AN OVERVIEW OF URBAN RENEWAL

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I. URBAN RENEWAL SUMMARY

A. What Is Urban Renewal?

The purpose of urban renewal is to improve specific areas of a city that are poorly de-
veloped 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 three types of authority that are not otherwise available to local
governments.

- First it allows for the use of tax increment financing (explained below) to finance im-
  provement 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 city to use urban renewal, it must establish an urban renewal agency and it must
adopt an urban renewal plan.

B. What is an Urban Renewal Agency?

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

C. What are Urban Renewal Plans?

To do urban renewal projects with tax increment financing, the projects must be author-
ized in an Urban Renewal Plan. The plan applies to a specific geographic area of the
city, which is called the Urban Renewal Area. In adopting the Plan, the city council
must find that the area is eligible for urban renewal because of existing “blight,” which is
defined as conditions such as deteriorated buildings and lack of adequate infrastructure.

D. How is an Urban Renewal Plan Adopted?

To adopt an urban renewal plan:

First, the city council or urban renewal agency decides that it wants to consider an area
for a possible plan. This decision is usually in response to interest in the community in
revitalizing the area.

Then the eligibility and feasibility of the area as an urban renewal area is studied. This
“feasibility study” includes information about property values, development conditions,
availability and condition of streets and utilities and other key factors.

If the area is found eligible by the Council and it wishes to proceed with urban renewal,
an urban renewal plan and report is prepared. The planning must involve citizens at
An Overview of Urban Renewal

every stage, and especially when it comes to determining what projects and activities are to be undertaken.

An urban renewal plan must be presented to the Planning Commission for its recommendations and then must be adopted by the City Council after a public hearing is held. Notice of the public hearing must be sent to each individual household in the city.

**E. 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.

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**

   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, which is not a clear power of cities or counties themselves. 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 acquisition are entitled to relocation assistance.

4. **Re-sale or lease of property**

   An urban renewal agency can sell or lease property it owns for redevelopment. Unlike cities and counties, 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.

**F. How are Urban Renewal Plans Financed?**

Urban renewal is unique in that it can be financed by urban renewal taxes or tax increment financing. Urban renewal taxes are the 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.
Urban Renewal Taxes for New Urban Renewal Plans

Total Tax Rates \times \text{Assessed Value in Urban Renewal Area} = \text{Tax Revenues}

Permanent Rates
Bond Rates
Local Option Rates
Other Tax Rates

Increment
Certified "Frozen" Base

Urban Renewal Taxes
Taxing District Taxes
II. HOW TO ESTABLISH AN URBAN RENEWAL PROGRAM

Many communities wish to approach the establishment of an urban renewal program in two stages or phases. The first phase consists of a feasibility study that provides the governing body with a factual basis for deciding whether and/or how to proceed. The second phase consists of preparing an urban renewal plan and report and going through the adoption process. The tasks that commonly are included in the two phases are described below.

A. Phase One: Urban Renewal Feasibility Study

A feasibility study may include the following tasks:

1. Review Existing Plans and Studies

Review comprehensive plan, facilities plans (Water, Sanitary Sewer, Storm Sewer, Transportation, Parks) and other relevant documents.

2. Meet with City Council/County Commission, Staff, Planning Commission Members and Others to Discuss Urban Renewal

Meet with representatives of the governing body, Planning Commission, property and business owners and others to gain a better understanding of the community. This could also be an opportunity to talk about urban renewal and discuss how it has been used in other municipalities.

3. Assess Conditions of “Blight” Required to Establish Urban Renewal Area

Within an overall study area, generally assess conditions of “blight” which must be found by the governing body in order to establish an Urban Renewal Area. Blighted conditions include substandard buildings, inadequate streets or utilities and underutilized property, as evidenced by the value of improvements to the value of land.

4. Determine Tentative Urban Renewal Area Boundary in Conformance with Assessed Value and Area Limitations

Based on the general assessment of conditions and discussion with the City regarding identified project needs, make a preliminary recommendation of an urban renewal boundary that meets statutory limits on assessed value and area (no more than 25% of the city total in either).

5. Estimate Potential Revenue Capacity of Urban Renewal Area

Prepare a preliminary estimate of urban renewal tax revenues from the tentatively defined area.

6. Evaluate Options for Proceeding

Based on the previous work, evaluate options for proceeding with an urban renewal plan.

