

Tape 3 (A/B)
Tape 4 (A)
Work Session: HB
255 0

HOUSE COMMITTEE ON REVENUE AND SCHOOL FINANCE
SUBCOMMITTEE ON PROPERTY TAXATION

March 6, 1991 8:00 AM Hearing Room 357 State Capitol Building

Members Present: Representative Fred Parkinson, Chair
Representative Kelly Clark
Representative Carl Hosticka
Representative Delna Jones
Representative Jim Whitty

Staff Present: Jim Scherzinger, Legislative Revenue Officer
Linda Leach, Committee Assistant

Witnesses Present: BJ Smith, League of Oregon Cities
Glenn Klein, League of Oregon Cities
Elizabeth Stockdale, Department of Justice
Larry Lehman, City Manager, Seaside, Oregon Kim Worrell, Association of
Oregon Counties Oliver Norville, Counsel, Urban Renewal Districts Gary
Eide, City Manager, Salem, Oregon

TAPE 3 SIDE A

005 CHAIR PARKINSON called the meeting to order at 8:12 and conducted
administrative business.

WORK SESSION - HB

255 0

018 JIM SCHERZINGER explained how an urban renewal district works and used
Seaside Urban Renewal District 1990-91 as an example. Exhibit 1

052 Questions and discussion interspersed.

104 REP. HOSTICKA commented on the effect of lower tax rates if an urban
renewal district did not exist.

115 JIM SCHERZINGER described Urban Renewal Options 1 and 2 and pointed out
an issue for the committee to review of who is paying the tax for urban
renewal districts. He used an example of a Seaside Urban Renewal District.
Option 1 represents a point of view that the tax rate is higher for the
school district (or city, county, community college) because of the Urban
Renewal District. Exhibit 2

173 JIM SCHERZINGER pointed out that Option 2 represents a point of view
that the taxpayer within the Urban Renewal District is paying the urban
renewal district taxes. Exhibit 2

These minutes paraphrase and/or summarize statements made during this
meeting. Text enclosed in quotation marks reports the speakers exact words.
For complete context of proceedings, please refer to the tape recording.

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200 JIM SCHERZINGER referred the members to Urban Renewal Option 3 and
commented on the Oregon Constitution. He referred to HB 2550, page 168173
which deals with Urban Renewal. Exhibit 3

225 Questions and discussion.

240 JIM SCHERZINGER added that Option 1 is represented in HB 2550.

,262 JIM SCHERZINGER compared Option 1 and Option 2 assuming there was a \$5
rate cap. Exhibit 2

361 Questions and discussion regarding tax rates at the end of an urban

renewal district.

TAPE 4 SIDE

A

002 CHAIR PARKINSON questioned the taxpayer burden under Option 2.

005 JIM SCHERZINGER pointed out a potential for higher taxes within an urban renewal district under Option 2 than outside the district. The impact depends on the amount of levies which are bonded debt, the ratio of base to excess value, and relationships among districts outside the limit.

026 Questions and discussion regarding increased revenue for districts at the end of an urban renewal district.

038 CHAIR PARKINSON requested a comparison of the current system to a system under Measure 5 relating to an end of an urban renewal district.

050 JIM SCHERZINGER pointed out Option 3 is presented by Urban Renewal Districts. He reviewed Option 3 which tends to raise more money for schools (similar to Option 1). Option 3 does not spread any urban renewal tax beyond the city limits of the creating entity. Exhibits 2, 3

104 Questions and discussion.

117 JIM SCHERZINGER read a portion (ad valorem taxes) of the Oregon Constitution Article IX which authorizes urban renewal projects. Exhibit 4

148 JIM SCHERZINGER referred to a handout from the League of Oregon Cities entitled How Does Tax Increment Financing Work Now?. Exhibit 5

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155 GLENN KLEIN commented that the League of Oregon Cities supports Option 3. He explained three goals in developing Option 3:

1) Minimize disincentives for economic development and private investment in the urban renewal districts by avoiding significant rate differences inside and outside of the urban renewal district.

