

Urban Renewal and Tax Increment Financing

Coos County Urban Renewal Background

The Coos County Urban Renewal Agency formed the North Bay Urban Renewal Area in 1986. The North Bay Urban Renewal Area lies to the north of the City of Coos Bay and North Bend and encompasses land area known as the North Spit. The urban renewal area also includes the waters of Coos Bay adjacent to the spit. The urban renewal plan was first adopted in 1986 and was updated in 1998, 2000, and 2006.

In 2017 the Coos County Urban Renewal Agency (Agency) hired a consulting team to review and update the North Bay Urban Renewal Plan. This will occur in the form of an amendment to the urban renewal plan, accompanied by a technical report on that amendment. The North Bay Urban Renewal Plan was set to expire in 2018 and needed to be updated to extend the life of the Area so that the Agency can collect tax revenues and fund projects beyond 2018. The Area has not reached its maximum indebtedness and has many projects which need to be completed to facilitate the growth in the Area.

As part of the substantial amendment to extend the duration of the Plan, the project list was reviewed and revised. The projects were prioritized into either a Tier 1 or Tier 2 classification. Tier 1 projects are projects that have funding allocated to them in the plan and report, Tier 2 projects do not have funding allocated to them at this time, but have been left in the Plan in case economic conditions change or other funding sources emerge at a later date. Major project categories include utilities, public parks and open space, public buildings and facilities, transportation improvements, environmental mitigation activities, redevelopment loans, and plan administration.

What is Urban Renewal?

Urban renewal is a financing program authorized under state law and implemented locally that allows for the concentrated use of property tax revenues to facilitate economic growth in certain designated areas of a city or county. These areas are called “blighted” by state statute and typically contain sections of a city or county which are underdeveloped and not contributing fully to the local economy. They can have buildings which are in need of renovation, property which should be developed or redeveloped, utilities and street systems in poor repair or needing upgrading. In this Area, there are major deficiencies in the infrastructure serving the Area.

The underpinning theory of urban renewal is that if these properties and the surrounding infrastructure are upgraded, they will develop more fully and contribute more substantially to the local economy and to the property taxes which support all of the taxing jurisdictions.

What is Maximum Indebtedness?

Maximum Indebtedness is the total amount of money an urban renewal agency may spend on projects, programs and administration over the life of the urban renewal area. The maximum indebtedness of the North Bay Urban Renewal Area is \$60,900,390. Less than ten percent of that amount has been used to date.

What is the Adoption Process for an Urban Renewal Plan Amendment?

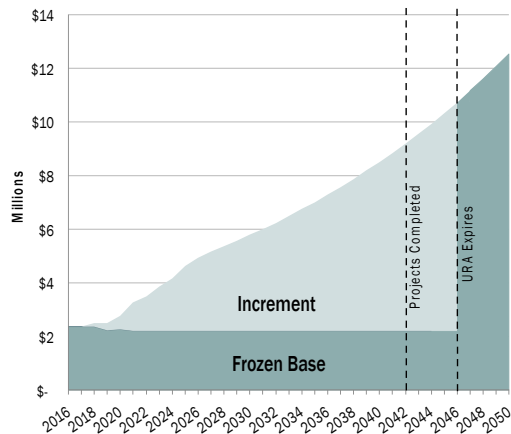
The Coos County Urban Renewal Agency directs the preparation of an urban renewal plan amendment. Once a draft amendment is prepared, it must be circulated to the impacted taxing jurisdictions for their review and comment. There will also be an Open House to solicit public comment. The amendment must be presented to the Urban Renewal Agency, Planning Commission, the Cities of North Bend and Coos Bay and to the Coos County Commission. Any action by the County Commission must be by non-emergency ordinance, after a public hearing is held. Notice of the public hearing must be sent to each property owner in the Area.

Non-emergency ordinances can be referred to voters within 30 days of adoption.

How are Urban Renewal Plans Financed?

Urban renewal is one of the few remaining tools for encouraging local economic development. It is unique in that it has its own funding source, tax increment financing. At the time an urban renewal plan is adopted, the county assessor calculates the total assessed value of the area and establishes this value as the “frozen base” for the area. Growth above the base is called the “increment”. Tax increment revenues are the property tax revenues generated off the increase in the assessed values over the frozen base (not including rates for General Obligation Bonds and Local Levies approved by voters after October, 2001). This concept is shown in the chart on the next page.

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How Does Tax Increment Financing Affect Overlapping Taxing Districts?

Taxing jurisdictions gain revenues through the collection of property taxes. Property tax increases come through new development and the statutory limit of 3% increase in assessed values on existing real property. During the use of tax increment financing, the permanent rate property taxes on the **growth** in assessed value in the urban renewal area are allocated to the Urban Renewal Agency and not the taxing district. The taxing jurisdictions still are able to collect the property tax revenues from the assessed value of the frozen base, but increases in revenues are allocated to the Urban Renewal Agency for use within the urban renewal area. The school district and education service district are not directly impacted by urban renewal as their funding comes from the state school fund on a per pupil basis.

In many urban renewal areas, that growth from new investment would not have occurred but for the use of urban renewal which has stimulated the growth. This is especially true if infrastructure is necessary to allow development to proceed.

Once an urban renewal area is terminated, there generally will 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 the area to develop properly.

How Does Tax Increment Financing Affect Property Tax Payers?

In Coos County there are three components to urban renewal financing collections, two of which impact the property tax payer directly.

First, there is the division of taxes, which does not impact your property tax bill. Division of taxes is the allocation of taxes off the growth in assessed value the Area to the Agency rather than to the other taxing jurisdictions. Once an urban renewal plan is adopted in an urban renewal area, tax payers within the County will see a line item on their property tax statements for urban renewal. This can be quite confusing because even if you are not physically located in the urban renewal area, you will see an indication of the impact of urban renewal on your property tax bill. Your overall tax bill does not increase due to the division of taxes, but the allocation of revenues received from your payment is changed as a portion of that payment now goes to the urban renewal agency.

Second, there are tax collections from bonds issued prior to October 6, 2001. These amount to a \$0.34 per \$100,000 value impact on property tax payers over the 20-year life of the Area. While urban renewal does not generally impact bonds, it does impact bonds issued prior to October 6, 2001. Coos County has two such bonds, one from Coos County and one from North Bend Schools. While this does cause an impact to the property tax payer, it is a relatively minute impact of \$0.34 per \$100,000 of assessed value over the 20-year life of the Area. The impact of the North Bend School District bond is only on the property tax payers in the North Bend School District.

This is an Option One urban renewal area. Option One urban renewal areas are **not** allowed to take any tax collections from bonds issued after October 2001. So, if the Coos Bay School District bond is passed this November, urban renewal will **not** take any of those bond proceeds.