

Section Two  
Procedures Manual  
for Urban Renewal Agencies in  
Oregon

Association of Oregon Redevelopment Agencies (AORA)

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## I. ESTABLISHMENT OF AN URBAN RENEWAL AGENCY

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### A. Establishing an Agency

Oregon law creates urban renewal agencies in municipalities (cities and counties) but an urban renewal agency has no authority to act until the city council/county commission “activates” the agency, as described below. In adopting enabling legislation for urban renewal, the Legislature found that "blighted areas" exist in the state and that urban renewal and redevelopment activities were necessary to cure and prevent this blight. (The actual documentation of blight in specific areas is done as part of the preparation of an urban renewal plan. See Chapter II.)

"Blighted areas" are defined as "areas which, by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community." [ORS 457.010]

Urban renewal agencies may be activated by the adoption of a non-emergency ordinance. (Non-emergency ordinances do not take effect until a specified period after their adoption; this allows residents of the municipality to refer the adoption of the ordinance to the voters.)

The ordinance activating the agency must contain two elements:

- It must declare that "blighted areas" exist in the municipality and that an urban renewal agency is needed to address these areas.
- It must declare how the powers of the agency will be exercised: (1) by the members of the city council or county commission; (2) by a separate board of not less than three members appointed by the city council or county commission or (3) by the municipality's housing authority.

(If the municipality chooses to designate its housing authority as the agency, it must also appoint an advisory board. This board must be chaired by the chairman of the housing authority and have a membership that represents, as much as possible, the general public, the business community, the real estate community, labor, the local planning commission and social service groups. The appointment of the advisory board need not be part of the ordinance.)

(A sample ordinance activating an urban renewal agency is included in the Sample Documents section of this manual.)

(The advantages and disadvantages of the alternatives for exercising urban renewal powers are discussed in the Guidelines, Chapter I.)

Any time after the initial activation of the agency, the city council or county commission can transfer the powers of the agency to one of the other two bodies. This transfer of powers must be done by ordinance.

### **B. General Powers of Urban Renewal Agencies**

Once an agency is activated it has certain limited powers. However, an agency can undertake actual urban renewal projects and collect tax increment funds only after the city council or county commission has adopted an urban renewal plan for a specific urban renewal area.

(Chapter II. discusses the contents and adoption of an urban renewal plan.)

Prior to adopting an urban renewal plan, the agency has the authority to prepare plans and studies, including a feasibility study for an urban renewal plan. It may also perform housing and community development functions if the city council or county commission specifically delegates these functions to the agency. The agency can use any legal source of funds for these functions, but tax increment financing is only available if the agency has adopted an urban renewal plan that authorizes its use.

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## **II. CONTENTS AND ADOPTION OF AN URBAN RENEWAL PLAN**

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The primary purpose of urban renewal agencies is to carry out urban renewal plans. The powers of an urban renewal agency in carrying out an urban renewal plan can include acquiring, clearing, improving and selling land; conducting rehabilitation programs; and developing infrastructure improvements (ORS 457.170).

(See the Guidelines Chapter V. for a more detailed discussion of the projects that may be undertaken by an urban renewal agency in carrying out an urban renewal plan.)

This section discusses the contents and adoption of an urban renewal plan.

(Sometimes an agency or municipal governing body conducts an initial study to determine if an urban renewal plan is feasible. See the Guidelines Chapter IV. for a discussion of feasibility studies.)

### **A. Summary of Plan and Report Contents**

ORS 457.085 (2) and (3) describe in detail the required contents of an urban renewal plan and urban renewal report. Only the plan itself is adopted by the municipality; the report “accompanies” the plan and provides background information and analysis, but need not be formally adopted.

The agency or municipal governing body must provide for public involvement in all stages of the preparation of an urban renewal plan.

(See the Guidelines Chapter II. for a discussion of public involvement methods.)

