

Senate Bill 1085

Sponsored by Senator MONROE (Pre-session filed.)

SUMMARY

The following summary is not prepared by the sponsors of the measure and is not a part of the body thereof subject to consideration by the Legislative Assembly. It is an editor's brief statement of the essential features of the measure **as introduced**.

Permits urban renewal plans to include school construction or reconstruction projects and funding for fire equipment to serve urban renewal areas. Permits certain urban renewal plans to add certain noncontiguous lands to urban renewal areas. Requires urban renewal agencies to categorize tax increment revenues used for school projects within urban renewal plan as school system funds. Takes effect on 91st day following adjournment sine die.

A BILL FOR AN ACT

1
2 Relating to urban renewal; amending ORS 310.150, 457.010, 457.085, 457.170, 457.190, 457.220 and
3 457.460; and prescribing an effective date.

4 **Be It Enacted by the People of the State of Oregon:**

5 **SECTION 1.** ORS 457.010 is amended to read:

6 457.010. As used in this chapter, unless the context requires otherwise:

7 (1) "Blighted areas" means areas that, by reason of deterioration, faulty planning, inadequate
8 or improper facilities, deleterious land use or the existence of unsafe structures, or any combination
9 of these factors, are detrimental to the safety, health or welfare of the community. A blighted area
10 is characterized by the existence of one or more of the following conditions:

11 (a) The existence of buildings and structures, used or intended to be used for living, commercial,
12 industrial or other purposes, or any combination of those uses, that are unfit or unsafe to occupy
13 for those purposes because of any one or a combination of the following conditions:

14 (A) Defective design and quality of physical construction;

15 (B) Faulty interior arrangement and exterior spacing;

16 (C) Overcrowding and a high density of population;

17 (D) Inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities;

18 or

19 (E) Obsolescence, deterioration, dilapidation, mixed character or shifting of uses;

20 (b) An economic dislocation, deterioration or disuse of property resulting from faulty planning;

21 (c) The division or subdivision and sale of property or lots of irregular form and shape and in-
22 adequate size or dimensions for property usefulness and development;

23 (d) The laying out of property or lots in disregard of contours, drainage and other physical
24 characteristics of the terrain and surrounding conditions;

25 (e) The existence of inadequate streets and other rights of way, open spaces and utilities;

26 (f) The existence of property or lots or other areas that are subject to inundation by water;

27 (g) A prevalence of depreciated values, impaired investments and social and economic
28 maladjustments to such an extent that the capacity to pay taxes is reduced and tax receipts are
29 inadequate for the cost of public services rendered;

30 (h) A growing or total lack of proper utilization of areas, resulting in a stagnant and unpro-

NOTE: Matter in **boldfaced** type in an amended section is new; matter *[italic and bracketed]* is existing law to be omitted. New sections are in **boldfaced** type.

1 ductive condition of land potentially useful and valuable for contributing to the public health, safety
2 and welfare; [or]

3 (i) A loss of population and reduction of proper utilization of the area, resulting in its further
4 deterioration and added costs to the taxpayer for the creation of new public facilities and services
5 elsewhere[.]; **or**

6 **(j) The existence of physical, economic or financial conditions that prevent or impede the**
7 **construction or reconstruction of public facilities within the area or in a nearby area.**

8 (2) "Certified statement" means the statement prepared and filed pursuant to ORS 457.430 or
9 an amendment to the certified statement prepared and filed pursuant to ORS 457.430.

10 (3) "City" means any incorporated city.

11 (4) "Consolidated billing tax rate" means:

12 (a) If the urban renewal plan is an existing urban renewal plan (other than an existing urban
13 renewal plan designated as an Option Three plan under ORS 457.435 (2)(c)), an urban renewal plan
14 that was an existing urban renewal plan on October 6, 2001, (other than an existing urban renewal
15 plan designated as an Option Three plan under ORS 457.435 (2)(c)) and that was substantially
16 amended as described in ORS 457.085 (2)(i)(A) or (B) on or after October 6, 2001, or an urban re-
17 newal plan adopted on or after October 6, 2001, the total of all district tax rates used to extend
18 taxes after any adjustment to reflect tax offsets under ORS 310.105, but does not include any rate
19 derived from:

