquired by the urban renewal agency (if any) and how it will be disposed of (e.g., sale or lease), along with a schedule for acquisition and disposition.
10. If the plan calls for the use of TIF, the maximum amount of indebtedness to be issued or incurred.
11. A description of which types of changes to the plan are to be considered substantial amendments (See **Section 5.3 Substantial Amendments**). Duration provisions of urban renewal plans are not required by statute. Localities may want to impose durations, and if they do, they become another provision of the plan. If imposed, the plan should specify how those provisions might be amended, if at all. Typically, jurisdictions want URAs to be active for a period of 20 to 30 years, though it is not uncommon for an urban renewal agency to take longer than 30 years to repay the debt.
12. If the plan calls for the development of a public building (e.g., a fire station), an explanation of how the building serves or benefits the URA.

4.1 PUBLIC INVOLVEMENT

A. Background

Public involvement is a key component of all phases of urban renewal planning, from the inception of an URA to the ongoing administration of the urban renewal plan. Involvement needs range from including the public to including the specific affected local taxing jurisdictions. Adoption of an urban renewal plan goes much more smoothly when there is significant public support for the plan.

Some jurisdictions have included a public vote for establishing urban renewal agencies, approving urban renewal plans, and making substantial amendments as a component of their public involvement.

B. Statutory Provisions

- ORS 457.085(1) requires that “an urban renewal agency shall provide for public involvement in all stages of the development of an urban renewal plan.”
- ORS 457.085(4) and ORS 457.085(5) require that new plans or substantial amendments must be presented to the planning commission of the jurisdiction and to the governing bodies of taxing districts affected by the plan.
- ORS 457.437 requires that a city urban renewal agency meet with the governing body of the county affected by the plan.
- ORS 457.095 and ORS 457.120 require that direct notice be sent (by a jurisdiction) to individuals or households within certain areas in addition to the normal notice provisions of a jurisdiction for a public hearing on a new plan or substantial amendments.
- ORS 457.460 requires that annual reports be prepared and published in the newspaper at least two times each year.
- ORS 457.095 requires published notice of adoption of an urban renewal plan.

The statutory requirements are for public involvement in all stages of the development of an urban renewal plan. The ranges of involvement are shown below.

The City of Beaverton met extensively with the general public, key stakeholders, and the affected taxing districts when it was creating its Downtown Urban Renewal Plan. During this public outreach, a key concern was the duration of the Plan. At first, there was a desire to have a hard stop date in the Plan for the last year to issue debt, but the community realized the potential danger of limiting their Plan from accomplishing all of the projects included in the Plan. After reviewing the detailed TIF estimates and projections of borrowing capacity, the Advisory Committee felt comfortable that the maximum indebtedness could be repaid in a 30-year timeline, which lessened the need to include a hard end date.

Ultimately, a compromise was reached, and the Plan includes a provision that calls for all affected taxing districts to reconvene in 20 years to review the history of the URA, evaluate the remaining projects, maximum indebtedness, and TIF projections, and make a recommendation to the URA Board as to whether the Plan should continue, or if amendments are needed to ensure that the URA repays all debt in a reasonable timeframe.

In 2010-2012, the Portland Development Commission worked with a diverse advisory committee to make recommendations for the amendment of the Interstate Corridor Urban Renewal Plan. Staff averaged 30 tweets per meeting for the monthly meetings from August 2009 to May 2010. Between 60-75 citizens came to each of the planning meetings, all of which were open for public testimony.

In 2010, the Philomath Downtown Association's input was the key force in the decision to amend the existing urban renewal plan to increase the acreage, designate new projects that would support the downtown business core, and increase the maximum indebtedness.

C. Discussion

The minimum required by statute: Two opportunities for general public review and input are required by statute: the urban renewal plan and accompanying report are forwarded to the planning commission prior to presenting it to the governing body (city council or county commission) (ORS 457.095). The planning commission meetings are open to the public. Therefore, the public has an opportunity for comment at this point in the preparation of a plan.

Approval of an urban renewal plan by the governing body is by non-emergency ordinance (ORS 457.095). In most localities, this means two readings of the ordinance. The first reading is a public hearing that has been noticed by mail to the public group required in ORS 457.120. The second reading does not typically include public testimony, but testimony can be accepted at the discretion of the governing body.

The urban renewal plan must also be sent to the governing body of all affected taxing jurisdictions. The urban renewal agency should consult and confer with the taxing jurisdictions prior to presenting the plan to the governing body for approval. (ORS 457.085)(5). In addition to sending the plan by mail, the urban renewal agency may also contact the taxing jurisdictions personally and may agree to present the plan to the taxing jurisdictions' boards. The urban renewal plan must be presented to the county, although they do not get a vote on its approval.

The jurisdiction must publish notice of the approval of an urban renewal plan within four days of adoption of the ordinance approving the plan.

Other options for review:

- Forming an advisory committee for the development of the urban renewal plan. The advisory committee can be a combination of residents, business owners, city or county staff, affected taxing jurisdictions, and/or elected officials. The committee can provide input on all key portions of an urban renewal plan.
- Holding one or more public hearings specifically to provide information on urban renewal and the proposed plan.
- Establishing a web presence by both posting the proposed plan and posting information about the opportunities for public input.
- Having one or more public open houses where the public is invited to participate actively in planning: through dot voting or other activities.
- Using social networking tools such as Twitter and Facebook to broadcast meetings and solicit feedback.
- Working with the local business organizations and districts to provide input on urban renewal decisions.
- Mailing to households within the URA to provide information or invite

them to public meetings.

Some communities require a public vote to establish an urban renewal agency, and some require a public vote to adopt an ordinance approving an urban renewal plan.

D. Best Practices Tips

The jurisdiction should create a public involvement plan suitable for local conditions prior to embarking on the urban renewal creation process. The public involvement plan should be reviewed periodically to ensure it is meeting the needs of the community.

Community input should be considered when determining the targeted duration of an urban renewal plan. However, best practice is to let the maximum indebtedness serve as the limiting factor on plan duration rather than including a provision in the plan that defines a final date for either issuing or repaying debt. The financial analysis that accompanies an urban renewal plan (see Section 4.8) will show the likely timeline necessary to incur and repay the maximum indebtedness of the plan.

4.2 AREA BOUNDARY

A. Background

An urban renewal plan must be predicated on specific boundaries.

B. Statutory Provisions

ORS 457.420 limits the amount of acreage and assessed value that may be in urban renewal areas for cities with a population of more than 50,000 (15%) and less than 50,000 (25%). The URA must also be blighted in accordance with ORS 457.010.

C. Discussion

Area boundaries are meant to include the entire blighted area where the jurisdiction intends to undertake its projects and programs. For example, if a jurisdiction is considering a commercial district in the downtown, it makes sense to include all of the commercially-zoned properties in that district. There are a few special circumstances to consider when establishing boundaries:

- **Cherry stems:** There may be development opportunities or blighting

4.3 GOALS/OBJECTIVES

A. Background

Urban renewal plans typically begin by stating the goals and objectives for the URA.

B. Statutory Provisions

There are no statutory requirements for goals and objectives.

C. Discussion

The basis for the goals and objectives of an urban renewal plan usually comes from the comprehensive plan and other adopted plans for the URA. Many jurisdictions will have specific planning activities that will spur the desire for urban renewal as an implementation tool, such as an action plan for realizing comprehensive plan goals, area plans for downtown commercial districts, Main Street actions, economic development plans, and other planning activities. These documents may be used as a basis for drafting goals and objectives for an URA.

The draft goals and objectives may then be reviewed by city or county staff and by stakeholders. The input from staff and stakeholders helps refine the goals and objectives and prioritizes them. Identifying the goals for the URA makes the project prioritization process easier, as those projects that help to fulfill the goals and objectives become priorities.

Well-written goals and objectives will help an urban renewal agency keep its focus as it begins accruing sufficient revenues to actually start working on projects. There is always a multitude of ways to spend funds, and it takes discipline to stick to the goals and objectives of an URA.

D. Best Practices Tips

Goals and objectives should provide a clear identification of the desire to address the blight in an URA and make the area function at a higher level. Well-written goals and objectives will help an agency keep its focus on activities that will improve the area. If the primary goals and objectives for the area change, the goals and objectives for the urban renewal plan should be revised to appropriately reflect those changes.



Before



After

STOREFRONT GRANT AND LOAN PROGRAMS

Florence has a façade improvement program that has successfully revitalized its downtown area.

SEWER INFRASTRUCTURE

In 2007, Hood River County developed an URA to assist in the financing of a sanitary sewer system for an unincorporated area of the county. The area was classified as a health hazard because of failing septic tanks. The County established a sewer service district to assess property owners for a part of the system, but reduced the costs to the property owners through an urban renewal program.

4.4 PROJECTS FUNDED WITH TIF

A. Background

When proposing an urban renewal plan, the urban renewal agency must determine the scope and types of projects that are appropriate for inclusion in urban renewal plan and the use of tax increment funds.²

B. Constitutional and Statutory Provisions

The Oregon Constitution, Article IX, Section 1c requires that tax increment funds be used only to “pay any indebtedness incurred for the redevelopment or urban renewal project.”

ORS 457.010(15) defines an urban renewal project as: “Urban renewal project” or ‘project’ means any work or undertaking carried out under ORS 457.170 in an urban renewal area.”

ORS 457.170 lists the projects that may be undertaken in an urban renewal plan.

ORS 457.010(15) establishes the definition of an urban renewal project.

ORS 457.170 lists types of projects that may be funded with tax increment revenues.

ORS 457.085(2)(a) requires that the urban renewal plan include a description of each project.

ORS 457.085(3)(d) requires that the urban renewal report include the cost of each project and the source of monies to pay such costs.

ORS 457.085(3)(e) requires that the urban renewal report include the anticipated completion date for each project.

ORS 457.085(2)(j) describes additional urban renewal plan requirements when projects include public buildings.

C. Discussion

Statutory provisions govern the types of projects that may be funded with tax increment funds. ORS 457.170 lists the following types of projects:

- Housing authority powers
- Rehabilitation or conservation work in an URA
- Acquisition of property

² For purposes of this section, “tax increment funds” means the proceeds of debt issued or incurred by a URA, for which the URA has pledged its collection of taxes allowed by ORS 457.440 - 457.470 for repayment.

- Clearance or rehabilitation of property that is acquired by the urban renewal agency
- Construction or improvement of streets, utilities, and site improvements in accordance with the urban renewal plan
- Plans for voluntary repair and rehabilitation of buildings or other improvements in accordance with the plan
- Relocation of persons and property displaced by urban renewal projects
- Sale or lease of property
- Neighborhood development programs

All of these types of projects may be included in an urban renewal plan and may be funded with tax increment funds. However, an urban renewal agency needs to be aware of the allowed fund uses if the tax increment funds are the proceeds of bonded debt. Use of bonded debt proceeds are limited by the bond covenants.

Some urban renewal plans include paying all or a portion of local improvement district assessments, system development charges, or building permit fees for private or public development as an urban renewal project. These are acceptable projects because they are part of the costs of “site improvements,” which are an allowed project under an urban renewal plan. ORS 457.170(5).

1. General description of projects

Urban renewal project descriptions have evolved through the years and largely depend on the purpose and politics of an urban renewal plan. When describing the projects in the urban renewal plan, typically a balance must be struck between specificity and flexibility. Overly specific project descriptions can be problematic because they require the urban renewal agency to make plan amendments when even small changes to projects are needed, such as adjusting for changing physical conditions, market conditions, policy goals, and other constantly evolving factors. Therefore, many plans use broad categories to describe projects, which allows for the flexibility to fund a range of projects throughout the project area while still staying within the overall guidelines of each project category. This flexibility, however, cannot ignore that projects must be sufficiently specific to allow a finding of economic feasibility in the ordinance approving the plan, and to establish the project cost estimates necessary to determine maximum indebtedness.

For example, rather than calling for a streetscape improvement at a specific location consisting of a pre-determined design (e.g., width, materials, amenities), many plans will simply include a project called “streetscape improvements” that describes a range of streetscape improvements anywhere in the URA (or possibly within a specified sub-area). Within that definition would be language that authorizes different types of improvements, but does not obligate any particular form or location (unless desired). The identification of the broader categories,

INFRASTRUCTURE, INCLUDING STREETScape, WATER, SEWER, WASTEWATER, AND UNDERGROUNDING UTILITIES

In 2010, the City of Florence decided that the most important project for the redevelopment of their URA was the provision of a water line sufficient to support new redevelopment of major portions of vacant, underutilized properties.

INFRASTRUCTURE, INCLUDING STREETScape, WATER, SEWER, WASTEWATER, AND UNDERGROUNDING UTILITIES

The Redmond South Airport URA was formed to provide infrastructure improvements to the industrial properties surrounding the Redmond Airport. The provision of this infrastructure promoted significant development and allowed the City of Redmond to close out the URA ahead of initial projections.

4. URBAN RENEWAL PLAN



Astoria used tax increment funds in conjunction with other funding sources to renovate the Astor Hotel in their downtown core. The renovation has enlivened the ground floor retail spaces of the building, provided low income housing units on the upper floors, and helped retain or restore a historic building.

however, is generally accompanied by more detailed studies, reports, or plans that clearly articulate the need for such projects and can provide justification for the recommended project budgets in the urban renewal plan and the finding of economic feasibility required to approve the overall plan. These studies may already be in place through recent planning efforts that preceded the urban renewal discussion.

In addition to the legal requirements that require some level of specificity, flexibility must be balanced with a community's desire for certainty that the urban renewal plan will be used to fund projects that are of community importance. However, a plan does not need to use specific project definitions to provide this certainty, and public involvement is still key. Regular agency meetings where major expenses are authorized, annual budgeting is processed, and the preparation of other plans such as downtown plans, development strategies, and comprehensive plans, still provide ongoing opportunities for public input into the projects that will be funded by urban renewal. To this end, projects to be included in the urban renewal plan should be inspired by these other plans and documents.

In addition to deciding which projects to include in an urban renewal plan, a jurisdiction also needs to determine what level of funding for each project should come from urban renewal. For example, if a plan includes a project to provide financial assistance to private developers for vacant properties in downtown, how much assistance should the urban renewal agency contribute? If total development costs for this vacant lot are \$10 million, should the agency contribute \$500,000 or \$5 million? There is no hard and fast rule for determining the share of urban renewal funding that should go to each urban renewal project.

In general, an urban renewal agency may want to consider several factors when deciding the appropriate level of funding for various projects. Those factors can include:

- **Impact on blight:** The primary goal of urban renewal is to alleviate blight. Therefore, when deciding how to spend urban renewal funds it makes sense that the impact a project has on curing blight in the area would be a major consideration.
- **Return on investment:** Another basic goal of urban renewal is to increase property values and generate the TIF revenues necessary to carry out urban renewal activities. Therefore, another consideration should be how much TIF a project will generate, or how much additional funding will be leveraged by investment of TIF dollars.
- **Proportionality:** Although proportionality is not a concept defined in statute, it resonates with many communities because it appeals to common sense. Some projects in an URA may have benefits that extend far beyond that area. Many jurisdictions consider the relative benefits of a

project when determining the portion of the total project that should be funded by urban renewal.

While these factors for evaluating the appropriate level of funding for projects are applicable to all urban renewal projects, they have proven to be particularly helpful when addressing certain types of projects: projects with citywide or regional benefit and public buildings. These projects are discussed in greater detail below.

2. Projects with citywide or regional benefit

Some projects located within URAs provide benefits on a much broader scale. One such project would be a city hall, main library, or a public convention center. These “public buildings” are discussed in a separate section below.

Other examples of projects with broad benefits include a main trunk sanitary sewer, storm sewer, or water lines that connect major parts of the system to a source or outfall. Similarly, transportation projects that range from freeway interchange improvements to transit facilities can often benefit the whole city or region. These projects are allowed under urban renewal and can be paid for with tax increment funds.

