

LEAGUE OF WOMEN VOTERS OF LANE COUNTY

URBAN RENEWAL AND TAX INCREMENT FINANCING

A 1990-1991 Study Subject

Everymember Material

February 1991

At the April 1990 annual meeting the membership voted to continue the study of "Urban Renewal and Tax Increment Financing", to arrive at consensus. The committee was directed to focus on four questions. In the following material the questions are answered to the best of the committee's ability in the time available. Two additional questions are asked as well: How will the passage of ballot measure #5 affect urban renewal? What action has the League taken in the past on urban renewal questions?

By way of review, Eugene has two current urban renewal projects: Central Eugene Project and Eugene River Front Research Project. Veneta's Urban Renewal Project is the only other current Lane County project. At the time an urban renewal project plan is approved by the city council, the county assessor certifies the total true cash value of the taxable property in the project area (ORS 457.430). This is the "frozen base." As the true cash value of each taxing unit in the area increases, an "increment" of value is created above the "frozen base."

The tax rates for taxing units which include the area are calculated by dividing the taxing units total levy by the assessed value which includes the "frozen base" only. (ORS 457.440(1)). This calculation produces a rate that is greater than it would otherwise be because the value increment above the frozen base is excluded from the computation. The taxes raised by application of the rate to the "increment" are paid over to the urban renewal agency (ORS 457.440(3)). Therefore, in 1990-1991, \$.48 per \$1,000 of assessed value would be saved by a city of Eugene taxpayer if there were no Central Eugene Urban Renewal District and Riverfront Research Park Urban Renewal District. In that year a home owner with a \$100,000 assessed value residence would save \$48 each year if there were no Renewal District. The foregoing assumes that no public funds other than tax increment financing funds are used.

The table below illustrates that the portion of the property tax going into the Tax Increment Financing fund does not show on the tax bill.

Please refer to the League of Women Voters of Lane County March, 1990 Everymember Material entitled "Urban Renewal and Tax Increment Financing" for a more comprehensive explanation.

TAX INCREMENT COSTS ON AN INDIVIDUAL TAX STATEMENT

(For a Eugene taxpayer with property assessed at \$86,660 in 1990)

TAXING BODY	ACTUAL AMOUNT RECEIVED BY THE TAXING BODY	AS SEEN ON TAX STATEMENT
School 4J	\$1,471.27	\$1,494.84
Lane ESD E1	45.01	45.37
Lane ESD Hi	22.50	22.68
LCC	160.80	162.07
Eugene City	832.27	846.74
Lane Co MWWS	41.63	42.17
Lane County	<u>120.37</u>	<u>121.35</u>
Subtotal:	\$2,693.85	
<u>TAX INCREMENT FUND</u>	<u>41.37*</u>	<u>**</u>
TOTAL:	\$2,735.22	\$2,735.22

* In 1990 the tax increment portion of the bill was 1.5% for this taxpayer.

**Tax increment costs are spread throughout the taxing bodies.

QUESTIONS

1. What actually has happened in Lane County cities as a result of urban renewal, including tax assessments and property values?

An objective observation of the physical condition of the urban renewal project areas would conclude that blight has been reduced in those areas.

Another approach to determine what has happened is to compare the changes in the assessed values of the project areas. As to the Central Eugene Project, its frozen base value in 1968 was \$39,190,172. In 1989, its assessed value was \$108,218,574. That is a 176% increase. See pages 6 and 7 in LWVLC March Everymember Material for listing of what was accomplished in downtown Eugene.

Since Springfield has no urban renewal project, a comparison of the change of the assessed value of the 99 properties adjacent to Main Street between the Willamette River bridge and East 10th Street has been compiled. Their assessed value in 1973 was \$4,589,150. In 1990, it was \$8,137,468. This is a 77% increase.

The Eugene Riverfront Research Project area has a frozen base assessed value in 1984 of \$32,493,374. In 1989, its assessed value was \$32,861,191, which is a 11% increase. It is too new to draw conclusions.

As to the Veneta Urban Renewal Project, its frozen base in October 1984 was \$8,577,683. In 1989, it was \$10,534,142. That is a 23% increase.

Veneta has achieved improvements within its urban renewal district: underground wiring and an enlarged storm drain as well as an extra turn lane near its newly developed shopping area at Territorial Highway and Route 126. The fund has made gutters and sidewalks possible on Territorial Highway. Extra water and sewer lines were installed on Jeans Road. The city has plans to improve streets in the old downtown section. In the early years the tax increment fund was \$30,000. In 1989 it increased to \$60,000, in 1990 to \$100,000.

