

# What is Urban Renewal?

(Adopted from “An Overview of Urban Renewal” Tashman Johnson LLC, April, 2005)

## What Is Urban Renewal?

The purpose of urban renewal is to improve specific areas of a city that are poorly developed or underdeveloped. These areas can have old deteriorated buildings and bad streets and utilities or the areas can lack streets and utilities altogether.

Urban renewal provides the following tools:

- First it allows for the use of tax increment financing (explained below) to finance improvement projects.
- Second, it allows for special powers to buy and assemble sites for development or redevelopment, if that is desired.
- And third, it allows for special flexibility in working with private parties to complete development projects.

For a municipality to use urban renewal it must establish an urban renewal agency and it must adopt an urban renewal plan.

## What is an Urban Renewal Agency?

Urban renewal agencies are created by state law (ORS Chapter 457) but are specifically “activated” by the governing body. The agencies are separate legal bodies from the governing body, but in most cases the urban renewal agency board is composed of members of the governing body.

## What are Urban Renewal Plans?

To undertake urban renewal projects with tax increment financing, the projects must be authorized in an Urban Renewal Plan. The plan applies to a specific geographic area of the city, which is called the Urban Renewal Area.

## What Can Happen Under an Urban Renewal Plan?

Urban renewal agencies can do certain projects or activities under an adopted urban renewal plan. These activities include:

1. Construction or improvement of streets, utilities and other public uses.  
The most common type of urban renewal project is infrastructure development, including streets and utilities. Urban renewal also commonly funds parks, plazas and pedestrian facilities. These urban renewal projects are aimed at making areas attractive and ready for private investment.
2. Rehabilitation or conservation of existing buildings  
An urban renewal agency can assist in rehab projects of any type (residential, commercial, industrial), typically through loans and grants to private property owners.
3. Acquisition and improvement of property (The Committee has recommended that the Agency have no condemnation authority)

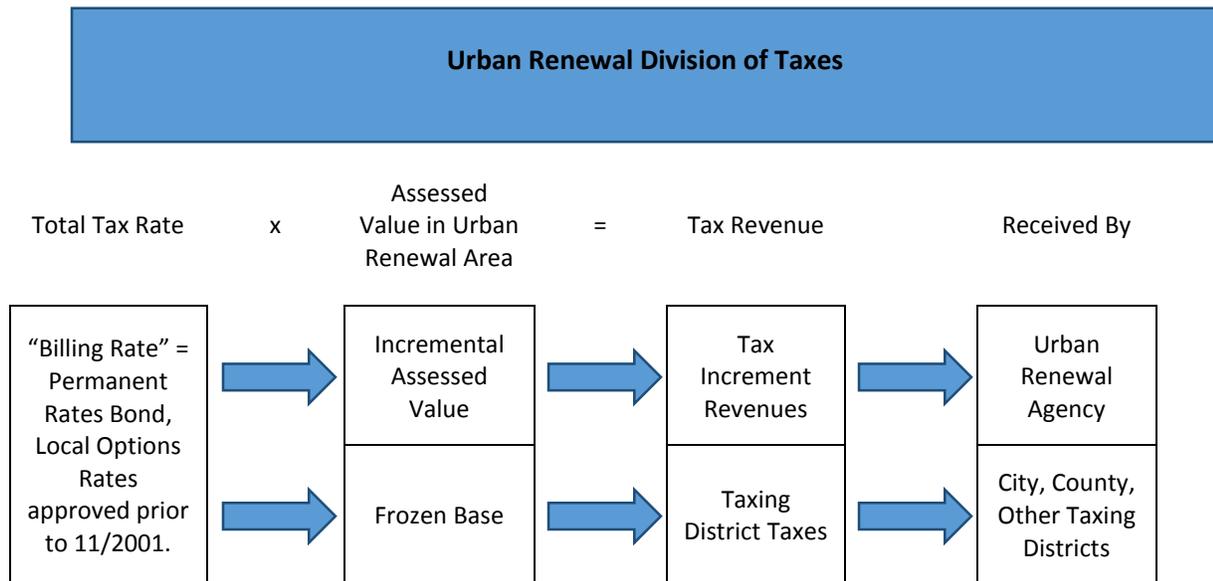
An urban renewal agency can acquire property, typically for re-sale for private or a combination of public/private development. The agency has the power of eminent domain (condemnation) for redevelopment purposes. The agency must identify properties to be acquired in the urban renewal plan. Properties must be acquired at fair market value. Once acquired, urban renewal agencies can clear and improve the properties prior to resale or lease. Any persons or businesses displaced by agency property acquisition are entitled to relocation assistance, which makes the process more fair and acceptable to the community.