3. Projects outside of the URA

There is no legal authority for an urban renewal agency to fund projects that are located outside of URA boundaries with tax increment funds. An urban renewal agency should always look to expand the URA (using a plan amendment, if necessary) to include the proposed project area. Areas in one urban renewal boundary do not have to be contiguous. In the past, some agencies have, with a supporting legal opinion, included projects outside the plan area because the projects were necessary to complete another project inside the plan area. This should only be considered with legal advice.

4. Public buildings with focused use

Public buildings, such as local fire stations and police precinct offices and substations that directly and primarily serve the URA, are relatively common projects. The statutes require that the urban renewal plan include a description of how a public building included as a plan project “serves or benefits” the urban renewal area. Even with incidental benefit to areas outside of the URA, tax increment funds may be used to partially or fully to fund the cost of their development.

5. Tax increment funding of public buildings

For projects that benefit an area larger than the URA, the benefit of the public building to the URA may not be as clear. But, for example, public buildings,



DEVELOPMENT OF PUBLIC BUILDINGS

The City of Sherwood made a strategic decision to develop their city hall and library in a blighted section of their URA. This decision has spurred adjacent redevelopment totalling millions of dollars. The library is heavily used and each visit to the city hall provides an opportunity for spill over traffic to the nearby retailers.

such as conference centers, can directly stimulate the development of private facilities (such as hotels) within an URA. Other public facilities may also directly stimulate private development within the URA.

The statutes neither allow for nor prohibit contributing a certain level of tax increment funds to public building projects that cure blight in the URA but that also have an impact outside the URA. However, many jurisdictions have funded public buildings using a proportionality approach. The specific statutes governing urban renewal are found in ORS Chapter 457, and are referred to in this document as ‘the statutes.’

In 1987, the legislature considered several proposals limiting the use of tax increment funds. The urban renewal agencies argued that additional state prohibitions on the scope of urban renewal projects would restrict a jurisdiction’s decision-making in relation to its local circumstances and its ability to address specific blighting conditions in each community. A particular legislative target was one city’s main library that was funded entirely with tax increment funds. After much discussion, the current statutory language emerged as a compromise; it requires a jurisdiction to, at a minimum, justify including a public building project in its urban renewal plan.

Since the language requires a showing of the public building’s connection to the URA, many believe that the scope of that connection should govern the size of the urban renewal contribution to the cost of the public building.

In addition, there is an argument that public buildings that serve a larger area than the URA should not be constructed entirely using funds that are fundamentally meant to cure “blight” in the defined area. Tax increment funds are funds limited by the amount of taxes divided in an URA to repay the debt that produced the funds, and that debt is limited by the required statement of maximum indebtedness in an urban renewal plan. Many agencies have found that they have greater success investing in projects that clearly cure blighting conditions and/or encourage private development that cures blight. Investment in citywide or regional facilities may not have the same impact on conditions within the URA as these other targeted investments.

Using TIF for financing public buildings currently remains within local discretion. However, ORS 457.085(2)(j) and the scope of tax increment funding of public buildings has not been tested in the courts.

In some cases, the proportionate share of benefits enjoyed by the URA can be quantified, but in other cases the determination of the share of benefit of a project to the URA will be qualitative and will require a judgment call.

Examples of formulas that have been used to determine proportionality are:

- Percent of land inside/outside the URA benefited
- Percent of linear feet of a utility line or street inside/outside the URA benefited
- Percent of users of a facility originating from inside/outside the URA
- Percent of growth of property value that a project is estimated to encourage inside/outside the URA
- Return on investment in the URA

6. Local improvement district assessments/system development charges/building permit fees

Some urban renewal agencies include paying all or a portion of local improvement district (LID) assessments, system development charges (SDC), or building permit fees for private development as an urban renewal project in an urban renewal plan. These are acceptable projects because they are part of the costs of “site improvements,” which are allowed projects in an urban renewal plan. ORS 457.170(5).

D. Best Practices Tips

Though an urban renewal agency should consult counsel on many issues, this consultation is especially important with regard to decisions about what types of projects may be included in an urban renewal plan and if they can be funded with tax increment revenues. There are, however, some general principles that can help guide these decisions:

1. General project scope

The best practice is to prepare project descriptions that are as broad as possible while still providing an adequate basis for finding economic feasibility, guiding policy makers, and assuring the community. As this is an inherently political benchmark, definitions will vary substantially from community to community. Amending an urban renewal plan is a difficult process, so it is important to make sure the appropriate project descriptions are included in the plan and the estimated project costs are accurate and clear when the plan is first adopted.

2. Projects with citywide or regional benefit

An urban renewal plan should demonstrate the particular benefits to the urban renewal area of a project with citywide or regional benefit, focusing on the project’s ability to cure blight in the URA.

3. Projects outside URA boundaries

An urban renewal plan should not include projects outside the urban renewal area and instead should include all projects within the urban renewal boundary.



STREETSCAPE IMPROVEMENTS

Downtown Lake Oswego installed extensive streetscape features to catalyze development in the downtown. These features included angled parking, brick pavers, decorative bollards, public art, benches, planter boxes, lighting, and signage.

4. Public buildings

- The URA should demonstrate clear connections between a public building and the particular objectives of the urban renewal plan.
- The findings in the urban renewal plan and urban renewal report should provide a solid basis for the undertaking of a public building project and must explain how the public building serves or benefits the urban renewal area.

5. Funding public buildings

Tax increment funds may be used for public buildings that benefit or serve an area greater than the urban renewal area, but special consideration and financial participation should be given based on the the direct benefits to the urban renewal area.

6. LIDs/SDCs/building permit fees

Payment of local improvement district assessments, systems development charges, and building permit fees may all be projects in an urban renewal plan.

7. Tracking maximum indebtedness

For all projects carried out by an urban renewal agency it is important to track the impact they will have on the maximum indebtedness of the urban renewal plan. The recommended method for tracking maximum indebtedness is described in greater detail in *Section 6.8, Debt and Maximum Indebtedness Reporting*.

4.5 COMPREHENSIVE PLAN AND ECONOMIC DEVELOPMENT PLAN REVIEW

A. Background

An analysis of the comprehensive plan and other plans and reports, including an economic development plan, will enable a jurisdiction to ensure that a future urban renewal plan will conform to the adopted planning documents.

B. Statutory Provisions

ORS 457.085(1)(d) and ORS 457.095(3) address the need for an urban renewal plan to be in conformance with the comprehensive plan and economic development plan.

C. Discussion

The review should identify each major goal and supporting policies in the comprehensive plan and economic development plan that are relevant to the established boundary and then state how the urban renewal plan conforms to that goal. It is not anticipated that the urban renewal plan will conform to every goal in a comprehensive or economic development plan, but it should conform to the intent of those documents.

D. Best Practices Tips

The urban renewal plan must be analyzed for its conformance with the comprehensive plan and economic development plan. This documentation can sometimes be lengthy; it may be better to make the statement that the urban renewal plan conforms in the body of the text and then refer to an appendix in the plan for the full analysis.

4.6 PROCEDURAL REQUIREMENTS FOR APPROVAL OF A PLAN

A. Background

There are specific steps identified in ORS 457 for the adoption of an urban renewal plan. These steps vary slightly depending on whether the jurisdiction is a city or a county.

B. Statutory Provisions

The following statutory provisions apply:

ORS 457.085 covers the requirements for the content of an urban renewal plan and specifies to whom it must go for recommendations and consulting and conferring with taxing jurisdictions

ORS 457.095 covers approval of a plan

ORS 457.105 details the additional provisions if any part of the URA is in another jurisdiction

ORS 457.115 and 457.120 cover notice of the adoption of a plan

ORS 457.120 covers the notice procedures of the city council hearing

ORS 457.125 details recording of a plan

ORS 457.437 requires meetings with affected jurisdictions

ORS 457.470 requires consultation with affected taxing jurisdictions

C. Discussion

1. Activation of an urban renewal agency

Section 3 of this manual describes establishing an urban renewal agency.

2. Establishing an area boundary

Section 2.2: Area Boundary of this manual describes establishing an area boundary.

3. Referral of the proposed plan to the planning commission for their review

If the jurisdiction has a planning commission, the plan and report must be

presented to the commission for its recommendation before the plan may be presented to the city council or county commission for approval. The planning commission review is best done at a public hearing.

ORS 457.085 and 457.095 require planning commission recommendations. ORS 457.095(3) requires that the urban renewal plan conform with the comprehensive plan and economic development plan. However, the planning commission's recommendations are not further defined in the statutes. The planning commission is generally advised that their role should be to determine the conformance of the urban renewal plan with the jurisdiction's comprehensive plan, as planning is the purview of the planning commission. Some planning commissions prefer to just review and make recommendations on the conformance issue while others like to encourage the jurisdiction to approve the plan.

Notice of the planning commission review is the same as for any planning commission meeting. No other notice provisions are required.

4. Consult and confer with the affected taxing districts

The minimum level of interaction with the affected taxing districts is set out in the statutes. At a minimum, an agency must consult and confer with the affected taxing districts. Both the urban renewal plan and the urban renewal report must be sent to the governing body of any taxing district that is affected by the plan with an offer to consult and confer. (Taxing districts that levy taxes within the URA are "affected" taxing districts.) Any written recommendations made by these taxing districts must be accepted, rejected, or modified by the city council or county commission when approving the plan. ***Section 4.1: Public Involvement*** and ***Section 2.7 Impacts on Taxes Imposed by Overlapping Taxing Districts*** of this document details other ideas about working with taxing districts. The requirements under this section are different if the URA is requesting concurrence, as described in ORS 457.470.

5. Meeting with affected municipalities

Prior to the establishment of a maximum amount of indebtedness for an urban renewal plan, the urban renewal agency that is carrying out the plan shall meet with the governing bodies of the municipality that activated the agency and other municipalities affected by the urban renewal plan to review the proposed maximum amount of indebtedness. No formal action is required by the affected municipalities (ORS 457.085(5)). The meaning of this section is that a "city" urban renewal plan must be presented to the county commission for their information. Their vote is not required.

However, when any portion of the area of a proposed urban renewal plan extends beyond the boundaries of a city into any other municipality (city or county) and, in the case of a proposed plan by a county agency, when any portion of the URA is within the boundaries of a city, the governing body of the

In this section of the document, "municipality" is used to define any county or city in Oregon, as that is the term used in the statutes. The municipality means the municipality for which a particular agency is created.

other municipality may approve the plan and may do so by resolution rather than by ordinance (ORS 457.105).

6. Municipality public hearing/notice of hearing

Under the provisions of ORS 457.120(3) notice of a proposed plan must include the following specific information:

- That the governing body, on a specified date, will hold a public hearing and consider an ordinance adopting an urban renewal plan;
- That the adoption of the plan may impact property tax rates;
- Statement of the maximum indebtedness that can be issued or incurred under the plan;
- That the ordinance, if approved, is subject to referendum; and
- That a copy of the ordinance, plan, and report can be obtained by contacting a designated person.

7. Notice requirements for plan approval

The statutory requirements for individual, mailed notice, often called “supernotice” are stated in ORS 457.120. Notice of the city council public hearing on approval of the urban renewal plan must be sent to individuals or households in one of the following groups:

- Owners of real property that is located in the municipality;
- Electors registered in the municipality;
- Sewer, water, electric, or other utility customers in the municipality; or
- Postal patrons in the municipality and parts of the URA that extend beyond the municipality.

For county plans, the individual notice must be provided to one of the same groups within the boundaries of any K-12 school district that levies taxes within the URA. Counties must also provide notice in the paper of general circulation throughout the county in an advertisement not less than three inches in height and three inches in width in the general interest section of the newspaper (ORS 457.120(4)(b)). It must contain language identified in ORS 457.120(3)(a-e).

If a plan is both in a city and in a county, notice must not only be sent to the requirements stated for a city above, but also be sent to each individual in the selected group that is located in the URA (ORS 457.120(2)). This supernotice must contain specific language, as defined in ORS 457.120(3)(a-e).

8. Approval of the plan by the municipality

An urban renewal plan is approved by the governing body of the municipality (city council or county commission) by the adoption of an ordinance. The ordinance must be a non-emergency ordinance. The specific requirements for the contents of the ordinance (ORS 457.095(1)-(7)) are as follows:

- Each URA is blighted;
- The rehabilitation and redevelopment of the URA(s) is necessary to protect public health, safety, or welfare;
- The plan conforms to the comprehensive plan and economic development plan, if any, of the municipality and the urban renewal plan provides an outline of planned urban renewal projects;
- Relocation requirements have been met;
- Any property acquisition called for in the urban renewal plan is necessary to achieve the objectives of the plan. *See Section 6.12: Acquisition/Disposition of Real Property* of this document.
- The plan is economically sound and feasible; and
- The city or county will assume any responsibilities given to it under the plan.

There are no state statutory requirements for a citywide or district-wide vote on approval of an urban renewal plan, but a city council or county commission (as the case may be) may decide to refer the decision to the voters. There are some local laws requiring a vote on establishing an urban renewal agency, adopting an urban renewal plan, and amending a plan.

9. Hearing

At the public hearing on the ordinance, the jurisdiction (city council or county commission) should hear the report and recommendations of the urban renewal agency and take public testimony and consider the recommendations, if any, of the planning commission and affected taxing districts. Any written recommendations from the affected taxing districts must be formally accepted, rejected, or modified.

10. Recording

An urban renewal plan, along with a copy of the ordinance approving the urban renewal plan, must be recorded with the recording officer of each county in which any portion of an URA within the plan is situated. A copy of the plan should also be sent to the county assessor. This should be done after the 30 day waiting period.

11. Notices

Notice of adoption of an ordinance approving an urban renewal plan shall be published within four days of adoption of the ordinance in a newspaper that has the greatest circulation in the municipality and which is published within the municipality no later than four days following the adoption of the ordinance. If no newspaper is published in the municipality, the notice may be published in the newspaper having greatest circulation within the municipality. The notice must say that the ordinance has been adopted, and that 90 days after adoption of the urban renewal plan, the plan will be conclusively presumed to be valid. (ORS 457.095 and ORS 457.115)

D. Best Practices Tips

Writing an urban renewal plan is technical and complicated. Jurisdictions should use an urban renewal professional or have staff with extensive urban renewal experience assist in the preparation of an urban renewal plan. If internal staff prepares the urban renewal plan, seasoned urban renewal counsel should review the plan prior to adoption.

Staff should make sure the county assessor has accurately identified the boundaries of the URA.

4.7 URBAN RENEWAL REPORT

A. Background

An urban renewal report shall accompany an urban renewal plan. Its purpose is to identify the existing conditions of the proposed URA (including proposed projects) and the estimated costs of projects and sources of funding and perform the financial feasibility analysis.

B. Statutory Provisions

ORS 457.085(3)(a-i) identifies the required components of an urban renewal report. These components are detailed in the discussion section below.

C. Discussion

The components of an urban renewal report accompanying an urban renewal plan are:

- A description of the physical, social, and economic conditions within the URA and the impact of the plan, including fiscal impacts, in light of

added services or increased population.

- o This includes data that describes the current land use, zoning, and comprehensive plan designations, as well as a review of the capital improvement plans (water, sewer, stormwater) and the transportation systems plan to identify those projects that are scheduled for the URA and to identify the existing conditions of the infrastructure within the URA (*Section 2.3 Blight*).
- The reasons why the URA was selected.
 - o The primary reason any URA is selected is to cure blight. The secondary reasons will relate to any adopted plans for the URA or projects that are designated for the URA.
- The relationship between each urban renewal project and the conditions within the URA
- A description of any projects and a detailed description of the present condition of that specific project. See examples below:
 - o Project: Union Avenue will be constructed from Astor Street to Benton Street.
 - o Union Avenue is in poor condition and does not have adequate sidewalks or adequate streetscape.
- The estimated costs of the projects and the sources of project funding. See examples below:
 - o Project: Union Avenue from Astor Street to Benton Street
\$1,200,000
 - o Urban Renewal: \$1,000,000; Local Improvement District:
\$200,000
- The estimated completion date for each project (all projects in a table). See example below:
 - o Project: Union Avenue from Astor Street to Benton Street
Estimated Completion: 2014
- The amount of tax increment funds that are estimated to be required and the year in which the urban renewal agency plans to pay off all outstanding tax increment indebtedness (*Section 2.6 Financial Analysis*).
- A financial analysis that shows the financial feasibility of the urban renewal plan (*Section 2.6 Financial Analysis*).
- An analysis of the impact on the tax rates and/or revenues of the taxing districts that overlap the URA (*Section 2.6 Financial Analysis*).