The Cottage Grove Urban Renewal Project which was started in 1969 was closed out in 1986. See page 5 in March 1990 LWVLC Everymember Material for information about projects.

The Springfield Project which was started in 1950 was closed out a number of years ago. However, it may be interesting to compare the increase in assessed values of Lane County during the same period of time. Lane County was chosen because the city of Eugene's boundaries have increased since 1968 as has the Eugene School District No. 4-J's boundaries. Lane County's, of course, have remained consistent as have the boundaries of the Central Eugene Renewal Project. The assessed value in Lane County in 1968 was \$1,545,305,315. The assessed value in Lane County in 1989 was \$6,823,054,270, not including exempt or personal property. This is a 341% increase.

The difference in the percent of increase in the value of the urban renewal area and the County could be a result of much more building occurring in the County and in the city outside the urban renewal area. During 1977 and 1978, there was a great surge of residential building in the city of Eugene.

There have been some parcels of land and portions of parcels in the Central Urban Renewal District that have been taken off the tax roll since 1968 for public use. This may be another reason for the difference in the percent of increase in the value of the urban renewal area and the County. During the period when Eugene could use Tax Increment Financing to match federal funds to eliminate blight, much improvement was made. Improvement slowed after federal funds were eliminated in 1974. Refer to LWVLC March 1990 Everymember Material, page 7, for listing of projects.

2. Are there are other feasible funding options for urban renewal besides tax increment financing?

It is assumed that the urban renewal activities will be carried on by an urban renewal agency as distinguished from a city or a county. That agency is a public body corporate

and politic, separate and distinct from that of a city or county which establishes the agency. A city council or board of county commissioners may serve as the governing body of the agency as in the city of Eugene. As an alternative a separate group of persons could be appointed as the agency's governing body.

That agency by Oregon law may use tax increment financing to pay for indebtedness incurred to carry out its projects. (ORS 457.420). It may also use the following sources as funds to pay for its activities:

a. Users Fees - These fees are charges made to the users of agency facilities such as parking permits charged to persons who park in parking structures or on parking lots owned by the agency.

b. Special Assessments - These are charges made to owners of property for benefits accruing to their property such as street and sidewalk paving.

c. Revenue From Lease of Agency-Owned Property - That would be revenue from lease of agency-owned property such as lease of stores and restaurants in agency owned parking structures.

d. Revenue From Sale of Agency-Owned Property - Both developed and undeveloped land owned by the city may be sold either below or above the cost for that land or improvements.

e. Funding From City, State or Federal Governments - The funding is generally for specific purposes such as for loans for housing and historic building renovation, (e.g. the Tiffany Building).

In considering alternative financing methods to tax increment financing, a city or county may elect not to establish an urban renewal agency and instead make the improvements or carry on the activity through its usual form of financing. This means, of course, it would not have tax increment financing available to it, but it would have the following methods of raising funds. This list is not inclusive.

Income Tax	Sales Tax	Room Tax
Serial Levy	Excise Tax	Business License Tax
Bond Issue	System Development	Real Estate Transfer Tax
Restaurant Tax	Charge	

3. What are the statutory provisions for and limitations on public participation and decision-making under tax increment financing?

provide for public involvement in all stages in the development of an urban renewal plan."

The federal government mandated, first, that states pass enabling legislation and, second, that local governments provide matching funds. In 1951 the Oregon legislature responded by passing an urban renewal law (ORS Chapter 457) that enabled local governments to receive urban renewal grants.In 1957 legislative changes in Chapter 457 allowed city councils or county commissions, as well as separate bodies appointed by the city or county, to function as urban renewal agencies. In 1960 Oregon voters approved tax increment financing as a constitutional amendment. Implementing legislation was passed in 1961.

Oregon Revised Statute 457.035 deals with the creation of urban renewal agencies: "(1) In each municipality....there hereby is created a public body corporate and politic to be known as the Urban Renewal Agency of the municipality." The agency cannot exercise its powers until the governing body of the city or county by non-emergency ordinance* declares that blighted areas exist there and that an urban renewal agency is needed to function. The city council or county commissioners must then elect to use the urban renewal agency to draw up a plan for renewal of the blighted area.

