

**INFORMATIONAL MEETING:
URBAN RENEWAL DISTRICTS OVERVIEW
PUBLIC HEARING, SB 412
TAPES 43, 44, A-B**

**SENATE REVENUE COMMITTEE
FEBRUARY 23, 2005 8:30 AM STATE CAPITOL BUILDING**

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

Members Excused: Senator Gary George
Senator Rick Metsger

Witnesses Present: Sen. Kurt Schrader, Canby
John F. Williams, Jr., former mayor, Oregon City
Michelle Deister, League of Oregon Cities
Todd Scott, Astoria
Hasina Squires, Special Districts Assoc. of Oregon
Kyle Gorman, Clackamas Fire District I
Alec Jensen, Tualatin Valley Fire & Rescue
Chip Lazenby, Portland Development Commission
Jeffrey Tashman, Association of Oregon Redevelopment Agencies
Eric Johansen, City of Portland debt manager

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

TAPE 43, SIDE A

005 Chair Deckert Calls meeting to order at 8:45 a.m.

PUBLIC HEARING, SB 412

030 Steve Meyer Gives overview of SB 412. See Revenue Impact of Proposed Legislation (**EXHIBIT 1**). Eliminates the use of school district property taxes to fund future urban renewal plans.

063 Sen. Kurt Schrader Testifies in favor of SB 412. Urban renewal districts provide great opportunities for economic development, but there are trade-offs. Gives example of home town Canby. Notes, school property taxes become part of the urban renewal district instead of schools. Wonders if citizens realize this. His goal is to cut school districts out of urban renewal districts and put the funds back into schools.

109 Chair Deckert Comments, opponents claim urban renewal districts benefit schools because of escalated property value. The benefit would take years.

119 Sen. Schrader Responds, the time frame is the issue. Also, urban renewal districts are automatically renewed. Calls for a set end point.

133 John Williams, Jr. Testifies in favor of bill. Oregon City has had very little benefit from

urban renewal despite spending in past 25 years. Hopes to exempt schools in the future. He calculated the amount of money that's gone out of the schools and found \$250 million over the last 10 years.

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| 202 | Williams | Objects to the practice of school operating funds being converted into capital costs in particular areas of the state. Portland is the biggest recipient. He figures at least \$75,000 per school district per year is lost. School boards should be able to opt in or out. |
| 244 | Williams | Suggests other options such as excusing part of excess value, returning it to schools, or taking a frozen base and adding a percentage for inflation. |
| 250 | Chair Deckert | Asks, after 20 years could that base grow? |
| 258 | Williams | Expresses concern with the issue of oversight. State should oversee urban renewal projects, perhaps annual inspections of plans. Agencies should communicate with school boards. |
| 312 | Chair Deckert | Likes the idea of informing school boards. |
| 333 | Williams | Bill calls for notifying voters about urban renewal plans. Example: Oregon City repaving project will cost \$2.5 million. Urban renewal has supposedly paid for it. In fact, it will be paid for by school, fire and police funds. People should know this to make informed choices. |
| 357 | Williams | Agencies should guarantee land values will not go down. Also, borrowed money should at least make 10% back or it's not worth borrowing. |
| 383 | Sen. Prozanski | Wonders how agencies could demonstrate there will not be a downturn. |
| 393 | Williams | Gives example of hilltop project in Oregon City. Developers should be able to prove development will increase values. |
| 434 | Chair Deckert | Requests that Dr. Ayala research other states, whether they have put on sideboards that would require more of urban renewal agencies. |
| 458 | Williams | Emphasizes, money sources must be identified up front. There must be better public education. |

TAPE 44, SIDE A

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| 037 | Williams | Remarks on how long is reasonable to extend bond payments while schools don't get profits. |
| 065 | Chair Deckert | Asks, once an urban renewal district begins and property values are frozen, is it possible or legal to end it? |
| 070 | Williams | Land value site tax could solve a lot of problems. |
| 085 | Chair Deckert | Would like an answer concerning Sen. Metsger's inquiries as to, what happens to property values once a project is completed. |
| 110 | Michelle Deister | Testifies against SB 412. See written testimony (EXHIBIT 2). Urban renewal is an effective tool for communities large and small. It's not |

appropriate for every city, which is why not every city has urban renewal districts.