20 (A) Any urban renewal special levy under ORS 457.435;

21 (B) A local option tax, as defined in ORS 280.040, that is approved by taxing district electors
22 after October 6, 2001; or

23 (C) A tax pledged to repay exempt bonded indebtedness (other than exempt bonded indebtedness
24 used to fund local government pension and disability plan obligations that, until funded by the ex-
25 empt bonded indebtedness, were described in section 11 (5), Article XI of the Oregon Constitution),
26 as defined in ORS 310.140, that is approved by taxing district electors after October 6, 2001; and

27 (b) In the case of all other urban renewal plans, the total of all district ad valorem property tax
28 rates used to extend taxes after any adjustments to reflect tax offsets under ORS 310.105, except
29 that "consolidated billing tax rate" does not include any urban renewal special levy rate under ORS
30 457.435.

31 (5)(a) "Existing urban renewal plan" means an urban renewal plan that provides for a division
32 of ad valorem property taxes as described under ORS 457.420 to 457.460 adopted by ordinance before
33 December 6, 1996, that:

34 (A) Except for an amendment made on account of ORS 457.190 (3) and subject to paragraph (b)
35 of this subsection, is not changed by substantial amendment, as described in ORS 457.085 (2)(i)(A)
36 or (B), on or after December 6, 1996; and

37 (B) For tax years beginning on or after July 1, 1998, includes the limit on indebtedness as de-
38 scribed in ORS 457.190 (3).

39 (b) If, on or after July 1, 1998, the maximum limit on indebtedness (adopted by ordinance before
40 July 1, 1998, pursuant to ORS 457.190) of an existing urban renewal plan is changed by substantial
41 amendment, then "indebtedness issued or incurred to carry out the existing urban renewal plan" for
42 purposes of ORS 457.435 includes only the indebtedness within the indebtedness limit adopted by
43 ordinance under ORS 457.190 (3)(c) before July 1, 1998.

44 (6) "Fiscal year" means the fiscal year commencing on July 1 and closing on June 30.

45 (7) "Governing body of a municipality" means, in the case of a city, the common council or other

1 legislative body thereof, and, in the case of a county, the board of county commissioners or other
2 legislative body thereof.

3 (8) "Housing authority" or "authority" means any housing authority established pursuant to the
4 Housing Authorities Law.

5 (9) "Increment" means that part of the assessed value of a taxing district attributable to any
6 increase in the assessed value of the property located in an urban renewal area, or portion thereof,
7 over the assessed value specified in the certified statement.

8 (10) "Maximum **amount of indebtedness**" means the amount of the principal of indebtedness
9 included in a plan pursuant to ORS 457.190 and does not include indebtedness incurred to refund
10 or refinance existing indebtedness.

11 (11) "Municipality" means any county or any city in this state. "The municipality" means the
12 municipality for which a particular urban renewal agency is created.

13 (12) "Taxing body" or "taxing district" means the state, city, county or any other taxing unit
14 which has the power to levy a tax.

15 (13) "Urban renewal agency" or "agency" means an urban renewal agency created under ORS
16 457.035 and 457.045.

17 (14) "Urban renewal area" means a blighted area **or nearby noncontiguous land** included in
18 an urban renewal plan or an area included in an urban renewal plan under ORS 457.160.

19 (15) "Urban renewal project" or "project" means any work or undertaking carried out under
20 ORS 457.170 in an urban renewal area.

21 (16) "Urban renewal plan" or "plan" means a plan, as it exists or is changed or modified from
22 time to time for one or more urban renewal areas, as provided in ORS 457.085, 457.095, 457.105,
23 457.115, 457.120, 457.125, 457.135 and 457.220.

24 **SECTION 2.** ORS 457.085 is amended to read:

25 457.085. (1) An urban renewal agency shall provide for public involvement in all stages in the
26 development of an urban renewal plan.

27 (2) An urban renewal plan proposed by an urban renewal agency shall include all of the fol-
28 lowing:

29 (a) A description of each urban renewal project to be undertaken.

30 (b) An outline for the development, redevelopment, improvements, land acquisition, demolition
31 and removal of structures, clearance, rehabilitation or conservation of the urban renewal areas of
32 the plan.

