

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.

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. Urban renewal agencies are subject to Local Budget Law and may request division of tax and special levy calculations be done to raise less than the maximum allowable revenue each year. When these resources have accumulated sufficiently to pay off all approved principal and interest on indebtedness, the urban renewal agency is required to notify the assessor to stop division of tax.

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 constitutional tax limitations (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.

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 limitations 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) and *Changes*

in *Oregon's Urban Renewal Program from the 2001 Supreme Court Ruling on Shilo Inn v. Multnomah County et al.* (2002). These may be viewed at landru.leg.state.or.us/comm/lro/home.htm. To order a copy, call 503-986-1266.

The Oregon Department of Revenue annually publishes *Oregon Property Tax Statistics*, 150-303-405. This publication contains property taxes imposed by type of district, and the division of tax and special levy amounts calculated for each urban renewal agency and urban renewal plan. View the data at www.oregon.gov/dor/stats/pages/index.aspx.

Urban renewal division of tax and special levy authority is provided for under the *Oregon Constitution*, Article IX, s. 1c; ORS chapter 457; and OAR division 150-457.

Taxpayer assistance

General tax information www.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.