McMinnville adapted an urban renewal plan in 2013 to implement the Northeast Gateway Plan and resulting comprehensive plan overlays.

4. URBAN RENEWAL PLAN



State statutes do not require that an urban renewal report be recorded with the urban renewal plan.

- A relocation report which includes:
 - o An analysis of businesses or residents that may be required to relocate;
 - o A description of the methods to be used in the relocation program; and
 - o An analysis (number and cost range) of the existing housing units that may be destroyed or altered and the housing units that may be added.

If the urban renewal plan does not include acquisition or projects that would require relocation, then this report can address general relocation requirements. If specific actions are being taken that will require relocation, then the section needs to contain the explicit information required by ORS 457.085(3)(i)(A-C).

An urban renewal report should also cover the compliance with acreage and assessed value limitations of ORS 457.420.

D. Best Practices Tips

Writing an urban renewal report is technical and complicated. Jurisdictions should use an urban renewal professional or have staff with extensive urban renewal experience assist in the preparation of an urban renewal plan and report. If internal staff prepares the urban renewal report, it should also be reviewed by seasoned urban renewal counsel prior to presentation.

DEFINING BLIGHT

Oregon statutes define blighted areas as areas characterized by one or more of the following conditions:

- Unfit or unsafe structures
- Economic deterioration resulting from faulty planning
- Poor platting
- Disregard of physical characteristics
- Inadequate streets, open spaces, and utilities
- Flooding
- Property value depreciation
- Underutilized property
- Loss of population and assessed value

4.8 BLIGHT

A. Background

The purpose of urban renewal is to cure existing blight and prevent future blight. Blight is defined in the statutes (ORS 457.010(1)(a-i)). The jurisdiction must find that an area is blighted and therefore eligible for urban renewal. ORS Chapter 457 clearly defines the components of an urban renewal plan and report, and sections of those documents must include information on the existing conditions of the area being studied. In addition, in order to approve an urban renewal plan, the jurisdiction is required to find that “blight” exists in the URA that is included in the urban renewal plan. The actual findings and determinations of blight occur in the municipal ordinance that adopts the urban renewal plan, but those findings and determinations are based on the information compiled in an existing conditions analysis. The methods used to document blight may vary by jurisdiction depending on the conditions in the URA. Some areas may have buildings that are unfit or unsafe whereas other areas may lack development and have infrastructure needs.

URAs must be found to be “blighted areas” by the governing body.

B. Statutory Provisions

ORS 457.095(1) requires that the municipal governing body find conditions of blight within the URA.

ORS 457.085(3)(a) requires that an urban renewal report accompanying an urban renewal plan “describe the physical, social, and economic conditions in the urban renewal areas of the plan.”

ORS 457.010(1) defines blighted areas.

C. Discussion

Examples of blight analyses include the following:

- Building surveys, using an explicit coding system to classify buildings.
- Building surveys, including upgrades to meet seismic requirements.
- Improvement value to land value ratios, based on assessed value data. (Different ratios may be established as representing a healthy level of development, considering the planned land use and the characteristics of property values on similar properties in other locations.)
- Analysis of platting patterns and comparison of lot sizes and configurations that exist in the URA with typical lot sizes and configurations that are desirable for particular land uses.
- Documentation of physical and environmental characteristics and the inadequate response to these conditions in such areas as comprehensive plan designations, zoning, platting, and capital improvement plans.
- Environmental characteristics may include the presence of wetlands, contaminated soils, air quality issues, water quality issues, and other environmental constraints to development.
- Analysis of the transportation and utility requirements of the planned land uses and development and comparison of these requirements with the existing level of such facilities. This analysis includes review of the utility master plans and projects identified in the capital improvement plan.
- Analysis of flooding problems, including delineation of 100-year flood plains and floodways and analysis of development restrictions imposed in such areas either by local ordinance or Federal Flood Insurance Program requirements.
- Analysis of population, income, and housing characteristics of the URA, using data from the US Census, local housing plans, local community development plans, and other sources.

Not all of these surveys and documentation must be completed; the minimum



Blight is a condition that pertains to the URA as a whole. URA boundaries may include specific properties that are not individually blighted.

requirements are those stated in the statute (ORS 457.085(3)(a)). Circumstances may require a more full documentation of blight, which would involve a more thorough analysis.

D. Best Practices Tips

It is a good idea to connect blight findings in the analysis to specific conditions within the URA.

4.9 FINANCE

A. Background

New urban renewal plans must include an analysis of the timing and sources of funding for projects described in the urban renewal plan. This includes estimating when TIF revenues would be available to finance projects (and prioritizing projects accordingly), determining what share of total project costs should be reasonably expected to be covered by TIF and estimating the overall impact of the urban renewal on affected taxing districts.

B. Statutory Provisions

ORS 457.420 to ORS 457.470 describes tax increment financing of urban renewal indebtedness.

C. Discussion

Forecasting TIF revenues is a relatively straightforward process and involves five steps:

1. Determining the frozen base
2. Estimating future growth in assessed value
3. Determining the applicable tax rate
4. Calculating increment and total TIF
5. Accounting for revenue sharing

1. Determining the frozen base

The frozen base is the total assessed value of all property in an URA in the most recent fiscal year for which data was available before approval of the urban renewal plan. The local county assessor's office can provide this assessed value

data. The frozen base needs to include all four property types: real, personal, manufactured, and utility. Records for utility property are not site specific and will need to be estimated for the purposes of the urban renewal plan. Typically, the assessor will determine the amount of utility value to be included in the frozen base by looking at the ratio of utility property assessed value to real property assessed value in the tax code area(s) that overlap the proposed URA and applying the same ratio to property within the URA.

Sometimes the planning process for a new URA can be long and new assessment data may become available during this process. It is important to update any preliminary analysis with new data when it becomes available, as this will be the data that the assessor uses to establish the actual frozen base.

2. Estimating future growth in assessed value

A prudent approach is for forecasts of TIF revenues to be based on conservative assumptions of growth in assessed value. It is often useful to look at long-term historical trends as a starting place for future growth assumptions, then adjust these assumptions to account for known taxable redevelopment that is planned or in progress, current market conditions, and anticipated urban renewal projects that would stimulate additional redevelopment in the future.

3. Determining the applicable tax rate

All new urban renewal plans are “reduced rate plans.” This means that the applicable tax rates include permanent property tax rates, as well as a calculated rate for payment of any GO bonds approved prior to 2001. The local county assessor’s office will have information on applicable tax rates.

Jurisdictions that already have one or more URAs may report urban renewal adjusted tax rates in addition to their full permanent rates. It is important to use the full permanent rates and not urban renewal adjusted rates.

4. Calculating increment and total TIF

Calculating the incremental value (increment) is straightforward. Subtract the frozen base value from the forecast future value to determine the increment in any given year.

To calculate TIF revenues, multiply the increment by the total applicable tax rate.

The first year to receive TIF is based on the first year that tax rolls are set after adoption of the urban renewal plan. In many cases, there is a year gap when the plan has been adopted but no TIF revenue is collected. Figure 1 shows how the timing of adopting an URA can affect TIF revenues in the early years.

Figure 1. Timing of URA adoption

2011			2012											
10	11	12	1	2	3	4	5	6	7	8	9	10	11	12
A			B									C		

Period	Frozen Base Year	First Year to Collect TIF
A	2011-12	2012-13
B	2011-12	2013-14
C	2012-13	2013-14

Assessment and Taxation Milestones

Date	Milestone
Oct. 2011	Tax roll released for FY 2011-12
Jan. 1, 2012	Tax roll set for FY 2012-13
Oct. 2012	Tax roll released for FY 2012-13
Jan. 1, 2013	Tax roll set for FY 2013-14

5. Accounting for revenue sharing

Not all TIF revenue will accrue to the urban renewal agency. Some TIF revenue is shared with other taxing districts. The amount of sharing depends on the prior year's total TIF revenues as a percentage of the URA's maximum indebtedness.

Figure 2. Revenue Sharing

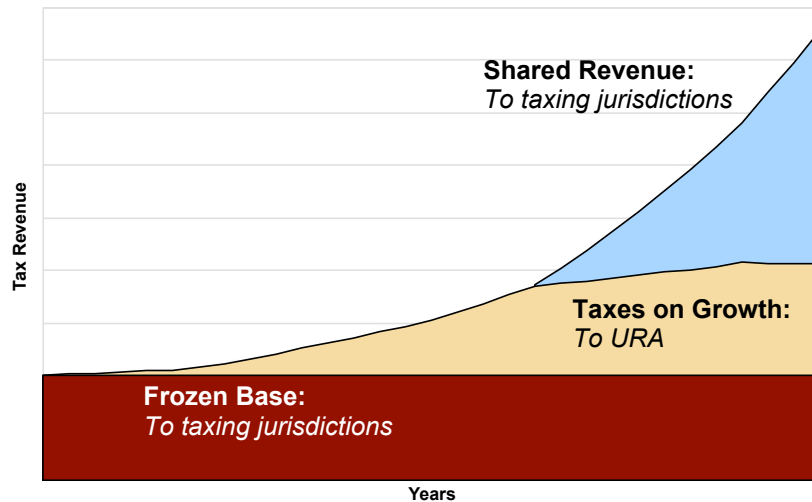


Figure 2 illustrates how revenue sharing works for a hypothetical URA. If the prior year's TIF collections exceeded 10% of maximum indebtedness, then the URA receives TIF equal to 10% of maximum indebtedness, plus 25% of the amount of TIF that exceeds 10% of maximum indebtedness. If the prior year's TIF collections exceeded 12.5% of maximum indebtedness, then the URA receives 12.5% of maximum indebtedness, and all additional TIF revenue is shared with other taxing districts. Essentially, TIF revenues for an URA are capped at 12.5% of maximum indebtedness.

6. Financing

It is important to remember that TIF revenues do not equal the dollars available for projects. TIF revenues are used to pay debt service on debt that pays for project costs. Thus, the financial analysis needs to make assumptions on the type of debt that will be incurred by the urban renewal agency and the terms

associated with that debt (for example, interest rates, coverage ratios, reserve requirements, issuance costs, and amortization period). It may be helpful to check with financial advisors to ensure that the analysis is grounded in reasonable assumptions.

7. Impact to overlapping taxing districts

Calculating the impact to overlapping taxing districts is relatively straightforward. The impact is equal to the lost revenues that would have been received by the taxing districts plus the shared revenue (if any) generated by the URA for the taxing districts.

The lost revenues that would have been received by the taxing district are calculated by multiplying a jurisdiction’s applicable tax rate by the assessed value that would have been in the area without urban renewal investment. The applicable tax rate for most URAs will be equal to the permanent rate. GO bond rates for post-2001 bonds should not be included in the impact to taxing districts because tax increment revenues do not decrease the taxes levied for GO bonds. Local option levies should also not be included in the impact to taxing districts as they are not included in the consolidated tax rate used by the URA to calculate division of taxes revenues.

The assessed value that would have been in the area without urban renewal investment can be tricky to measure and ultimately requires a judgment call. On one extreme, it is possible that none of the new development in an URA could have occurred without urban renewal, which would mean that the assessed value that would have been in the area without urban renewal would be limited to 3% growth per year. On the other extreme, all of the new development in an URA could have occurred without urban renewal. Figure 3 shows a graph of the impact of a hypothetical URA on overlapping taxing districts.

Figure 3. Impact on Taxing Districts

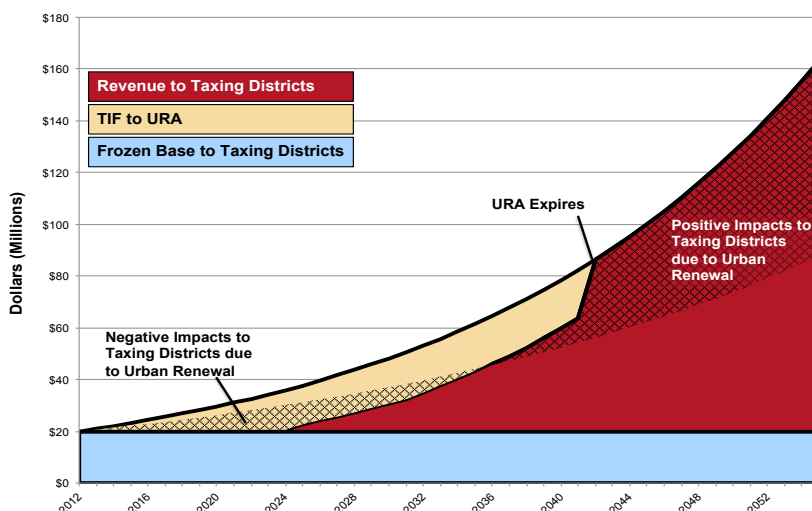


Figure 3 shows that, in early years, the district has a negative impact on overlapping taxing districts. When revenue sharing begins, the annual negative impact begins to shrink. Over a long enough period of time, the revenue sharing has a larger impact and could eventually result in a positive annual impact for overlapping taxing districts. Figure 3 only shows the impacts on overlapping taxing districts while an URA is collecting tax increment revenues. If the graph were to show years after the URA stops collecting tax increment revenues then there would be a dramatic surge in the positive impact to overlapping taxing districts.

ESTIMATING THE PORTION OF PUBLIC COSTS ATTRIBUTED TO THE URA

If development of a new business park occurs within an URA, then it may have gross impacts from the jobs it provides, the assessed value it adds to the tax rolls, and the infrastructure needed to serve the building. But, one cannot calculate the net impact of new development without making assumptions on what would have happened without urban renewal.

- Would the businesses located in the business park cease to exist?
- Would they locate in existing buildings in the URA or elsewhere in the jurisdiction?
- Would a similar business park have developed elsewhere in the jurisdiction?

Major assumptions are required to determine what would have happened without urban renewal, and they would be difficult to defend with any certainty.

8. Fiscal Impacts

The fiscal impacts of urban renewal include more than the tax rate impacts. Urban renewal plans commonly result in the acceleration or intensification of development than may have otherwise occurred without an urban renewal program. This development requires public facilities and services and will have impacts on the community's economic, social, and physical environment.

Broader fiscal impacts should be analyzed in light of the community's comprehensive plan. That plan is required to demonstrate how the community will provide public facilities and services to serve the development called for in the plan and show how the impacts of such development are to be addressed.

The property tax revenue impacts to overlapping taxing districts are especially important if implementation of the urban renewal plan is projected to increase the demand for the services provided by the taxing districts. On the other hand, the projects undertaken under the urban renewal plan can also result in service improvements. For example, older buildings may be brought up to fire and life safety codes, and so, alleviating blight can result in reduced need for police services. Utility projects commonly include looped water lines that allow for better and more reliable fire service.

In discussing these impacts, the urban renewal report should balance the negative impacts of loss of revenue with the positive impacts of implementing the urban renewal plan. The detail with which this is analyzed should depend on the degree of the impacts.

Attempting to calculate the full fiscal impact of any proposed development is an exercise fraught with challenges. One challenge is distinguishing between gross and net impacts. See the sidebar for one example.

