

## CITY COUNCIL WORK SESSION MEETING MINUTES

October 10, 2023 @ 7:38 p.m.

A. CALL TO ORDER Meeting called to order by Mayor Cowan at 7:38 p.m.

B. ROLL CALL

Councilors Present: Mayor Scott Cowan, Councilors Dave Harms, Mike Hickam, John Sullivan and Mark Raum (online)

Staff Present: Kevin Kreitman, City Manager; Janelle Booth, Assistant City Manager/City Engineer; Matt Straite, Community Development Director; Alan Sorem, City Attorney; Jamie Comin, Billing Collections Specialist; Sheena Dickerman, City Recorder (online)

C. URBAN RENEWAL PRESENTATION

**7:39 p.m.**

Consultant Elaine Howard with Elaine Howard Consulting started her presentation\*. She has been consulting since 2005, all over the state. She explained that an Urban Renewal District is not a new tax. It is a division of tax that is already being paid. The impact of urban renewal is on the taxing district not on a property tax payor. It diverts funds for overlapping taxing districts including the city itself from the time that urban renewal area is formed until that urban renewal area is closed in the future. Those property taxing districts continue receiving property taxes, based on what's called a frozen base assessed value. That's the value of the property within the urban renewal area at the time it's formed. They never get a decrease on the taxes, but they also don't get an increase in taxes over a lifetime of the urban renewal area. They temporarily (25 to 30 years) forgo that growth on property taxes within that area. That amount of money is given to an urban renewal agency to do projects and programs. Many times, that growth may not have occurred without the projects funded by the urban renewal district. For undeveloped properties that is especially true because that property value is very low to start with.

Urban Renewal is used as an economic development tool. It has a finance source attached to it. You develop a plan and develop a way to get money that helps implement that plan and projects. The reasons a city decides to do an urban renewal is there are projects that need to be done (street repairs, infrastructure needs to be built, sidewalks built etc.) but they don't have the funding to do that. An urban renewal can help fund these projects.

How an urban renewal works is when property taxes are paid in November the county assessor sends those property tax revenues to the taxing jurisdictions. Taxes in Oregon go up for two reasons. Unlimited 3% appreciations per year. That is the maximum amount that assessment may increase. Real market may increase more

than that but a person is not taxed on real market value but on assessed value. Another way is if there is a substantial improvement or new construction. When an Urban Renewal area is formed within a city, those properties are treated differently by the assessor. At the time the urban renewal is formed the assessor compiles the total assessed values within that area and establishes what is called a frozen basis value. An urban renewal functions on an income source, tax revenues.

Blight is a precondition of an urban renewal area. Blight typically is underutilization or vacant property that could be helping pay taxes. That is considered by the statutory definition as a reason you may establish an Urban Renewal area. A urban renewal agency has expenses and must develop a budget every year. It's a separate process because the urban renewal agency is a separate division from the city. It is usually the city council itself that is the board members of the agency. But the agency has its own rules and requirements as well as a budget. There is a spending limit rule called a maximum indebtedness. Maximum indebtedness is set at the time the urban renewal plan is adopted and is the total amount of funds that can be spent over that 20 to 30-year time frame on projects, programs, and administration. An urban renewal ends when it reaches its maximum indebtedness. A projection is made of the amount of money the urban renewal area can bring in over a 20 to 30- year period. That amount of money is called an increment and from that they calculate the maximum indebtedness. If the City decided to go ahead, the consultant would do a financial analysis and talk to the City about what could be raised using urban renewal and then the City would decide if they would like to do it or not.

Howard explained that urban renewal gives the urban renewal agency the entire tax rate levy amount, when usually the city's portion would be below 40%. The city could get \$0.40 on the dollar or have an urban renewal and would get the full \$1.00. It is important to note that urban renewal affects only permanent rate property taxes. Bonds and local option levies are not part of an urban renewal program. If the fire district or school district has a bond it will not impact any of the collections of those. She showed an example in her presentation.

Howard described how urban renewal impacts the local school districts. School districts are affected indirectly, but not directly. She gave examples of showing no reduction for the school funds within an urban renewal.

Howard said there are statutory limitations on how large any urban renewal may be. A city that has a population of under 50,000 can have up to 25% of the assessed value in an urban renewal area and up to 25% of acreage. Once a plan is established the actual acreage may not be increased by more than 20% of the original acreage area and the maximum indebtedness, which is the spending limit, may not be increased by more than 20%. An exception is if other taxing districts representing any 75% of the levy agree that's okay.

Howard said an urban renewal plan requires public input. Public input can be as little as public meetings, or it can be more involved like an open house or task force. It depends on the individual communities. For an urban renewal the city must have an urban renewal agency. An ordinance would need to be established

for an urban renewal agency. It's a non-emergency ordinance which means it must have two meetings and does not go into effect until 30 days after passage of the ordinance. The urban renewal agency is the body that starts the UR plan. They review a draft and make a decision to send it out for public review. That includes sending it out to all the impacted taxing districts and state the projects envisioned, they have 45 days to review and give back written comments. They cannot stop a city from forming an urban renewal area, but if they do have written concerns, the city council is required to review those concerns in the adoption of the ordinances. The city council has final determination. The consulting firm helps write the findings. The city council has to hold a city wide public hearing, another non-emergency meeting, and 30 days to adopt.

City Attorney Alan Sorem had emailed Howard written questions that she addressed. Amendment for changing a project within a plan is easy and can be done by agency with an adoption of a resolution at any meeting. There are two hard amendments. Increasing the boundaries over 1% of the original boundary or increasing the maximum indebtedness. Any city with urban renewal can terminate as long as they have no debt. Every year the city is allowed to, under levy, or decide to not take the full amount of tax revenues that are due. Sorem asked for more information about the relationship to borrowing in debt service and why it is a common fact pattern and how dedicated funding is used for projects. Howard mentioned an UR is required by statute to spend money through a debt instrument. Debt has to incur. This also helps keep track of the maximum indebtedness. She used an example from Roseburg's project. Kreitman brought up some challenges he thinks Millersburg would have with industry and emergency services. Howard said a permanent under levy would help with those challenges.

Kreitman asked how enterprise zones are impacted. Howard said they do not play well with urban renewal because they don't have to pay property taxes. Sorem explained some options that may work with both an urban renewal and enterprise zones. Howard said there are politics to be aware of and things would need to be made clear to both parties for the two to work together. Kreitman brought up the City's new assessed value for Millersburg. The City estimated a 3.5% increase and it came in at a 8.3% increase. He mentioned the new substation and some possible enterprise zones ending that helped with the increase.

Howard went through the projects an urban renewal could assist with; streets, utilities, store fronts, downtown areas, signage, parks and gathering places. Kreitman asked about funds and if the UR could help build a downtown area. Howard replied that it could and it could help with a building plan and consultant. She added that the city owning the land is a benefit with an urban renewal. Cowan, Kreitman and Sorem discussed the concerns with the industry and enterprise zones and roads acting as a cherry stem within an urban renewal area. Other urban renewal areas in the area were discussed (Albany and Lebanon).

E. ADJOURNMENT Mayor Cowan adjourned the regular meeting at **8:32 p.m.**

Respectfully submitted:



Jamie Comin  
Billing Collection Specialist

Reviewed by:



Kevin Kreitman  
City Manager

\*Presentation materials or documents discussed at the meeting that are not in the agenda packet are archived in the record. Documents from staff are posted to the website after the meeting. Documents submitted by the public are available by emailing [info@cityofmillersburg.org](mailto:info@cityofmillersburg.org).