



## Why use Urban Renewal in Myrtle Creek?

Myrtle Creek is in a unique situation where it has several opportunities for redevelopment. This includes dilapidated buildings and land in floodplains not being used to its highest and best use. Urban renewal funds may be the tipping point to get some of these properties to redevelop.

## What is Urban Renewal?

Urban Renewal is one of the few tools for encouraging local economic development and addressing blight. Urban Renewal Plans provide cities and counties with an alternative revenue stream called tax increment financing. This revenue stream may be used on projects and programs in specifically designated urban renewal areas.

## How is an Urban Renewal Plan Started?

In Myrtle Creek an Urban Renewal Feasibility Study was completed and reviewed with the city council. Once a Feasibility Study is completed, a city will typically convene an advisory committee to discuss urban renewal boundary options, potential projects, and financial scenarios. Upon completing the advisory committee process, the advisory committee recommendations will be used to compile an urban renewal plan which will establish an official urban renewal boundary, goals and objectives for the area, and outline projects and programs which will help improve conditions of the area. The plan also sets the spending limit, or maximum indebtedness, for the urban renewal area. The urban renewal plan is also accompanied by a technical report which contains the financial feasibility analysis and projects when funding will become available to pursue projects within the area. The urban renewal plan must go through the public review process and be adopted by city council prior to being valid.

## How is an Urban Renewal Plan Adopted?

Prior to being adopted by the city council every urban renewal plan must go through the public review process which includes:

- Urban Renewal Agency Meeting
- Consult and Confer with all Overlapping Taxing Districts
- County Briefing
- Planning Commission Meeting
- City Council Hearing and Vote

Any action by the city council must be by non-emergency ordinance and after a public hearing is held. Notice of the public hearing must be sent to each individual household in the city. Non-emergency ordinances can be referred to voters within 30 days of adoption.

## How does Tax Increment Financing Work?

While urban renewal itself **does not increase property tax rates**, it does function on the increases in property tax revenues from year-to-year. Even without urban renewal, an individual property tax payer's property taxes may increase for two reasons, one, the assessor can increase property values at a rate of 3% per year and does so in most cases, and, two, if the individual completed a substantial renovation of their property resulting in increased assessed valuation.

When an urban renewal area is created the property tax revenue from that area is diverted into two revenue streams. The first stream is what is called "the frozen base". The frozen base is the property tax revenue from the total assessed value of the urban renewal area from the year the urban renewal area was formed. The frozen base revenue stream continues to go to the regular taxing jurisdictions, such as the city, the county, and the school district. The second revenue stream is any increase over the frozen base which is called "the increment". The increment represents

the basis for tax increment financing and is any increase in property tax revenues above the frozen base. The second revenue stream goes to the urban renewal agency for use on projects, programs, and administration throughout the life of the district.

### **How are Overlapping Taxing Districts Impacted by Urban Renewal?**

As mentioned earlier, when an urban renewal area is formed the property tax revenue stream for that area is split in two. The overlapping taxing districts continue to receive property tax revenues on the frozen base assessed value of the area, but do not receive property tax revenues from any growth in the area. In many urban renewal areas that growth from new investment would not have occurred but for the use of urban renewal that stimulated the growth. Schools are indirectly impacted by urban renewal as they are funded on a per pupil basis as determined by the state legislature.

Once an urban renewal area is terminated, there will generally be an increase in property tax revenues to all taxing jurisdictions. This increase of property tax revenue is a result of the ability to concentrate funding in a specific area, encouraging the area to develop properly.

### **How does an Urban Renewal Area Function?**

An urban renewal area is run by an urban renewal agency which at its most basic level has an income, expenses, and a spending limit. The income for an urban renewal agency is its yearly tax increment financing revenues. The expenses for an urban renewal agency are its yearly expenditures on projects, programs and

administration. The spending limit for an urban renewal agency is its maximum indebtedness. Maximum indebtedness is the total amount of money that can be spent in an urban renewal plan on projects, programs and administration.

### **What types of Programs or Projects are Eligible under Urban Renewal?**

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

- Acquisition and improvement of property.
- Participation with developers for property improvement.
- Rehabilitation of existing buildings.
- Construction or improvement of public facilities including sidewalks, streets, utilities, parks and other public uses.

### **How does Urban Renewal Impact Property Tax Payers?**

The “division of taxes”, which represents the vast majority of tax increment financing revenues, **does not increase property tax rates.** Regardless, every taxpayer in a city where an urban renewal district exist will see an indication of urban renewal as a line item on their property tax bill. This can be confusing, but just remember that the money in the urban renewal line item is money that would have gone to other taxing jurisdictions even if urban renewal did not exist. Your property tax bill would remain exactly the same with or without urban renewal, the money would just be distributed differently among the taxing jurisdictions.