After the designated Urban Renewal Agency presents its renewal plan, the governing body may approve the plan which includes all of the requirements listed in ORS 457; for example, anticipated completion date, estimated amount of money required, anticipated year in which indebtedness will be retired, and a fiscal impact statement for all taxing entities. The plan may be approved only after public notice, hearing, and consideration of public testimony and planning commission recommendation (ORS 457.220) by non-emergency ordinance.*

The governing body must publish notice that it has adopted the urban renewal plan as an ordinance no later than four days after its adoption. (ORS 457.095)

Any substantial change made in the plan shall, before being carried out, be approved and recorded in the same manner as the original plan (ORS 457.220.2). The plan is presumed valid for all purposes 90 days after adoption. "No direct or collateral attack on the action may thereafter be commenced." (ORS 457.135)

(Above explanation of question three from "Urban Renewal and Tax Increment Financing", March 1990. LWVLC page 2)

Footnote: *The plan cannot be enacted for 90 days, an interval allowed to give the public a chance to object.

4. What are the possible community projects and goals, with and/or without urban renewal districts, current and proposed?

a. Low-Rent Housing - City and county programs for providing housing for persons of low income have been extensively studied and are high on the governmental units priority list.

b. Library - A request for voter approval of a bond issue for the construction of a Eugene library may be made. A portion of the library's cost may come from tax increment financing.

c. Lane Transit District Downtown Eugene Station - The location of an LTD station has been and continues to be studied. A portion of its cost may be tax increment financing.

d. Wetland Mitigation - The large expense required by private property owners to comply with the federal and state wetland mitigation requirements may be partially funded by tax increment financing as well as private financing.

e. Glenwood Infrastructure - The completion of the Glenwood refinement plan means it will be time to implement the plan's public projects.

f. Valley River Bridge - A bridge across the Willamette River near the Valley River shopping center would provide access from west Eugene.

5. What is the effect of Measure No. 5 on Tax Increment Financing likely to be?

The passage of statewide Measure 5 which limits the rate of taxation on property was reviewed by the Oregon Attorney General in his opinion no. 8216 dated September 7, 1990. In part, the opinion provides: "Although our conclusion is not free from doubt, we conclude [urban renewal tax increment] revenues are 'taxes' within the meaning of that term as it is defined in the measure [no. 5] and are subject to the measure's limits" It is not subject to the tax base limitation of Oregon Constitution Article XI, Section 11.

The portion of the tax increment flowing to the urban renewal agency that is to be used to pay principal and interest on bonded indebtedness of the agency is not subject to either of the limitations on property taxes contained in the measure. It may be necessary for the legislature to provide a method for determining the amount of any of the tax increment that was to be used to pay bonded indebtedness.

All urban renewal tax increment revenues are subject to the non-school limit, whether or not the amount of those revenues is determined in part by the rate applicable to the school district levy, because those revenues are not dedicated to be used 'exclusively for educational purposes.'

There will be a change in the method of valuing property as well as a number of other changes which must be fleshed out by statute and regulation.

6. What action has LWVLC taken in the area of urban renewal?

The first section of the 1983 LWVLC position on Capital Improvement Financing provides:

"Of the factors to be considered in evaluating revenue sources-adequacy, equity, ease of administration, feasibility and the benefits received principle-the League of Women Voters of Lane County believes equity is the most important."

The League used this position May 11, 1987 to support the Private Investment Incentive Plan (PIIP) in Springfield, which included tax increment financing.

It used this position May 15, 1990 to support the Central Eugene Urban Renewal Plan update.

Committee members: Beth Campbell, Dorothy Chambers, Joan Cook, Sue Girardeau, Ruth Hermach, Ruth Miller, Richard Miller.

ADDENDUM #1

True Cash Value reflects the income derived from property. The rise in income value of the kinds of commodities predominantly sold downtown were low on the totem pole in the breakout of elements of inflation, based on the CPI (Consumer Price Index).

The Statistical Abstract of the United States (1986) shows the percentage of increases in prices of certain commodities that have been staples of a downtown economy. (The abstract changed the base year from 1967 to 1984 in 1985, therefore, a current comparison is not available).