33 (c) A map and legal description of the urban renewal areas of the plan.

34 (d) An explanation of its relationship to definite local objectives regarding appropriate land uses
35 and improved traffic, public transportation, public utilities, telecommunications utilities, recreational
36 and community facilities and other public improvements.

37 (e) An indication of proposed land uses, maximum densities and building requirements for each
38 urban renewal area.

39 (f) A description of the methods to be used for the temporary or permanent relocation of persons
40 living in, and businesses situated in, the urban renewal area of the plan.

41 (g) An indication of which real property may be acquired and the anticipated disposition of said
42 real property, whether by retention, resale, lease or other legal use, together with an estimated time
43 schedule for such acquisition and disposition.

44 (h) If the plan provides for a division of ad valorem taxes under ORS 457.420 to 457.460, the
45 maximum amount of indebtedness that can be issued or incurred under the plan.

1 (i) A description of what types of possible future amendments to the plan are substantial
2 amendments and require the same notice, hearing and approval procedure required of the original
3 plan under ORS 457.095 as provided in ORS 457.220, including but not limited to amendments:

4 (A) Adding land to the urban renewal area, except for an addition of land that totals not more
5 than one percent of the existing area of the urban renewal area.

6 (B) Increasing the maximum amount of indebtedness that can be issued or incurred under the
7 plan.

8 (j) For a project [*which*] **that** includes a public building, an explanation of how the building
9 serves or benefits the urban renewal area.

10 **(k) For a project that includes an undertaking to acquire funding for fire apparatus to**
11 **primarily serve the urban renewal area, evidence of the projected useful life of the fire ap-**
12 **paratus and an explanation of how the fire apparatus will primarily serve the urban renewal**
13 **area.**

14 (3) An urban renewal plan shall be accompanied by a report which shall contain:

15 (a) A description of physical, social and economic conditions in the urban renewal areas of the
16 plan and the expected impact, including the fiscal impact, of the plan in light of added services or
17 increased population;

18 (b) Reasons for selection of each urban renewal area in the plan;

19 (c) The relationship between each project to be undertaken under the plan and the existing
20 conditions in the urban renewal area;

21 (d) The estimated total cost of each project and the sources of moneys to pay such costs;

22 (e) The anticipated completion date for each project;

23 (f) The estimated amount of money required in each urban renewal area under ORS 457.420 to
24 457.460 and the anticipated year in which indebtedness will be retired or otherwise provided for
25 under ORS 457.420 to 457.460;

26 (g) A financial analysis of the plan with sufficient information to determine feasibility;

27 (h) A fiscal impact statement that estimates the impact of the tax increment financing, both until
28 and after the indebtedness is repaid, upon all entities levying taxes upon property in the urban re-
29 newal area; and

30 (i) A relocation report which shall include:

31 (A) An analysis of existing residents or businesses required to relocate permanently or tempo-
32 rarily as a result of agency actions under ORS 457.170;

33 (B) A description of the methods to be used for the temporary or permanent relocation of per-
34 sons living in, and businesses situated in, the urban renewal area in accordance with ORS 35.500
35 to 35.530; and

36 (C) An enumeration, by cost range, of the existing housing units in the urban renewal areas of
37 the plan to be destroyed or altered and new units to be added.

38 (4) An urban renewal plan and accompanying report shall be forwarded to the planning com-
39 mission of the municipality for recommendations[, *prior to*] **before** presenting the plan to the gov-
40 erning body of the municipality for approval under ORS 457.095.

41 (5) An urban renewal plan and accompanying report shall be forwarded to the governing body
42 of each taxing district affected by the urban renewal plan and the agency shall consult and confer
43 with the taxing districts [*prior to*] **before** presenting the plan to the governing body of the munici-
44 pality for approval under ORS 457.095. Any written recommendations of the governing body of each
45 taxing district shall be accepted, rejected or modified by the governing body of the municipality in

1 adopting the plan.

2 (6) No urban renewal plan shall be carried out until the plan has been approved by the gov-
 3 erning body of each municipality pursuant to ORS 457.095 and 457.105.

