

# Forest Grove Urban Renewal Agency (URA) 101: Who, What, Where, When and Why

# What is an Urban Renewal Agency (URA)?

- They are a separate legal entity, created by a City Council, with a separate budget, funding source, and district called the Urban Renewal District.
- URA's do not have taxing authority.
- URA's are authorized by the Oregon Constitution and Oregon law. There are about 67 URA's in Oregon including Astoria, Newberg, Redmond, Sherwood, Hillsboro, and Beaverton.
- Like most cities with a URA, Forest Grove's URA is governed by a Board of Directors and an Executive Director, the members of which are the same as the City Council and City Manager.

# Who formed Forest Grove's URA and when?

- The idea of using urban renewal in Forest Grove to improve our economy was included in the City's Vision Statement Update in 2007.
- The Forest Grove Comprehensive Plan, updated in 2014, also includes urban renewal to promote private investment in the downtown and along the commercial area between Pacific University and Ace Hardware.
- After multiple work sessions, commission meetings, extensive public outreach and involvement, and public hearings over the course of several years, the City Council voted unanimously 6-0 in May 2014, to form the Forest Grove Urban Renewal Agency and adopt the Urban Renewal Plan.

## Why form a URA?

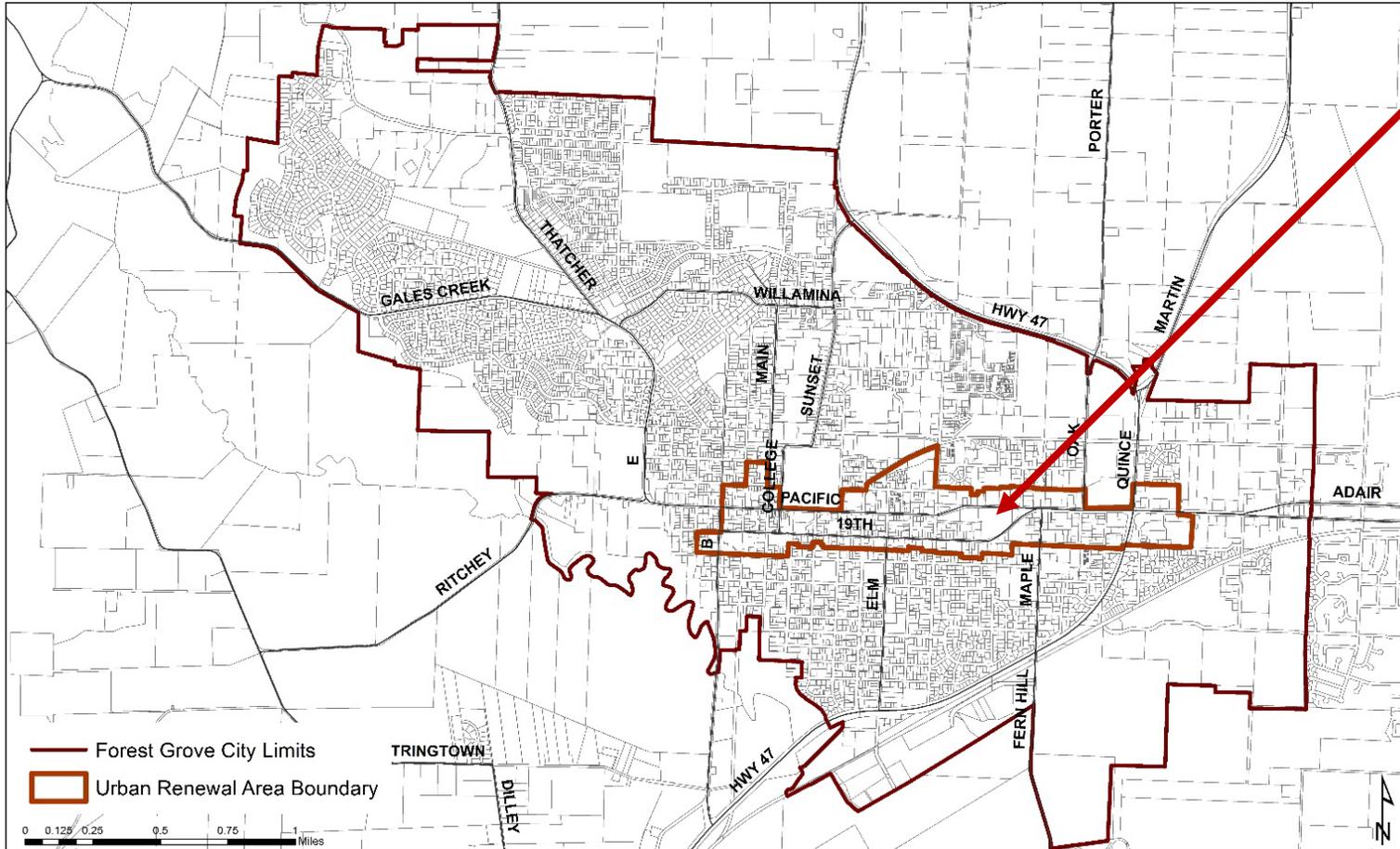
- The purpose of a URA is to improve the economic vitality within a specific area of the City known as the Urban Renewal Area (map on page 6).
- A common way URA's accomplish this is by financially partnering with private developers. This partnership can take many forms including grants, waiving taxes and fees, low-interest loans, and selling URA property at reduced costs.
- This investment increases the assessed value of properties within the Urban Renewal Area sooner than if no investment was made. This leads to tax revenue for the Urban Renewal Agency.
- This tax revenue is then used to finance (referred to as "tax increment financing") public/private projects such as town plazas, residential and commercial development, public infrastructure, and storefront improvements.

