

## **Urban Renewal Frequently Asked Questions**

### **What is urban renewal?**

The Oregon Legislature created what is known as urban renewal as a way to promote public and private investment within “blighted” areas. Blighted areas are defined in a number of ways. For example, communities may have areas characterized by older deteriorated or dilapidated buildings no longer suitable for current retailing or office needs so they sit entirely or partially vacant. Blighting conditions are also found in neighborhoods or shopping districts characterized by large tracts of underutilized land or that are not served by adequate transportation facilities or public utilities. The goal of urban renewal is to improve these blighted areas so that property values within the urban renewal district increase over time and ultimately benefits the City as a whole.

### **How does a city establish urban renewal?**

State urban renewal law (ORS 457) requires the City to undertake several steps to establish urban renewal through a public process. Generally, the City must establish an Urban Renewal Agency charged with preparing a report and plan for the urban renewal district. The City Council must approve an ordinance establishing an urban renewal agency as well as adopt an ordinance endorsing the urban renewal plan. Among other things, the plan must identify the specific urban renewal district boundary, projects, project costs, how the projects will be financed, and the life of the district.

### **What is the Urban Renewal Agency of the City of Forest Grove?**

The Urban Renewal Agency is a legal entity under state law (ORS 457). Under state law an Urban Renewal Agency could be a municipal housing authority, independent board or commission, or the City Council members themselves. When the City Council established the Urban Renewal Agency in April 2014 they decided that the City Council should act as the Urban Renewal Agency. Under this approach, the Urban Renewal Agency will not be a new bureaucracy since existing City staff could assist the City Council, acting as the Urban Renewal Agency, with project implementation. It is expected that City staff costs for services provided to the Urban Renewal Agency would be paid for by the Urban Renewal Agency.

### **How is the urban renewal district boundary determined?**

State law sets limits on urban renewal district boundaries. For cities the size of Forest Grove no more than 25% of land area within the city or no more than 25% of the total taxable value within the city may be within an urban renewal district. This equates to a maximum of 935 acres in Forest Grove. Currently, the size of proposed district is less than 300 acres.

A feasibility study was completed by the City with the help of a consultant experienced in urban renewal to identify areas of the community that best meet state requirements for designation as an urban renewal area. The Forest Grove Town Center and Pacific Avenue/19<sup>th</sup> Avenue Corridor rose to the forefront. Focusing on this area provides the greatest potential benefit while minimizing potential impact to the overlapping taxing districts.

**What projects are proposed for the urban renewal district?** Potential projects that may be implemented include upgraded sanitary and stormwater sewer lines, street and intersection improvements, construction of community open space/plaza, improved building facades, incentives for business expansion and tenant improvements, and planning studies and programs specific to the district.

### **How are urban renewal projects financed?**

Tax increment financing (TIF) is the method used to finance urban renewal projects identified in an adopted urban renewal plan. Tax increment financing is not a new or additional tax imposed by the City. It's simply a reallocation of some tax dollars to repay bonds issued to fund urban renewal projects. Tax revenue is reallocated to the urban renewal agency only if property values increase in the urban renewal area **after** the urban renewal plan is adopted. Tax collections based on property values at the time an urban renewal plan is adopted are unaffected by the urban renewal program.

**Will urban renewal increase my taxes?**

No. An urban renewal district does not impose a new or additional tax. A portion of existing taxes within the district are reallocated from overlapping taxing districts to the urban renewal agency for purposes of undertaking urban renewal projects and repaying bonds.

**Why then does urban renewal show up on my tax statement if it does not impose a tax?**

Tax statements show how much tax revenue has been provided to the urban renewal agency by overlapping taxing districts. Known as the “division of taxes” this shows how property taxes have been divided among all taxing districts. The total property tax paid is the same with or without urban renewal.

**Will urban renewal mean that there is less money for special districts like the school district?**

Under the state’s school funding law tax increment financing has a negligible impact on revenue received by a school district. This is because all taxing districts, including the school district will continue to receive tax revenue based on the value of property in the urban renewal area when created. Taxing districts temporarily forego only the tax revenue based on increases in property values within the urban renewal area. Any revenue that is lost due to the urban renewal program is made-up through the State School Fund. Essentially, school districts are held harmless by state law.

Other overlapping taxing districts, such as Washington County, Forest Grove School District, Port of Portland, Metro and others provide this revenue with the understanding that projects undertaken by the urban renewal agency will ultimately result in higher property values, and more tax revenue for all taxing districts over time.

**How long will the urban renewal district remain in effect?**

Generally, urban renewal districts last about 20 years. The actual length of time is based on the cost of projects, amount of revenue collected and length of time to repay bonds issued for urban renewal activities.

**How do I as a property owner inside of an urban renewal district stand to benefit from urban renewal?**

Public and private investment made within the urban renewal area could help improve your property’s value. In addition, urban renewal plans often include programs and financial incentives to help property owners improve or redevelop their property.

**How do I as a property owner outside of an urban renewal district stand to benefit?**

Benefits of urban renewal outside of the urban renewal area are indirect. For example, promoting development within an urban renewal area results in a more cost-effective and sustainable development pattern reducing the need to extend costly public services. Provision of cost-effective public services reduces operating and capital costs potentially benefiting all rate payers.

**Will more restrictions be placed on my property if an urban renewal plan is adopted?** Generally no, the City’s Comprehensive Plan and Development Code contain policies and rules for how land is used in the community. An urban renewal plan is essentially a financing program for urban renewal projects which must comply with these existing policies and rules.

The only time additional restrictions may be placed on a property is when a property owner receives loan or grant funding from the urban renewal agency for improvements. In such a case, restrictions on the use of funds may be imposed or the agency may require additional obligations to meet the goals and objectives of the urban renewal plan.

**Will I be forced to sell my property if an urban renewal plan is adopted?**

State law gives the power of eminent domain/condemnation to urban renewal agencies just like city governments. However, the City Council must first authorize the use of eminent domain for urban renewal projects. Such authorization would be made at the time the urban renewal plan is adopted. The City Council could decide not to authorize eminent domain and instead only allow the purchase of property only from willing sellers at fair market value. Regardless of how property is acquired the land must be identified in the urban renewal plan.

**What is the City's timeline for approving the urban renewal plan?**

The soonest an urban renewal area could be put in place is July 2014.

**How can I get more information?**

For more information please call Dan Riordan, Senior Planner, with the Forest Grove Community Development Department at (503) 992-3226. Visit the city's website at [www.forestgrove-or.gov](http://www.forestgrove-or.gov) or State of Oregon website at [http://www.oregon.gov/DOR/PTD/IC\\_504\\_623.shtml](http://www.oregon.gov/DOR/PTD/IC_504_623.shtml)