

Urban Renewal and Tax Increment Financing

Why Use Urban Renewal?

Urban renewal is a program authorized under state law and implemented locally that allows for the concentrated use of property tax revenues to upgrade certain designated areas of a city or county. It is not a new tax or an increase in taxes. These urban renewal areas are called “blighted” by state statute and typically contain sections of a city that are underdeveloped, have infrastructure needs and are not contributing fully to the local economy. They can have property which should be developed or redeveloped, or utilities and street and pedestrian systems in poor repair or in need of upgrading.

What types of Programs or Projects are Eligible under Urban Renewal?

Urban renewal agencies can do specified projects or activities under an adopted urban renewal plan. These generally include:

- Construction or improvement of public facilities including streets, sidewalks, utilities, parks
- Streetscape and storefront improvements
- Workforce Housing development partnerships
- Assistance to property owners for improvements
- Transportation infrastructure for route choice and emergency evacuation
- Incentives for living wage, jobs

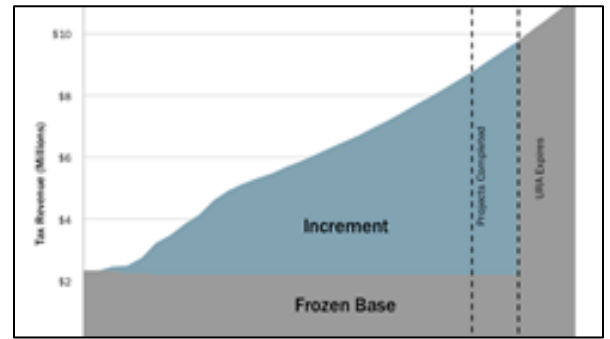
How does Tax Increment Financing Work?

While urban renewal itself does not increase property tax rates, it does function on the increases in property tax revenues from year-to-year. An individual property taxpayer’s property taxes may increase for two reasons, one, the assessor can increase property values at a rate of 3% per year and does so in most cases, and, two, if a substantial renovation is completed on a property resulting in increased assessed valuation.

When an urban renewal area is created, the property tax revenue from that area is diverted into two revenue streams. The first stream is what is called “the frozen base”. The frozen base is the property tax revenue from the total assessed value of the urban renewal area from the year the urban renewal area was formed.

The frozen base revenue stream continues to go to the regular taxing jurisdictions, such as the city, the county, and the school district. The second revenue stream is

any increase over the frozen base which is called “the increment”. The increment represents the basis for tax increment financing and is any increase in property tax revenues above the frozen base. The second revenue stream goes to the urban renewal agency for use on projects, programs, and administration throughout the life of the urban renewal area.



Who Administers an Urban Renewal Program?

The urban renewal area is administered by the Urban Renewal Agency. The Urban Renewal Agency is appointed by the City Council and in Lincoln City is the City Council itself.

How Does Tax Increment Financing Affect Overlapping Taxing Districts?

Taxing jurisdictions gain revenues through the collection of property taxes. During the use of tax increment financing, the permanent rate property taxes on the **growth** in assessed value in the urban renewal area are allocated to the Urban Renewal Agency and not the individual taxing districts. The taxing districts are still able to collect the property tax revenues from the assessed value of the frozen base but increases in revenues are allocated to the Urban Renewal Agency for use within the urban renewal area. In many urban renewal areas, that growth from new investment would not have occurred but for the use of urban renewal which has stimulated the growth. The impact on schools and education service districts is indirect, as they are funded through a state allocation based on per pupil counts. Property taxes fund a portion of the State School Fund, but not all of it. Once an urban renewal area is terminated, there generally will be an increase in property tax revenues to all taxing jurisdictions. This increase of property tax revenue is a result of the ability to concentrate funding in a specific area, encouraging the area to develop properly.