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MEASURE: SB 217-A
EXHIBIT: E
Senate Finance and Revenue 76th Session
DATE: 04-13-2011 PAGES: 2
SUBMITTED BY: KATE PORSCHE

Chair Burdick, Vice Chair Morse, and Members of the Committee,
Regarding: SB217 (A-Engrossed) - Opposition

The Association of Oregon Redevelopment Agencies (AORA) is a statewide association of urban renewal agencies supporting development and redevelopment to enhance the economic health of communities throughout the state.

This testimony is submitted on behalf of AORA in opposition to SB 217 (A-Engrossed) and to provide information on past urban renewal legislation and how it relates to this bill. Senate Bill 217 is a re-submittal of similar legislation proposed in 2009.

The major feature of SB 217 is the authority for Portland to add certain noncontiguous lands to an urban renewal area. (A-Engrossed, p. 6, lines 14-33) While this applies only to certain Portland urban renewal plans, AORA strongly objects to the concept and the precedent.

Adding non-contiguous areas is a local decision, which does not require state regulation. There is potential with such a practice, for tax increment financing to be spent on any project throughout the municipality unrelated to the goals of the original urban renewal plan and district. In fact, that is the stated purpose of the bill: to allow spending of dollars generated in one area to be used for another, unrelated purpose. This broad authority could lead to accusations of abuse of the urban renewal tool which will harm more traditional urban renewal efforts in other parts of the state.

Other portions of SB 217 propose changes that are applicable to all urban renewal agencies statewide. We object to the following.

First, SB 217 permits urban renewal plans to include school construction or reconstruction projects. (A-Engrossed, p. 4, line 4)

This addition is unnecessary. Under current law, urban renewal plans may include school construction or reconstruction as a "public building."

Second, SB 217 adds a condition of "blight" that is ambiguous at best. (A-Engrossed, p. 2, lines 10-11)

The use of conditions in a "nearby area" to support construction of public facilities inside an urban renewal area would lead to diverse interpretation and again, the potential for overreaching.

Third, SB 217 requires urban renewal agencies to categorize tax increment revenues used for school projects within urban renewal plans as school system funds. (A-Engrossed, p. 9, lines 4-5)

Many unknowns are associated with this point. This may potentially cause increased compression of school local option levies and calculation problems for Tax Assessors. In addition, categorizing tax increment financing used for school projects as "school" under Measure 5 may have constitutional issues. Remember that an urban renewal plan anywhere may include a school project and this issue is not exclusive to Multnomah County and Portland.

Finally, SB 217 places a 20-year limit on the outside estimated date for project completion in an urban renewal plan. (A-Engrossed, p. 4, lines 34-45)

Time limits would serve to shorten the period during which tax revenues are foregone by overlapping taxing districts. However, time limits are unnecessary given the groundbreaking passage of HB 3056 in 2009. HB 3056 placed limits on maximum indebtedness, amendments that increase maximum indebtedness, and compels revenue sharing when an urban renewal plan's debt service needs are met, all of which guarantee reasonable return of revenues to the taxing districts. This approach was part of the hard-fought compromise in HB 3056, described below.

It is important that the Committee be aware of a unique collaboration among urban renewal stakeholders that occurred during the 2009 session (SEE LIST BELOW). With encouragement and from the legislative leadership, we worked together in support of the value of urban renewal districts, but also in recognition of the need to add property value to the tax rolls in order to provide funding for services provided by the taxing districts. After a year-long process and emersion into the specifics of urban renewal, the result was the passage of a landmark piece of legislation- HB 3056. The development and passage of HB 3056 was a difficult but satisfying effort among former adversaries that resulted in reasonable and workable limitations on urban renewal district expansion and tax revenue collection. In addition, the collaborative partners made written commitments to cooperate and communicate on future issues relating to urban renewal districts and tax increment financing. In fact, they established an Oversight Committee just for that purpose.

The group further agreed that it was appropriate to allow time for the affected jurisdictions to gain experience with the significant provisions of HB 3056 before additional changes were made to urban renewal statutes. We all agreed to indicate our opposition to urban renewal legislation proposed before 2017. In addition to our material objections stated above, AORA is here in support of that understanding, and respectfully requests that SB 217 not move forward.

Specifically relating to SB 217, we oppose this bill we believe adds a state mandated process that is unnecessary to protect the public or other interested parties.

Thank you for this opportunity to submit written testimony.

STAKEHOLDERS – HB 3056(2009)

Special Districts Association of Oregon (SDAO), Clackamas Fire District #1, Tualatin Valley Fire and Rescue (TVF&R), Oregon Fire Chiefs Association, Oregon School Boards Association, Oregon Fire District Directors Association, Multnomah County, Association of Oregon Redevelopment Agencies (AORA), Association of Oregon Counties (AOC), League of Oregon Cities (LOC), City of Portland, Portland Development Commission (PDC), and Clackamas County.