

Why use Urban Renewal in Cornelius?

Cornelius is in the process of completing a Town Center Plan that will provide guidance for developing Cornelius as a vibrant and prosperous city, drawing people in from other areas of the city and neighboring communities. The Town Center Plan will contain a list of projects that should be completed to enable Cornelius to develop according to the vision of its citizens. The funding from creating an urban renewal area will provide a financing tool to help complete these projects and other needed projects in your community.

What is Urban Renewal?

Urban Renewal is one of the few tools for encouraging local economic development. It has been used for decades in cities including more than 100 urban renewal areas in Oregon. Urban renewal plans provide cities with an alternative revenue stream called tax increment financing. This revenue stream may be used on projects and programs in specifically designated urban renewal areas.

How is an Urban Renewal Plan Started?

Cornelius convened a Technical Advisory Committee to discuss urban renewal boundary options, potential projects, and financial information. Upon completing the advisory committee process, the recommendations will be used to prepare an Urban Renewal Plan which will establish an official urban renewal boundary, goals and objectives for the area, and outline projects and programs which will help improve conditions of the area. The plan also sets the spending limit, or maximum indebtedness, for the urban renewal area. The Urban Renewal Plan is also accompanied by a technical report which contains the financial feasibility analysis and makes projections for when funding will become available to pursue projects within the area.

How is an Urban Renewal Plan Adopted?

Prior to being adopted by the City Council, every Urban Renewal Plan must go through the public review process which includes:

- Urban Renewal Agency meeting
- Consult and confer with all overlapping taxing districts
- County briefing
- Planning Commission meeting
- City Council hearing and vote

Any action by the City Council must be by non-emergency ordinance and after a public hearing is held. Notice of the public hearing must be sent to households in the city. Non-emergency ordinances can be referred to voters within 30 days of adoption.

How does Tax Increment Financing Work?

While urban renewal itself does not increase property tax rates, it does function on the increases in property tax revenues from year-to-year. An individual property tax payer's property taxes may increase for two reasons. One, the assessor can increase property values at a rate of 3% per year and does so in most cases, and, two, if the individual completed a substantial renovation or new construction on their property resulting in increased assessed valuation. When an urban renewal area is created the property tax revenue from that area is diverted into two revenue streams. The first stream is called "the frozen base". The frozen base is the total assessed value of the urban renewal area from the year the urban renewal area was formed. The property taxes from the



frozen base revenue stream continues to go to the regular taxing jurisdictions, such as the city, the county, and the school district. The second revenue stream is any increase over the frozen base which is called “the increment”. The increment represents the basis for tax increment financing and is any increase assessed valuation and the resulting property tax revenues above the frozen base. The second revenue stream goes to the urban renewal agency for use on projects, programs, and administration throughout the life of the district.

How are Overlapping Taxing Districts Impacted by Urban Renewal?

The overlapping taxing districts continue to receive property tax revenues on the frozen base assessed value of the area, but do not receive property tax revenues from any growth in the area. Schools are not directly impacted by urban renewal. They are funded on a per-student basis from the State School Fund as determined by the Oregon Legislature. That per-student funding amount is not directly impacted due to urban renewal in your community.

Once an urban renewal area is terminated, there will generally 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 economic development in the area.

How does an Urban Renewal Area Function?

An urban renewal area is run by an urban renewal agency which at its most basic level has income, expenses, and a spending limit. The income for an urban renewal agency is its

yearly tax increment financing revenues. The expenses for an urban renewal agency are its yearly expenditures on projects, programs and administration. The spending limit for an urban renewal agency is its maximum indebtedness. Maximum indebtedness is the total amount of money that can be spent in an urban renewal area on projects, programs and administration.

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

Urban renewal agencies can do certain projects or activities under an adopted Urban Renewal Plan. These activities generally include:

- Construction or improvement of public facilities including streets, utilities, parks and other public uses.
- Acquisition and improvement of property.
- Participation with developers for property improvement.

How does Urban Renewal Impact Property Tax Payers?

The “division of taxes”, which represents the vast majority of tax increment financing revenues, does not increase property tax rates. Regardless, every taxpayer in a city where an urban renewal district exists will see an indication of urban renewal as a line item on their property tax bill. This can be confusing, but just remember that when an urban renewal area is created, it changes how the existing taxes paid on a property are divided out amongst the taxing districts. Your property tax bill amount would remain exactly the same with or without urban renewal - the money would just be distributed differently among the taxing jurisdictions. This division of taxes allows for a portion of the property taxes to be paid to the urban renewal agency to complete projects in your community.