Another challenge of calculating the fiscal impacts of development in URAs is determining the portion of public costs that should be attributed to the URA and the portion that stems from demand outside of the URA. Considering the example of the business park discussed inside the box, what happens if a new police station is built to provide public safety services to the business park? Certainly the police station serves a population larger than just the business park. The addition of the business park is likely just one of many factors that determined the timing, size, and location of the public investment in a new police station. In short, when new infrastructure is needed to serve development in URAs, it can be difficult to determine exactly what portion of those infrastructure costs can be attributed to the URA versus other factors.

In general, it is best to recognize that there are many challenges to calculating the fiscal impact of URAs, and any attempt to do so should recognize the limitations of such an analysis.

D. Best Practices Tips

It is prudent for jurisdictions to prepare a comprehensive financial analysis that considers all relevant assumptions to ensure that decisions made relative to the establishment of maximum indebtedness are appropriately informed. Financial analysis for an urban renewal plan and report is both important and complex and jurisdictions should ensure that they have adequate expertise to complete this analysis. Jurisdictions are encouraged to work with legal counsel, professional consultants, or experienced urban renewal practitioners when they conduct this analysis.

CHAPTER CONTENTS

This chapter contains the following sections:

- 5.1 Minor amendments
- 5.2 Council-approved/major amendments
- 5.3 Substantial amendments

The 2009 Oregon Legislature enacted new provisions to urban renewal, some of which come into effect for amendments to an urban renewal plan. These provisions allowed for:

- The requirement of revenue sharing when tax increment revenues hit certain trigger points
- Limitations on maximum indebtedness increases without concurrence from taxing jurisdictions (ORS 457.470)

5. Amendments to the Urban Renewal Plan

Urban renewal agencies may need to amend urban renewal plans to adjust to current issues and opportunities. Urban renewal plans must contain a section where the types of amendments are defined.

There are different types of urban renewal plan amendments, depending both on statutory provisions and political realities in different jurisdictions. The definition of substantial plan amendments is a major means of exerting policy direction over the implementation of an urban renewal plan. Local jurisdictions often express their sensitivity to particular urban renewal issues by defining changes in those activities as substantial amendments to the urban renewal plan. Alternatively, the jurisdiction can allow the urban renewal agency latitude in dealing with activities on which there is strong community consensus by not defining changes in such activities as substantial amendments.

ORS 457.085(1)(i)(A,B) define the amendments that must be considered substantial and further require that the hearings on substantial amendments be subject to the direct notice (supernotice) requirements for the new urban renewal plans themselves. For all agencies, the definition of which plan amendments are to be considered substantial is a critical decision. Amendments that are not substantial amendments are termed minor amendments.

In light of the supernotice requirements for substantial amendments, some jurisdictions may want to have a higher level of review for a decision but feel that the cost of a supernotice is not warranted. These urban renewal plans contain a third category of amendment and require a process in between the processes for substantial and minor amendments. Commonly called a “council-approved” or “major” amendment (because for a city agency, it would require the approval of the city council by non-emergency ordinance), amendments of this type are processed in the same manner as substantial amendments, except there is no supernotice requirement. Many plans use this category for amendments that were formerly, or would otherwise be, substantial amendments.

Where any plan amendment constitutes a land use decision, municipal counsel should be consulted to determine the appropriate procedures to be followed. If the amendment is found to constitute a land use decision, the urban renewal agency should determine whether such decisions are legislative or quasi-judicial in nature.

5.1 MINOR AMENDMENTS

A. Background

Minor amendments may cover any action of the urban renewal agency to change the existing urban renewal plan in a way other than that which is defined as a substantial amendment in ORS 457.085(2)(i). These typically include changes to projects, programs, goals, or objectives, additions of land that are not in excess of 1% of the total land area of the URA, acquisition, and identification of public purpose for any new project that includes a public building.

B. Statutory Provisions

ORS 457.085(2)(i) states that there are substantial amendments and specifies which actions must be substantial amendments. The statutes do not deal with minor amendments.

C. Discussion

Minor amendments are commonly approved by action of the urban renewal agency and are commonly affected through resolutions as opposed to ordinances of the governing body. Urban renewal plans are not required to specify processes for minor amendments.

1. Report requirements for minor or other lower level amendments

The following information should be documented and put in the staff report on a minor amendment. The documentation is an addition to the initial urban renewal report; a full new report is not required.

- If there is property added, do a full existing conditions analysis of the property to be added (ORS 457.085(3)(a-i)).
- If projects are added, perform a financial feasibility to show the projects are feasible under the project section on total costs of projects and monies to pay such costs.
- For projects added, state the project and its relationship to the existing conditions in the URA.
- For projects, state the estimated completion date for each project.

While not required in most cases, a new report or amendment to the old report can keep the report document up to date as the plan changes.

2. Existing plan provisions for substantial amendments

If the existing urban renewal plan has provisions for substantial amendments other than those identified in the statutes, and the jurisdiction wishes to change the provisions, they should consult with legal counsel about how to make changes.

D. Best Practices Tips

Minor amendments should cover all urban renewal plan amendments that the locality is comfortable having made at the urban renewal agency level. These minor amendments are typically affected through a resolution of the agency.

If the jurisdiction wishes to have city council review and approval of some amendments to certain provisions of an urban renewal plan, but wishes to avoid the full substantial amendment process, those amendments should be identified as council-approved amendments.

5.2 COUNCIL-APPROVED/MAJOR AMENDMENTS

A. Background

In light of the individual, mailed notice requirements for substantial amendments, some jurisdictions may want to have a higher level of review for a decision but feel that the cost of a supernotice is not warranted. These urban renewal plans contain a third category of amendment and require a process in between the processes for substantial and minor amendments. Commonly called a council-approved or major amendment (because, for a city agency, it may require the approval of the city council by ordinance). Amendments of this type are processed in the same manner as substantial amendments, except there is no supernotice requirement. Many plans use this category for amendments that were formerly, or would otherwise be, substantial amendments. These are generally an addition or change of a project that exceeds a specified dollar amount or acquisition of property.

B. Statutory Provisions

ORS 457.085(2)(i) states that there are substantial amendments, and specifies which actions must be substantial amendments, but the statutes do not deal with council-approved or major amendments.

C. Discussion

Council-approved or major amendments should be presented to the jurisdiction by the urban renewal agency and approved by either an ordinance or a resolution of the governing body.

D. Best Practices Tips

The use of council-approved or major amendments should be made at the local level. If they are used, they should be termed council-approved amendments, as the term major amendment is often confused with substantial amendment,” which is a statutorily defined term.

5.2.1 PUBLIC INVOLVEMENT FOR MINOR AND COUNCIL-APPROVED/MAJOR AMENDMENTS

A. Background

A minor amendment or council-approved amendment (any amendment not considered substantial) will be defined in most urban renewal plans. A minor amendment can be done with the approval of the urban renewal agency or jurisdiction and does not typically require any additional stakeholder involvement.

B. Statutory Provisions

There are no statutory requirements for public involvement in amendments that are not substantial amendments.

C. Discussion

Stakeholder involvement may be beneficial in some of the following examples: from a citizen’s advisory committee, a citywide committee, such as a parks committee that would have input on specific projects, or a business district that would want input on projects.

D. Best Practices Tips

The public involvement process on a minor amendment or council-approved amendment should reflect the impact of the change, i.e. a change with more



Bandon Area Two Amendment was designed around the Bandon Parks Committee recommendations on projects. The projects in Area Two are mostly parks and trail projects. Pictured above are two of the Bandon Area Two projects: the Barn Community Center and pedestrian bridge.

impact should have more involvement. If the change is a major change in a project and there is a stakeholder committee with vital interest in that change, that group should review the change before the plan is amended.

5.3 SUBSTANTIAL AMENDMENTS

A. Background

A substantial amendment must be adopted in the same manner as a new urban renewal plan. This is the highest level of review for amendments. In general, a full report is required to both re-document the existence of blight within the existing area and provide the information required in a report for the change being proposed. However, if the plan has been recently adopted and the existing conditions have not changed, a re-documentation of blight for the existing area may not be required. This section contains the following information:

- Public involvement
- Procedural requirements for approval of a substantial amendment
- Finance

B. Statutory Provisions

The statutes (ORS 457.085(2)(i)(A) and (B)) define two types of amendments that must be considered substantial, and which, therefore, must be adopted in the same manner as the adoption of the original urban renewal plan. These two types must include supernotice. These types of amendments are:

- Increasing the size of the URA by more than 1%.
- Increasing the maximum amount of indebtedness that may be issued or incurred under the urban renewal plan.

ORS 457.010(5)(a) and (b) define existing urban renewal plans.

C. Discussion

1. Determining the type of plan

Before pursuing a substantial amendment, the urban renewal agency will want to verify the type of urban renewal plan it has. There are three types of plans: existing plans, window plans, and new plans. The type of plan is based on the time frame of adoption and adoption of maximum debt prior to December 6, 1996. Financial impacts are different depending on the type of plan.

The increase of land by more than 1% refers to the original plan acreage. This 1% is irrespective of any removals of land from the area.

Existing plans: reduced rate or standard rate

Window plans: standard rate

New plans: reduced rate

See Appendix A for more information on determining the type of plan.

D. Best Practices Tips

If the prior urban renewal report is current within a few years and little has changed in a district, the following standards could be followed:

1. If there is property added, do a full existing conditions analysis of the property to be added or of the new area in total;
2. State the reasons for the selection of the URA;
3. If a new maximum indebtedness is established, perform a full financial feasibility, including the impact on affected taxing jurisdictions;
4. For projects added, perform a financial feasibility to show the projects are feasible under the report section on total costs of projects and monies to pay such costs;
5. For projects added, state the project and the relationship to the existing conditions in the URA; and
6. For projects, state the estimated completion date for each project.

If the prior urban renewal report is not current, a full report in accordance with ORS 457.085(3)(a-i) should be completed, including an analysis of the existing area.

5.3.1 PUBLIC INVOLVEMENT FOR SUBSTANTIAL AMENDMENTS

A. Background

Public involvement is a key component of all phases of urban renewal planning, from the inception of an URA to the ongoing administration of the urban renewal plan, including the adoption of a substantial amendment. Involvement needs range from including the public as a whole to including the specific affected local taxing jurisdictions. Adoption of an urban renewal plan amendment goes more smoothly when there is public support for the plan.

OPTIONS FOR PUBLIC REVIEW:

- Review of the substantial amendment by an advisory committee.
- Holding a public hearing specifically to provide information on urban renewal and the proposed amendment.
- Establishing a web presence by both posting the proposed amendment and posting information about the opportunities for public input.
- Having one or more public open houses where the public is invited to participate actively in planning: putting “dots” on specific ideas for projects, voting for key concepts.
- Using social networking tools, such as Twitter, to broadcast meetings.
- Working with the local business district to provide input to urban renewal decisions.
- Designing a Facebook page for the URA.
- Mailing to households within the URA to provide information or invite them to public meetings.
- Presenting information at other public forums such as a farmer’s market or other public gathering spaces/events.
- Streaming the public meetings on public television.
- Some localities may require public vote of substantial amendments.

B. Statutory Provisions

The statutory requirements are for public involvement in all stages of the development of an urban renewal plan:

- ORS 457.085(1) requires that “an urban renewal agency shall provide for public involvement in all stages of the development of an urban renewal plan.”
- ORS 457.085(2)(i) requires substantial amendments to require the same notice, hearing, and approval procedure required of the original urban renewal plan.
- ORS 457.085(4) and ORS 457.085(5) require that substantial amendments must be presented to the planning commission of the jurisdiction and to the governing bodies of taxing districts affected by the plan.
- ORS 457.437 requires that a city urban renewal agency meet with the governing body of the county affected by the plan.
- ORS 457.095 and ORS 457.120 require that direct notice be sent (by a jurisdiction) to individuals or households within certain areas, in addition to the normal notice provisions of a jurisdiction for a public hearing on a new plan or substantial amendments.
- ORS 457.095 requires published notice of adoption of a substantial amendment.

C. Discussion

The statutory requirements are for public involvement in all stages of the development of an urban renewal plan and any substantial amendment(s). The ranges of involvement are shown in the sidebar.

The minimum required by statute is two opportunities for general citizenry review and input. First, the urban renewal substantial amendment and accompanying report are forwarded to the planning commission prior to presenting it to the governing body (city council or county commission) (ORS 457.095). The planning commission meetings are open to the public, and therefore, citizens have an opportunity for comment at this point in the preparation of a substantial amendment.

Approval of a substantial amendment by a governing body is by non-emergency ordinance (ORS 457.095). In most jurisdictions, this means two readings of the ordinance. The first reading is a public hearing that has been noticed to all citizens of the jurisdiction in accordance with ORS 457.120. The second reading does not typically include public testimony but can be at the discretion of the governing body.

The substantial amendment must also be sent to the governing body of all affected taxing jurisdictions and the urban renewal agency shall consult and confer with the taxing jurisdictions prior to presenting the substantial amendment to the governing body for approval (ORS 457.085)(5)). In addition to sending the substantial amendment by mail, the agency may also contact the taxing jurisdictions personally and may agree to present the plan to the taxing jurisdictions' boards if requested. ***See Section 2.7 on Impacts on Taxes Imposed by Overlapping Taxing Districts.***

The jurisdiction must publish notice of the adoption of a substantial amendment within four days of adoption.

The definition of substantial plan amendments is a major means of exerting policy direction over the implementation of an urban renewal plan. Local jurisdictions often express their sensitivity to particular urban renewal issues by defining changes in those activities as substantial amendments to the urban renewal plan. Alternatively, the jurisdiction can allow the urban renewal agency latitude in dealing with activities on which there is strong community consensus by not defining changes in such activities as substantial amendments.

D. Best Practices Tips

Public involvement for substantial amendments should mirror the involvement required for the adoption of an urban renewal plan as the statute requires the amendment to be adopted in the same manner as a plan.

5.3.2 PROCEDURAL REQUIREMENTS FOR APPROVAL OF SUBSTANTIAL AMENDMENTS

A. Background

To approve substantial amendments, a jurisdiction must go through the following procedural requirements:

1. Meeting by urban renewal agency

The urban renewal agency has the power to create an urban renewal plan (ORS 457.085(2)), and as a substantial amendment follows the procedures of plan approval (ORS 457.085(2)(i)), the agency also authorizes a substantial amendment.

Some planning commissions prefer to just review and make recommendations on the conformance issue, while others like to encourage the jurisdiction to approve the substantial amendment.

Sections 2.1 Public Involvement and **4.1 Public Involvement** detail other ideas about working with taxing districts.

2. Referral of the proposed plan to the planning commission for their review

If the jurisdiction has a planning commission, the substantial amendment and report must be presented to the commission for its recommendation before the substantial amendment may be presented to the jurisdiction (city council or county commission) for approval.

The planning commission review is best done at a public hearing. The planning commission's formal role is not specified in the statutes. They generally are advised that their role should be to determine the conformance of the substantial amendment with the jurisdiction's comprehensive plan, as planning is the purview of the planning commission. Two separate motions may be presented to the planning commission, one that finds the urban renewal plan substantial amendment in conformance with the comprehensive plan, and the other that finds the urban renewal plan substantial amendment in conformance with the comprehensive plan and recommends approval of the substantial amendment by the municipality.

Some planning commissions want to just take the action to find conformance with the comprehensive plan while others want to further recommend approval by the city council.

Notice of the planning commission review should be done as for any planning commission meeting. No other notice provisions are required.

3. Consult and confer with the affected taxing districts

The minimum level of interaction of the affected taxing districts is set out in the statutes. At a minimum, an agency must consult and confer with the affected taxing districts. The substantial amendment and urban renewal report must be sent to the governing body of any taxing district that is affected by the urban renewal plan with an offer to consult and confer. (Taxing districts that levy taxes within the URA are affected taxing districts.) Any written recommendations of these taxing districts must be accepted, rejected, or modified by the jurisdiction (city council or county commission) in order to proceed with the substantial amendment. The requirements under this section are different if the urban renewal agency is requesting concurrence, as described in ORS 457.470.

