

**INFORMATIONAL MEETING,
URBAN RENEWAL DISTRICTS OVERVIEW
TAPES 41-42, A-B**

**SENATE REVENUE COMMITTEE
FEBRUARY 22, 2005 8:30 AM STATE CAPITOL BUILDING**

Members Present: Senator Ryan Deckert, Chair
Senator Rick Metsger
Senator Floyd Prozanski
Senator Charles Starr, Vice Chair

Members Excused: Senator Gary George

Witness Present: John Phillips, Oregon Dept. of Revenue
Jeffrey Tashman, Association of Oregon Redevelopment Agencies
Karen Williams, Lane Powell PC, Portland
Wade Fickler, City Club of Portland
David Mandell, City Club of Portland
Paul R. Meyer, City Club of Portland
Paul Fellner, City Club of Oregon
John F. Williams, Jr., former mayor of Oregon City
Henry (Chip) Lazenby, Jr., Portland Development Commission

Staff Present: Paul Warner, Legislative Revenue Officer
Mary Ayala, Economist
Barbara Guardino, Committee Assistant

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005 Chair Deckert Calls meeting to order at 8:35 a.m.

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020 Mary Ayala Begins overview of urban renewal districts. Introduces experts who will speak to the committee.

032 Chair Deckert Announces, SB 412, which deals with the school component of urban renewal, will not be discussed until tomorrow.

043 John Phillips Gives historical overview of Oregon's urban renewal. See handouts: Urban Renewal Historical overview (**EXHIBIT 1**); and Urban Renewal Information Circular (**EXHIBIT 2**).

056 Jeffrey Tashman Presents overview of the concepts of urban renewal. See written testimony, Senate Revenue Committee Overview of Urban Renewal (**EXHIBIT 3**).

072 Tashman Urban renewal grew out of a federal program that required local matching funds for projects. In 1959 Oregon voters approved a constitutional amendment to create tax increment financing to match the federal money.

092 Tashman Since Measure 5 there has been intense interest in urban renewal. One reason is that it is one of the few remaining locally controlled

		financing tools communities have.
105	Tashman	Discusses urban renewal programs that he worked on and jobs that were generated as a result. Urban renewal changed drastically with passage of Measure 50. Impact is now on taxing districts, not taxpayers.
145	Tashman	Discusses page 3, Urban Renewal Division of Taxes equation.
186	Karen Williams	Gives white board presentation. Governing body draws a geographic boundary around a city that is suffering from slum or blight. Explains the difference between slum and blight.
225	Sen. Prozanski	Asks whether this definition has been tested in the courts.
230	K. Williams	Does not know.
248	Chair Deckert	Asks whether it would be important to better define the term “blight.”
255	K. Williams	No. There are already industry standards in place.
274	K. Williams	Continues white board presentation. Discusses concept of creating a frozen base model in terms of property tax value. Gives example of Macadam area in southwest Portland. Transportation and infrastructure improvements enabled growth.
360	K. Williams	Explains selling tax increment bonds. Explains reason for financing urban renewal with bond sales.
399	Chair Deckert	Asks Williams to respond to a prior conversation concerning a city not having to levy to the full extent. Follow-up questions.
408	K. Williams	Clarifies, if there are problems with urban renewal, how should they be addressed? There are several alternatives. Final message is urban renewal is a local process undertaken by local officials. One question is how to facilitate more local accountability.
441	K. Williams	Resumes white board presentation. Until “maximum indebtedness” is reached and the bonds are paid off, the urban renewal plan continues to function and the tax increment revenues are pledged to the bondholders.

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030	K. Williams	Conceptually, urban renewal is like a property tax trust that must be managed for beneficiaries.
064	Chair Deckert	Requests concept be drafted as an amendment.
069	Phillips	Continues historic overview of urban renewal (exhibit 1) Pre-Measure 5 treatment through 1990 – visibility.
101	Phillips	Today Oregon has a number of plan options.
126	Chair Deckert	Asks for an estimate on how much of this money is foregone to police, fire and schools.
133	Phillips	Directs attention to exhibit 2, chart on page 3 in partial response. Will

get additional data.

