

ASK LOC

Q: How does a city create an urban renewal agency, and how is that agency funded?

A: Under Oregon law, every city has an urban renewal agency that is dormant until the city council passes a non-emergency ordinance to activate it. The role of an urban renewal agency is to improve areas in the city that are “blighted”—areas that are detrimental to the public health, safety or welfare of the community due to deterioration, obsolescence, unsafe structures, inadequate streets or utilities, or areas that are otherwise underdeveloped, unproductive or lack open space.

Activating the Agency

To activate a city’s urban renewal agency, the city council must pass a non-emergency ordinance stating that blighted areas exist in the city and that the city needs an urban renewal agency. The urban renewal agency is a separate legal entity, so the ordinance must specify the governing body of the agency. Often, the city council will designate itself to serve as the governing body of the urban renewal agency although a council could create a separate board or agency to serve as the governing body.

Once activated, an urban renewal agency carries out its purpose by creating an urban renewal plan to improve the blighted areas in the city using the financing mechanism described below. The urban renewal plan will identify the urban renewal district, and authorize projects within that district on which money can be spent. The urban renewal plan will include details regarding the cost, schedule and funding for urban renewal projects. An annual financial report shall be provided by the urban renewal agency to the city on or before January 31 each year thereafter.

The public has opportunities to be involved in developing the urban renewal plan as the plan must be presented to the planning commission, the county commissioners and, in some cases, other local governing bodies. Ultimately, the city council will hold a hearing on the plan, and if the council decides to adopt it, the council will do so using a non-emergency ordinance.

Funding Urban Renewal Projects

Urban renewal projects are funded through a public financing tool known as Tax Increment Financing. When an urban renewal district is established, the county assessor determines the current assessed value of all property in the district and freezes that tax base. Whatever local revenue a

local jurisdiction received from the frozen base will remain the same until the urban renewal area is terminated. As tax values increase above this frozen base, however, the tax revenues resulting from the increase in permanent rates above the frozen base are directed to projects in the urban renewal district. Assessed values can increase yearly at the 3% maximum allowed by Oregon law or by more than this if new development occurs within the area. The revenues generated above the frozen tax base are called the “increment.” When the urban renewal area expires, the frozen base also expires, and the local taxing jurisdictions resume receiving taxes on the full assessed value of the area. In 2009, the Oregon Legislature established a formula for maximum indebtedness of an urban renewal plan, added restrictions on plan amendments which increase maximum indebtedness, and required the concurrence of overlapping taxing districts for substantial plan amendments.

The statutory authority for activating and operating an urban renewal agency can be found in ORS chapter 457. A city considering activating its urban renewal agency and adopting an urban renewal plan should work closely with its city attorney.

For more information on this and other urban renewal or public financing issues, consult these League resources online:

- **City Handbook:** Chapter 4, section D: Financing Public Facilities (urban renewal is discussed at page 14-19 and a host of other financing tools are described in the pages which follow)
 - The Handbook is an electronic reference for city officials providing information on city operations, policy setting, and governance.
 - To access, click on the blue “City Handbook” button on the League homepage (www.orcities.org).
- **A-Z Index:** Urban Renewal
 - An online repository of information, including a page devoted to urban renewal with links to sample ordinances and plans.
 - To access, click on the blue “A-Z Index” button on the League homepage (www.orcities.org) and then on “U” for Urban Renewal. ■