4. Meeting with affected municipalities ORS 457.437

Prior to the establishment of a maximum amount of indebtedness in a substantial amendment to an urban renewal plan, the urban renewal agency that is carrying out the plan shall meet with the governing bodies of the municipality that activated the urban renewal agency, and other municipalities affected by the urban renewal plan, to review the proposed maximum amount of indebtedness for the plan. No formal action is required by the affected municipalities (ORS 457.085(5)). The meaning of this section is that a substantial amendment must

not only be presented to the enacting municipality, but also must be presented to the county commission for their information. Their vote is not required.

However, when any portion of the area of a proposed urban renewal plan extends beyond the boundaries of a city into any other municipality (city or county) and, in the case of a proposed plan by a county agency, when any portion of the URA is within the boundaries of a city, the governing body of the other municipality may approve the substantial amendment, and may do so by resolution rather than by ordinance (ORS 457.105).

5. Municipality public hearing/notice of hearing

Under provisions of ORS 457.120(3), notice of a proposed substantial amendment must include the following specific provisions:

- The governing body, on a specified date, will hold a public hearing and consider an ordinance substantially amending an urban renewal plan;
- The adoption of the substantial amendment may impact property tax rates;
- States the maximum indebtedness that can be issued or incurred under the substantial amendment;
- The ordinance, if approved, is subject to referendum; and
- A copy of the ordinance, urban renewal plan amendment, and urban renewal report can be obtained by contacting a designated person.

6. Notice requirements for a substantial amendment

The statutory requirements for supernotice are stated in ORS 457.120(1). Notice of the public hearing on adoption of the urban renewal plan amendment must be sent to individuals or households in one of the following groups:

- Owners of real property that is located in the municipality;
- Electors registered in the municipality;
- Sewer, water, electric, or other utility customers in the municipality; or
- Postal patrons in the municipality and any parts of the URA that extend beyond the municipality.

For county plans, the individual notice must be provided to one of the same groups within the boundaries of any K-12 school district that levies taxes within the URA. Counties must also provide notice in the paper of general circulation throughout the county in an advertisement not less than three inches in height and three inches in width in the general interest section of the newspaper (ORS 457.120(4)(b)). It must contain language identified in ORS 457.120(3)(a-e).

If a plan is both in a city and in a county, notice must not only be sent to the

requirements stated for a city above, but also be sent to each individual in the selected group that is located in the URA (ORS 457.120 (2)). This supernotice must contain specific language, as defined in ORS 457.120(3)(a-e) and stated in sub-paragraph 5 above.

7. Approval of a substantial amendment by the municipality

A substantial amendment is adopted by the governing body of the municipality (city council or county commission) by ordinance. The ordinance must be a non-emergency ordinance. There are specific requirements for the contents of the ordinance (ORS 457.095)(1)-(7):

- Each urban renewal area is blighted.
- The rehabilitation and redevelopment of the urban renewal area(s) is necessary to protect the public health, safety, or welfare of the community.
 - o The urban renewal plan conforms to the comprehensive plan and economic development plan, if any, of the municipality. The plan must also provide an outline of planned urban renewal projects.
- Relocation requirements must be met.
- That any property acquisition called for in the urban renewal plan is necessary to achieve the objectives of the plan.
- That the plan is economically sound and feasible.
- That the city or county will assume any responsibilities given to it under the plan.

8. Hearing

At the public hearing on the ordinance, the governing body should hear the report and recommendations of the urban renewal agency, take public testimony, and consider the recommendations, if any, of the planning commission and of affected taxing districts. Any written recommendations of the affected taxing districts must be formally accepted, rejected, or modified.

9. Recording

A substantial amendment, along with a copy of the ordinance approving the substantial amendment, must be recorded with the recording officer of each county in which any portion of an URA within the urban renewal plan is situated. A copy of the plan should also be sent to the county assessor.

10. Notices

Notice of adoption of an ordinance approving a substantial amendment shall

Presumed valid: Any plan adopted in conformance with all legal requirements shall be conclusively presumed valid 90 days after adoption of the urban renewal plan amendment by ordinance of the governing body of the municipality. No direct or collateral attack on the action may thereafter be commenced.

be published within four days of adoption of the ordinance approving the amendment in a newspaper having the greatest circulation in the municipality and that is published within the municipality no later than four days following the ordinance adoption. If no newspaper is published in the municipality, the notice may be published in the newspaper of the closest published paper. The notice must say that the ordinance has been adopted and that 90 days after adoption of the plan amendment the amendment will be conclusively presumed to be valid. (ORS 457.095 and ORS 457.115)

D. Best Practices Tips

A jurisdiction should use an urban renewal professional or have staff with extensive urban renewal experience assist in the preparation of an urban renewal plan or a substantial amendment. If internal staff prepares the amendment to the urban renewal plan, it should also be reviewed by seasoned urban renewal counsel prior to adoption.

5.3.3 FINANCIAL ANALYSIS FOR SUBSTANTIAL AMENDMENTS

A. Background

When a plan is substantially amended, it requires additional financial analysis. The required analysis follows the same requirements as described in Section 4 for writing an urban renewal plan and report.

B. Statutory Provisions

ORS 457.420 to ORS 457.470 describe tax increment financing of urban renewal indebtedness.

C. Discussion

Amendments to urban renewal plans cannot increase maximum indebtedness by more than 20% of the original maximum indebtedness without obtaining concurrence (see sidebar definition).

All urban renewal plans adopted prior to January 1, 2010 that have not been amended to increase maximum indebtedness since that date are not subject to revenue sharing. When these plans are amended they will be subject to revenue sharing provisions. Amended plans will obey the same revenue sharing limits as described in **Section 2.7**, with one exception. The amount of TIF revenues collected by the URA in the first year in which the plan is substantially

Concurrence is defined as written concurrence of taxing jurisdictions imposing at least 75% of the amount of taxes levied under permanent rate limits in the URA.

Relevant distinctions:

- Concurrence refers to taxes, not tax rate
- Only taxes imposed under permanent rates are counted, not bonds or local option levies.

amended is known as the transition amount. If the transition amount is greater than the amount of TIF revenue that the URA would be able to collect under revenue sharing limits, then the URA receives annual TIF revenues equal to the transition amount. In short, the transition amount ensures that jurisdictions with amended plans that trigger revenue sharing will not see TIF revenues decline below their previous year's TIF collections due to revenue sharing.

D. Best Practices Tips

A jurisdiction should determine the type of plan it has, and the specific impacts associated with amending that plan, before undertaking the amendment process.

6. Running an Urban Renewal Agency

Urban renewal agencies vary in their organizational structure, from single individuals assigned responsibility to run the urban renewal program, to portions of various individuals assigned other responsibilities within the organization that created the urban renewal agency collaborating to perform urban renewal projects and programs, to agencies that operate as purely separate entities, complete with staffing and separate boards. Irrespective of how the urban renewal agency is staffed or governed, as a separate entity, it is necessary for staff and the governing board to ensure they each fulfill the various legal requirements for the urban renewal agency on an ongoing basis.

CHAPTER CONTENTS

The chapter contains the following sections:

- 6.1 Establishing bylaws
- 6.2 Changing the form of agency governance
- 6.3 Public involvement
- 6.4 Financial reporting
- 6.5 Budget
- 6.6 Auxiliary uses of TIF funds
- 6.7 Program income
- 6.8 Debt and maximum indebtedness reporting
- 6.9 Performance measures
- 6.10 Leveraging TIF
- 6.11 Relocation
- 6.12 Acquisition/disposition of real property

6.1 ESTABLISHING BYLAWS

A. Background

As a separate and distinct entity, establishing bylaws for an urban renewal agency is a requisite organizing function.

B. Statutory Provisions

ORS 457.035 provides for the creation, choice to exercise power, and jurisdiction for urban renewal activities. ORS 457.170 and 457.180 further addresses specific powers of urban renewal agencies. No statute requires the adoption of urban renewal agency bylaws.

C. Discussion

An organization's bylaws are legally binding and detail how the organization is structured and governed. State law does not determine the content of bylaws for an urban renewal agency. However, many agencies find that bylaws assist in the orderly conduct of business. Urban renewal agencies are encouraged to review the bylaws on a periodic basis, or at least every three years, to ensure that they are consistent with the organization's operations.

D. Best Practices Tips

Best practices suggest that urban renewal agencies should establish bylaws that address general information, governing board information, officers, and fiscal matters. A complete list can be found in Appendix B.

6.2 CHANGING THE FORM OF AGENCY GOVERNANCE

A. Background

The municipality that sponsors an urban renewal agency may decide that the initial choice of governance body is undesirable. The governance body may be changed.

B. Statutory Provisions

ORS 457.055 allows the municipality to change the form of the agency's

governance body to any form allowed by statute.

C. Discussion

The governing body of the municipality may, by ordinance, transfer the authority of the urban renewal agency to any other body that may have been initially appointed to exercise the agency powers. These are: the governing body itself, the housing authority of the municipality, or a separate board consisting of at least three members. Examples influencing a change of governance could include a consistent lack of quorum, a practice of inability to make program or project decisions, or actions that are contrary to the objectives of the urban renewal plan.

D. Best Practices Tips

Changing the form of the urban renewal agency's governance body should be a carefully considered decision, taken only when in the best interest of completing the urban renewal plan.

6.3 PUBLIC INVOLVEMENT

A. Background

Public involvement is a key component of the ongoing administration of an urban renewal plan. Involvement needs range from providing transparency on the activities of the urban renewal agency to providing an opportunity for citizens to serve on a citizens' advisory committee to allowing the broader public to interact with the agency on a Facebook page. There is significant incentive for an urban renewal agency to establish an effort to engage the public. For example, the adoption of an urban renewal plan amendment goes much more smoothly when there is significant public support for the plan.

B. Statutory Provisions

There is one statutory requirement for public information in the ongoing administration of an urban renewal agency. The agency must file an annual report (ORS 457. 460). This report must be on file at the city or county (depending on the governing jurisdiction) to allow for public viewing and portions must be published in the newspaper at two separate times.

C. Discussion

Options for involvement while running an urban renewal agency include:



The City of Astoria works directly with the Astoria Downtown Historic District Association on determining projects and priorities for urban renewal spending. Member of the city staff are on the ADHDA board and ADHDA board members are on City committees dealing with specific projects such as the planning for the Garden of Surging Waves as a cornerstone to the downtown. The Garden of Surging Waves will bring tourist activity to the Astoria Urban Renewal Area.

- A citizens' advisory committee to review decisions on the administration of the urban renewal plan, from input on the annual budgeting process to making recommendations to the urban renewal agency on policy issues such as potential amendments to the plan.
- Publishing more information in the annual report than is strictly required by the statute. Summarizing the projects of the previous year and identifying the public benefit, leverage of funding, private investment, and/or projected return on investment.
- Working with an established Main Street or business organization to review plan priorities.
- Publishing information about the urban renewal agency on the city webpage, including the adopted urban renewal plan and report and any current activities.
- Social media activities, including a Facebook and/or Twitter page for the activities of the urban renewal agency.
- Work with local newspaper to document success stories, giving credit to urban renewal.

D. Best Practices Tips

When the URA is established, it should adopt a public involvement policy. The public involvement policy should be reviewed periodically to ensure it is meeting the needs of the community.

6.4 FINANCIAL REPORTING

A. Background

One of the key responsibilities of the urban renewal agency board is its fiduciary responsibilities. A key component of ensuring the financial integrity of the organization is regular and timely financial reporting, including management discussion and analysis of the agency's programs and projects.

There are three groups responsible for the quality of financial reporting: the governing board, financial management and staff, and the independent auditor. First among these groups is the governing board, due to its unique position as the ultimate responsibility for oversight of financial reporting processes.

Urban renewal agencies are component units of jurisdictions and the financial reporting function is generally performed by city (or county) staff. Also, a jurisdiction's auditor generally performs the audit function. Lastly, since the

agency is a component unit of the jurisdiction, the jurisdiction's governing board has the ultimate responsibility for oversight.

B. Statutory Provisions

ORS 297.405 – 297.555 provide the various statutory requirements for financial reporting of Oregon municipalities, including annual audits by independent auditors (ORS 297.425).

ORS 457.460 requires limited duplication of annual financial reporting and budgeting, and additionally requires reporting on the analysis of the impacts, if any, of carrying out the urban renewal plan on the tax collections for the proceeding year of the overlapping taxing jurisdictions.

C. Discussion

Presently, urban renewal agencies are preparing a separate report to meet the specific requirements of each statute noted above, although there is no requirement to do so. Additionally, most urban renewal agencies in Oregon do not provide management analysis and discussion of the agency's performance during the reporting period or projected activity during the ensuring period(s).

Also, many urban renewal agencies, like their jurisdictions, struggle to complete their audits and file their reports by December 31. As a result, the information from these valuable reports is not timely for decision-making and may be viewed by decision makers as mere compliance work rather than an integral element of strategic planning.

D. Best Practices Tips

Consistent with the Government Finance Officers Association recommended best practices for governmental accounting, auditing, and financial reporting practices, AORA urges each urban renewal agency to do the following to fulfill its financial reporting responsibilities:

- Maintain an accounting system adequate to provide all of the data needed to allow for the timely preparation of financial statements for the entire financial reporting entity in conformity with generally accepted accounting principles (GAAP);
- Issue timely financial statements for the entire financial reporting entity in conformity with GAAP as part of a comprehensive annual financial report (CAFR); and
- Have those financial statements independently audited in accordance with either generally accepted auditing standards (GAAS) or Government Auditing Standards (GAS), as appropriate.



The City of Wilsonville specifically identifies project activity from the previous year in their annual report.

Suggested financial reporting includes the following:

Monthly financial reports should be prepared and distributed in a timely fashion. The reports should be prepared at an appropriate level for the intended audience, e.g., board reports should be at a general level, with detail available as needed, while reports to management should provide greater detail. Board members, managers, and staff should review reports in a timely fashion and provide timely feedback on any discrepancies. The reports should provide explanations for significant variations to budget.

Quarterly financial reports should be prepared and distributed in a timely fashion. These reports should include an update on the urban renewal agency's activities, including, but not limited to, explanation of any significant variances, both financially and operationally. Reports should be prepared for the intended audience and recipients should provide timely feedback on any discrepancies.

Annual financial reports should be prepared, audited, and distributed in a timely fashion. The reports should include management discussion and analysis of activities in the reporting period and upcoming period(s). Although statutes require audited financial reports be submitted by December 31 each year, reports should be completed and distributed to users much earlier.

Additionally, consistent with the Government Finance Officers Association best practice recommendation, the municipality's governing board should appoint an audit committee to provide much needed independent review and oversight of the urban renewal agency's financial reporting processes, internal controls, and independent auditors. The audit committee should be the same committee that serves the municipality. Further details regarding this best practice is available at GFOA Best Practice - Audit Committees.³

AORA also suggests that urban renewal agencies consider consolidating the required reporting of ORS 457.460 with the annual audited financial report, or, in the absence of the ability to prepare and distribute, in a timely manner, annual audited financial statements, AORA suggests agencies consider participation in the Government Finance Officers Association (GFOA) Popular Annual Financial Reports program. These financial reports are more readable and usable by non-financial and regulatory readers. The required elements of ORS 457.460 may also be considered for consolidation in this report.

6.5 BUDGET

A. Background

The National Advisory Council on State and Local Budgeting (NACSLB) has

³ http://www.gfoa.org/index.php?option=com_content&task=view&id=1451

identified four essential principles of effective budgeting. The specific principles include:

- Set broad goals to guide decisions;
- Develop strategies and financial policies;
- Design a budget supportive of strategies and goals; and
- Focus on the necessity of continually evaluating a government's success at achieving the goals that it has set for itself (i.e., performance).

B. Statutory Provisions

ORS 294.305 – 294.565 provide the various statutory requirements for budgeting of Oregon public agencies.