157	Deister	Asks state to maintain effectiveness and flexibility and honor existing commitments to bondholders.
173	Todd Scott	Testifies against SB 412. Details how Astoria has benefited from urban renewal funds. Without school option Astoria's projects would have been scaled back by about one-third.
206	Scott	Continues, urban renewal has had significant impact on health care, tourism, historic buildings and schools. Astoria was economically depressed and urban renewal has revitalized it.
228	Chair Deckert	Asks how much Tax Increment Financing (TIF) money has been generated in the last five years.
234	Scott	Responds, over \$2 million, which has leveraged \$25 million. Astoria's urban renewal district covers 50 acres. Catalyst was the area around the old county fairgrounds.
266	Chair Deckert	Asks how much private investment would have been accomplished without the urban renewal program. Asks questions on school board participation.
270	Scott	Astoria is transparent in letting public know where the money goes.
278	Deister	Notes, "statutory sideboards" that require consultation with taxing districts may not necessarily be in the form of a vote of boards. Without buy-ins, an urban renewal agency won't be able to produce.
321	Chair Deckert	Follow-up questions.
351	Hasina Squires	Neutral. See Facts about Urban Renewal and Tax Increment Financing in Oregon and in Clackamas County (EXHIBIT 3).
401	Squires	Would like committee to consider these concepts: 1) mandatory removal of rural fire protection districts after 15 years 2) local flexibility on both city and county levels
421	Kyle Gorman	Neutral. Clackamas County Fire District is not fundamentally opposed to urban renewal. It does oppose the fact that it has no limits. No Clackamas County urban renewal district has ever been terminated. Originally the agency was open 5 years. Then the rules changed. Today, the fire district runs 40% of its emergency calls within urban renewal district and receives 10% of revenues from it. Fire district can't protect the public anymore.

TAPE 43, SIDE B

054	Gorman	Asks committee to consider 2 proposals: <ul style="list-style-type: none">• Sunset fire districts' term, suggests 15 years
060	Chair Deckert	Wonders how developers would receive a 15-year sunset.

084	Gorman	Responds, there are two sets of private investors in an urban renewal agency – those who finance projects and those who build. Problem is, the maturities of financing don't match the maturities of the project. Gives an example of a site that was built three times.
115	Sen. Prozanski	Requests more detail on the example building project.
118	Gorman	Responds. Contends, at some point, urban renewal interferes with the private market.
135	Chair Deckert	Follow-up questions and discussion concerning 15-year sunset.
175	Gorman	Urban renewal agencies do not need permission to start or extend an urban renewal district. Fire District has no say in growth matters. There's a proposal to rebuild Clackamas Town Center, which was originally built by urban renewal. Agency has outlived the project it was set up for. It costs Clackamas Fire District \$1.7 million per year in lost revenues. That equates to 2 fire stations that have not been built.
249	Gorman	Concludes, Clackamas Town Center area has a frozen base of \$35 million. The excess value on town center is \$409 million. Fire district is serving the area at 1980 prices with no COLA adjustment. That's 10 times its original value.
286	Alec Jensen	Neutral. Tualatin Valley Fire & Rescue has had a good experience with urban renewal. However, cities and counties, in creating urban renewal agencies, can't opt out. Proposal No. 2: <ul style="list-style-type: none"> • Allow cities and counties (fire and police) to opt out of a program at the beginning
295	Chair Deckert	Questions concerning opting out.
355	Gorman	Responds. Concluding remarks concerning a time-specific life of urban renewal agencies.
441	Chair Deckert	Suggests that "sideboards" might need to be put into place in terms of containing urban renewal programs.
459	Chip Lazenby	Testifies against SB 412. Directs members' attention to two pieces of information: slide show (EXHIBIT 4) and brochure, Urban Renewal: Its Role in Shaping Portland's Future (EXHIBIT 5).

