

Urban Renewal and Tax Increment Financing

What is Urban Renewal?

Urban renewal is one of the few tools for encouraging local economic development. It is unique in that it has its own funding source, tax increment financing. Urban renewal is a program authorized under state law and implemented locally that allows for the concentrated use of property tax revenues to upgrade certain designated areas of a city or county. These areas are called “blighted” by state statute and typically contain sections of a city that are underdeveloped and not contributing fully to the local economy. They can have buildings which are in need of renovation, property which should be developed or redeveloped, or utilities and street and pedestrian systems in poor repair or needing upgrading.

The underpinning theory of urban renewal is that if these properties and the surrounding infrastructure are upgraded, they will contribute more substantially to the local economy and to the property taxes that support all of the taxing jurisdictions.

What is the proposal in Newport?

Newport is considering the adoption of two new urban renewal areas. The first encompasses the commercial corridor of Newport on US 101 and also includes the fairgrounds property, other commercial and residential properties along and south of US 20 and the residential areas in Agate Beach. The second is much smaller and includes property around McLean Point in the Port area. The main goals of both are similar: to create conditions that are attractive to growth of existing business and attract new business to Newport to create new jobs and to provide infrastructure to support existing development and encourage new development. There are other goals that can be reviewed in the draft documents.

How is an Urban Renewal Program Started?

City officials will decide that they want to improve a specific area and that they need additional resources to accomplish this improvement. They direct the preparation of an urban renewal plan for review and establish and adoption process.

An urban renewal plan establishes an urban renewal boundary, goals and objectives for the area, and outlines projects and programs that will help to improve the conditions in the area. The plan also sets a limit on the amount of money which can be used to fund these projects and programs, called a “maximum indebtedness”. The urban renewal plan is accompanied by a technical report which contains the financial feasibility analysis and estimates when funding will become available to pursue projects within the area. The urban renewal plan must be adopted by the City Council.

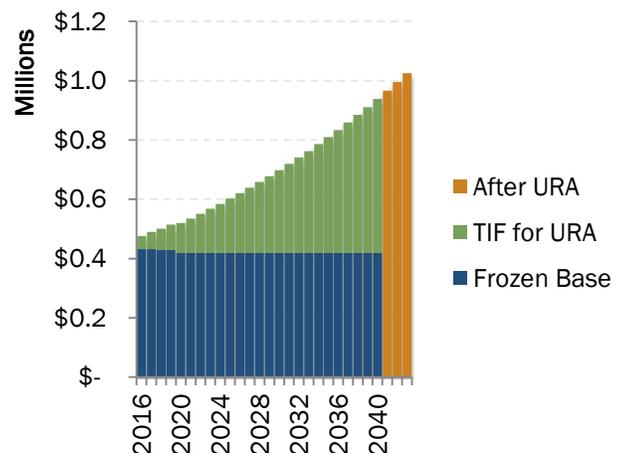
What types of Programs or Projects are Eligible under Urban Renewal?

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

- Completion of Refinement Plans to help identify specific projects
- Construction or improvement of public facilities including streets, sidewalks, utilities, parks, and other public uses
- Streetscape improvements
- Storefront improvements
- Assemblage of land for future development
- Participation with developers for property improvement
- Rehabilitation of existing buildings
- Parking

How are Urban Renewal Plans Financed?

At the time an urban renewal plan is adopted, the county assessor calculates the total assessed value of the area and establishes this value as the “frozen base” for the area. Growth above the base is called the “increment”, sometimes referred to as “TIF”. Tax increment revenues are the property tax revenues generated off the increase in the assessed values over the frozen base. This concept is shown in the chart below. The chart depicts a concept of a 25 year plan starting in 2015 with the first funds being received in 2016. Plans may be longer, depending on the timing of bond placements and the need for financing. This scenario shows the frozen base (blue) and the tax increment (TIF in green) that is anticipated to fund projects and programs in the urban renewal area. If an urban renewal area is very successful, revenue sharing may commence when specified tax increment revenue targets established in urban renewal law are met.



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Who Administers an Urban Renewal Program?

The urban renewal district is administered by the urban renewal agency. In Newport, the urban renewal agency is the Newport city council. Both of the potential urban renewal plans anticipate input from established advisory committees and ad hoc advisory committees.

How Does Tax Increment Financing Affect Overlapping Taxing Districts?

Taxing jurisdictions gain revenues through the collection of property taxes. Property tax increases come through new development and the statutory limit of 3% increase in assessed values on existing real property. During the use of tax increment financing, the permanent rate property taxes on the **growth** in assessed value in the urban renewal area are allocated to the Urban Renewal Agency and not the taxing district. The taxing jurisdictions are still able to collect the property tax revenues from the assessed value of the frozen base, but increases in revenues are allocated to the Urban Renewal Agency for use within the urban renewal area. In many urban renewal areas, that growth from new investment would not have occurred but for the use of urban renewal which has stimulated the growth.

The impact on schools and education service districts is indirect, as they are funded through a state allocation based on per pupil counts. Property taxes fund a portion of the state school fund, but not all of it.

Once an urban renewal area is terminated, there generally will 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 Tax Increment Financing Affect Property Tax Payers?

Property tax payers will **not** see an increase in property taxes as a result of a new urban renewal area in Newport. If you own property in Newport, your property tax bill already has a line item for urban renewal as Newport has one existing urban renewal area. If a new area is adopted, the property tax bill will reflect an additional division of taxes. The allocation of revenues received from your payment is changed as a portion of that payment would go to the new urban renewal area. This is called “division of taxes” and is the administrative way that assessors must calculate the urban renewal revenue. A **concept** chart showing how division of taxes works with urban renewal is shown below. The total taxes do not change, they are just distributed differently if there is urban renewal. The concept chart shows a 3% increase in taxes that would go to urban renewal and how those taxes would be divided. Notice that the total taxes in the final two columns are the same, they are just divided out differently to the different taxing entities.

Next opportunities for input:

Open House	August 31
Urban Renewal Agency	September 8
Planning Commission	September 14
City Council	September 21

	2015	2016	2016	
			Property Value	Property Value
			\$100,000	\$103,000
District Name	Perm. Rates		\$100,000	\$103,000
Lincoln County	2.8202	\$282.02	\$290.48	\$282.02
Animal Service	0.1100	\$11.00	\$11.33	\$11.00
Extension	0.0451	\$4.51	\$4.65	\$4.51
Transportation	0.0974	\$9.74	\$10.03	\$9.74
Port of Newport	0.0609	\$6.09	\$6.27	\$6.09
City of Newport	5.5938	\$559.38	\$576.16	\$559.38
Pacific Communities Health	0.3625	\$36.25	\$37.34	\$36.25
General Gov Sub Total	9.0899			
Lincoln Co School Unit	4.9092	\$490.92	\$505.65	\$490.92
Oregon Coast CC	0.1757	\$17.57	\$18.10	\$17.57
Lincoln-Benton ESD	0.3049	\$30.49	\$31.40	\$30.49
Education Sub Total	5.3898			
Urban Renewal				\$43.44
Total Consolidated Rate	14.4797	\$1,447.97	\$1,491.41	\$1,447.97