C. Discussion

The Government Finance Officers Association has officially adopted the recommendations of the NACSLB. GFOA has also issued separate recommended practices on strategic planning and performance measurement. All of these documents underscore GFOA's long-standing support of strategic planning and performance measurement as part of the budget process.

Consistent with the NACSLB principles, a growing number of governments use the budgeting for results and outcomes approach. Rather than starting with the prior period's budgeted programs and activities, they begin with available revenues, continue by considering desired results and strategies, and then end by deciding which activities and programs can best achieve desired results.

This approach is a departure from the incrementalism often characteristic of budgeting. Budgeting for results and outcomes links strategic planning, long-range financial planning, performance measures, budgeting, and evaluation. It also links resources to objectives at the beginning of the budgetary process so that the primary focus is on outcomes rather than organizational structure.

D. Best Practices Tips

Consistent with the GFOA, urban renewal agencies should consider budgeting for results and outcomes as a practical way to achieve the NACSLB objective of integrating performance into the budgetary process. The steps below should help an agency make a successful transition:

1. Determine how much money is available. The budget should be built on expected resources. This would include existing revenue, any new revenue sources, and the potential use of fund balance and/or debt.
2. Prioritize projects. The results or outcomes that matter most to the success of the agency fulfilling its mission should be prioritized.

Budgeting for results and outcomes is not just a one-year exercise, but instead a multi-year effort that should improve the budget process.

3. Allocate resources among high priority projects. The allocations should be made in a fair and objective manner.
4. Conduct analysis to determine which strategies, programs, and activities will best achieve desired results.
5. Budget available dollars to the most significant programs and projects. The objective is to maximize the benefit of the available resources.
6. Set measures of annual progress, monitor, and close the feedback loop. These measures should spell out the expected results and outcomes and how they will be measured.
7. Check what actually happened. This involves using performance measures to compare actual versus budgeted results.
8. Communicate performance results. Internal and external stakeholders should be informed of the results in an understandable format.

6.6 AUXILIARY USES OF TIF

A. Background

Use of tax increment funds is limited to paying debt incurred for projects listed in ORS 457.170. In all cases, activities to be funded with tax increment funds must be included in the urban renewal plan. Even with the liberal interpretation of these projects that has evolved over the years, the project definitions are not infinitely expandable.

Jurisdictions sometimes ask urban renewal agencies to finance operating and maintenance costs associated with capital improvements financed by the agency or even to finance regular ongoing municipal service costs.

Another issue is whether tax increment funds can be spent for urban renewal agency staff. These questions include whether staff costs can be funded from tax increment bond proceeds and whether tax increment funds can pay staff for work not related to urban renewal. Questions sometimes arise regarding the expenditure of tax increment revenues generated within one URA for the benefit of another URA within the same jurisdiction. Finally, funds that an urban renewal agency may receive that are not tax increment funds should be considered.

B. Statutory Provisions

ORS 457.170 describes the projects allowed in an urban renewal plan.

C. Discussion

1. Expenditures on operation and maintenance

Expenditures of tax increment revenues on operation and maintenance of capital facilities and expenditures on municipal services (e.g., police) are not allowed. This generally applies to capital facilities that have been developed with tax increment funds. There are two distinct considerations. First, from a legal standpoint, redevelopment attorneys have stated that such expenditures are not authorized by statute and the powers cited above from ORS 457.170 do not specifically include operation and maintenance. Second, as a matter of practice, tax increment revenues are not an ongoing revenue source and should not be used to fund ongoing expenses. Such a practice, like fully funding citywide projects with tax increments funds, diverts the tax increment funds from other projects in the URA that will cure blighted conditions.

Exceptions however, may include expenditures for start-up operational costs of a capital facility developed with tax increment funds, because these costs are considered part of the capital budget. Property management costs relating to property acquired by the urban renewal agency prior to its disposition for development or redevelopment are allowed to preserve the property value.

Decisions about what constitutes a capital project and what constitutes a maintenance activity are often difficult to make. For example, is the overlaying of street pavement maintenance or a capital improvement? The urban renewal agency should use its best judgment to make these determinations about whether to include them as projects in the urban renewal plan.

2. Expenditures on urban renewal agency staff

The administrative costs of operating an urban renewal agency are appropriately funded from tax increment funds. If an agency borrows money, it needs to conform to compliance with the covenants in its bond documents. Examples of such covenants are continuing disclosure, restrictions on private use and limitations on additional borrowing. Alternatively, expenditures may be made from annual tax increment revenues, provided that such expenditures are used to repay debt incurred in paying staff and administrative costs. It is common that the staff of the sponsoring jurisdiction administer the urban renewal agency.

3. Expenditure of tax increment funds for another URA

Tax increment revenues generated within one URA of a jurisdiction may not be expended for projects within another URA of the jurisdiction (ORS 457.440(6) (b)). Likewise, tax increment funds generated by debt in one URA may not be loaned to another URA. The proceeds of bonds are restricted to expenditure for projects in the URA that is generating revenue to pay the bonds.

Costs include staff (salary and benefits), office space, office equipment and supplies, consultants' and attorneys' fees, and other miscellaneous costs of implementing the urban renewal plan.

D. Best Practices Tips

1. Expenditures of tax increment revenues on operation and maintenance of capital facilities (except as are included in a capital investment) and expenditures on municipal services (e.g., police) must be avoided.
2. When staff performs a mix of duties, including some unrelated to the URA, other funds should pay for the non-urban renewal duties.
3. If the urban renewal agency does not have exclusive staff or exclusive consultants/contractors dedicated to agency administration, then the agency should enter into an intergovernmental agreement (IGA) with the sponsoring jurisdiction that specifies the urban renewal duties, the percentage of time and costs that will be allocated to the URA, and the basis and time for payment of these costs. This allocation must be done on a reasonable basis, and should take into account the actual or estimated percentages of the services or supplies used by the urban renewal agency. The IGA becomes a debt instrument and the costs can be paid directly from tax increment revenue collections.
4. An urban renewal agency should not grant or loan tax increment funds from one URA to another.

6.7 PROGRAM INCOME

A. Background

From time to time, as a result of its urban renewal project activities, an urban renewal agency may acquire funds that are not the proceeds of debt and are not tax increment revenue distributed from the tax collector. These funds are called program income. Examples are proceeds from the sale of real property the urban renewal agency acquired and funds repaid by borrowers from an urban renewal plan loan program, such as a façade improvement program or a private property rehabilitation loan. Interest paid on tax collections paid into an URA's special fund under ORS 457.440(6) is not program income. The acquisition or expenditure of program income is not included when calculating maximum indebtedness.

B. Statutory Provisions

ORS 457.190 limits the use of grants or loans received by the urban renewal agency from third parties.

ORS 457.180 lists activities that an urban renewal agency may perform outside the projects in an urban renewal plan.

C. Discussion

Proceeds of grants or loans received by an urban renewal agency from third parties must be the “undertaking and carrying out of urban renewal projects.”

Use of program income will be limited in the first instance by the covenants of any debt that produced the tax increment funds for the original urban renewal activity. Determining the limits is a case-by-case inquiry and bond counsel must be consulted.

Use of program income may also be limited by the terms of an urban renewal plan itself. A plan may provide that all income generated by the plan activities will be dedicated to debt repayment.

Finally, if not limited as stated above, program income may only be used for activities described either in ORS 457.170 (designated urban renewal projects in the plan) or ORS 457.180. The latter section gives an urban renewal agency the power to:

“457.180 Powers of urban renewal agencies in general. An urban renewal agency, in addition to its other powers, may:

- (1) Make plans for carrying out a program of voluntary repair and rehabilitation of buildings and improvements.
- (2) Make plans for the enforcement of laws, codes and regulations relating to:
 - (a) The use of land.
 - (b) The use and occupancy of buildings and improvements.
 - (c) The repair, rehabilitation, demolition or removal of buildings and improvements.
- (3) Make plans for the relocation of persons and property displaced by an urban renewal project.
- (4) Make preliminary plans outlining urban renewal activities for neighborhoods to embrace two or more URAs.
- (5) Conduct preliminary surveys to determine if the undertaking and carrying out of an urban renewal project is feasible.
- (6) Develop, test and report methods and techniques and carry out demonstrations and other activities for the prevention and the elimination of urban blight.
- (7) Engage in any other housing or community development activities specifically delegated to it by the governing body of the municipality including but not limited to land acquisition and disposition, conservation and rehabilitation, residential or business relocation,

construction, leasing or management of housing, and the making of grants and loans from any available source.”

D. Best Practices Tips

1. Use of program income is a case-by-case inquiry and urban renewal agency counsel and bond counsel must be consulted.
2. If allowed at all, an urban renewal agency should use program income for non-plan related activities only pursuant to official action to spend such funds within the agency budget.
3. Using program income for housing or community development activities specifically delegated to an urban renewal agency by the governing body of the jurisdiction should be based only on official governing body action expressing delegation.

6.8 DEBT AND MAXIMUM INDEBTEDNESS REPORTING

A. Background

Every urban renewal plan must include a statement of maximum indebtedness. Additionally, limitations related to future urban renewal plan amendments to increase maximum indebtedness and future potential revenue sharing with the affected taxing districts necessitate periodic review of the status of remaining maximum indebtedness relative to the remaining projects and activities to implement and complete the plan.

B. Statutory Provisions

ORS 457.450 (2) states that tax increment funds are to be collected until the urban renewal agency’s maximum indebtedness is fully paid or sufficient tax increment funds have been collected to retire the maximum debt.

C. Discussion

Additional considerations relative to maximum indebtedness for urban renewal agencies include:

Maximum indebtedness is stated in actual dollars at the time debt is issued; therefore, the timing to incur indebtedness and make expenditures becomes more important. In other words, as a result of inflation, dollars spent today likely

will accomplish more than the same dollar spent at a later date.

To more effectively manage available resources including debt, an urban renewal agency must understand its debt capacity at any given time to better plan capital investment.

D. Best Practices Tips

An urban renewal agency should annually track and report the status of its maximum indebtedness and its expenditures relative to its urban renewal plan. Maximum Indebtedness includes all money spent on projects, programs, and administration of the plan. It does not include indebtedness incurred to refund or refinance existing indebtedness, nor does it include interest payments.

6.9 PERFORMANCE MEASURES

A. Background

Measuring the impact of an urban renewal area should be an integral part of an urban renewal agency's annual reporting process, as well as the jurisdiction's overall communications program. Urban renewal, by definition, should help attract and retain jobs, build housing, grow businesses, remove blight, and accomplish many other positive things. Identifying and quantifying these impacts should be a part of each urban renewal agency's mission. This section of the document discusses potential conditions that could be measured and suggests several strategies for conducting that analysis.

B. Statutory Provisions

There are no statutory requirements for performance measures.

C. Discussion

Before attempting to measure a project's impact, it is important to understand the distinction between direct and indirect impacts and which of these should be measured and reported. Direct impacts are those that are directly connected to the urban renewal investment itself, such as the number of apartments built as part of a project supported by TIF funding. Indirect impacts could include a range of benefits, such as the increased retail activity that might take place within a district due to the new residents that live in the apartment building.

There is no best practice for whether direct or indirect impact analysis is the most appropriate—it will depend on local circumstances. Direct impacts tend

to be the easiest to measure (and explain), but may significantly understate the value of an investment to a community. Likewise, indirect impacts may present a fuller picture of the benefits of a project, but are harder to measure.

In addition to measuring the impacts from specific urban renewal investments, it is useful to catalog all new investments in the URA in order to ensure that indirect impacts are captured. By identifying these projects, and even mapping them, patterns of investment momentum can be demonstrated, which can often help tell the story of how urban renewal facilitates revitalization and private sector development.

Some specific areas that are good indicators of an URA's performance and might be included in a performance measurement process, include:

- **Tax base growth:** This is the most fundamental assessment of the success of an URA and should be included in every annual report.
- **Leverage ratio:** See Section 5.2.3.
- **New housing units:** Measure and map the location of new housing built in the URA. In smaller districts, project staff will likely be aware of all new projects, but in larger districts reviewing building permit data might be necessary.
- **New businesses and employment:** Jobs are one of the most important indicators of a community's health. Identify new businesses that have located in the URA, especially those that are the direct result of an urban renewal project.
- **Retail activity:** For downtown and business district-based URAs, increasing retail activity and reducing storefront vacancies is an important measure of success. Since Oregon does not have a sales tax, it is difficult to directly measure retail sales activity. While it can be estimated from some proprietary economic databases, similar information can be attained from a survey of building vacancies, interviews with merchants, and partnering with business associations
- **Major projects:** Identifying and mapping the location of major projects, both public and private, can be instrumental in telling the big picture story of an urban renewal plan's success. From an analytical point of view, mapping can also highlight patterns of investment that might indicate the catalytic effect that certain urban renewal investments have had on private investment in the URA.

The specific methodology for measuring each element will vary from community to community, where the availability of data will range from robust to minimal. While there can be no standard methodology that will work for all communities, the best practice is to clearly document what is being counted and from where the data has come. This helps to answer questions from stakeholders, the media, and elected officials, and it also helps to document for

future urban renewal agency staff how to update the information over time.

D. Best Practices Tips

Measuring the performance of an URA should be done integrally with the annual reporting process. Maintaining templates and other types of standardization will help in the measuring of performance across years and over the life of the urban renewal plan. In all cases, information sources should be clearly documented in order to answer possible questions and assist others in updating the information over time.

Finally, the presentation format should be such that it is easily readable and can serve as a communications tool—telling the story of the URA's success. For examples of potential performance measures, see Section 6.9 (C).

6.10 LEVERAGING TIF

A. Background

Leveraging TIF means increasing the impact of urban renewal dollars by attracting a matching amount of private investment. Indeed, the financial model of tax increment financing requires new private investment in order to generate the new taxes over the frozen base. Leverage can be measured in terms of a leverage ratio—the ratio of private investment (in a project, district, or any other defined area) to public investment. While there are no hard and fast rules for an appropriate leverage ratio, many districts have been able to achieve ratios of five or ten to one or higher. That is, for every dollar of public investment, the jurisdiction has seen five or ten dollars of private investment.

B. Statutory Provisions

There are no statutory requirements for leveraging TIF.

C. Discussion

1. Leveraging Private Financing

TIF can help leverage private funding by being the gap financing that completes a financing package for a project. In an era of increasingly challenging financial markets, the need for gap financing to make innovative projects possible is increasing. These types of contributions can be structured as grants, loans, and guarantees. Public-private partnerships and development agreements can be



Lake Oswego's Lake View Village was a joint partnership of the Agency and a private developer. The Agency provided funding for the parking garage while the developer funded the building construction.

structured so as to manage the amount of risk that the urban renewal agency is willing to take.

2. Leveraging Public Funding Tools

TIF can be most effective when it is paired with other funding tools. Particularly for grants, TIF can represent a critical local match that can bring in outside resources several times the size of the local contribution. In addition to grants, TIF can leverage other public funding tools such as Housing and Urban Development Sec 108 tax credits (Housing Tax Credits, New Market Tax Credits, Low Income Housing Tax Credits, etc.).

3. Leveraging Property Acquisitions

An urban renewal agency can leverage TIF by acquiring properties and then writing down the value of the land when selling to a private developer. This can leverage private investment by reducing the holding costs for a developer (they don't have to buy the land until they are ready for development) and by reducing the cost of the land, which reduces the overall project costs.

4. Leveraging Shared Infrastructure

TIF is leveraged when a particular investment can be used to support multiple private investments around it. A shared parking garage, a public plaza, and utility upgrades are investments that can have benefits for multiple adjacent and nearby properties for many years to come. Conversely, leverage will be limited when the TIF investment is in a project or location that has little opportunity to benefit other projects in the future.

5. Strategic Planning

Strategic planning is a process where an urban renewal agency (or its city or county) works with stakeholders to analyze conditions and update its priorities. The resulting strategic plan can then feed into the urban renewal agency's annual budgeting process to prioritize investments. In some cases, the strategic plan may even lead to recommended plan amendments.

