

**League of Women Voters of Lane County
Everymember Material – November 2010**

Urban Renewal and Tax Increment Financing Review

Introduction

Lane County League members studied Urban Renewal (UR) and Tax Increment Financing (TIF) in 1989 and 1990 and the Board approved a position statement in 1991. Since then there have been several changes to state law concerning UR and TIF and changes on how Oregon property is taxed.

In 2007, the LWVLC Board took no position on the Eugene City Council/Urban Renewal Agency's proposed use of UR funds for downtown development projects, which voters defeated. That same year the League Board took no position on the creation of a Springfield downtown Urban Renewal District, which voters approved. The Board concluded that most members did not understand the League's position.

However, the Board submitted testimony in support of the 2010 Eugene proposal to use TIF to help Lane Community College finance a new downtown campus/student housing project, improve the Farmers' Market area and pay off bonds for the Broadway parking structure, which allowed increased funding for public safety in the downtown. At the same time, the League Board agreed that members needed updated information before further action on urban renewal proposals and TIF was taken.

This document reviews how UR and TIF work in light of current law, summarizes current UR projects in Lane County and offers suggested clarification of the current position statement.

The two original studies are available on our website, www.lwvlc.org, and provide explanation of the process and evolution of UR and TIF.

Urban Renewal

Urban renewal is a means for a city or county to clean up blight. In 1941 the Federal Housing Administration started to address blight, redevelopment and rehabilitation. After 1949 the emphasis shifted from low-cost housing to redevelopment of cities. In 1974 the federal government phased out direct involvement in urban renewal programs, which led states to create their own legislation to provide regulations, standards and procedures. The definition of "blight" was expanded from dilapidated and overcrowded buildings to include faulty planning, mixed character or shifting of uses, vacant or neglected property or the existence of inadequate streets and other infrastructure.

In order for land in Oregon to be designated for renewal, first an Urban Renewal Agency is created by a city or county, which designates an area and develops a plan for improving that area. The governing body or voters then may approve the plan, which includes estimates of completion date, money needed, when indebtedness will be retired and the fiscal impact on the taxing entities. Plans can be approved only after public notice, hearing, public testimony and planning commission recommendation. Substantial changes have to be approved in the same way as the original plan.

Urban Renewal in Lane County

Chart 1. Urban Renewal Agencies in Lane County – An Overview

(Information may vary based on status of ongoing projects)

Agency	Urban Renewal Area (URA) in acres and/or percent of city affected	Plan Approval Process	2009-2010 TIF Revenue (See Page 4 for TIF explanation)	Maximum Indebtedness	Major Focus	Date of Approval to Estimated Termination
Coburg Urban Renewal Agency	Coburg Industrial Park URA 20% of City	Coburg City Council	\$368,299	\$9,000,000	Wastewater System Debt Payment	2001 to 2053
Eugene Urban Renewal Agency (City Council)	Downtown URA 70 Acres 0.25% of city	Eugene City Council Approved amendment, 2010	\$1,730,000	\$46,600,000	Current Focus: LCC, Park Blocks Infrastructure for Farmers Market, Continue Broadway Place Parking	1968 to 2018
Eugene Urban Renewal Agency (City Council)	Riverfront URA 178 Acres, 1% of city	Eugene City Council Approved amendment, 2004	\$685,000	\$34,800,000	Coordinate infrastructure with EWEB, redevelop courthouse area, connect downtown, U of O and Riverfront	1985 to 2024
Urban Renewal Agency of Florence, (3 City 6 Community members)	Florence URA, 10% of city	Voter Approval 2007	\$257,802	\$22,545,000	Infrastructure, Library, Small renovation grants for small businesses, Old Town river front property.	2007 to 2027
Springfield Economic Development Agency	Glenwood URA, 640 Acres. 6.25% of City	Citywide Voter Approval of 72.5%	\$303,815	\$32,860,000	Refocus on river front, community needs, sewer, infrastructure	2005 to 2025
Springfield Economic Development Agency	Downtown URA. 537 acres. 5.55% of City.	Citywide Voter Approval of 62%	\$234,821	\$43,010,000	Bridges to 19 th . Street improvements; commercial development	2008 to 2026
Veneta Urban Renewal Agency (city council)	Veneta URA Downtown, 22%	City Council	\$671,031	\$77,800,000	Infrastructure, in URA increase pedestrian access to business, transit center, recreation	1994 amended in 2007. Ends when bond debt is paid

There are five Urban Renewal Agencies in Lane County: Coburg, Springfield, Veneta, Eugene and Florence. (Eugene has two urban renewal plan areas -- Downtown and Riverfront, and Springfield also has two -- Downtown and Glenwood.) The primary means of funding urban renewal is through TIF. Another funding source can be through business development loans funded through the sale of property and repayment of loans. Oregon law limits the percent of land in a city that can be designated for urban renewal. For a large city (population greater than 50,000) it cannot exceed 15%. For a smaller city, it cannot exceed 25%. (In the 1990 materials it noted Eugene's total was 2.2%, whereas Salem's was 13.9%).