<u>Items</u>	<u>% of Increase 1967-1984</u>
Apparel-Men & Boys	92%
Women & Girls	64%
Footwear	110%
Household Furnishings	99%
Prescription Drugs	134%
Toilet Goods	170%
Entertainment Services	158%
Entertainment Commodities	153%
Automobiles, new	109%
Gasoline	270%
Food Away From Home	233%
Physicians Services	277%

By contrast, the components of the CPI that increased the most in the period are not downtown income and value producers:

Gas (piped) and Electric	345%
Fuel Oil	551%
Hospital Room	571%

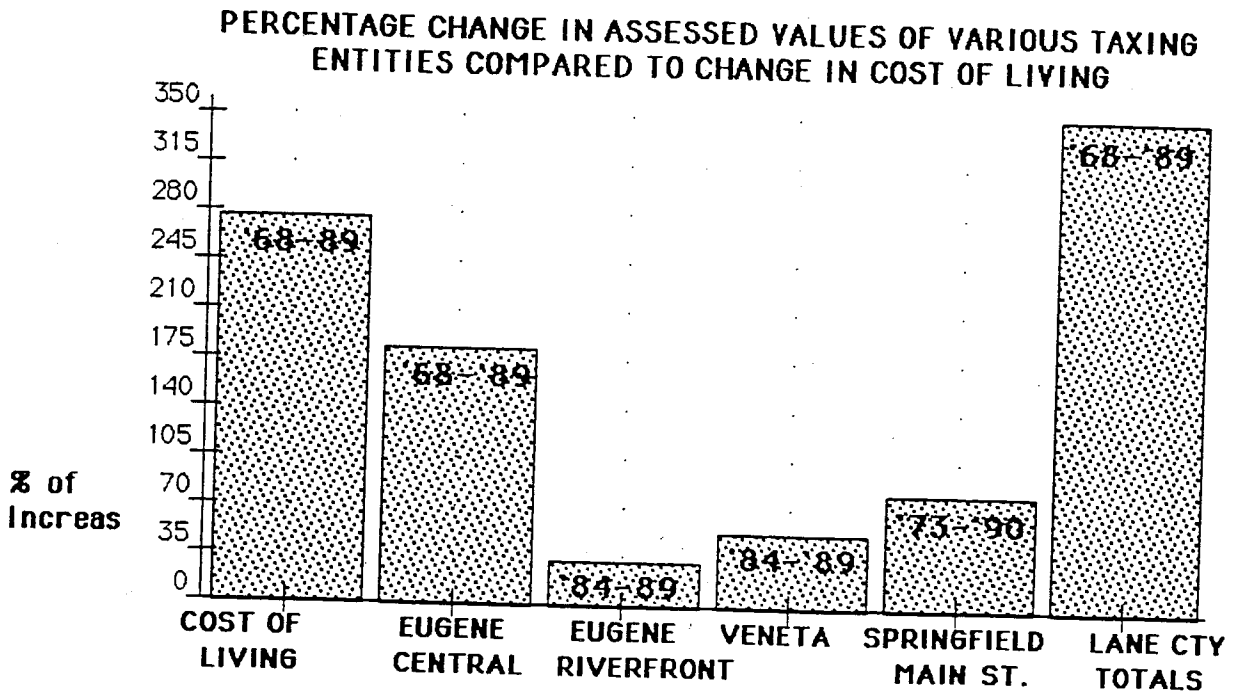
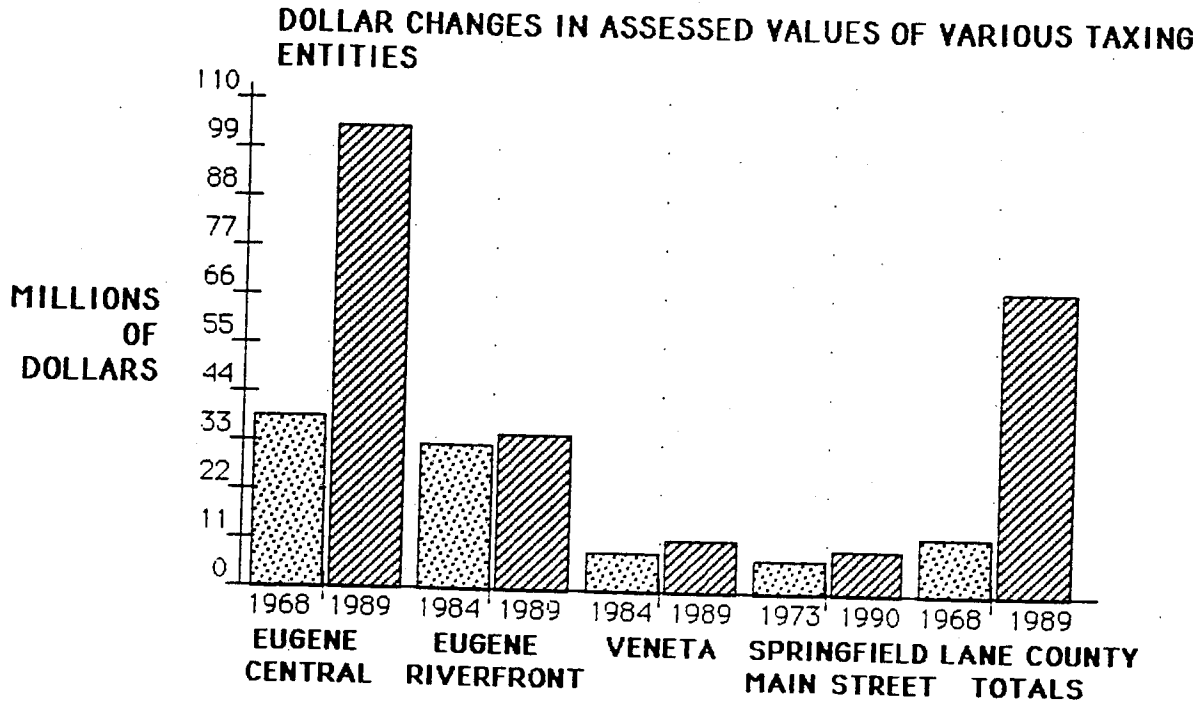
The only professional service listed is a physician's services at 277%. While those services are provided downtown, it is not clear how directly their service costs relate to structure values.