### **1. Urban Renewal Plan Contents**

The format of an urban renewal plan may vary. However, an urban renewal plan is required to contain:

- a) A description of each urban renewal project to be undertaken  
(See the Guidelines Chapter VII. for a discussion of how projects may be described.)
- b) An outline of the major project activities planned for the urban renewal area or areas
- c) A map and legal description of the urban renewal areas

- d) An explanation of how the plan relates to local objectives  
(Usually, the relevant objectives of the local comprehensive plan and other related plans are discussed.)
- e) An indication (map and text) of proposed land uses  
(Urban renewal plans no longer regulate land uses, and this section should consist of a reference to the municipality's comprehensive plan and implementing ordinances.)
- f) A description of relocation methods for residents or businesses that must move because of agency projects
- g) 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
- h) If the plan calls for the use of tax increment financing, the maximum amount of indebtedness to be issued or incurred
- i) A description of what types of changes to the plan are to be considered substantial amendments  
(Substantial amendments require a special process. See Guidelines Chapter XI.)

The following amendments must be considered substantial:

- (1) Expanding the urban renewal area by more than one percent
  - (2) Increasing the maximum amount of indebtedness that may be issued to fund the plan projects
- j) 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) 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

(See the Guidelines Chapter X. for a discussion of the determination of blight.)

- b) The reasons why the urban renewal area was selected
- c) The relationship between each urban renewal project and the conditions within the area
- d) The estimated costs of the projects and the sources of project funding
- e) The completion date for each project
- f) The amount of tax increment funds that is estimated to be required and the year in which the agency plans to pay off all outstanding tax increment indebtedness
- g) A financial analysis that shows the plan to be financially feasible (See the Guidelines Chapter VIII. for a discussion of financial feasibility.)
- h) An analysis of the impact on the tax rates and/or revenues of the taxing districts that overlap the urban renewal area
- i) A relocation report which includes
  - (1) An analysis of businesses or residents that may be required to relocate
  - (2) A description of the methods to be used in the relocation program
  - (3) 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

## **B. Procedural Requirements for Adoption of an Urban Renewal Plan**

There are various procedural requirements that relate to adopting an urban renewal plan. As mentioned above, the agency or municipal governing body must provide for public involvement in all stages of the development of the plan.

If an urban renewal agency has already been activated, the process normally starts with a decision by the agency to prepare and propose an urban renewal plan.

## **1. 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. The planning commission review is best done at a public hearing for which notice is provided as for a land use decision.

## **2. 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 “affected” taxing districts.) Any written recommendations of these taxing districts must be accepted, rejected or modified by the city council or county commission in adopting the plan.

(See the Guidelines Chapter III. for suggestions on involving affected taxing districts.)

## **3. 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 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.

## **4. Approval of the Plan**

To take effect, the urban renewal plan (not including the report) must be approved by the city council or county commission by non-emergency ordinance. 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.

### a) Notice Requirements

#### **For urban renewal plans adopted by cities:**

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:

- (1) The time and location of the hearing
- (2) That the plan may affect property tax rate
- (3) The maximum amount of indebtedness to be issued or incurred
- (4) That the ordinance adopting the plan may be referred to the voters
- (5) That copies of ordinance, plan and report are available for review by contacting a designated person

**For urban renewal plans adopted by counties**

Direct notice of the public hearing on the ordinance adopting the plan (containing the information stated in the section above) must be mailed to each individual or household within the boundaries of school districts affected by the tax increment financing (i.e., those that overlap the urban renewal area.)

Counties must also publish a newspaper notice not less than 3" in height and 3" in width in a general interest section of a newspaper of general circulation that contains the same information listed in (1) through (5) above.

(See examples of notices in the Sample Documents section of this manual.)

b) Public Hearing

At the public hearing on the ordinance, the city council or county commission 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.

c) Ordinance Requirements

The ordinance must be a non-emergency ordinance and it must incorporate the plan (not the report) by reference. The ordinance must contain findings, supported by the contents of the urban renewal report, that:

- (1) Each urban renewal area is blighted.
- (2) The rehabilitation and redevelopment of the urban renewal area(s) is necessary to protect the public health, safety or welfare.
- (3) 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.
- (4) That relocation requirements have been met.
- (5) That any property acquisition called for in the plan is necessary to achieve the objectives of the plan.
- (6) That the plan is economically sound and feasible.
- (7) That the city or county will assume any responsibilities given to it under the plan.

(See the Sample Documents section for an example of an ordinance adopting an urban renewal plan.)

d) Notice of Adoption of Ordinance

Within four days of adoption of the ordinance adopting the plan, the city council or county commission 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.