Urban Renewal Projects

Coburg: Coburg's Urban Renewal Area is unique in Lane County because it has a single priority, a wastewater system. The City Council considered comments from the feasibility study group, city officials, and public before it adopted an urban renewal plan and created an UR agency. The UR/TIF funds are only for that portion of the sewer system that is in the Coburg Industrial Park UR area.

Cottage Grove: The Cottage Grove Row River Urban Renewal District was created in 1991 with \$4 million in bonds that mostly funded infrastructure. The UR District terminated in 2004 when it stopped receiving TIF money. Installation of two traffic signals and a major water line in 2010-11 will complete the planned improvements. The assessed value of the URD increased from \$7.9 million to \$57 million.

Eugene: The Eugene Downtown UR plan has been amended five times since adoption in 1968. In 1998 the URA amended the plan to include a maximum indebtedness of \$33 million of which \$25.4 million was spent on the library with the remainder used for the Beam project, other projects and administration. The 2010 amendment added \$13.6 million to the maximum indebtedness for a total of \$46.6 million. The Riverfront UR district has \$28.8 million of its \$34.8 maximum indebtedness uncommitted.

Florence: The Florence Downtown Preservation and Renewal Agency (FDURD) will complete the new library project with the bioswales that are under construction. FDURD has approved 39 small grants, under \$5000, to rehabilitate small businesses in old town and the Siuslaw areas. The newest project is a partnership with the city and other entities to purchase the river and bridge view property, which will become an interpretive center.

Springfield: Springfield had a brief UR program in the late 1950's-60's that built Pioneer Parkway, rehabbed housing and made other downtown improvements. It alienated many people when it used eminent domain. In the 1970s Springfield citizens approved a charter amendment requiring voter approval for any use of tax increment financing. After several years of building community support, the current Urban Renewal Areas were passed by significant majorities.

The Glenwood UR District was approved in 2005 featuring a three-part development plan: the Willamette River front, the western industrial part of Glenwood, and a central residential core. The agency has purchased some property, extended a bike path and is planning road improvements. Staff is working to build trust among the residents. The Downtown UR area

includes land from the river east to 22nd and south of North A Street. The Agency has funded commercial redevelopment and parking plans for the area. It funded display windows in the Academy of Arts and Academics, a portion of the commercial areas of the Royal Building, and signage/ banners for Main Street businesses. A grassroots business committee is developing in cooperation with the URA. The Urban Renewal Agency oversees both districts, but the moneys are accounted for separately. The Springfield Economic Development Agency comprises the City Council, Mayor and two County Commissioners.

Veneta: Veneta has created a multi-faceted plan to develop a city center including LTD Transit, pedestrian access to businesses and a safe, appealing streetscape. In order for this plan to work, the city has to solve the problem that only 65% of the population is served with sanitary sewers. Expanding the sewer system has been a major use of TIF in the UR Area.

What Is Tax Increment Financing?

“Urban renewal districts do not impose new taxes; rather, they redistribute taxes from overlapping taxing districts to the urban renewal districts,” according to Eugene Finance Director, Sue Cutsogeorge. That is done through a funding tool called Tax Increment Financing. This increased revenue within the urban renewal district is then used to repay the bonds that funded the UR infrastructure projects.

Tax: The tax in TIF means property tax. In the early 1990s Oregon voters approved several property-tax reform amendments to the state constitution to limit both property tax rates and values. Property tax is now based on the lesser of the real market value or the assessed value of the property. These reform measures include a formula to set the assessed value of property and limit the increase in the assessed value to no more than 3% a year with some exceptions when changes are made to property. As a result, the assessed value of residential property in Oregon is usually significantly lower than its real market value. In Lane County the average residential property has an assessed value that is 74% of its market value. These measures also cap the property tax rate on any piece of property to a maximum of \$5/\$1000 of market value for education (K-12, community colleges and education service districts) and \$10/\$1000 of market value for general government (city, county and special service districts.) Taxes to repay bonds are not included in these caps. Finally, the measures establish permanent tax rates for the various local jurisdictions and place restrictions on when and how voters may change the tax rates.