4 **SECTION 3.** ORS 457.170 is amended to read:

5 457.170. An urban renewal agency may plan or undertake any urban renewal project to carry
 6 out an approved urban renewal plan. In planning or undertaking an urban renewal project, the
 7 urban renewal agency has the power:

8 (1) To carry out any work or undertaking and exercise any powers which a housing authority
 9 is authorized to perform or exercise under ORS 456.055 to 456.235, subject to the provisions of this
 10 chapter provided, however, that ORS 456.155 and 456.160 do not limit the power of an agency in
 11 event of a default by a purchaser or lessee of land in an urban renewal plan to acquire property
 12 and operate it free from the restrictions in those sections.

13 (2) To carry out any rehabilitation or conservation work in an urban renewal area.

14 (3) To acquire real property, by condemnation if necessary, when needed to carry out the plan.

15 (4) To clear any areas acquired, including the demolition, removal or rehabilitation of buildings
 16 and improvements.

17 (5) To install, construct or reconstruct streets, utilities and site improvements in accordance
 18 with the urban renewal plan.

19 **(6) To undertake a project to acquire fire apparatus with a projected useful life of 10**
 20 **years or more, if the fire apparatus will primarily serve the urban renewal area.**

21 **(7) To construct or reconstruct public schools in accordance with the urban renewal plan.**

22 [(6)] (8) To carry out plans for a program of the voluntary repair and rehabilitation of buildings
 23 or other improvements in an urban renewal area in accordance with the urban renewal plan.

24 [(7)] (9) To assist in relocating persons living in, and property situated in, the urban renewal
 25 area in accordance with the approved urban renewal plan and to make relocation payments.

26 [(8)] (10) To dispose of, including by sale or lease, any property or part thereof acquired in the
 27 urban renewal area in accordance with the approved urban renewal plan.

28 [(9)] (11) To plan, undertake and carry out neighborhood development programs consisting of
 29 urban renewal project undertakings in one or more urban renewal areas which are planned and
 30 carried out on the basis of annual increments in accordance with the provisions of this chapter for
 31 planning and carrying out urban renewal plans.

32 [(10)] (12) To accomplish a combination of the things listed in this section to carry out an urban
 33 renewal plan.

34 **SECTION 4.** ORS 457.190 is amended to read:

35 457.190. (1) An urban renewal agency may borrow money and accept advances, loans, grants and
 36 any other form of financial assistance from the federal government, the state, county or other public
 37 body, or from any sources, public or private, for the purposes of undertaking and carrying out urban
 38 renewal projects.

39 (2) An urban renewal agency may do all things necessary or desirable to secure such financial
 40 aid, including obligating itself in any contract with the federal government for federal financial aid
 41 to convey to the federal government the project to which the contract relates upon the occurrence
 42 of a substantial default thereunder, in the same manner as a housing authority may do to secure
 43 such aid in connection with blighted area clearance and housing projects under the Housing Au-
 44 thorities Law.

45 (3)(a)(A) Each urban renewal plan adopted by ordinance on or after July 14, 1997, that provides

1 for a division of taxes pursuant to ORS 457.440 shall include in the plan the maximum amount of
 2 indebtedness that may be issued or incurred under the plan. Notwithstanding subsection (1) of this
 3 section, if a maximum amount of indebtedness is not included in the plan, the urban renewal agency
 4 may not issue indebtedness for which taxes divided under ORS 457.440 are to be pledged to carry
 5 out the plan.

6 **(B) The maximum amount of indebtedness that may be issued or incurred under an ur-**
 7 **ban renewal plan adopted by ordinance on or after June 1, 2008, that provides for a division**
 8 **of taxes pursuant to ORS 457.440 must be based upon good faith estimates of the scope and**
 9 **costs of projects, including but not limited to increases in costs due to reasonably anticipated**
 10 **inflation, that are based on the anticipated project completion dates in the report accompa-**
 11 **nying the plan. Anticipated completion dates may not exceed 20 years from the date the or-**
 12 **dinance approving the plan is adopted.**