(See the Sample Documents section for an example of a notice of adoption of an urban renewal plan.)

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### III. TAX INCREMENT FINANCING

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Tax increment financing (TIF) is the primary source of revenues for carrying out urban renewal plans. The principle underlying TIF is that future property tax revenues which result from redevelopment activities in an urban renewal area ("tax increment revenues") may be used to finance (i.e., pay debts incurred for) the projects that support such redevelopment. Tax increment financing is based on the property tax revenues produced by increases in assessed value within an urban renewal area.

Ballot Measure 50 and its implementing legislation changed the TIF process substantially. Prior to Measure 50 the maximum amount of tax increment revenues that could be imposed for an urban renewal area was equal to the sum of the amounts produced by multiplying the overlapping taxing districts' "nominal" rates by the incremental assessed value within both the urban renewal area and the taxing district boundaries. "Nominal rates" were rates calculated for dollar-based levies prior to the rate being subjected to Measure 5 compression. In the case of many school districts and some other districts these rates greatly exceeded the Measure 5 limit of \$5.0000 per \$1,000 real market value. Measure 50 eliminated "nominal rates" and established new "permanent rates" which generally did not exceed the \$5.0000 per \$1,000 real market value. In addition Measure 50 lowered the assessed value of most properties to below their real market value. The combination of these changes to tax rates and assessed value would have resulted in a drastic reduction in maximum tax increment revenues, such that urban renewal agencies could not honor the commitments in the urban renewal plans that preceded Measure 50. In response to this problem, Measure 50 contained a provision whereby the Legislature was required to enact laws that would "allow collection of ad valorem property taxes sufficient to pay, when due, indebtedness incurred to carry out urban renewal plans existing on December 5, 1996."

The statutes that were enacted by the Legislature now divide urban renewal plans into those that are "existing" urban renewal plans and those that are not ("new" plans). Existing plans are those that were adopted prior to December 5, 1996 that were amended to include a maximum amount of indebtedness by June 30, 1998. The tax increment revenue collection process differs for these two types of plans.