Increment: The increment means the difference between the total assessed value of the property within an urban renewal district when that district was formed (its base) and the current value. The urban renewal district receives the amount of property tax collected on that increment or difference in value. In essence, when an urban renewal district uses TIF, it reduces the amount of property tax going to other districts that serve that property (the county, the city, school districts, community college and other special districts) because they collect property taxes only on the base value. The total amount of property tax collected by all the overlapping districts plus the urban renewal districts does not change, but the distribution of the tax does. Some overlapping jurisdictions will not receive as much tax revenue as before.

Another way of looking at this is to allocate the amount of tax collected on the increment proportionally over all the properties in the community. If you live in a city with an urban renewal district, then your property tax bill shows the portion of your property tax that can be

attributed to that UR district and therefore is not spread among the overlapping jurisdictions. Your property taxes do not increase, but, in effect, how your taxes are distributed changes because of the urban renewal district.

**Chart 2
Forgone Local Property Tax Revenue for Districts from UR2009**

Prepared by Lane County Assessor								
Urban Renewal Agency Name	Coburg Urban Renewal District	City of Eugene UR Agency	City of Eugene UR Agency	Veneta Urban Renewal Agency	Springfield Economic Development Agency	Springfield Economic Development Agency	Urban Renewal Agency of Florence	
Plan Area Name	Coburg Industrial Area	Riverfront	Downtown	Veneta Urban Renewal Downtown	Glenwood Urban Renewal District	Springfield Downtown Urban Renewal District	Florence Urban Renewal District	
District Name								Totals
Lane County	33,247.96	59,328.41	171,005.38	53,907.04	29,088.27	22,359.80	31,217.85	400,154.71
Lane Community College	20,306.67	34,866.79	75,544.72	23,880.52	12,844.17	9,689.24	13,848.52	190,980.63
Lane ESD	5,304.34	9,297.81	26,731.20	8,599.91	4,533.24	3,353.97	4,929.13	62,749.60
City of Coburg	89,279.00	0.00	0.00	0.00	0.00	0.00	0.00	89,279.00
Coburg Rural Fire Protection District	38,296.67	0.00	0.00	0.00	0.00	0.00	0.00	38,296.67
Eugene School District 4J	181,864.81	325,446.49	657,537.00	0.00	112,119.08	0.00	0.00	1,276,967.38
City of Eugene	0.00	359,459.98	905,048.17	0.00	0.00	0.00	0.00	1,264,508.15
City of Veneta	0.00	0.00	0.00	229,359.75	0.00	0.00	0.00	229,359.75
Fern Ridge School District 28J	0.00	0.00	0.00	264,045.31	0.00	0.00	0.00	264,045.31
Lane Fire District #1	0.00	0.00	0.00	76,492.25	0.00	0.00	0.00	76,492.25
Fern Ridge Library District	0.00	0.00	0.00	14,746.19	0.00	0.00	0.00	14,746.19
City of Springfield	0.00	0.00	0.00	0.00	88,321.02	80,867.78	0.00	169,188.80
Glenwood Water District	0.00	0.00	0.00	0.00	14,555.65	0.00	0.00	14,555.65
Goshen RFPD	0.00	0.00	0.00	0.00	43.82	0.00	0.00	43.82
Willamalane Park and Rec	0.00	0.00	0.00	0.00	42,310.20	32,049.04	0.00	74,359.24
Springfield School District	0.00	0.00	0.00	0.00	0.00	86,501.30	0.00	86,501.30
City of Florence	0.00	0.00	0.00	0.00	0.00	0.00	73,389.32	73,389.32
Siuslaw School District	0.00	0.00	0.00	0.00	0.00	0.00	112,509.43	112,509.43
Siuslaw Public Library District	0.00	0.00	0.00	0.00	0.00	0.00	11,501.31	11,501.31
Port of Siuslaw	0.00	0.00	0.00	0.00	0.00	0.00	3,286.09	3,286.09
Western Lane Ambulance District	0.00	0.00	0.00	0.00	0.00	0.00	7,119.86	7,119.86
Totals	368,299.45	788,399.48	1,835,866.47	671,030.97	303,815.45	234,821.13	257,801.51	4,460,034.46

Financing: The assumption behind TIF is that as the infrastructure in an urban renewal district improves, the district will attract new and more valuable development and therefore generate more tax revenue. The steps for TIF are 1) establish the base rate 2) issue bonds and make capital improvements to the area, including infrastructure 3) attract private development and businesses into the area, increasing the value of the property 4) repay bonds with the “increment” funds and 5) once all debt is repaid dissolve the district and cease diverting funds to it.