13 **(C) If the maximum amount of indebtedness that may be issued or incurred under an**
 14 **urban renewal plan is increased by amendment of the plan on or after June 1, 2008, the in-**
 15 **creased amount must be based upon the anticipated project completion dates in the report**
 16 **accompanying the amendment. Anticipated completion dates may not exceed 20 years from**
 17 **the date the ordinance approving the amendment is adopted.**

18 (b) Each urban renewal plan adopted by ordinance on or after December 6, 1996, and before July
 19 14, 1997, that provides for a division of taxes pursuant to ORS 457.440 but does not include a max-
 20 imum amount of indebtedness that may be issued or incurred under the plan shall be changed, by
 21 substantial plan amendment pursuant to ORS 457.220, to include the maximum amount of indebt-
 22 edness that may be issued or incurred under the plan before July 1, 2000. Notwithstanding sub-
 23 section (1) of this section, if a maximum amount of indebtedness is not included in the plan on or
 24 before July 1, 2000, the urban renewal agency may not on or after July 1, 2000, issue indebtedness
 25 for which taxes divided under ORS 457.440 are to be pledged to carry out the plan.

26 (c)(A) Each existing urban renewal plan that provides for a division of taxes pursuant to ORS
 27 457.420 to 457.460 may be changed by substantial amendment no later than July 1, 1998, to include
 28 a maximum amount of indebtedness that may be issued or incurred under the plan determined as
 29 described in subparagraph (B) of this paragraph. The additional notices required under ORS 457.120
 30 are not required for an amendment adopted pursuant to this paragraph.

31 (B) The maximum amount of indebtedness that may be issued or incurred under the plan, as
 32 determined for purposes of meeting the requirements of this paragraph, shall be based upon good
 33 faith estimates of the scope and costs of projects, including but not limited to increases in costs due
 34 to reasonably anticipated inflation, in the existing urban renewal plan and the schedule for their
 35 completion as completion dates were anticipated as of December 5, 1996. The maximum amount of
 36 indebtedness shall be specified in dollars and cents.

37 (C) Notwithstanding subsection (1) of this section, if a maximum amount of indebtedness is not
 38 adopted for an existing urban renewal plan as described in this paragraph before July 1, 1998, the
 39 urban renewal agency may not collect funds under ORS 457.435.

40 **SECTION 5.** ORS 457.220 is amended to read:

41 457.220. (1) Except for the provisions of subsection (2) of this section, an urban renewal agency
 42 shall carry out the urban renewal plan approved under ORS 457.095.

43 (2) Any substantial change made in the urban renewal plan shall, before being carried out, be
 44 approved and recorded in the same manner as the original plan.

45 (3) [No] Land equal to **not** more than 20 percent of the total land area of the original plan

1 *[shall]* **may** be added to the urban renewal areas of a plan by amendments.

2 **(4)(a) In addition to and not in lieu of land added to an urban renewal area under sub-**
 3 **section (3) of this section, noncontiguous land may be added to an urban renewal area of a**
 4 **plan by amendment if:**

5 **(A) The cumulative area of the noncontiguous land does not exceed 10 percent of the**
 6 **urban renewal area described in the original plan;**

7 **(B) The plan was in effect for at least 10 years before the adoption of the amendment**
 8 **adding the noncontiguous land; and**

9 **(C) The amount of money available to pay the cost of the plan has increased from the**
 10 **estimates required to be filed with the original plan under ORS 457.085 by at least 10 percent.**

11 **(b)(A) An amendment adding noncontiguous land to an urban renewal area must include**
 12 **an increase in the maximum amount of indebtedness allowed under the plan. The increase**
 13 **in the maximum amount of indebtedness allowed under this subsection is in addition to and**
 14 **not in lieu of other increases in the maximum amount of indebtedness otherwise authorized**
 15 **by this chapter.**

16 **(B) An amount of not more than 15 percent of the difference between the original maxi-**
 17 **imum amount of indebtedness and the maximum amount of indebtedness allowed under the**
 18 **amendment adopted under this subsection must be allocated by the plan for projects that**
 19 **are:**

20 **(i) Located in the noncontiguous area; and**

21 **(ii) Eligible for tax increment expenditures under ORS 457.170.**

22 **SECTION 6.** ORS 457.460 is amended to read:

