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How does urban renewal work?

The Oregon Constitution allows the Legislature to set up a system to finance urban renewal. Oregon Revised Statute Chapter 457 describes how the system works. This law gives each city and county the ability to activate an urban renewal agency with power to propose and act on plans and projects to remove "blight." Examples of blight include buildings that are unsafe or unfit for occupancy or the existence of inadequate streets. The area where the work is to be done is known as a "plan area."

An urban renewal agency is activated when the city or county governing body declares by ordinance that a blighted area exists in the city or county and there is a need for an urban renewal agency to function in the area. The urban renewal agency proposes a plan for improving the area. Following public notice and hearing, and after considering public testimony and planning commission recommendations, the city or county may approve the urban renewal plan by ordinance. Unless required by local law, no public vote is necessary.

In FY 2006-07, there were 55 active urban renewal agencies. All but four were city agencies. There were 84 plan areas located in 23 counties.

How is urban renewal funded?

Most urban renewal plans are funded substantially from portions taken out of local government property tax levies (division of tax revenue). Many urban renewal plans adopted before December 6, 1996 may also raise revenue from an urban renewal levy (special levy revenue). These resources may only be used to pay principal and interest on indebtedness the agency has incurred for the urban renewal plan. When these resources have accumulated sufficiently to pay off all outstanding principal and interest on indebtedness, the urban renewal agency is required to notify the assessor to stop division of tax.

The chart that follows shows how much property tax revenue was calculated for each urban renewal

agency in fiscal years 2005-06 and 2006-07. Revenues from division of tax and special levies are listed separately.

How does division of tax work?

Division of tax revenue is calculated by splitting local government property taxes between the local governments that levied the taxes and the urban renewal agency. The split is recalculated each year based on value growth within the plan area. This tax splitting may have a couple different effects depending on the levy type. For operating (permanent rate) levies that are levied at a particular rate, division of tax does not change the tax rate or cause much change in the overall amount of tax billed, but it does reduce the amount that gets distributed to the local governments. In contrast, division of tax affects some bond and local option levies that are levied to raise a particular dollar amount by causing those tax rates to be higher in order to raise enough tax to cover both the levied amount as well as the division of tax amount.

Both the division of tax and urban renewal special levy amounts are subject to the general government tax limitation (Article XI, section 11b of the Oregon Constitution), and are distributed to the urban renewal agency.

What type of taxes are divided in the division of tax method?

Only ad valorem property taxes for local governments that have an urban renewal plan area within their boundaries are divided. These can include operating, bond, and local option taxes. Taxes for schools, community colleges, education service districts, cities, counties, and special districts (such as fire districts, water districts, and ports) are divided.

Some taxes are not divided. Bond and local option taxes approved by voters after October 6, 2001, are not divided for some urban renewal plans that were adopted before October 6, 2001. These levies

are also not divided for urban renewal plans adopted on or after October 6, 2001. The urban renewal special levy is not divided. Any tax imposed on any basis other than the value of the property is not divided. The most common taxes not based on value are fire patrol assessments and the state manufactured dwelling fee.

A taxing district seeking new taxing authority must consider if the tax would be subject to urban renewal division of tax that would reduce the tax available to the district. If so, the district must ask the voters for enough tax authority to provide the district with adequate funds after the urban renewal division of tax amount is subtracted.

How does the special levy work?

The voters approved Measure 50 in 1997. This measure required the Legislature to protect existing urban renewal plans from losing revenue as a result of the measure. The division of tax method created by Measure 50 produces less revenue than could have been produced under the prior method. Special levy power was created to protect plans from this loss. Plans adopted before December 6, 1996, are protected.

The law allows these plans the option of imposing a special levy up to a maximum amount. The assessor calculates a separate tax rate for each special levy. The levy is billed to all taxpayers in the city or county that established the plan. Taxes imposed for the special levy are not divided.

Special levy taxes are subject to the general government limitation of Article XI, section 11b of the

Oregon Constitution. The tax statement indicates at minimum a total amount billed for each urban renewal agency.

Where can I get more information?

The Legislative Revenue Office publishes *The Urban Renewal Program—Under the Past and Current Property Tax Systems* (February 2000). This may be viewed at <http://landru.leg.state.or.us/comm/lro/home.htm>. To order a copy, call 503-986-1266.

The Oregon Department of Revenue publishes *Oregon Property Tax Statistics*, 150-303-405. This publication contains property taxes imposed by type of district. View the data at <http://www.oregon.gov/DOR/STATS/statistics.shtml>.

For a detailed explanation of how property tax rates, division of tax and special levies are calculated, contact the Department of Revenue publications order desk at 503-945-8636 and request a copy of the *Tax Computation Manual*, 150-800-438.

Taxpayer assistance

General tax informationwww.oregon.gov/DOR
Salem (Property Taxation) 503-945-8293
Toll-free from an Oregon prefix 1-800-356-4222

Asistencia en español:
Salem 503-378-4988
Gratis de prefijo de Oregon 1-800-356-4222

TTY (hearing or speech impaired; machine only):
Salem 503-945-8617
Toll-free from an Oregon prefix 1-800-886-7204

Americans with Disabilities Act (ADA): Call one of the help numbers for information in alternative formats.

