



Urban Renewal FAQs

Please note that the following information serves as a general overview of urban renewal. There are aspects of urban renewal law in Oregon that are complex, and the following information is not intended to serve as an exhaustive description.

What is Urban Renewal?

Urban renewal is a transformative tool, providing a community vision to revitalize an area and a dedicated source of funding. The specialized financing mechanism is dedicated to construction of an agreed upon set of public infrastructure and financing activities ('projects) to spur redevelopment where it might not otherwise occur without public investment.

Why is an urban renewal plan being prepared in conjunction with the Downtown Framework Plan?

The Downtown Framework Plan allowed the public to identify the projects and programs that will guide how downtown and surrounding neighborhoods grow in the future. Urban renewal was being considered as part of the Downtown Framework Plan because it provides a funding source to help pay for sidewalks, street lights, park improvements, and a host of other projects that improve neighborhoods.

How can urban renewal funds be spent?

Urban renewal funds can be spent on capital projects which help to alleviate the deteriorated conditions within the URA. Urban renewal funds can not be used for operations or maintenance.

Eligible expenditures include:

- Permanent public improvements such as transportation facilities, lighting, trees, parks, utilities
- Financial and technical assistance for private reinvestment including storefront grants, home repairs and improvements, and commercial rehabilitation incentives
- Funding partnerships for new housing and mixed use developments
- Land acquisition for public projects or, with a willing seller, for key redevelopment sites
- Planning of capital projects (including development of the urban renewal plan) and general administrative costs related to the activities of the Urban Renewal Agency

How does the City benefit from urban renewal?

Urban renewal can help to stabilize neighborhoods and commercial districts by assisting in the reinvestment of these areas, and by also focusing new development where it is most appropriate. Urban renewal is a potential funding source to fulfill the City's and the public's vision for downtown Hillsboro (and other urban renewal areas that may be considered in the future).



How does Urban Renewal funding work?

A municipality draws a line around a targeted area, identifies specific improvements to be carried out and over time issues bonds to pay for those improvements. The assessed property values that exist at the time the URA is formed are called the “frozen base” – revenues on these values continue to go to the general funds of the affected taxing jurisdictions (e.g., the City and the County) for the life of the URA.

When the URA expires and the urban renewal bonds are fully retired, the increment is restored to the regular tax rolls, and the taxing jurisdictions benefit from the increased valuations that urban renewal helps to instigate. New legislation also allows other taxing districts to benefit from the revenue growth during the term of the urban renewal area.

What are the steps for creating an Urban Renewal Area?

1. Preparation of a feasibility study to determine if the criteria for formation of an URA are met.
2. Preparation of a formal report which addresses the criteria and also satisfies other requirement of Oregon Revised Statutes 457 (State’s Urban Renewal law).
3. Preparation of a Urban Renewal Plan to establish the boundary, maximum indebtedness (maximum amount of urban renewal debt that can be issued over the life of the URA), guiding principles, demonstration of compliance with relevant Comprehensive Plan policies and goals, and a list of eligible improvements.

What are the criteria for creating and Urban Renewal Area?

- The total amount of land within the City’s existing and proposed urban renewal areas constitutes no more than 15% of the total land area in the City.
- The total amount of assessed values within the City’s existing and proposed urban renewal areas constitutes no more than 15% of the City’s total assessed value.
- The area in question meets the statutory definition of “blight”. State urban renewal law makes it clear that “blight” can refer to a host of conditions, including lack of infrastructure, age and physical condition of buildings, under-utilization of property (frequently evaluated in terms of low improvement-to-land value ratios), and other factors.
- Carrying out the urban renewal plan is economically sound and feasible.

Who administers an Urban Renewal Area?

Pursuant to State law, the Hillsboro City Council has opted to delegate urban renewal authority to itself, as the Hillsboro Economic Development Council (HEDC). As the urban renewal agency for Hillsboro, it is the HEDC’s charge to plan and undertake projects in urban renewal plans and to oversee the financial viability of the urban renewal areas.

Can an Urban Renewal Area be amended after its formation? If so, what is the process?

Urban renewal plans must provide a description of the possible types of future amendments that are “substantial” and will therefore require the same noticing, hearing, and approval procedure as the original plan.



The state statutes offer some guidance as to amendments that are required to be defined as “substantial”: those that increase the size of the URA by more than 1%, and those that increase maximum indebtedness by any amount. It is typical for municipalities to define lesser amendments for Council approval or other administrative approvals with specified approval processes.

Can the City condemn property in an Urban Renewal Area?

Under recent state legislation, municipalities cannot condemn property for private development. So, for instance, if the Urban Renewal agency seeks to acquire some or all of a block for what will ultimately be a private use, it can only acquire the affected properties from willing sellers.

The City, under its current authority, can *continue* to condemn property for public improvements (streets, parks, public buildings).

Will urban renewal increase people’s property taxes?

State laws about the value of property for tax purposes (the “assessed value”) are the same regardless of whether or not the property is in a URA. Specifically, state law limits the growth in the assessed value to 3% per year, unless a property owner constructs a major redevelopment or remodel/reuse of the property. Even if *real* market values increase more aggressively due to the beneficial impacts of urban renewal, the *assessed* value will not increase by more than 3%. Since virtually all taxable property in Hillsboro has a real market value substantially higher than the assessed value, urban renewal will have no impact on the assessed value for these properties.

Does urban renewal have a financial impact on taxing jurisdictions?

During the time that the urban renewal plan is in effect, the City, County and other taxing entities will receive the same funding as they are currently collecting in the area. Additionally, once certain tax revenue thresholds are met, the urban renewal area will begin to share in the growth revenue. All existing property tax revenues and the vast majority of future revenues from the City of Hillsboro are disbursed to the taxing districts.

After the URA is closed out, the expectation is that taxing jurisdictions will see *more* revenues than would have taken place if the URA had not been formed in the first place, due to the success of the URA in generating new private investment. The taxing districts typically also benefit by having the URA contribute to development of its capital improvements.

The City is obligated to consult with affected taxing jurisdictions in the feasibility analysis and in the formation of an urban renewal area and to file annual revenue reports. It is also required to send a notice citywide regarding the proposal to form the URA.

Will Urban Renewal have a financial impact on the School district?

As a general rule, the School District is not impacted the same way that the City and the County are. The State of Oregon manages the State School Fund for all K-12 public schools in the state and allocates monies to



districts based on a per pupil basis, not on the collection rate. This means every public school receives the same amount of funding per student from the state fund despite what it collects. A URA would collect tax increment revenues off the Hillsboro School District's permanent rate and levies issued prior to October 2001, and could have a marginal impact on statewide funds, as do all urban renewal areas around the state. .

Has Hillsboro used urban renewal in the past?

The City has only had one Urban Renewal Area in the past – Ronler Acres. This URA is considered a textbook example of a successful urban renewal area. By forming the URA, the City was able to partner with the private sector to create a major high tech campus as well as the Orenco mixed use development. These projects would not have happened without urban renewal. Because of urban renewal the City and County are receiving substantially more tax revenues than would have been the case had the URA not been formed. While the nature of a Downtown Urban Renewal Area will be markedly different than Ronler Acres, urban renewal is nonetheless a powerful funding source to accomplish the City's goals in this important sector of the City.