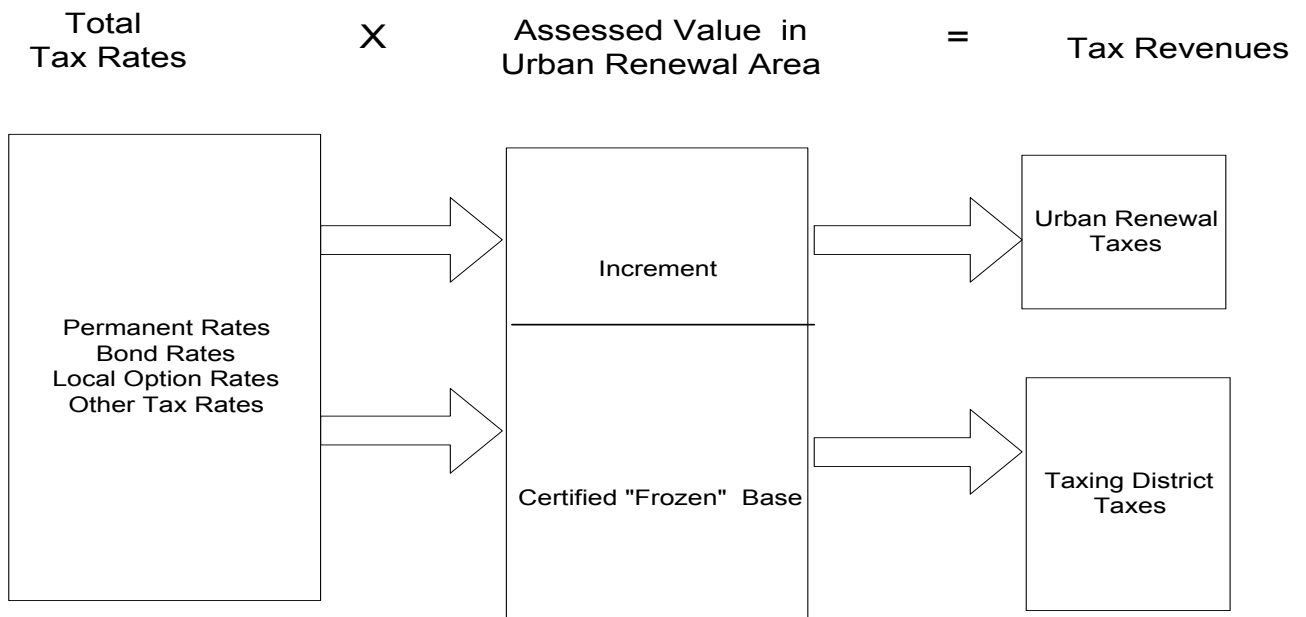
#### **Existing Urban Renewal Plans**

Existing urban renewal plans receive tax increment revenues from two different sources. The first is from the "divide-the-taxes" process. The second is the "special urban renewal levy." New urban renewal plans receive revenue only from the divide-the-taxes process.

The divide-the-taxes process consists of allocating or dividing the taxes imposed by a taxing district between the taxing district and the urban renewal agency. The taxes equal to those produced by applying the taxing district rate to the incremental assessed value are allocated to the urban renewal agency. The remainder of the taxes are allocated to the taxing district.

This is illustrated in the diagram below.

### Divide the Taxes Process



The special urban renewal levy is a tax imposed on all property within the municipality that adopted the urban renewal plan and any parts of the urban renewal area outside municipal boundary. The maximum amount of this special levy is the difference between the amount raised through the divide-the-taxes process and the maximum tax increment “authority” for the urban renewal area. (The maximum authority for existing plans was established in FY 97/98 as the maximum amount that could have been imposed for urban renewal plans but for the passage of Measure 50. This amount is indexed to annual changes in incremental assessed value.)

Existing urban renewal plans were permitted to choose “Options” for imposing tax increment revenues. Option 1 consists of collection of 100% of the divide-the-taxes revenues plus the special levy amount as certified by the agency, but not to exceed, in combination with the divide-the-taxes revenues, the maximum authority. Option 2 consists of no divide-the-taxes revenues and a special levy amount as certified by the agency not to exceed the maximum authority. Option 3 consists of annually receiving up to a specified maximum amount of the divide-the-

taxes revenues plus a special levy amount as certified by the agency but not to exceed, in combination with the divide-the-taxes revenues, the maximum authority.

### **New Urban Renewal Plans**

New urban renewal plans only receive revenue from the divide-the-taxes process. The maximum authority equals the consolidated tax rate times the incremental assessed value. This amount, less any reductions for Measure 5 compression, is the amount imposed each year. There is no ability to impose less than this amount.

This section summarizes the key statutory and administrative rule provisions which govern TIF. It describes how an agency initiates TIF, the types of indebtedness that can be financed with tax increment revenues and what actions are required of the agency on an annual basis.

#### **A. Urban Renewal Plan Requirements**

Before an agency can begin collecting tax increment revenue for an urban renewal area, the urban renewal plan for the area must specifically call for the use of TIF. Plans usually contain a section that uses the statutory language of ORS 457.420 (1) to meet this requirement. (Also, as was discussed in Chapter II., the use of TIF triggers other Plan and Report content requirements: the Plan must contain the maximum amount of indebtedness to be repaid with tax increment revenues and the Report is required to contain various kinds of analyses of the use of tax increment revenues.)

#### **B. Area and Assessed Value Limits for Urban Renewal Areas Using TIF**

There are limits to the size and assessed value of urban renewal areas within any one municipality for which TIF is utilized. There are separate limits for municipalities up to 50,000 population and for those over 50,000 population.

The assessed value limits are calculated by adding the certified base value of the proposed new district to the certified base values of any other urban renewal districts within the municipality. This total figure cannot exceed the relevant percent of total municipal assessed value (15% or 25%) less the incremental assessed value contained in urban renewal areas:

- For municipalities up to 50,000, the assessed value limit is 25%.
- For municipalities over 50,000, the assessed value limit is 15%.

The size limits are similar. The area of the proposed new urban renewal area is added to the area of any existing urban renewal areas. This total area cannot exceed the relevant area limits:

- For municipalities up to 50,000, the assessed value limit is 25%.
- For municipalities over 50,000, the assessed value limit is 15%.