Urban Renewal Revenue from Division of Tax and Special Levies

Agency (# of plans in 2006-07)	Revenue from division of tax		Revenue from special levy		Total urban renewal revenue	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
City of Albany (1)	713,213	872,072	0	0	713,213	872,072
City of Astoria (2)	331,026	605,066	194,101	178,891	525,127	783,957
City of Bandon (2)	361,299	376,773	0	0	361,299	376,773
City of Bend (2)	893,866	1,014,177	1,318,576	1,518,920	2,212,442	2,533,097
City of Brookings (1)	242,594	329,598	0	0	242,594	329,598
City of Canby (1)	644,684	775,597	0	0	644,684	775,597
City of Coburg (1)	357,347	322,927	0	0	357,347	322,927
City of Coos Bay (2)	1,274,873	1,298,912	0	0	1,274,873	1,298,912
City of Coquille (1)	72,040	128,939	0	0	72,040	128,939
City of Dallas (1)	24,006	34,555	0	0	24,006	34,555
City of Eugene (2)	2,387,504	2,449,407	1,973,440	2,013,122	4,360,944	4,462,529
City of Gladstone (1)	656,758	681,327	0	0	656,758	681,327
City of Grants Pass (1)	1,680,995	1,805,559	0	0	1,680,995	1,805,559
City of Gresham (1)	900,537	1,240,316	0	0	900,537	1,240,316
City of Harrisburg (1)	134,766	211,830	41,811	44,482	176,577	256,312
City of Hood River (1)	490,696	602,671	256,334	356,213	747,030	958,884
City of Independence (1)	112,947	140,235	0	0	112,947	140,235
City of Jacksonville (1)	37,633	54,692	0	0	37,633	54,692
City of Keizer (1)	4,071,262	2,970,342	0	0	4,071,262	2,970,342
City of Klamath Falls (3)	377,566	540,515	243,037	254,749	620,603	795,264
City of La Grande (1)	475,306	542,981	0	0	475,306	542,981
City of Lake Oswego (1)	2,343,944	2,418,141	0	0	2,343,944	2,418,141
City of Lebanon (3)	1,248,320	1,363,858	622,467	664,952	1,870,787	2,028,810
City of Lincoln City (1)	2,349,354	2,491,914	0	0	2,349,354	2,491,914
City of Madras (1)	201,769	236,172	0	0	201,769	236,172
City of Medford (1)	2,324,705	2,310,357	2,069,985	2,048,442	4,394,690	4,358,799
City of Milton-Freewater (1)	317,279	332,244	0	0	317,279	332,244
City of Monmouth (1)	0	35,946	0	0	0	35,946
City of Newport (2)	3,583,699	3,793,747	0	0	3,583,699	3,793,747
City of North Bend (1)	143,635	206,748	77,050	112,842	220,685	319,590
City of Oregon City (1)	1,205,430	1,318,770	885,890	987,091	2,091,320	2,305,861
City of Pendleton (1)	45,627	50,182	0	0	45,627	50,182
City of Philomath (1)	351,442	399,153	0	0	351,442	399,153
City of Portland/P.D.C. (11)	51,381,745	59,191,284	15,314,632	14,585,653	66,696,377	73,776,937

Agency (# of plans in 2006-07)	Revenue from division of tax		Revenue from special levy		Total urban renewal revenue	
	2005-06	2006-07	2005-06	2006-07	2005-06	2006-07
City of Rainier (1)	282,159	283,489	85,850	151,092	368,009	434,581
City of Redmond (2)	1,919,283	2,242,896	572,900	447,614	2,492,183	2,690,510
City of Roseburg (1)	2,666,602	2,662,315	0	0	2,666,602	2,662,315
City of Salem (5)	5,858,211	5,254,793	2,250,359	2,342,882	8,108,570	7,597,675
City of Sandy (1)	558,229	630,562	0	0	558,229	630,562
City of Seaside (1)	474,527	519,900	206,274	227,241	680,801	747,141
City of Sherwood (1)	1,408,084	2,028,473	0	0	1,408,084	2,028,473
City of Silverton (1)	71,141	205,393	0	0	71,141	205,393
City of Sisters (1)	81,665	78,934	0	0	81,665	78,934
City of Springfield (1)	95,155	206,886	0	0	95,155	206,886
City of Talent (1)	514,508	556,405	261,437	294,262	775,945	850,667
City of The Dalles (1)	949,436	1,034,065	0	0	949,436	1,034,065
City of Tualatin (2)	5,556,928	5,388,139	0	0	5,556,928	5,388,139
City of Veneta (1)	503,143	518,656	0	0	503,143	518,656
City of Waldport (2)	253,959	274,068	0	0	253,959	274,068
City of Wilsonville (2)	4,159,876	4,796,469	0	0	4,159,876	4,796,469
City of Woodburn (1)	439,051	475,861	0	0	439,051	475,861
Clackamas County (3)	10,406,396	7,020,834	3,880,542	3,062,807	14,286,938	10,083,641
Columbia County (1)	259,204	855,595	0	0	259,204	855,595
Coos County (1)	32,559	39,601	28,308	37,826	60,867	77,427
Jackson County (1)	5,666,034	5,973,649	3,216,991	3,397,737	8,883,025	9,371,386
Statewide Total	123,894,017	132,193,990	33,499,984	32,726,818	157,394,001	164,920,808

Note: Number in parentheses shows the number of plan areas in the agency.
Source: Oregon Property Tax Statistics, Fiscal Year 2006-07