23 457.460. (1) An agency shall, by *[August 1 of each]* **January 31 of the year next following the**
 24 **close of the fiscal** year, prepare a statement on the same basis on which its financial statements
 25 are prepared containing:

26 (a) The amount of money received during the preceding fiscal year under ORS 457.420 to 457.460
 27 and from indebtedness incurred under ORS 457.420 to 457.460[,], **stated separately for each urban**
 28 **renewal plan administered by the agency;**

29 **(b) The amount of money in the special fund of the urban renewal agency attributed to**
 30 **each urban renewal plan at the end of the preceding fiscal year;**

31 **(c) The total outstanding indebtedness for each urban renewal plan administered by the**
 32 **agency at the end of the preceding fiscal year;**

33 *[(b)]* **(d) The purposes and amounts for which any money received under ORS 457.420 to 457.460**
 34 **and from indebtedness incurred under ORS 457.420 to 457.460 were expended during the preceding**
 35 **fiscal year;**

36 *[(c)]* **(e) An estimate of moneys to be received during the current fiscal year under ORS 457.420**
 37 **to 457.460 and from indebtedness incurred under ORS 457.420 to 457.460;**

38 *[(d)]* **(f) A budget setting forth the purposes and estimated amounts for which the moneys which**
 39 **have been or will be received under ORS 457.420 to 457.460 and from indebtedness incurred under**
 40 **ORS 457.420 to 457.460 are to be expended during the current fiscal year; and**

41 *[(e)]* **(g) An analysis of the impact, if any, of carrying out the urban renewal plan on the tax**
 42 **collections for the preceding year for all taxing districts included under ORS 457.430.**

43 (2) The statement required by subsection (1) of this section shall be filed with the governing
 44 body of the municipality **and the county assessor of the county in which the administrative**
 45 **offices of the agency are located.** Notice shall be published that the statement has been prepared

1 and is on file with the municipality, **the county assessor** and the agency and the information con-
 2 tained in the statement is available to all interested persons. The notice shall be published once a
 3 week for not less than two successive weeks before [*September*] **March** 1 of the year [*for*] **in** which
 4 the statement is [*required*] **filed** in accordance with ORS 457.115. The notice shall summarize the
 5 information required under subsection (1)(a) to [(*d*)] **(f)** of this section and shall set forth in full the
 6 information required under subsection [(*1*)(*e*)] **(1)(g)** of this section.

7 **SECTION 7.** ORS 310.150 is amended to read:

8 310.150. (1) The three categories within which ad valorem property tax items are to be cate-
 9 gorized in the notice to be filed under ORS 310.060 and for which category rates of ad valorem
 10 property taxes are to be computed under ORS 310.090 and tentative consolidated category rates are
 11 to be computed for each code area under ORS 310.147 are as follows:

12 (a) Taxes levied or imposed for the purpose of funding exempt bonded indebtedness.

13 (b) Taxes levied or imposed for the purpose of funding the public school system and that are not
 14 described in paragraph (a) of this subsection.

15 (c) Taxes levied or imposed for the purpose of funding government operations other than public
 16 school system operations and that are not described in paragraph (a) of this subsection.

17 (2) After computation of the tentative ad valorem property tax consolidated rate for each cate-
 18 gory under ORS 310.147, and after calculation of the amount of ad valorem property taxes to be
 19 imposed on properties in the county, but before extending any taxes on the assessment and tax roll,
 20 the assessor shall determine whether the total amount of taxes on property to be imposed on each
 21 property in the code area in each category is within the limits described in subsection (3) of this
 22 section.

23 (3)(a) The assessor shall determine whether the ad valorem property taxes to be imposed on any
 24 property exceed the limits described in this subsection in order to ensure, as guaranteed in section
 25 11 (11) and 11b, Article XI of the Oregon Constitution, that taxes imposed in each geographic area
 26 taxed by the same local taxing districts do not exceed \$5 (public school system) and \$10 (other
 27 government) per \$1,000 of real market value.