2) Minimize losses to schools and other governmental entities.

3) Minimize the effects of urban renewal outside the city or county which created the district. He explained Option 2 was inconsistent ,with the goals outlined.

199 Questions and discussion regarding maintenance of urban renewal districts.

251 REP. WHITTY favored Option 3.

260 JIM SCHERZINGER pointed out an element that has not been reviewed in relationship to Option 3. He explained a potential legal risk regarding application to Measure 5 limits (how urban renewal taxes are levied).

294 REP. CLARK favored Option 1 more than Option 3.

302 ELIZABETH STOCKDALE reviewed a recent court case dealing with urban renewal based on tax incrementing system principal. She summarized by saying the Department of Justice would be able to defend Options 1, 2 or 3 as far as consistency with the Constitution.

She pointed out Options 1 or 3 would require statutory language.

374 LARRY LEHMAN supported Option 3 and noted a preference not to be in competition with outlying cities for money under the Measure 5 cap.

TAPE 3 SIDE

B

006 CHAIR PARKINSON recessed the meeting at 9:07 and reconvened the meeting at 9:30.

010 CHAIR PARKINSON wanted information regarding safeguards for taxpayers under the present system.

014 KIM WORRELL pointed out that urban renewal districts do not have a levy authority. The money received by urban renewal districts is from consolidated tax rates (calculated in the area, times the excess value which equals the proceeds to urban renewal).

043 OLIVER NORVILLE provided the history of urban renewal agencies and pointed out there is nothing in the Oregon statutes regarding a "definite life". He explained an impact regarding the life of outstanding bonds and that many urban renewal districts self impose time limitations.

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63 REP. WHITTY pointed out because of Measure 5 urban renewal may become a focus of the Legislature. He referred to the last line in Article IX and addressed assessed value as the only flexible issue because of Measure 5.

081 OLIVER NORVILLE welcomed a review of urban renewal by the Legislature.

110 OLIVER NORVILLE reviewed the success of urban renewal districts and tax increment financing (having a positive impact on communities).

125 OLIVER NORVILLE discussed the number of urban renewal agencies (approximately 20) and provided examples of inactive districts.

140 Questions and discussion regarding procedures for establishing an urban renewal agency and self imposed time limitations.

180 Discussion regarding tax increment financing process.

203 GARY EIDE reviewed a process for development of an urban renewal district including public involvement which can take one - two years. He pointed out urban renewal districts have a beginning and an ending date. He reviewed Salem's successful urban renewal districts and commented on concerns about impacting other taxing districts.

296 Questions and discussion regarding impacts on outlying areas of urban renewal districts (disadvantages and benefits).

359 REP. WHITTY suggested to deal with urban renewal districts outside of HB 2550 because of Measure 5 limits. He did not want to delay HB 2550.

374 REP. PARKINSON discussed leaving Option 1 in HB 2550 (current form) and deal with urban renewal in detail through a separate bill.

400 CHAIR PARKINSON conducted administrative business and adjourned meeting at 10:00.

Linda Leach, Committee
Assistant
Kimberly Taylor, Office
Manager

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EXHIBIT SUMMARY

1. Seaside Urban Renewal District 1990-91, LRO, 3/6/91 - HB 2550
 2. Urban Renewal, LRO, 3/6/91 - HB 2550
 3. Urban Renewal, LRO, 3/6/91 - HB 2550
 4. Oregon Constitution, Article IX, LRO, 3/6/91 - HB 2550
 5. How Does Tax Increment Financing Work Now?, League of Oregon Cities, 3/6/91 - HB 2550
 6. Example of Elevated and Non-Elevated Tax Rates, LRO, 3/6/91 - HB 2550 .
 7. Urban Renewal Collections Before Compression, LRO, 3/6/91 - HB 255 0
 8. Description of Options 1, 2 and 3, LRO, 3/6/91 - HB 2550
 9. Effects of Tax Increment Financing Options, LRO, 3/6/91 - HB 2550
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