### **C. Procedures and Schedule for Certification of Base Value**

The initiation of the TIF process begins with the certification by the County Assessor of the certified base value. The certified base value is the assessed value of property within the urban renewal area as last certified by the assessor prior to the effective date of the ordinance approving the plan. (The assessment rolls are normally certified by the County Assessor in October.) The certified assessed value is calculated individually for each tax code area within the urban renewal area, and includes real, personal, mobile home and utility property.

The timeframe for the first year's collection of tax increment revenues depends upon notification of the County Assessor that the ordinance adopting the plan has taken effect. If this notice is provided before January 1, tax increment revenues will be collected the following fiscal year (starting July 1). If the notice is provided after January 1, the first year of collection will be the year after the following year.

These deadlines are illustrated in Figure 1.

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**FIGURE 1. URBAN RENEWAL PLAN ADOPTION, BASE VALUE CERTIFICATION  
AND TAX INCREMENT COLLECTION TIMELINES**

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CURRENT YEAR = YEAR ONE

<b>Notice Provided to Assessor</b>	<b>Base Value Year</b>	<b>First Year of Tax Increment Collection</b>
January 1, Previous Year - October 1, Year One	Previous Year	Year Two
November 1 - December 31, Year One	Year One	Year Two
January 1, Year One - October 1, Year Two	Year One	Year Three

\* In the fall of any year, if Notice of Plan Adoption is provided to the Assessor prior to the Assessor's certification of the new assessment rolls, the Base Value will be certified based on the previous year's assessment rolls. If Notice is provided after this time, the Base Value is based on the current year's assessment rolls. Assessors normally certify the assessment rolls during the month of October. Agencies should consult their County Assessor for more specific deadlines.

#### **D. Annual Certification of Tax Increment Revenues**

Each year, by July 15, the agency must certify to the County Assessor the amount of urban renewal taxes to be imposed. For existing urban renewal plans the certification must include the following information:

- Option One Plans: Whether a special levy is requested, and if so, the amount in dollars or percent of the maximum. (Option One plans automatically receive 100% of the divide-the-taxes amount.)
- Option Two Plan: Whether a special levy is requested, and if so, the amount in dollars or percent of the maximum. (Option Two plans automatically receive none of the divide-the-taxes amount.)
- Option Three Plans: Whether a special levy is requested, and if so, the amount in dollars or percent of the maximum. (Option Three plans automatically receive either 100% of the divide-the-taxes or the maximum amount specified in the Option selection ordinance, whichever is less.)

(See sample documents for a copy of the FY 2000-2001 UR 50 Notice to Assessor Form.)

New urban renewal plans must certify for 100% of the divide-the-taxes revenues.

#### **E. Termination of Tax Increment Collection Upon Full Payment of Debt**

The collection of tax increment revenues by an urban renewal agency must terminate when the agency has collected sufficient tax increment funds to pay off (either directly or by means of an advance refunding) all indebtedness.



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## IV. ANNUAL FINANCIAL REPORTS

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Agencies are required to file with the municipality a report every year (by August 1) which provides financial information regarding the agency. The municipality is required to publish notice (by September 1) that this statement is available for public review and the notice must summarize or reproduce in full the information contained in the statement. The statement must include:

- The funds received during the previous fiscal year from tax increment revenues or from indebtedness payable from tax increment revenues
- The uses to which the funds received were put
- An estimate of tax increment revenues or indebtedness payable from tax increment revenues to be received during the current fiscal year
- A budget stating the anticipated uses of the tax increment revenues; and
- An analysis of the impact of collection of tax increment revenues on the tax rates of taxing districts which levy taxes within the urban renewal area  
(See Guidelines Chapter XI. for a discussion of the analysis of tax rate impacts.)
- Additional Information on Divide-The-Taxes

As noted in the Guidelines Chapter XII, AORA recommends that agencies include information on the divide-the-taxes process consisting of:

- The total taxes levied by each overlapping taxing district, including the taxes levied on the incremental assessed value
- The amount of taxes that are divided and allocated to the urban renewal agency
- The percent of total taxes levied that is divided and allocated to the urban renewal agency

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## **V. BUDGET AND AUDIT**

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Urban Renewal Agencies are subject to the requirements of Local Budget Law (ORS 294.316), including the requirement for an annual audit of the agency funds.

## Sample Documents