B. Phase Two: Urban Renewal Plan and Report

State law [ORS 457.085(2)and(3)] describes in detail the required contents of an urban renewal plan and urban renewal report. Only the plan itself is adopted by the municipal-
1. Urban Renewal Plan Contents

An urban renewal plan is required to contain:

- A description of each urban renewal project to be undertaken.
- An outline of the major project activities planned for the urban renewal area or areas. (A “project” may be a site specific undertaking, a series of related undertakings or a program of activities.)
- 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.
- An indication of proposed land uses (which must conform to the comprehensive plan and zoning code).
- A description of relocation methods for residents or businesses that must move because of Agency projects.
- If public acquisition of property is required by the plan, a description of property to be acquired by the Agency (if any) and how it will be disposed of (e.g. sale or lease), along with a schedule for acquisition and disposition.
- 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.
- 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 urban renewal area.

2. Urban Renewal Report Contents

An urban renewal report must contain:

- A description of the physical, social and economic conditions within the urban renewal area and the impact of the plan, including fiscal impacts, in terms of increased population and the need for additional public services.
- The reasons why the urban renewal area (or areas) was selected.
- The relationship between each urban renewal project and the conditions within the area.
- The estimated costs of the projects and the sources of project funding.
- The completion date for each project.
- The amount of tax increment funds that are estimated to be required and the year in which the Agency plans to pay off all outstanding tax increment indebtedness.
An Overview of Urban Renewal

- A financial analysis that shows the plan to be financially feasible.
- An analysis of the impact on the tax rates and/or revenues of the taxing districts that overlap the urban renewal area; and
- A relocation report which includes
  - an analysis of businesses or residents that may be required to relocate
  - a description of the methods to be used in the relocation program; and
  - 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.

3. Procedural Requirements for Adoption of an Urban Renewal Plan

There are various procedural requirements that relate to adopting an urban renewal plan. In addition, as mentioned above, the Agency must provide for public involvement in all stages of the development of the plan.

a) Planning Commission Review

If the municipality 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 adoption.

b) Affected Taxing Districts

The plan and report must be sent to the governing body of any taxing district that is affected by the plan. (Taxing districts that levy taxes within the urban renewal area are usually considered to be the affected taxing districts.) Any written recommendations of these taxing districts must be accepted, rejected or modified by Council in adopting the plan.

c) Presentation to County

A City proposing to adopt an urban renewal plan must present the proposed Plan to the County Board of Commissioners for their comment. No action is required of the County Commission.

d) Approval of the Plan

To take effect, the plan (not including the report) must be approved by Council by non-emergency ordinance. There is no statutory requirement for a vote on the plan. There are requirements for notice of the hearing at which the ordinance is considered; requirements for the contents of the ordinance; and requirements for a notice after the ordinance is adopted.

e) Notice Requirements

Direct notice of the public hearing on the ordinance adopting the plan must be mailed to each individual or household in any one of the following groups within the city and any portion of the urban renewal area that extends beyond the city: real property owners; registered voters; utility customers; or postal patrons.

The notice must state in plain language:
- the time and location of the hearing;
- that the plan may affect property tax rates;
- that debt may be issued up to a maximum amount;
An Overview of Urban Renewal

- that the ordinance adopting the plan may be referred to the voters; and;
- that a copy of the ordinance, plan and report are available for review by contacting a designated person.

f) Public Hearing
At the public hearing on the ordinance, Council 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.

g) Ordinance Requirements
The ordinance must be a non-emergency ordinance and it must incorporate the plan (not the report) by reference. During the period between the adoption of the ordinance and its effective date, the adoption ordinance can be referred to voters for their approval.

The ordinance must contain findings, supported by the contents of the urban renewal report, that:

- Each urban renewal area is blighted;
- The rehabilitation and redevelopment of the area(s) is necessary to protect the public health, safety or welfare.
- The plan conforms to the comprehensive plan and economic development plan, if any, of the municipality and that the plan provides an outline of planned urban renewal projects.
- That relocation requirements have been met.
- That any property acquisition called for in the 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.

h) Notice of Adoption of Ordinance
Within four days of adoption of the ordinance adopting the plan, Council must publish a notice that the ordinance has been approved and that 90 days after adoption of the plan, the plan will be conclusively presumed valid.
III. POSSIBLE TIME LINE

<table>
<thead>
<tr>
<th>Phase</th>
<th>Time</th>
</tr>
</thead>
<tbody>
<tr>
<td>Phase I</td>
<td>4 months</td>
</tr>
<tr>
<td>Phase II</td>
<td>9 months</td>
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</tbody>
</table>

If a plan is adopted by the Council with an ordinance effective by the end of September, 2001, then the “frozen base” will be calculated using property values from FY 2000/2001. If the Plan is adopted and effective prior to December 31, 2001, the first tax increment revenues would be received in FY 2002/2003.