28 (b) For the category of taxes imposed for the purpose of funding the public school system that
 29 are not for the purpose of paying principal and interest on exempt bonded indebtedness, if the ten-
 30 tative consolidated ad valorem property tax rate determined under subsection (2) of this section
 31 exceeds \$5 per \$1,000 of real market value, the consolidated rate shall be adjusted as provided in
 32 this section so that the consolidated rate for the public school system category equals \$5 per \$1,000
 33 of real market value.

34 (c) For the category of taxes imposed for the purpose of funding government operations other
 35 than the public school system and that are not for the purpose of paying principal and interest on
 36 exempt bonded indebtedness, if the tentative consolidated ad valorem property tax rate exceeds \$10
 37 per \$1,000 of real market value, the consolidated rate shall be adjusted as provided in this section
 38 so that the consolidated rate for the other government category equals \$10 per \$1,000 of real market
 39 value.

40 (d) For the category of taxes imposed for the purpose of paying principal and interest on exempt
 41 bonded indebtedness, the tentative consolidated rate determined under subsection (2) of this section
 42 shall be the consolidated rate for the exempt bonded indebtedness category.

43 (4) If the taxes on property in either category to be imposed on any property in the code area
 44 exceed the limit established for that category in subsection (3) of this section, the assessor shall
 45 reduce the taxes by applying a reduction ratio.

1 (5)(a) If local option taxes described under ORS 280.040 to 280.145 have been adopted by one or
2 more taxing districts in the code area, the reduction ratio shall be calculated under this subsection
3 and applied only to the local option taxes imposed on the property for which the taxes are being
4 determined.

5 (b) Local option taxes subject to compression under this subsection include urban renewal divi-
6 sion of tax revenue that is derived from the division of local option tax authority.

7 (c) The numerator of the reduction ratio shall be the amount obtained (but not less than zero)
8 by subtracting the tentative consolidated category rate of ad valorem property taxes that are not
9 local option taxes from the maximum rate of ad valorem property taxes for the category described
10 in subsection (3) of this section.

11 (d) The denominator for the ratio shall be the total rate of all local option taxes for the cate-
12 gory.

13 (e) The assessor shall multiply the reduction ratio determined under this subsection by each
14 local option tax amount to which the property is subject in the category.

15 (f) So reduced, the assessor shall again determine if the total taxes for the category to be im-
16 posed on the property exceed the limits described in subsection (3) of this section. If the reduced
17 taxes for the category do not exceed the category limit, such taxes shall be the taxes used to com-
18 pute the consolidated rate for the code area in which the property is located. If the reduced taxes
19 for the category still exceed the category limit after all local option taxes have been eliminated, the
20 taxes in the category shall be subject to further reduction under subsection (6) of this section.

21 (6)(a) If the property is not subject to local option taxes or if all local option taxes have been
22 eliminated as a result of the application of the reduction ratio calculated under subsection (5) of this
23 section, and the tentative consolidated rate determined under ORS 310.147 for the category exceeds
24 the maximum rate of ad valorem property taxes for the category described in subsection (3) of this
25 section, the reduction ratio shall be determined under this subsection.

26 (b) The numerator of the reduction ratio shall be the maximum rate permitted for the category
27 described in subsection (3) of this section.

28 (c) The denominator of the reduction ratio shall be the tentative consolidated category rate
29 under ORS 310.147 (or the category rate applicable to the property after the reduction under sub-
30 section (5) of this section, if applicable).

31 (d) The assessor shall multiply the reduction ratio determined under this subsection by the
32 amount of each taxing district item of ad valorem property tax that is a component of the tentative
33 consolidated category rate for the code area in which the property is located.

34 (7) In determining whether the taxes described in subsection (1)(c) of this section exceed the
35 limitation under subsection (3)(c) of this section, all moneys raised through the urban renewal spe-
36 cial levy described in ORS 457.435 and all moneys raised through the urban renewal division of tax,
37 including amounts derived from exempt bonded indebtedness authority and local option tax author-
38 ity, **but not including moneys raised through the urban renewal division of tax that are used**
39 **for urban renewal projects for the construction or reconstruction of public schools**, must be
40 categorized as subject to the limitation described in subsection (3)(c) of this section.

41 **SECTION 8. This 2008 Act takes effect on the 91st day after the date on which the special**
42 **session of the Seventy-fourth Legislative Assembly adjourns sine die.**