# What are the Goals of the URA?

The adopted goals of the Urban Renewal Plan are:

- Goal 1: Provide opportunities for public participation in the preparation and adoption of urban renewal plans, plan amendments and policies.
- Goal 2: Adopt a prudent annual budget to minimize financial risk to the Urban Renewal Agency and the City of Forest Grove.
- Goal 3: Improve the local investment climate by reducing financial barriers to development and redevelopment within the urban renewal area.
- Goal 4: Promote a vibrant Forest Grove Town Center through strategic urban renewal investments.
- Goal 5: Promote commercial and mixed-use redevelopment of sites along the Pacific Avenue corridor.

# Where is the Urban Renewal Area?



## Forest Grove Urban Renewal Area

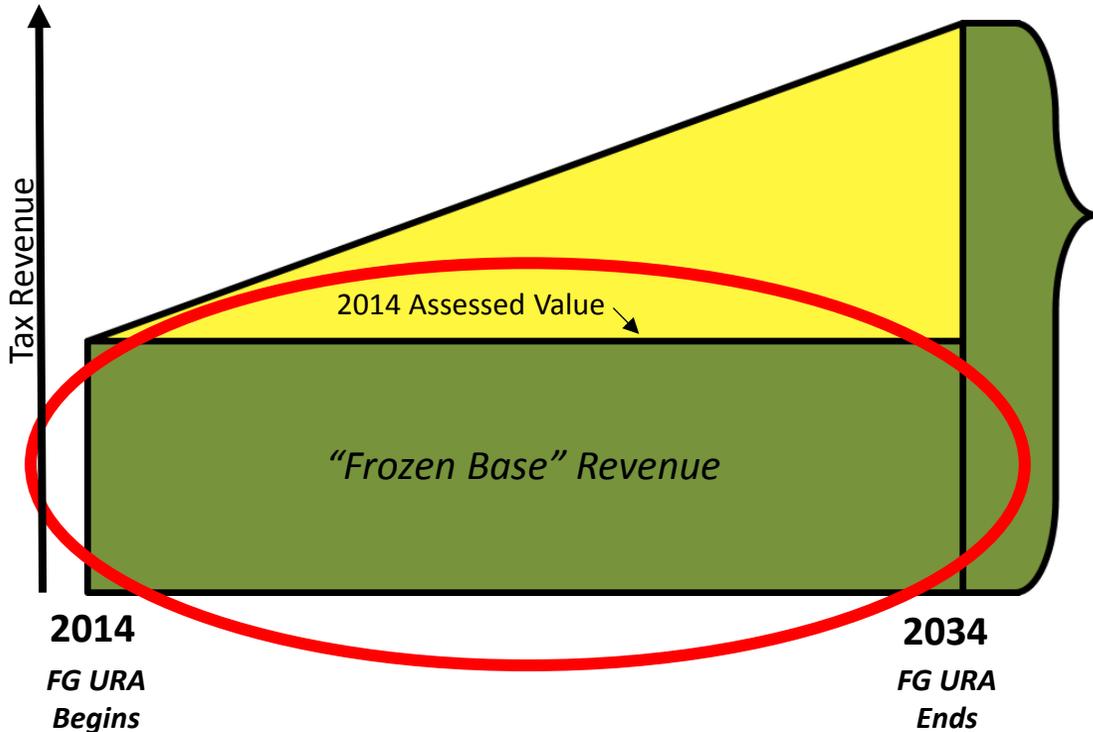
- Forest Grove's Urban Renewal Area covers about 6% of the City.

