



Legislation Details (With Text)

File #:	24-16	Version:	1
Type:	SOB - Presentation	Status:	Agenda Ready
		In control:	Urban Renewal Agency
On agenda:	1/22/2024	Final action:	1/22/2024
Title:	Update on Salem's Urban Renewal Areas		
	Ward(s): All Wards		
	Councilor(s): All Board Members		
	Neighborhood(s): All Neighborhoods		
	Result Area(s): Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.		
Sponsors:			
Indexes:			
Code sections:			
Attachments:	1. URA 2024 Presentation		

Date	Ver.	Action By	Action	Result
1/22/2024	1	Urban Renewal Agency	received and filed	

TO: Urban Renewal Agency Board

THROUGH: Keith Stahley, Executive Director

FROM: Kristin Retherford, Community Planning and Development Director

SUBJECT:
Update on Salem's Urban Renewal Areas

Ward(s): All Wards
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Neighborhood(s): All Neighborhoods
Result Area(s): Safe, Reliable and Efficient Infrastructure; Strong and Diverse Economy; Welcoming and Livable Community.

SUMMARY:

Salem currently has eight Urban Renewal Areas (URAs). This report will provide a status update for each of these URAs and present information on future options, closures, and the creation of new URAs.

ISSUE:

Update on Salem's Urban Renewal Areas.

RECOMMENDATION:

Information only.

FACTS AND FINDINGS:

Urban renewal, also known as Tax Increment Financing, is a tool used throughout Oregon and other states to stimulate investment and economic development, address blight, and grow property tax valuation within communities. Urban renewal revenue can only be used for acquisition, capital projects, related studies and plans, and administration.

State statute requires that each URA have a boundary and a plan that defines the purpose of the URA and the projects to be completed. Funds for projects can only be used within the URA boundary and on projects identified in the URA plan. Urban renewal revenue comes from the annual property tax collections on the growth of assessed valuation within the URA boundary and is called Tax Increment. When a URA boundary is created, the amount of taxes collected at that time continue to be disbursed to all overlapping taxing districts. This amount is called the Frozen Base of the URA. The URA does not receive these revenues. As assessed valuation grows above the Frozen Base due to either new investment or the State's annual 3% property tax increase, that growth comes to the URA as Tax Increment Revenue to be spent on projects within the URA boundary.

URAs are also required to have a spending limit, referred to as Maximum Indebtedness (MI). This is the total amount of money that can be spent over the life of the URA on projects, programs, and administration. When a URA reaches its MI limit, there are two options: (1) The URA can stop collecting further revenue, complete projects with available resources, and begin the process of closure; or (2) the URA can undertake a Substantial Amendment to increase its MI to complete existing projects or add new projects.

State law requires that urban renewal appear as a line item on property tax bills to reflect the amount of property tax revenue within a community that is diverted to URAs. Because urban renewal is not an additional tax, the closure of a URA will not result in a lower property tax bill. Urban renewal uses increases in property taxes that were already happening. The Assessor must go through the several steps when distributing Urban Renewal Tax Increment to Urban Renewal Agencies, including a calculation of the amount of tax increment growth within URA boundaries.

Approximately 11% of the City's total acreage is within URAs actively collecting tax increment. For a community the size of Salem, State statute allows 15% of acreage to be within URAs and 15% of the total property value. Salem is well under this limit as about 4% of Salem's property value is within its eight URAs.

Some of Salem's URAs have either reached their MI or will reach it in the next few years. In preparing to make future decisions about these URAs, it's important to understand:

- When each URA was created;

- What each URA's MI is, and the timeline for reaching MI;
- The size of each URA - State statute caps the total amount of a city's acreage that can be included in URAs;
- Completed projects;
- Pending projects;
- How much Tax Increment will begin flowing to overlapping taxing districts upon closure and what percentage of that amount will be directed to the City of Salem.

BACKGROUND:

Riverfront URA

Established in May 1975, the Riverfront URA was created to improve the overall appearance, condition, and function of the area to encourage a variety of river-oriented uses, to sustain, and improve the economic vitality of the Central Business District. This URA is 290 acres and was established with a MI of \$315 million with approximately \$171 million of spending capacity remaining. Due to prior boundary adjustments and unique circumstances of Ballot Measures 5 and 50 approved by voters in the 1990s, this urban renewal boundary cannot be modified.

This area has a Frozen Base of about \$43 million and in 2023 received \$7.4 million in revenue. Should this URA be closed, the City of Salem would receive \$2.8 million of this \$7.4 million in revenue. The Riverfront URA is forecasted to close in 2041.

North Gateway URA

This URA was established in December 1990 to address blight and depreciating property values in the URA, attract aesthetically pleasing, job producing private investments and public improvements that would improve and stabilize property values, and create a healthy and visually attractive northern gateway to Salem. This URA is 931.64 acres and due to a substantial amendment in 2019, now has MI of \$101.5 million with about \$13 million in remaining spending capacity. This URA's MI cannot be increased again.