TIF and School Funding The revenue forgone by a school district when the “increment” is removed from their permanent tax rate can potentially be replaced by state school funds. The state determines per pupil spending and makes up the difference if local property taxes do not fully fund the amount. A Lane County Assessor’s analysis concluded that the 4-J School District is better off financially than it would be if the Eugene UR Downtown District were terminated. However, by making up the difference, there is less money for distribution to schools statewide. For example, in the case of the Eugene Downtown UR District the state provided a net of \$629,000 to Eugene schools for lost revenues. Lane ESD recovered all but about \$1,000.

Tax Increment Financing - Consensus 1991, wording update 1996

Position: The League of Women Voters of Lane County supports tax increment financing (TIF) as one means of funding public urban renewal projects such as downtown projects, parking, wetlands, low-cost housing, library, and a transit station if they are of public benefit. In general, the League could also support TIF for private projects if they are of public benefit.

The League believes that there should be a public vote on the creation of a new urban renewal district, and on expanding an existing district, and on termination of an existing district, ~~but not on the original plan or on substantial changes in the plan for such a district.~~ Not every project in an urban renewal district should be referred to the voters, but there should be a vote on projects which the city council determines will have a major impact on the community.

Recommended Edits

The UR/TIF study committee recommends adding the words: **Urban Renewal and** at the beginning of the position title. This more accurately describes the position and matches the title of the original study. The committee suggests removing the statement that the public should not vote on the original plan or substantial changes to the plan as unnecessary and confusing. Plans are often a comprehensive list of generic project categories adopted with the creation of a district to include a wide range of potential options. The Committee also suggested removing the statement on termination of an “existing district” because in fact a district ends when the plan is achieved.

Discussion Questions

1. What are some examples of blight in cities in Lane County?
2. Should public funds be used to correct blight?
3. Should the entire community pay for a small area of a city to receive special status? Why?
4. Are businesses outside a designated Urban Renewal Area negatively impacted because they can't receive assistance that their competitors in the UR area receive?
5. The Downtown Eugene UR district, established in 1968, is the oldest district in Oregon. After 40 years, what are its successes and failures?
6. What are the advantages/disadvantages of an ongoing UR district and TIF?
7. Do you support the change in the Title of the position?
8. Do you support dropping: “and on termination of a district but not on the original plan or on substantial changes in the plan for such a district” and “termination of an existing district.”

Resources:

City of Eugene

[Downtown Urban Renewal Report, May 2010](#)

[Urban Renewal Plan for Downtown Urban Renewal District, March 2010](#)

<Vibranteugene.org> Contains reports listed above

League of Women Voters of Lane County
Urban Renewal and Tax Increment Financing,– March 1990
Urban Renewal and Tax Increment Financing,– February 1991
Issues for Action, (Tax Increment Financing position)

Oregon Revised Statutes, Chapter 457, Urban Renewal

EUGENE WEEKLY

Downtown, Time to Act, May 5, 2010
Urban Renewal, Bonny Bettman McCornack, May 20, 2010
Urban Renewal Update, June 6, 2010

REGISTER GUARD

Florence moves to buy bayfront lot, September 27, 2010
Main Street Vision, July 13, 2010
Urban renewal district is wasteful, ineffective; let's end it, Paul Nicholson,
Formalize sunset promise, May 30, 2010

Interviews

Milo Meecham, Coburg City Attorney
Sue Cutsogeorge, Finance Director, City of Eugene
Amanda Nobel Flannery, Downtown Projects Staff City of Eugene
Courtney Griesel, Springfield Urban Renewal Agency
Rick Ingham, City Administrator, City of Veneta
Howard P. Schesser, Community Development Director and Emergency Program Director,
City of Cottage Grove
Annette Spickard, Lane County Assessor
John Tamuloinis, community Development Manager, City of Springfield
Nola Xavier, Board Chair, Urban Renewal Agency of Florence

Committee Members: Merle Bottge, Renee Buchanan, Dale Haynes, Ruth Hermach, Janet Calvert, chair.

