

HB 2174 -1 STAFF MEASURE SUMMARY
House Committee On Economic Development

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Meeting Dates: 3/18, 3/27

WHAT THE MEASURE DOES:

Requires delivery of urban renewal plan and accompanying report to the governing body of each taxing district affected by an urban renewal plan and allows governing body of taxing district 60 days following receipt to submit written recommendations to urban renewal agency prior to agency presenting plan for approval. Requires concurrence by three of the four taxing districts estimated to forgo the most property tax revenue when any of the following occur on or after July 1, 2019: proposed urban renewal plan includes a public building project; addition of a public building project to an urban renewal plan; or plan amendments that increase the budget for a public building project more than 20 percent. Defines public building, public building project, reduced rate plan, and standard rate plan for purposes of urban renewal. Requires notice of a hearing on a new proposed urban renewal plan or plan amendments to contain a statement that adoption may affect property tax rates for standard rate urban renewal plans or reduced rate plans whose consolidated bill tax rate includes tax pledged to repay exempt bonded indebtedness approved on or before October 6, 2001. Excludes tax pledged to repay exempt bonded indebtedness approved on or after the effective date of measure from consolidated billing tax rate on urban renewal plans adopted or amended after measure effective date. Limits the addition of area to the urban renewal plan by amendment to 20 percent of the total land area of original plan calculated without considering any subsequent reductions of area. Requires urban renewal agency annual statement to include the maximum indebtedness for each urban renewal area in an agency plan, including amount of indebtedness incurred through the end of the preceding fiscal year. Requires annual financial statement be distributed to each taxing district affected by urban renewal plan of agency and for agency staff to be available to consult with affected taxing districts. Takes effect 91st day following adjournment sine die.

FISCAL: Has minimal fiscal impact

REVENUE: Revenue impact issued

ISSUES DISCUSSED:

- Tax increment financing for water and wastewater projects
- Additional language to address assessor and Department of Revenue concerns
- Actual school district impact as affected taxing district

EFFECT OF AMENDMENT:

-1 Reduces days for governing body of taxing district to respond to urban renewal agency from 60 to 45 days. Clarifies that if three of the four taxing districts concur, a public building project may be included in the proposed plan, but if at least two of the four taxing districts do not concur, the project may not be included in the plan. Requires concurrence of taxing district if an amendment to a plan significantly increases the scope of work for a public building project to be paid for with the division of taxes for urban renewal. Aligns requirement dates with effective date of bill and makes other technical corrections.

BACKGROUND:

Oregon law gives each city and county the ability to activate an urban renewal agency with the 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, rights of way, and utilities. The area where the work is to be

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done is known as the plan area, and 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.

Most urban renewal plans are funded through a tax increment financing mechanism. When the urban renewal plan is created, the assessed value of property within its boundaries is locked in time, or frozen, at the amount calculated from the last certified tax roll prior to the plan's approval. The agency then raises revenue in subsequent years from any value growth above the frozen amount; this value growth is referred to as the increment. The tax rate used to calculate taxes imposed for the urban renewal plan is the consolidated tax rate for the taxing districts within the geographical boundaries of the plan. The sharing of tax between taxing districts that each have a portion of the tax imposed on the frozen base value, and urban renewal agencies that have the tax imposed on the excess value, is also referred to as urban renewal division of tax.

According to Oregon Property Tax Statistics, Fiscal Year 2017-18, by the Oregon Department of Revenue, there were 116 urban renewal plan areas that raised revenue from the division of tax in 2017-18.

House Bill 2174 changes requirements for notification, review, and input by each taxing district affected by an urban renewal plan prior to approval. The measure also requires concurrence by three of the four taxing districts, estimated to forgo the most property tax revenue, when a plan, amendment, or certain budget increase that occurs on or after July 1, 2019, involves a public building project. The measure also requires a notice statement that adoption may affect property tax rates for certain plans and excludes certain taxes pledged to repay exempt bonded indebtedness from the consolidated billing tax rate on plans adopted or amended after the effective date. Finally, House Bill 2174 limits the addition of area to the plan by amendment, requires annual statement to include maximum indebtedness for each urban renewal area, and have the statement distributed to each affected taxing district.