# How are URA's Funded? (Step 1 of 4)

The easiest way to describe how the URA obtains funding is in four steps:

- 1) Frozen Base, 2) Incremental Revenue, 3) Financing and 4) URA Ending

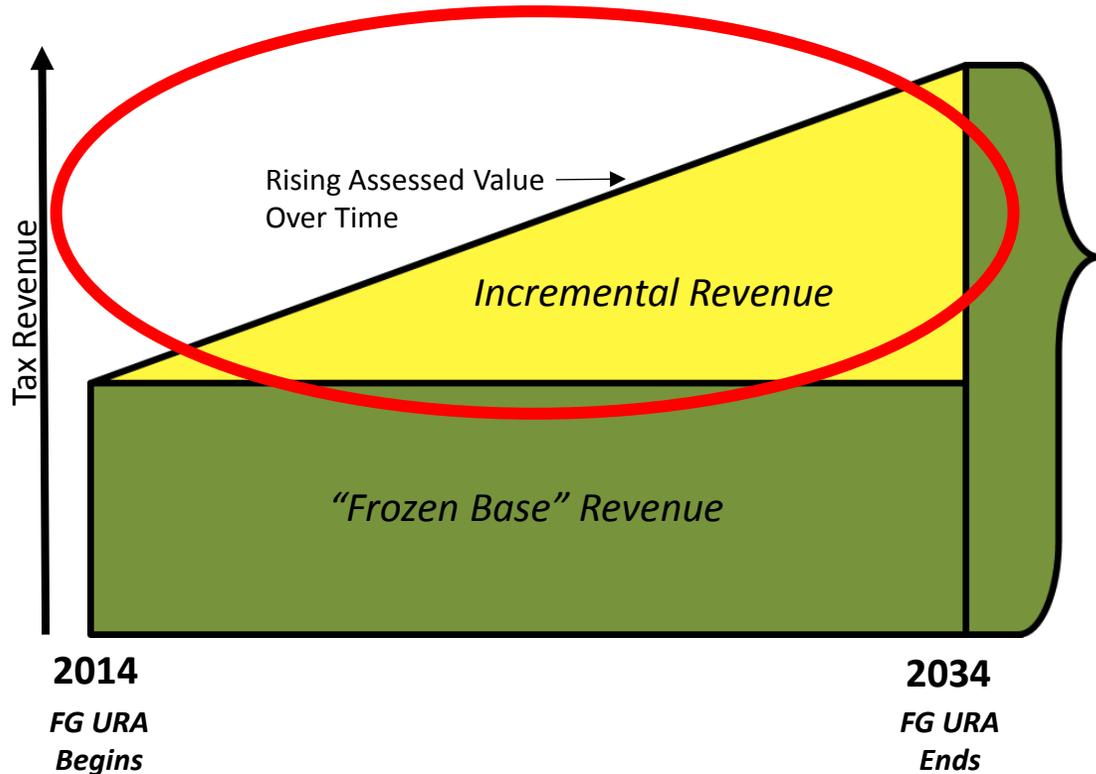
## STEP 1: Frozen Base



- When the Urban Renewal Area becomes effective, the amount of money going to the taxing districts (School Districts, Metro, City, County) is “frozen” or fixed at the existing assessed value of the property within the Urban Renewal Area (see red circle).
- The taxing districts will not “lose” money during the URA unless property values decline.
- If there is no increase in the assessed value for a given year, the URA simply receives less/no funds for projects.