TAPE 44, SIDE B

024	Lazenby	Draws committee's attention to exhibit 5, chart on page 9: Snapshot of Five URAs 2002. Discusses page 8.
042	Lazenby	Directs members' attention to exhibit 4, graph on page 8: Downtown Waterfront. Page 2, Urban Renewal Basic Funding Concepts.
055	Lazenby	Page 5: Downtown Waterfront – Tax Increment Revenues Page 7: Downtown Waterfront – URA Assessed Valuation

066	Chair Deckert	Asks questions concerning graphs on pages 5 and 7.
095	Jeffrey Tashman	Describes difference in plans that existed before and after HB 4750. Change in 2001 legislation is significant because if a district approves a levy, it immediately gets the benefits. Voters approve a local option, and they get all of it.
125	Lazenby	Continues discussion, page 8: Compares Incremental AV Used with Incremental AV Released to Taxing Districts
141	Lazenby	Page 16: Downtown Waterfront Case Study 1: Pioneer Place Page 17: Downtown Waterfront Case Study 2: RiverPlace Page 18: Downtown Waterfront Case Study 3: 2100 River Pkwy
165	Lazenby	Comments on whether those affected have a say in urban renewal. In Portland, elected officials are in charge of this.
175	Chair Deckert	Asks, what would be the problem with formalizing communication with affected fire and school districts.
199	Lazenby	Responds, there could be complications. PDC already goes to the affected districts every year. Doubts a formal process would help. Also concerned with abuses of process in St. Louis and other cities.
215	Lazenby	Concludes with policy issue: State gets a revenue forecast it has to live with. Urban renewal agencies take revenue and borrow money from bond markets to invest and repay. There's a real difference between a spending model and investment model. Keep investment model in mind.
244	Lazenby	Directs members' attention to exhibit 4, page 18. Anticipates argument that these are tough economic times so spend less on urban renewal and more on schools. Warns that the value of the investment would be lost.
274	Lazenby	Suggests that committee consider finding a balance in the issue. Consider an inverse frozen base cap.
296	Tashman	Presents two AORA exhibits for the February 22, 2005 record: Overview of Urban Renewal (EXHIBIT 6) and Testimony on SB 412 (EXHIBIT 7). Current law requires a fiscal impact analysis when doing urban renewal plan that must be shared with overlapping taxing districts. Could get more formal at what point in the process that occurs. Earlier is better.
355	Chair Deckert	Asks questions concerning sharing information.
388	Eric Johansen	Oregon's urban renewal tax system is already very complicated. Cautions committee not to try to satisfy all needs.
452	Chair Deckert	Summarizes discussion in three categories: opting out, raising the bar and technical governance.
474	Chair	Adjourns meeting at 10:35 a.m.

Tape Log Submitted by,

Barbara Guardino, Committee Assistant

Exhibit Summary:

1. SB 412, Revenue Impact of Proposed Legislation, Meyer, 2/19/05, 1 pp.
2. SB 412, Senate Revenue Committee, February 23, 2005, Michelle Deister, League of Oregon Cities, Deister, 1 pp.
3. SB 412, Facts about Urban Renewal and Tax Increment Financing in Oregon and in Clackamas County, Squires, 1 pp.
4. SB 412, Urban Renewal Basic Funding Concepts, Lazenby, 18 pp.
5. SB 412, Urban Renewal: Its Role in Shaping Portland's Future, Lazenby, 22 pp.
6. SB 412, Association of Oregon Redevelopment Agencies, Overview of Urban Renewal, Tashman, for February 22, 2005 public hearing, 2 pp.
7. SB 412, Association of Oregon Redevelopment Agencies, Testimony on SB 412, Tashman, for February 22, 2005 public hearing, 1 pp.