Since an urban renewal plan identifies projects to be implemented over the life of an URA (sometimes longer than 20 years), it usually cannot provide the type of specificity to guide annual priorities, budgeting, and actions on a year-to-year basis, especially in the later years of a district.

The benefits of a strategic plan are that it allows an agency to adjust to changing conditions, provides an avenue for ongoing community input and the cultivation of project champions, and reflects a proactive rather than reactive approach to project identification and prioritization.

There are many factors that will change over the course of a plan that may influence the spending and action priorities of an urban renewal agency. Changing market conditions, the departure of a major employer, economic cycles, new zoning and other policies, demographic shifts, and many, many other factors will affect the specific projects an urban renewal agency will pursue in any given year.

D. Best Practices Tips

Through strategic planning and individual project analysis, an urban renewal agency can leverage TIF in order to maximize its return on investment.

6.11 RELOCATION

A. Background

An urban renewal agency that undertakes projects that displace residents or businesses is obligated to temporarily or permanently relocate those residents and/or businesses. Though requirements for relocation programs are set out in some detail in the Oregon Revised Statutes, an urban renewal agency is sometimes faced with situations in which it is unclear whether residents and businesses are displaced by agency projects or by the anticipation of possible agency projects in the future.

B. Statutory Provisions

ORS 457.085(3)(i) requires a relocation report in the urban renewal report accompanying the approval of the urban renewal plan.

ORS 35.500 to 35.530 sets out the state mandated procedures for relocation.

C. Discussion

An urban renewal agency is required to include a relocation report in the urban renewal report accompanying the approval of the urban renewal plan. The report must analyze the need for relocation of residents and businesses, describe the methods to be used in relocation (which must conform with ORS 35.500 to 35.530), and enumerate by cost range the existing housing units that are to be demolished, altered, and/or new units to be added.

- Sometimes, a property owner or tenant moves before the urban renewal agency acquires a property.
- In some cases, the urban renewal plan does not contemplate property acquisition or the need for resident or business relocation.
- A property owner has the right to relocation benefits whether the transaction is voluntary or involuntary.
- Relocation benefits may not be waived except in writing.

The Oregon Department of Transportation has adopted a set of such regulations that several urban renewal agencies have used as a model. In addition, there are expert consultants who will assist in relocation matters.

D. Best Practices Tips

- For plans that include acquisition and relocation, an urban renewal agency should adopt formal and complete relocation regulations that conform to statutory requirements and the Uniform Relocation Act.
- For plans with no acquisition, an urban renewal report may include a statement that, if property acquisition is later included in a plan by amendment, then relocation regulations will be adopted before acquisition activities begin.
- An urban renewal agency should use reasonable efforts to determine whether residents or businesses have been displaced as a result of a property owner anticipating possible future acquisition of the property by the agency. In such cases, the agency should determine to what extent, if any, relocation benefits should be provided to the residents or businesses.

6.12 ACQUISITION/DISPOSITION OF REAL PROPERTY

A. Background

Some of the more significant powers of urban renewal agencies are their ability to acquire land for redevelopment and their ability to dispose of such property for its fair reuse value. Urban renewal agencies can sell or lease property for less than fair market value under certain circumstances. Fair market value is based on highest and best use of a property. Fair reuse value takes into consideration restrictions on the use or type of uses that may be developed or redeveloped on the property and other limitations imposed by the urban renewal plan that may affect the property's value. The fair reuse value of a particular property may be \$0 if the urban renewal plan provisions warrant.

B. Statutory Provisions

ORS 457.170(3) allows the urban renewal plan to include the acquisition of real property as a project if it is necessary to carry out the plan.

ORS 457.230(1) allows the urban renewal agency to dispose of real property for fair reuse value.

ORS 457.230(2) requires that an urban renewal agency, upon sale or lease of land for redevelopment, require that the purchaser use the land for purposes called for in the urban renewal plan and begin the improvements within a reasonable period of time.

C. Discussion

An urban renewal agency may acquire land when needed to carry out the urban renewal plan. However, an agency may not acquire property by condemnation (involuntarily) if the property is to be transferred to another private party for redevelopment. There are no limitations on the purchase price for property, either minimum or maximum, with purchase price being determined by negotiation. Note that an urban renewal agency may still use condemnation for public improvement projects and to cure certain blighted conditions within the URA.

An urban renewal agency will make land available for redevelopment at its fair reuse value, “which represents the value, whether expressed in terms of rental or capital price, at which the urban renewal agency in its discretion determines such land should be made available in order that it may be developed, redeveloped, cleared, conserved, or rehabilitated for the purposes specified in such plan” (ORS 457.230). The fair reuse value of a property is determined by the urban renewal agency in its discretion, but is based on an analysis of the value of the property as encumbered by the requirements of the urban renewal plan. The use of an independent expert to determine fair reuse value will assist the urban renewal agency in understanding and defending a fair reuse value determination during the public discussion.

Because of statutory requirements noted above, the urban renewal agency must have a contract with the property purchaser to comply with the statute. Urban renewal agencies commonly use a disposition and development agreement (DDA) for the transaction, which may include other conditions for redevelopment in the discretion of the agency.

The particular process used for disposition by an urban renewal agency is a matter to be determined by the agency. An agency may consider competitive processes, in which any interested party is invited to submit either a proposal or letter of interest are desirable. Such processes can result in a wider range and higher quality of development proposals and higher economic returns for the URA. Competitive processes also help ensure that the urban renewal agency is treating all potential purchasers or lessees of agency-owned property in a fair and equitable manner.

Often urban renewal agencies offer land for sale or lease using solicitation processes such as a request for proposals (RFP) or request for qualifications (RFQ), whereby interested purchasers or lessees propose development plans and schedules for the property, which are in turn evaluated by the urban renewal agency according to criteria it has established. Such proposals may or may not include a proposed purchase price for the property.

A RFQ can have several benefits over a RFP. A RFQ, properly designed, is a method whereby the urban renewal agency would solicit interest from qualified parties. Those parties would be responding to an informational package that outlines the urban renewal agency’s expectations and goals for the project while

requesting detailed documentation of the development team's experience and financial capabilities. It is far more important to select the right partner with whom the agency can work to design and implement the right project. With an RFP, the process is often nothing more than a beauty contest where submittals are designed to win but haven't received the scrutiny of detailed planning. Therefore, the final product rarely looks like what was initially promised. An RFQ, on the other hand, directly addresses the need to select the right people with a demonstrated history of success to become the urban renewal agency's partner. With the right team in hand, the agency and developer can confidently work through the many complex details of a physical and business plan to reach a deal and break ground on construction.

In some cases, urban renewal agencies solicit statements of qualifications or letters of interest, and based on subsequent evaluation, enter into exclusive negotiating agreements with one party to negotiate a disposition and development agreement for the property.

Urban renewal agencies can also achieve their redevelopment goals in cases where a private or non-profit entity owns land adjacent to an agency-owned parcel. In these cases, it can be beneficial to enter into a direct development agreement with that entity and avoid a formal solicitation process.

D. Best Practices Tips

1. Acquisition procedures

An urban renewal agency should obtain an appraisal of property before undertaking negotiations for property acquisition. An appraisal is required if the property is to be condemned. Condemnation can only take place if reuse of the property is for public purposes.

The urban renewal agency acquisition procedures (including relocation rules) should be in writing to inform the agency and the public of the process and support its integrity.

2. Fair reuse value

For properties of substantial value, such determination should be based upon an independent appraisal of the property. The appraiser should be instructed to determine the property's fair reuse value and should be asked to thoroughly investigate and take into account any and all restrictions imposed on the property by the urban renewal plan and the DDA.

3. Offering property for purchase

In general, a competitive process of some kind should be used to dispose of property.

If urban renewal agency property is specially related in some way to property controlled by a potential purchaser, the agency should consider the benefits of an exclusive negotiation for sale of the property.

When possible, an urban renewal agency should utilize an RFQ process to select developers for property that is being disposed. With proper criteria to evaluate bidders, the agency can be assured that the design process will result in a project that meets its goals, financial objectives, and community aspirations.

7. Closing an Urban Renewal District

The presence of termination or expiration dates in urban renewal plans reflects the concern of citizens and the governing body that the urban renewal plan should have a finite duration. Though termination dates commonly exist in older plans, the specific meaning of the termination or expiration date (i.e., what exactly ends on the termination date?) is not generally clear. It could refer to the retirement of debt and corresponding termination of collection of tax increment funds, the completion of all projects, and/or the expiration of other provisions in the plan.

7.1 PLAN TERMINATION

A. Background

Many urban renewal plans have termination or expiration dates. Some mature plans have a “date after which no debt will be issued,” which is a likely holdover from a former statutory requirement for such dates.

B. Statutory Provisions

There are no statutory provisions for plan termination.

C. Discussion

The fact that some mature plans have a date after which no debt will be issued is a likely holdover from a former statutory requirement for such dates. There are no longer statutory requirements for urban renewal plans to have termination dates. ORS 457.085(3) requires that urban renewal reports contain the anticipated completion dates for each project and the anticipated year in which debt will be retired, however, this is not considered a termination date for a plan.

The concept of maximum indebtedness as a limit on plan duration has generally replaced termination dates in urban renewal plans. See **Section 7.2**, below.

D. Best Practices Tips

Although establishing a termination date for an urban renewal plan is optional, it is an important consideration for some citizens. If it is included, an urban renewal plan should specify which actions would end at the termination date. Options include:

- All projects will be completed, but tax increment revenue collection will continue.
- No new projects will be undertaken, but tax increment revenue collection will continue.
- No new debt will be issued, but tax increment revenue collection will continue.
- Tax increment debt will be retired and tax increment collections will cease. This limit should be used cautiously, given the predictability of tax increment revenue collection, and it is not necessary since maximum indebtedness already determines when tax increment revenue collections will cease.

CHAPTER CONTENTS

This chapter contains the following sections:

- 7.1 Plan termination
- 7.2 Termination of tax increment collections
- 7.3 Termination of an urban renewal agency

- Land use restrictions and special design guidelines will expire. However, it is uncommon now for urban renewal plans to contain either type of provision, relying instead on zoning and comprehensive plan provisions or private covenants, conditions, and restrictions (CC&R's). Note that an urban renewal agency can cause covenants and conditions on the use of land purchased from the agency for redevelopment to run with the land. These may continue in effect after the termination date of a plan.
- The urban renewal agency having disposed of real and other property owned by the agency.

Terminating an urban renewal plan should be done by express action of the urban renewal agency through a resolution. The resolution should be accompanied by a closing report summarizing the effects that the plan had in terms of projects and finance.

7.2 TERMINATION OF TAX INCREMENT COLLECTIONS

A. Background

Collection of tax increment funds for every urban renewal plan is limited by the plan's stated maximum indebtedness.

B. Statutory Provisions

ORS 457.450(2) requires the urban renewal agency to notify the assessor to terminate the collection of tax increment revenues when the urban renewal plan's maximum debt is, or can be, retired.

C. Discussion

An urban renewal agency is required to notify the assessor when the principal and interest on the maximum indebtedness of an urban renewal plan to which tax increment collection is pledged is fully paid, or it is found that deposits in the special fund for tax collections for that plan are sufficient to fully pay principal and interest on the maximum indebtedness, either through direct payment of the indebtedness or by payment of principal and interest on bonds or notes issued to finance the indebtedness. Upon notification, the assessor will discontinue dividing the taxes for tax increment purposes in all future tax years. The tax increment collections will be terminated permanently, and all taxes collected on the full assessed value of the property in the URA will be collected by the overlapping taxing districts.

The urban renewal plan may continue after tax increment collections are terminated. The urban renewal agency may continue the projects under the plan with the funds available after the tax collections cease, or, the urban renewal agency may terminate the plan if all activities are complete, or if the agency determines it will not complete some plan activities. See Section 7.1 above.

After the urban renewal plan itself is discontinued, and if any tax increment proceeds remain in the special fund of the plan and all maximum debt is provided for, those proceeds are distributed pro rata to the overlapping taxing districts.

D. Best Practices Tips

The analysis to determine whether or not the deposits in the special fund holding tax increment collections are sufficient to pay the maximum indebtedness should be made annually, within the agency's budget process.

Notification to the assessor should be made as soon as the budget process is complete, or at the end of the fiscal year, but in no event later than the date required for filing of the UR-50 form by which the urban renewal agency would have requested tax increment division amounts from the assessor in the following fiscal year. Notification should be in writing.

7.3 TERMINATION OF AN URBAN RENEWAL AGENCY

A. Background

If the governing body of a jurisdiction with an urban renewal agency decides that there no longer exists a need for an agency in the jurisdiction, the governing body shall provide, by ordinance, for a termination of the agency and a transfer of the agency's facilities, files, and personnel to the jurisdiction.

B. Statutory Provisions

ORS 457.075 allows the municipality that activated its urban renewal agency to terminate the agency.

C. Discussion

The termination of an urban renewal agency does not affect any outstanding legal actions, contracts, or obligations of the agency. The jurisdiction shall be substituted for the agency and, for the purpose of those legal actions, contracts,

or obligations, shall be considered a continuation of the agency and not a new entity.

However, no urban renewal agency may be terminated unless all indebtedness secured by tax increment collections is fully paid.

D. Best Practices Tips

An urban renewal agency and its governing body should inventory all the assets and liabilities of the agency and the jurisdiction should be confident that it has the resources to satisfy any continuing obligations of the agency.

The ordinance terminating the urban renewal agency should include reference to the inventory described above.

If there is outstanding tax increment debt, the urban renewal agency cannot be terminated.

Appendix

- A. Determining the type of plan
- B. Suggested bylaws contents for urban renewal agencies
- C. Barriers to Development
- D. A Letter from the Taxing Districts

Appendix A: Determining the Type of Plan

Oregon state statutes pertaining to urban renewal provide for several different types of urban renewal plans, depending on the date on which the district was formed or amended. The impacts of a substantial amendment are different depending on the type of plan. The statutes allow for a variety of urban renewal plans: “Existing: Option One, Two, or Three,” “standard rate,” and “reduced rate” plans. The provisions for collection of taxes under Option One, Two, and Three plans may not be changed. Existing plans are plans that provide for a division of ad valorem property taxes under ORS 457.420 to 457.460 adopted by ordinance before December 6, 1996.

Table A-1. Types of Plans

TYPE OF PLAN	ADOPTION DATES	FUNDS FROM	CONSEQUENCE OF SUBSTANTIAL AMENDMENT
Reduced Rate Plan	On or after October 6, 2001	Permanent rate levies only	May be subject to revenue sharing, MI caps
Reduced Rate: Existing Plan Option 1	Prior to December 6, 1996	Full amount of Divide the Tax revenue plus Special Levy	Loses right to Special Levy. May not collect Local Option or Bond approved after October 6, 2001 and may be subject to revenue sharing, MI caps
Existing Plan Option 2 (none in existence as of Jan 2012)	Prior to December 6, 1996	Special Levy	May be subject to revenue sharing, MI caps
Existing Plan Option 3	Prior to December 6, 1996	Fixed amount of Divide the Taxes plus Special Levy	May be subject to revenue sharing, MI caps
Standard Rate Plan	On or after December 6, 1996, before October 6, 2001	Permanent rate plus rates for GO bonds and local option levies	May be subject to revenue sharing, MI caps
Standard Rate	Adopted before December 6, 1996	Permanent rate plus rates for GO bonds and local option levies	City or county may make irrevocable request to Assessor to become a Reduced Rate Plan

Option One urban renewal plans must be existing plans that were formed prior to December 6, 1996 and must have chosen Option One prior to July 1, 1998. Option One allows for the collection of funds from ORS 457.440 (Divide the Taxes Revenue). If the amount is not sufficient to meet the budgeted obligations of the plan for the tax or fiscal year, the agency must make a special levy in the amount of the remainder upon all taxable property of the jurisdiction that activated the urban renewal agency, and all property outside the jurisdiction, but included in the boundary of the area of the plan.