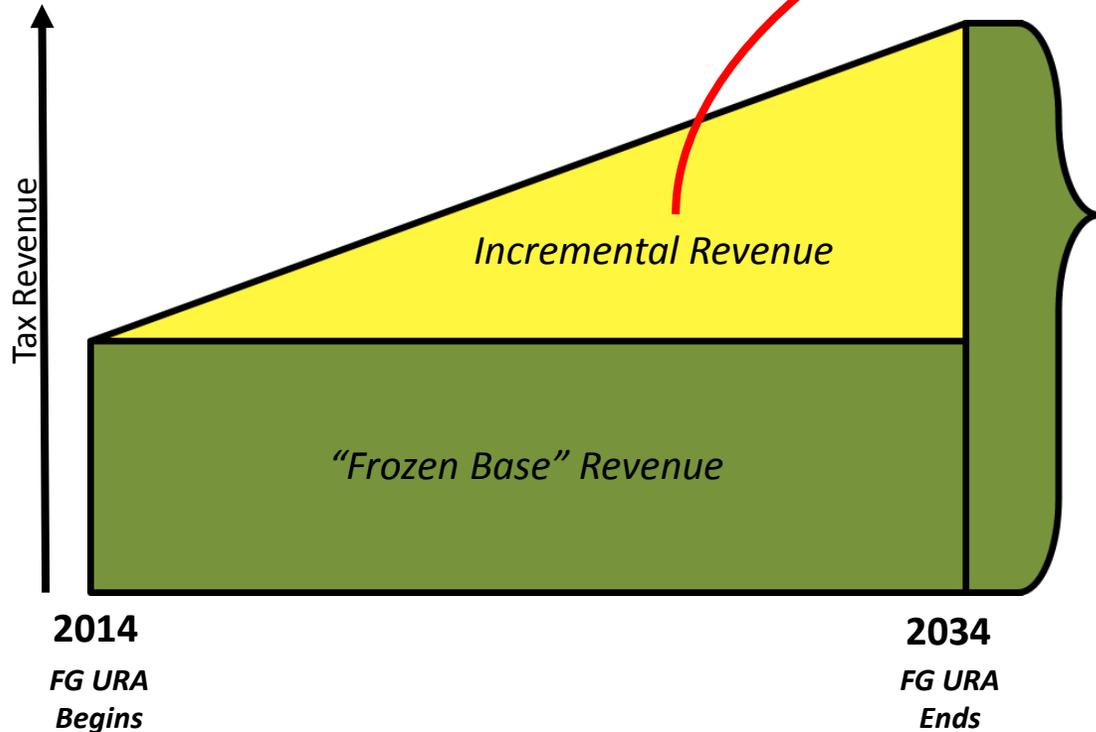
# How are URA's Funded? (Step 2 of 4)

## STEP 2: INCREMENTAL REVENUE



- The amount of Property Tax Revenue ABOVE the “Frozen Base” is where the URA receives its funding. Tax Increment does not change the amount of property tax paid by taxpayers. It is simply a reallocation of tax dollars above the frozen base.
- The property owner will pay the same tax bill with or without the Urban Renewal Agency. The URA simply re-allocates the existing taxing revenue to fund the agency.
- Over time the assessed value of property within the Urban Renewal Area rises. This rise in the Assessed Value (the diagonal line of the YELLOW portion) above the frozen base creates the funding mechanism for the Urban Renewal Agency.