4. Re-sale or lease of property

An urban renewal agency can sell or lease property it owns for redevelopment. The agency can legally sell for less than fair market value. Property can be sold for its “fair re-use value” which is the value for a specified use required in the urban renewal plan. This allows property to be reduced in price to make particularly desirable development projects financially feasible.

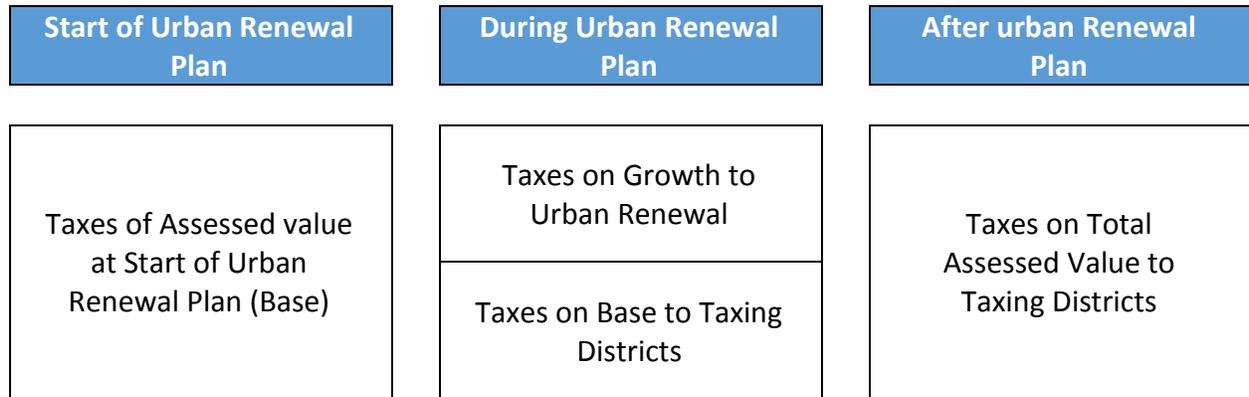
**How are Urban Renewal Plans Financed?**

Urban renewal is unique in that it can be funded by tax increment revenues. Tax increment revenues are the amount of property taxes generated by the *increase* in total assessed values in the urban renewal area from the time the urban renewal area is first established. The assessed value of an urban renewal area at the time the plan is adopted is called the *frozen base*. Growth above the base is called the *increment*. The diagram below shows how this works for urban renewal plans adopted after Measure 50.



Though the *amount* of tax increment revenue is determined by the growth inside the urban renewal area, for the purpose of complying with Measure 5 property tax limits, the taxes are actually raised from all property within the city. The normal taxes paid by each property owner in the city are divided, so that taxing districts and the urban renewal agency get their proper share.

Over time the urban renewal plan helps create growth in assessed values. After the plan is completed, the taxing districts revenues are higher than they would have been without an urban renewal plan. This is shown in the diagram below:



### What’s Contained in an Urban Renewal Plan and Report?

#### 1. Urban Renewal Plan Contents

An urban renewal plan is required to contain, among other things:

- A description of each urban renewal project to be undertaken
- A map and legal description of the urban renewal area.
- An explanation of how the plan relates to local objectives, such as relevant objectives of the comprehensive plan, target area plans and other public policy statements.
- If the plan calls for the use of tax increment financing, a limit on the maximum amount of indebtedness to be issued to carry out the plan.
- A description of what types of changes to the plan are to be considered substantial amendments. Substantial amendments must be adopted using the same process as the adoption of the original plan. The following amendments must be considered substantial: (1) expanding the urban renewal area by more than one percent; and (2) increasing the maximum amount of indebtedness that may be issued.

#### 2. Urban Renewal Report Contents

The urban renewal report must contain detailed information on conditions within the urban renewal area, the schedule for urban renewal projects, and the impacts on affected taxing districts.