Option Two must be existing urban renewal plans that were formed prior to December 6, 1996 and must have chosen Option Two prior to July 1, 1998. Option Two plans allow for the making of a special levy in the amount stated in the notice in ORS 457.440 upon all taxable property of the jurisdiction that activated the URA, and all property outside the jurisdiction but included in the boundary of the area of the plan.

Option Three must be existing plans that were formed prior to December 6, 1996 and must have chosen Option Three prior to July 1, 1998. These urban renewal areas may collect a fixed amount of Divide the Taxes Revenues and may receive an allocation of a citywide special levy. The amount of this levy may not be changed.

Substantial amendments will cause an urban renewal plan to lose its existing plan status, resulting in the loss of the special levy in accordance with ORS 457.010(5)(a)(A). Therefore, if an existing plan is amended, it will then be changed to a reduced rate plan.

Standard Rate plans must have been formed or amended on or after December 6, 1996 but before October 6, 2001. The applicable tax rate used to calculate the Divide the Taxes Revenues is comprised of the permanent rates of the taxing jurisdictions overlapping the urban renewal area, the local option levies, and general obligation bond levies.

Reduced Rate plans are those formed or amended on or after October 6, 2001. The applicable consolidated tax rate for Reduced Rate plans is comprised of only the permanent rates of the taxing jurisdictions overlapping the urban renewal areas, and local option and general obligation bond levies approved prior to October 6, 2001. Local option and general obligation bond levies approved by the voters on or after October 6, 2001 are excluded from the applicable tax rate.

Additionally, there are some limitations on urban renewal plans first adopted or amended after January 1, 2010, that can only be exceeded with concurrence from affected taxing districts. Specifically, a jurisdiction must obtain written concurrence of taxing districts imposing at least 75% of the amount of taxes imposed under permanent rate limits in the urban renewal area.

Actions that require concurrence include:

- Establishing an urban renewal plan with maximum indebtedness exceeding the limits established in ORS 457.470.
- Computing the division of taxes for an urban renewal area that exceeds the limits imposed by “revenue sharing” legislation described in ORS 457.470(2) and ORS 457.470(4).
- Amending an urban renewal plan to increase maximum indebtedness beyond the limits established in ORS 457.420(3) and ORS 457.470(5).

Appendix B: Suggested Bylaw Contents for Urban Renewal Agencies

General Information

- Official name of the organization
- Primary office location
- Agency’s purpose(s)
- Procedures for amending the bylaws

Governing Board Information

- General powers of the governing board
- Number of board members
 - o Members’ backgrounds (e.g., real estate, development, finance, two outside directors, etc.)
- Terms and term limits of members
- Nomination and election of members
- Resignation of members
- Removal of a member (e.g., with or without notice, failure to attend three consecutive meetings, etc.)
- Process for filling vacancies
- Notice required for board of members’ meetings

- Frequency of meetings and meeting procedures (e.g., four per year)
- Quorum requirements
- Descriptions and powers of standing committees (if any)
- Meeting procedures (e.g., actions without a meeting, meeting by telephone, etc.)
- Action taken without a meeting (e.g., consent in writing to waive a meeting, vote, etc.)

Officers

- Qualifications for holding office
- Duties of officers (e.g., chair, vice-chair, secretary, and treasurer)
- Process for selecting or appointing officers
- Terms and term limits (if any)
- Provision for a executive director (if not an officer)
- Circumstances under which officers may be removed
- Fiscal Matters
- Audit (only needed if different from the statutory requirement)
- Indemnification and insurance
- Purchasing (contracting)
 - o Should be consistent with municipal organization
- Investments (only needed if different from the jurisdiction entity or statutory requirements)

Special Note: It is not necessary for an organization's bylaws to specify rules of order. However, if they do specify rules of order (e.g., Robert's Rules of Order), then the organization should be very careful to follow those procedures. Any action taken by the board that does not follow those rules of order may be vulnerable if challenged.

Appendix C: Barriers to Development

In the operation of an urban renewal district, many unforeseen issues can arise that can complicate the urban renewal plan and require course corrections and changes along the way. This is inevitable given that most urban renewal plans require 20 or more years to complete. This section highlights several of the most common types of barriers to implementation that can arise and it provides some strategies that an urban renewal agency can use to avoid the barriers, or mitigate them if they cannot be avoided.

The potential barriers are organized into several categories: Political/Policy, Physical, Economic, Financial:

A. *Changing board political/policy or council priorities.* Over the life of an urban renewal district, a city council or urban renewal board will change, and along with that change their priorities as to the types of projects that they want to fund may also change. This is inevitable. Sometimes these changes will be for very good reasons (new economic conditions, community aspirations, or other factors) and at times they may seem capricious and merely based on opinions or special interests. In either case, the best strategy for urban renewal agency staff is to provide the board with good information on which to base its decisions. This means being able to point to existing plans and policies that support the desired investments, financial and economic analyses to demonstrate the positive impacts that the projects will have, and producing annual reports that clearly communicate the pattern of success and interconnectedness of the projects identified in the original plan.

B. *Community opposition.* Despite the public involvement that goes into the formation of an urban renewal area, new opposition may arise from the community when it comes time to implement specific projects. As with changing board or council priorities, the reasons for opposition to projects may be well-grounded or they may be very narrow or self-serving. There are no silver bullets to avoiding community opposition to projects, but it is always advisable to conduct outreach early and often in order to understand where potential opposition might lie. In this way, the community will be informed about the reasons for (and benefits of) the proposed project, educated about the policy support for the project, and ensured that there are no surprises when the project is brought to the board. Likewise, many staff seek out project advocates in the community who can support the urban renewal agency in communicating the project's benefits to others.

C. *Outdated regulations.* Do not overlook that urban renewal projects must meet zoning and building codes like every other type of project. Often, especially in an older downtown, issues related to historic buildings, parking codes, mixed-

uses (allowances or prohibitions), and numerous other issues can add additional hurdles to making projects possible. Coordinating urban renewal planning with other planning efforts is essential.

Physical

- **Environmental remediation.** Sometimes the costs of environmental remediation needed to implement a project are higher than anticipated during the planning process (or such remediation was not even anticipated). Better project analysis in the planning stage can help avoid these situations, but particularly as it pertains to environmentally contaminated sites, such surprises cannot always be avoided. If this occurs, options can include re-scoping the project to reduce overall costs or pursuing brownfield remediation grants and other sources of project funding.
- **Off-site impacts.** As with environmental remediation, some project costs may not be known until project implementation has already begun. These can often include off-site impacts, such as traffic impacts (and associated mitigation costs), wetlands mitigations, historical impacts, view corridors, and other factors. Again, there is no single solution to avoiding this situation, but it speaks to a need to plan for project costs beyond the direct costs of the project construction itself.
- **Building barriers.** Many buildings within URAs that need rehabilitation are plagued with challenging and expensive obstacles, such as seismic and asbestos problems. Often the extent of these maladies in older buildings isn't clear until after work on them has already begun. This can create situations where private and public (TIF) resources that were committed to the project are no longer sufficient to complete it. While establishing a contingency fund in advance can help mitigate the financial impact, this is sometimes still insufficient. These circumstances usually bring the public and private partners back to the table to work out viable solutions.

Economic

- **Changing Market Conditions.** Regardless of the financial boost given to a project by urban renewal, it will not be successful if there is not market demand for the target users of the project upon completion – be they apartment tenants, office users, or industrial businesses. Without demonstrated demand for the type of space to be built, the space will stay empty or perform below financial targets and it may compete with nearby properties, diluting the overall economic impact. Successful urban renewal projects should be based on a sound market analysis and urban renewal agencies should be ready to delay (or accelerate) timelines to address evolving market conditions. Likewise, public-private partnerships should have provisions to relieve developers of certain obligations if

market conditions do not support ongoing investment.

- **Property Ownership.** Blighted properties that an urban renewal agency is targeting for redevelopment may be owned by an entity that is unwilling or unable to sell it to the agency or a developer. Since urban renewal agencies can no longer condemn properties for private reuse, agencies are left with three options:
 - o Try to work with the existing owner on rehabbing the target property so that it is not as great of a detriment to the URA.
 - o If viable, work around the blighted property, and continue trying to address it in the future.
 - o Explore whether the blighted property can be redeveloped for public use (e.g., plaza, parks, public parking, etc.), in which case it could be acquired through condemnation.

Financial

- **Slow TIF Growth.** Particularly in the early years of an URA, there may be little increment created, meaning that there is little capacity to fund projects. This is a common situation that cannot be avoided. Financial projections should be carefully reviewed to ensure that they are realistic about the types of projects that may be built in the early years and the amount of new increment that they will generate. If growth is slow, the URA or the jurisdiction may want to find other sources of funding to ensure that projects can move forward early, starting the momentum that will create greater increment over the long term.
 - o It may be necessary or desirable to utilize other funding sources, such as utility resources (existing or debt), to stimulate activity within an URA, with subsequent repayment of those resources from future tax increment.
- **Demolitions.** An often-overlooked problem is the demolition of structures in a district or the departure of a major user. When an URA has a relatively large portion of its taxable value based in just a handful of properties, it becomes vulnerable to negative growth if one or more of those users should go away and there is no commensurate development with which it can be replaced.
- **Tax abatements.** The State of Oregon authorizes a number of tax abatement programs as incentives for development, including affordable housing and multi-family housing tax abatements and enterprise zones, where property taxes are waived on new, qualifying development for a typical period of five to ten years. While these abatements can serve as an important financial incentive that can make the difference on whether a project gets built, the abatement of taxes means that the investment will generate no increment to support the URA for the life of the plan.

This is not to say that such abatements should not be used, but that their financial impact should be discussed by policy makers and must be accounted for in the urban renewal plan's financial analysis.

- **Declining values.** Prior to the recession that began in 2007, it was not anticipated that real property values would decline below taxable assessed value, particularly an urban renewal plan's base year assessment. However, it is now known that such declines are possible and urban renewal agencies should carefully monitor economic conditions to anticipate such declines and adjust accordingly.
- **Debt capacity.** There are many external factors that will affect the urban renewal agency's debt capacity, including, but not limited to, revenue and revenue projections, interest rate and other terms, the city's or county's bond rating, and fluctuations in national and international bond markets overall. While many of these issues are largely outside the control of the URA, financial plans and projections should be updated to reflect the most current rates and terms. Additionally, an individual entity's risk tolerance needs to be factored into financial modeling.
- **Utilities and equipment.** In some districts, a sizable portion of tax revenues come from private property (equipment) and utilities. The valuation of these utilities has been volatile, particularly with changes in valuation methodologies. Additionally, if major utility infrastructure is abandoned and/or relocated outside the urban renewal area, significant impacts to tax increment revenue can result. Likewise, if significant utility infrastructure is constructed in the URA, significant tax increment can result.

Urban renewal areas that include significant equipment valuations face similar considerations. The relocation in or out of an URA can have significant immediate positive and negative impacts to tax increment. In addition, depreciation schedules for expensive equipment will impact TIF.

Appendix D: A Letter from Taxing Districts



Thank you for the opportunity to provide input on the Best Practices for Urban Renewal in Oregon document. The Special Districts Association of Oregon (SDAO) and Oregon School Boards Association (OSBA) believe that a reasoned and balanced perspective should be used when determining whether to use urban renewal. Our hope is to provide some of that balance in this appendix to that document.

From our perspective, urban renewal should be used to increase assessed value and return the increment to the tax roles as quickly as possible.

SDAO and the OSBA believe that the use of urban renewal can be a powerful tool when establishing economic development plans for a municipality. Ultimately, city and county planners desire that urban renewal will produce benefits not only within the urban renewal district, but also the surrounding areas. We want the same things. In order to achieve those outcomes, our groups believe that four core criteria must be considered prior to initiating an urban renewal plan for it to be successful:

- 1) that cities and counties recognize the value of partnerships with overlapping districts as a method to become more successful,
- 2) the “but-for” rule,
- 3) that the use of smaller, focused urban renewal projects are likely to be more successful than large ambiguous ones, especially when those projects return value to the tax rolls while eliminating blight, and
- 4) that the work of urban renewal is accomplished quickly and the value returned to the tax rolls as soon as possible.

Partnerships with Overlapping Districts

The first core path to success in creating an urban renewal plan is to engage the overlapping taxing districts early in the process. Early engagement allows time to adjust the plans, projects, timelines and deliverables to accommodate specific needs of overlapping taxing districts. Early engagement also provides the opportunity for cities and counties to explain the project list and to describe desired objectives and outcomes.

Most districts are concerned about a number of issues—specifically, loss of future income, increased workload, and the effect that urban renewal has on cannibalizing investment in adjacent areas (thereby lowering values). As just one example, commercial development increased substantially at Clackamas Town Center after an urban renewal plan was implemented, while during those same years the McLoughlin area suffered from disinvestment. When these issues are not addressed early in the process, special districts (along with school districts and community groups) have later actively campaigned against urban renewal plans.

In some situations the local resistance has been successful in derailing urban renewal plans or, in cases such as in Clackamas County, virtually eliminating urban renewal altogether through the initiative process.

Securing community support should be a primary goal of economic development agencies and that support is best gained through early, honest, and thorough conversations with the overlapping taxing district partners. We believe that one of the best ways to accomplish this is to identify clearly defined projects to be undertaken rather than ambiguous projects.

The “But-For” Rule

A long-held argument used by supporters of tax increment financing is that TIF actually causes development to happen. In other words, supporters are quick to tout, “but-for” urban renewal, this project would not have happened. In some cases this might be true, but overlapping taxing districts are concerned that data supporting these claims has not yet been substantiated. In fact the opposite may be true—an urban renewal plan in one area may actually pirate development intended for other areas in the community, the region, or the state. That halo disinvestment can be seen around many urban renewal areas – McLoughlin being one example.

To garner the support of those impacted by urban renewal, the urban renewal agencies must be prepared to show how the money will be invested and must be prepared to demonstrate how that investment will return value to the tax rolls over the long term. There is often some level of support among districts for infrastructure projects that provide subsurface or transportation infrastructure. But that support wanes when the projects include beautification efforts, tax incentives, system development charge waivers or other taxpayer-funded inducements.

Projects.

Special districts and school districts are probably most concerned about the nature of the projects that are frequently proposed under urban renewal plans. In general, many urban renewal agencies fail to consider the impacts on overlapping districts when they elect to pursue projects that may really do nothing to increase property values. A city hall, police station, or a civic building may create public resistance when projects do not clearly and directly contribute to increased value.

Advocates argue that these civic projects create value and that investment wouldn't happen without them. Seldom (or rather never) do we hear from developers or builders that they would be willing to invest if only there were a brand new city hall nearby. Further, municipal buildings funded with increment dollars are subsidized by overlapping districts that don't receive the municipal services throughout their respective areas. These types of subsidies generally do not receive the support of the overlapping agencies. Instead, when confronted with projects that support a build out of sewer, water, and transportation infrastructure—especially when that infrastructure is designed to support industrial and commercial development—special districts are more supportive. Projects that are supported only by some ambiguous future need are unlikely to garner that support.

Scope and Scale

In addition to helping districts understand how the proposed projects will ultimately increase the tax base and effect workload, overlapping agencies are concerned about the size of projects and the scheduled timing for return of value.

Districts understand the limits on funding availability during the first few years of the plan and the complexity of bonding during those times. We also understand municipal agencies' desires to have plans that have 1) extensive and ambiguous project lists, 2) last for decades, and 3) have high maximum indebtedness structures. Plans that meet one or more of these criteria are likely to ensure the most amount of resistance by urban renewal opponents.

Instead, overlapping districts will be more interested in and more likely to support plans that are focused to a few important projects, that limit the maximum indebtedness, and that resolve blight then go away. These plans are likely to build trust in the community, return value to the roles more quickly, and could ensure a long-term relationship between agencies that will lead to more focused development in the future.