# How are URA's Funded? (Step 3 of 4)



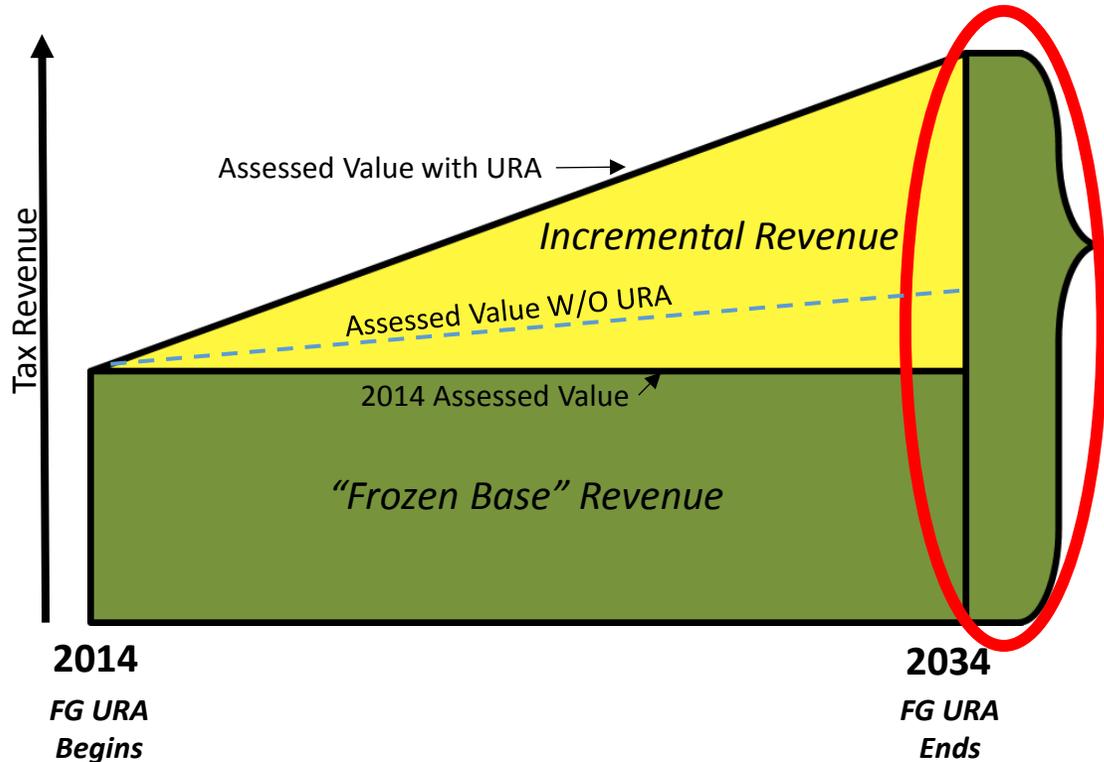
## STEP 3: FINANCING

- The URA can use these incremental revenues (the YELLOW portion) to finance public/private projects within the URA boundary.
- The URA can issue revenue bonds, grants, low interest loans, and land write-downs.
- The Forest Grove URA can also do certain projects/activities under the adopted Urban Renewal plan. These activities may include...
  - ❖ Construction/Improvement of Streets, Utilities, and Rehabilitation/Conservation of existing buildings
  - ❖ Acquisition/Improvement of property
  - ❖ Re-sale or lease of property

# How are URA's Funded? (Step 4 of 4)

## STEP 4: URA Ending

- At the end of the URA, all of the tax revenue goes back to the taxing districts (School Districts, Metro, City, County).
- The goal at the end of the URA (2034) is that the assessed property value is HIGHER than what it would have been without the URA.
  - The BLUE dotted-line represents what the assessed value would be WITHOUT the Forest Grove URA.



# How are Property Taxes Allocated?

- Tax increment revenue is computed based on property tax rates. The chart on slide 12 shows how tax rates are applied by the county assessor with and without urban renewal.
- It's important to note, an Urban Renewal Agency only receives tax increment revenues when the value of property increases above the “frozen base” (see STEP 2 area on slide 8). There's no impact to property owner tax bills since the combined total tax rate does not change (see yellow area on slide 8).
- Another important concept is that School Districts do not incur any reduction/loss in revenue with an urban renewal district. Revenue that is “not realized” by the increase in property taxes over the life of the URA are supplemented by the State of Oregon.



# How are Property Taxes Allocated?

Allocation of Property Tax Dollars With and Without Urban Renewal District  
From Washington County Assessment and Taxation Data

Taxing District	Tax Rates City-Wide Prior to Forming Urban Renewal District	Tax Rates For Area in City (but Outside Urban Renewal District) After Forming District	Tax Rates Applied to “Frozen Base” in Urban Renewal Area  (See Step 1 on Slide 7)	Tax Rates Applied to property value increase above “Frozen Base” in Urban Renewal Area  (See Step 2 on Slide 5)
City of Forest Grove Permanent Rate	\$3.9554	\$3.9554	\$3.9554	\$0.0000
City of Forest Grove Option Levy	\$1.600	\$1.6000	\$1.6000	\$1.6000
Forest Grove School District Permanent Rate**	\$4.9142	\$4.9142	\$4.9142	\$0.0000
Forest Grove School District Bond (pre-2001)**	\$1.5226	\$1.5226	\$1.5226	\$0.0000
Forest Grove School District Bond (post-2001)**	\$1.1473	\$1.1473	\$1.1473	\$1.1473
Other Taxing Districts (county and special taxing districts)	\$4.3399	\$4.3399	\$4.3399	\$1.1684
Forest Grove Urban Renewal Agency*	Not Applicable	Not Applicable	Not Applicable	\$13.5628 (for allocating tax revenue)
<b>COMBINED TOTAL TAX RATE</b>	<b>\$17.4785</b>	<b>\$17.4785</b>	<b>\$17.4785</b>	<b>\$17.4785</b>