This area has a Frozen Base of about \$133 million and in 2023 received \$4 million in revenue. Should this URA be closed, the City of Salem would receive \$1.5 million of this \$4 million in revenue. The North Gateway URA is forecasted to close in 2026.

Fairview Industrial Park URA (no longer collecting increment and pending closure in 2024)

Established June 1984, this URA reached its MI several years ago and is no longer collecting tax increment revenue. Remaining cash on hand is being spent on the airport, and this URA is forecasted to close in 2024.

West Salem Urban Renewal Area

The West Salem URA was established August 2001 to address blight and depreciating property values through incentivizing private investments and funding public improvements. The key objectives are to eliminate blight, promote private development, rehabilitate building stock, improve streets, open spaces, utilities, parking, public facilities, housing, and environment.

This URA is 453 acres and has an MI of \$31 million with about \$13.7 million in remaining spending capacity.

This area has a Frozen Base of about \$141.6 million and in 2023 received about \$2.2 million in revenue. Should this URA be closed, the City of Salem would receive approximately \$844 thousand of this \$2.2 million in revenue. The West Salem URA is forecasted to close in 2027.

Mill Creek Industrial Park URA

The Mill Creek Industrial Park URA was Established May 2005 to support the implementation of the Salem Regional Employment Center Master Plan adopted by the City of Salem and the State of Oregon. This effort was to convert surplus state land to shovel ready industrial land to overcome the shortage of developable land and grow regional employment opportunities.

This URA is 828.59 acres and has an MI of \$26 million with about \$7.6 million in remaining spending capacity.

This area has a Frozen Base of about \$1 million and in 2023 received about \$1.7 million in revenue. Revenue will increase in upcoming years as Enterprise Zone tax abatement benefits expire for several developments. Should this URA be closed, the City of Salem would receive approximately \$645 thousand of this \$1.7 million in revenue. Mill Creek Industrial Park URA is forecasted to close in 2025, unless a substantial amendment to increase MI and/or the area boundary occurs.

McGilchrist Urban Renewal Area

This URA was established September 2006 to improve conditions of McGilchrist Street and its intersections with the major north-south streets serving the area as improvements are too high of a cost for private property owners to complete.

This URA is 437 acres and has an MI of \$11 million with about \$1.1 million in remaining spending capacity, which will be utilized in 2024.

This area has a Frozen Base of about \$103 million and in 2023 received about \$1.4 million in revenue. Should this URA be closed, the City of Salem would receive approximately \$531 thousand of this \$1.4 million in revenue. The McGilchrist URA is forecasted to close in 2024.

South Waterfront Urban Renewal Area

Established September 2007, the South Waterfront URA was created to promote a mix of retail, commercial, and residential uses to increase employment, and attract a broader range of businesses to the Area. A key area identified in the Plan that would benefit from infrastructure and financial support was the former 13-acre Boise Cascade site which prior to closure employed 400 people.

This URA is 411 acres and has an MI of \$24 million with about \$19.4 million in remaining spending capacity.

This area has a Frozen Base of about \$23.7 million and in 2023 received about \$500 thousand in revenue. Should this URA be closed, the City of Salem would receive approximately \$190 thousand of this \$500 thousand in revenue. Revenue will increase in the next 24 months with the expiration of the South Block Apartments' tax abatement period. The South Waterfront URA is forecasted to close in 2041.

Jory Urban Renewal Area

The Jory URA was established in May 2020 to support the development of affordable housing units in a market rate apartment complex.

This URA is 11.87 acres and has an MI of \$20.7 million with about \$20.5 million in remaining spending capacity.

This area has a Frozen Base of zero as this property was in state ownership and off the tax rolls at the time the URA was created. In 2023, the URA received about \$174 thousand in revenue. Should this URA be closed, the City of Salem would receive approximately \$66 thousand of this \$174 thousand in revenue.

Future URA Opportunities

The City has sufficient acreage capacity to consider establishing new URAs, including additional single-property URAs to support affordable housing development, like the Jory URA, or for example, a larger, traditional URA along the waterfront north of downtown to support redevelopment of properties left blighted due to changing economics and uses. Blight is a precondition to any URA within Oregon and as described in state statute, generally includes: underdevelopment or underutilization of property; poor condition of buildings; inadequacy of infrastructure including streets and utilities. Another opportunity to consider is the creation of URAs that are in the ten-to-twenty-acre range in areas conducive to missing middle housing (duplexes, triplexes, cottage clusters) infill or redevelopment to support new infill housing using a property tax rebate incentive.

The attached presentation includes greater detail regarding URA accomplishments and outstanding projects, options to be considered, and potential new URAs.

Kristin Retherford, Director
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Attachments:

1. URBAN RENEWAL PRESENTATION