- 153 Tashman Comments, the easiest way to answer this question is not the most accurate.
- 175 Chair Deckert Asks questions in regard to the transfer of school funding to the state. There is a wave gathering on anything that encroaches upon school funding.
- 196 Tashman Responds, 3% of total assessed value was not taxed by schools. Policy decision is a trade-off of short-term and long-term.
- 220 K. Williams Urges legislators to think long-term in this process. Reminds them that during the robust 1990s they didn't plan into the future, and have had trouble recovering. Urban renewal could go the same way.
- 250 K. Williams Discusses how urban renewal benefits schools; for example, affordable housing allows poor children to compete with their peers.
- 293 Wade Fickler Introduces City Club of Portland colleagues who were part of a committee that studied Portland Development Commission. Directs members' attention to Portland Development Commission, Governance, Structure and Process (**EXHIBIT 4**), Affordable Housing in Portland (**EXHIBIT 5**), and summary City Club of Portland, Good citizens are the riches of a city (**EXHIBIT 6**).
- 324 Fickler Explains, PDC is a quasi-governmental urban renewal agency.
- 338 David Mandell Reads exhibit 6 written testimony, verbatim. Tax Increment Financing (TIF) is a broken tool.
- 440 Mandell Refers to white board chart, frozen base, increase in cost of projects.
- 468 Mandell Page 2, paragraph 2: Measure 50 has also significantly undermined the original rationale for tax increment financing.

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- 035 Mandell Page 3: Tax Increment Financing as Funding Source for Funding TIF has become a significant source of funding for affordable housing.
- 040 Mandell Summarizes, if TIF is broken, it still may be the only tool we have. Asks whether public is getting its money's worth from TIF. City Club cannot answer this question. But it contributes to jobs, parks, green spaces, vibrant neighborhoods.
- 069 Paul Meyer Recommends committee amend TIF to permit affordable housing funds to be spent outside an urban renewal area.
- 074 Chair Deckert Comments, this possible amendment may be in SB 412. In argument against this, what would the effect be on a private developer who knows a percentage would go out of the district?
- 087 Mandell Proposal would increase the ability to generate TIF.
- 098 Meyer That's because affordable housing might be non-profit.

105	Sen. Metsger	Asks, when bonds are paid off, how are they assessed at that point?
121	Meyer	No differently. New construction will be assessed at its value. New construction creates a new value. That's capped by M50 so won't appear in the increment. Only new construction will be the source of the TIF.
133	Chair Deckert	Wonders if Portland has been too aggressive in making new urban renewal districts.
144	Mandell	Part of the issue is how to make it more clear to the public what are the trade-offs in entering into an urban renewal project. Question can no longer be whether it seems like a good investment. Must also look at public investments that are being foregone.
160	Meyer	Does not believe state legislature needs to concern itself about internal operations. That's a matter for Portland to deal with.
176	Chair Deckert	Natural nexus is the state school fund.
201	Meyer	Directs members' attention to chart on inside back cover of exhibit 4, page 83.
210	Meyer	Committee has concluded a lot of good gets done. Does not want to leave impression that it is negative on the concept. Just trying to focus on ways to improve the process.
215	Chair Deckert	Legislature's focus is, are there changes and updates to be made? Requests having recommendations drafted into amendments.
231	John F. Williams	Suggests committee consider two separate bills, one for Portland metro area and one for rest of the state. Urban renewal has worked to detriment to the rest of the state. Gives example in Oregon City.
282	J. Williams	Discusses urban renewal in relation to Oregon City schools. Contends that urban renewal taxes are not going to the schools. Taxpayers don't know where their money is going.
340	Chip Lazenby	Clarifies an earlier question by Sen. Metsger on what happens to individual properties once an urban renewal district ends. Individual taxes will go up as valuations go up. Addresses Chair Deckert's concern on making affordable housing dollars portable. Also, California's system might not be a good overlay for Oregon. Contends abolishing PDC is untenable.
412	Chair Deckert	Portland has used urban growth more than anywhere else. Why?
424	Lazenby	It's more a matter of longevity than anything else. It's been a process Portland has used over and over. Would have to define what chair means by too aggressive.
455	Chair Deckert	Is there a culture in Portland that's looking for blight to develop?

- 018 Lazenby One positive aspect of City Club report is the need for Portland to be more focused as a community. Needs to be more deliberate in its decision making processes. Basic structure in how urban renewal agencies work is sound.
- 045 Chair Deckert Closes informational hearing. Adjourns meeting at 10:00 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. Informational for SB 412, Urban Renewal Historical Overview, Phillips, 3 pp.
2. Informational for SB 412, Information Circular Urban Renewal, April 2004, Phillips, 3 pp.
3. Informational for SB 412, Senate Revenue Committee Overview of Urban Renewal, Tashman Johnson LLC, Tashman, 6 pp.
4. Informational for SB 412, City Club of Portland – Portland Development Commission, Governance, Structure and Process, Fickler, 92 pp.
5. Informational for SB 412, The City Club of Portland Report – Affordable Housing in Portland, Fickler, 140 pp.
6. Informational for SB 412, Invited Testimony: Tax Increment Financing as a Funding Source for Urban Renewal, Economic Development and Housing, Mandell, 10 pp.