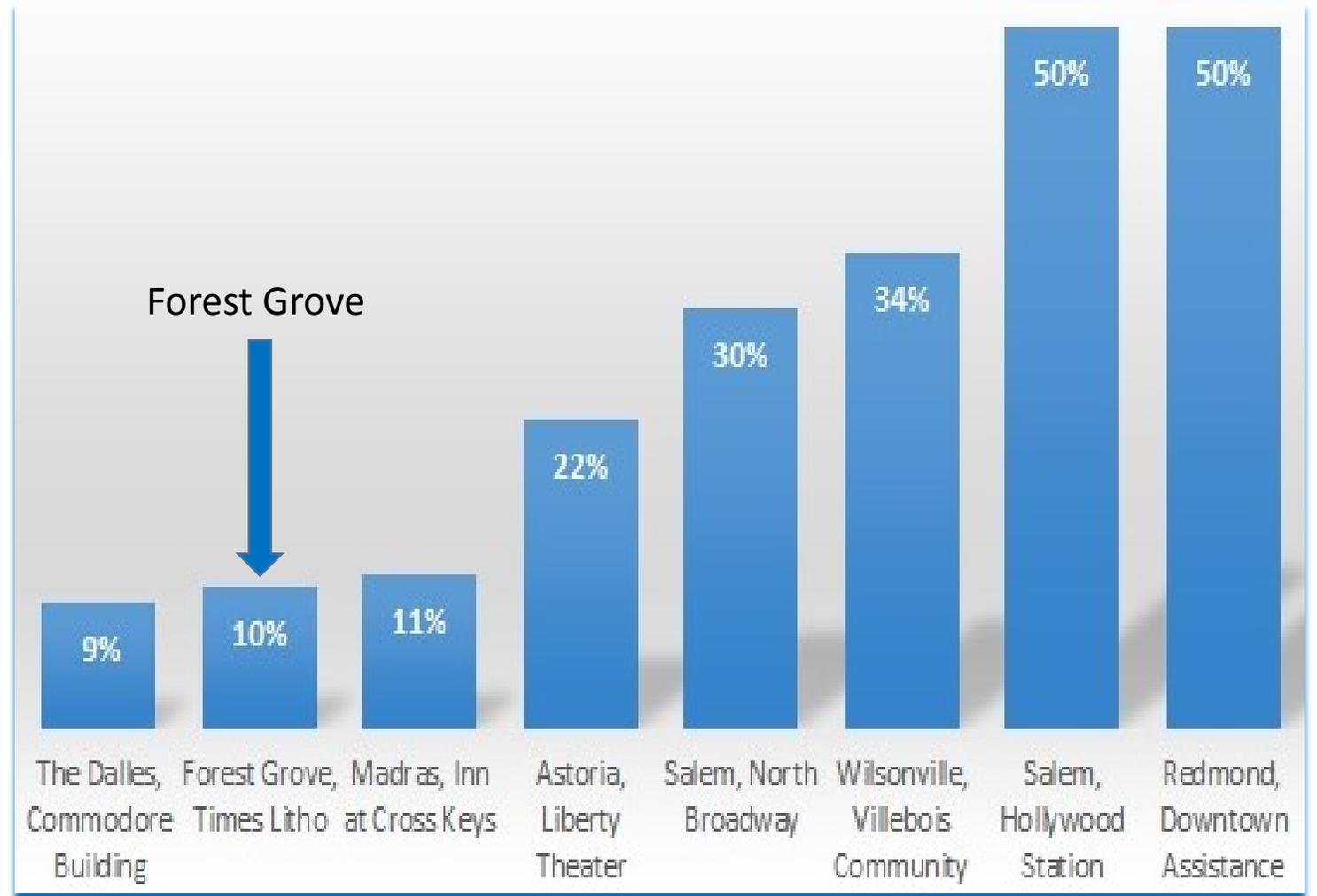
- Taxing districts continue to collect property tax revenue from the “frozen base” with and without urban renewal as shown below:

	Tax District Revenue without urban renewal	Tax District Revenue with urban renewal from frozen base
Annual Revenue to Taxing Districts From Frozen Base (Urban Renewal Area Frozen Base Taxable Value = \$126,056,624)	<b>\$2,246,430</b>	<b>\$2,246,430</b>

# How does Forest Grove's Project Compare?

Urban Renewal Project Financial Participation (%)

- One way to evaluate URA projects is by comparing how much URA money goes into the project vs. private money.
- For example, the Times-Litho project will be 10% URA money and 90% private money; meaning it will leverage about 9 private dollars for every 1 public dollar spent.
- You can see the comparison of this specific project to other URA projects around the State of Oregon in the chart.





# Urban Renewal Agency (URA) 101

For further questions, please contact the City of Forest Grove  
General Phone Number: 503-992-3200