Unfortunately, the CPI does not provide any information on attorneys, accountants, financial institutions, etc., which comprise a significant elements in downtown. However, the figures in the other list do highlight why the Downtown Renewal Area true cash value increase of 135%, 1968-1986 may not be a sign of failure. We also have no way of knowing if there would have been this increase without the urban renewal project in downtown.

Research information by Betty Niven, September 26, 1987.

The cost of living (CPI) in 1968 was 104.2 based on the 1967 base year of 100. Using the same base year the U.S. City Average CPI in January, 1989 was 362.7. The increase was 248%.

ADDENDUM #2



Discussion Questions

1. An objective measurement of the success or failure of tax increment financing is difficult to determine.

(a) What measurements do you think are reasonable?

(b) What conclusion should be drawn about the success or failure of tax increment financing in Lane County.

2. How adequate are the current provisions for public participation and decision making under tax increment financing other than the initiative, referendum and recall powers?

3. Which of the currently considered community projects are appropriate for Tax Increment Financing?

Questions for Consensus and League Positions

1. Does the League support tax increment financing (TIF) as one way to finance the projects?

2. Does the League support financing for urban renewal projects by other means than Tax Increment Financing?

3. What activities should be financed by tax increment financing? In discussing this question, you may wish to give particular consideration to the \$5,000,000 reserve fund for general Central Eugene Project activities and the \$2,000,000 reserve fund for parking structures in the Central Eugene Project area.

(a) As to type of structure: infrastructure, such as sewers, streets, sidewalks and bridges; parking facilities; public buildings; privately-owned buildings; wetland mitigation land banks.

(b) As to general types of locations: downtown; industrial parks; research park; office parks; residential developments.

(c) As to specific activities: low-rent housing; library; West Eugene wetland mitigation land banks; Valley River bridge; downtown mall streets; downtown mall plaza; downtown parking structures; LTD downtown Eugene station.

4. Should more effective voter control over tax increment financing and project areas be implemented by requiring some or all of the following?

(a) Voting on each public project.

(b) Voting on the authorization of projects which exceed a fixed minimum amount of money.

(c) Voting on the authorization of debt instruments (e.g. bonds) the terms of which exceed a fixed minimum amount of time.

(d) Voting on the creation of a new district; expansion of an existing district; termination of existing urban renewal project areas.

(e) Voting on the original plan and any substantial change made to the plan (League position states: "4. citizen participation: realistic citizen control and participation should be provided"). (from LWVLC position statement of Capital Improvement Financing)

(f) Requiring tax statements to show the portion which goes to the tax increment fund.

(g) Voting on public projects which have a major impact on the community as determined by the city council.