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Tax Revenue Issues in Lane County

This project represents an initial investigation into the revenue impacts of Urban Renewal Districts and other tax exemptions in Lane County. The purpose is to identify the magnitude of these tax revenue impacts and determine what influence, if any, the County may have on these programs. The focus is on locally-controlled property tax waivers and tax diversions affecting the County's General Fund. The programs selected for examination include:

- Urban Renewal Districts
- Enterprise Zones
- Multiple Unit Housing in Core Areas

Urban Renewal Districts

Governing regulations: ORS Chapter 457, Section 1c of Article IX of the Oregon Constitution

Description

Urban Renewal Districts (URDs) are a form of Tax Increment Financing (TIF), which is widely used in the U.S. The assessed value of all property within the district is established at the time the district is created. This fixed assessed value becomes the "frozen base" from which future revenues are calculated. Any increase in tax revenue resulting from future increases in assessed value above this base, is referred to as the "incremental" or "excess" value. All tax revenues generated by this increment go directly to the URD. The URD can use these revenues to fund public investments or to finance debt on such investments in the district. The URD can also receive additional funding from public and private sources, including from general obligation bonds issued by the municipality.

URDs are established in Oregon by cities or counties with the Legislative purpose of addressing “blighted” areas.[1] However, urban renewal has been primarily viewed as an economic development tool.[2] The total combined size of URDs is limited to 15% of the city’s tax base or land base. An URD established by a city does not require the approval of the local county.[3]

Each URD is operated by an Urban Renewal Agency (URA), which may be the same as the governing body. The Agency administers the URD. The tax assessor’s office provides and maintains the necessary tax records to create the district and to annually determine the amount of funds that will be raised within the district.

Intended Benefits of URDs

The commonly stated benefits of URDs can be summarized as follows:

- Provide a mechanism for addressing blighted areas. (Legislative purpose)
- Provide an economic development tool for the local municipality.
- Theoretically boost future property tax revenues from the district. According to the City of Eugene:
  > “The incentive for the overlapping districts to support urban renewal is higher property tax revenues in the long run. Ultimately when the district is ended, the overlapping taxing districts are able to tax the entire value within the district. Under the theory of urban renewal, this value is higher than it would have been if there had been no district in effect.”
- Allow for special flexibility in working with private parties to complete development projects.

URD Impact in Lane County

Of the 82 taxing districts in Lane County, 21 are impacted by URDs. As shown in Table 1 (below), there are seven URDs in Lane County. Revenues to URDs in the County totaled $4,283,409 for the 2008-09 tax year. This is the most recent summary information available. The state collects the data from the county to generate these summaries. Current 2009-10 tax year data from Lane County is available, but not in a useful or accessible format. County URD reporting is spread across 49 separate spreadsheets (one for each taxing district in each URD) and no summary data is produced by the County.

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[1] “Blighted areas” means areas that, by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community. [ORS 457.010(1)]

[2] For example, the Eugene Urban Renewal Agency Mission Statement states: “The purpose of urban renewal is to stimulate economic development through private investment in a specific area of the community in compliance with ORS Chapter 457.”

[3] ORS 457.035.

Table 1

Urban Renewal Districts in Lane County					
		Excess Value Used		Revenue from Excess Value	
Agency	**Plan Area**	**2007-08**	**2008-09**	**2007-08**	**2008-09**
City of Eugene	Eugene Downtown UR	$129,045,416	$124,723,071	$1,950,358	$1,888,121
City of Eugene	Riverfront UR	$36,336,600	$39,175,412	$643,546	$694,310
City of Veneta	Veneta Downtown UR	$31,811,257	$35,646,687	$555,100	$627,474
City of Coburg	Coburg Industrial Park UR	$23,554,632	$24,387,258	$363,368	$377,230
City of Springfield	Glenwood UR	$24,100,397	$24,178,561	$357,001	$359,208
City of Springfield	Springfield Downtown UR	N/A	$10,004,943	N/A	$149,667
City of Florence	Florence UR	$770,473	$15,747,803	$8,677	$187,399
Totals:		**$245,618,775**	**$273,863,735**	**$3,878,050**	**$4,283,409**

Data source: Oregon Dept. of Revenue, *Property Tax Annual Statistics FY 2008-09*, Table 3.1 Urban Renewal Excess Value Used and Revenue for 2007-08 and 2008-09 by Urban Renewal Plan Area, http://www.oregon.gov/DOR/STATS/303-405-09-toc.shtml.

Table 2 shows how much revenue each type of taxing district is losing to urban renewal districts in Lane County. This data is also from the state and there is no similar County report showing the impact of URDs on local district revenues. Educational districts are the biggest revenue losers in Lane County with almost $2 million lost to URDs in the 2008-09 tax year. These educational districts include LCC, 4J, Lane ESD, Fern Ridge SD 28J, Springfield SD, and Suislaw SD. Some, but not all, of the lost school district revenues are replaced by the State's school funding formula, as described later in this section. The *Other* category under district type in Table 2 includes several RFPDs, library districts, Willamalane, and water districts.

Table 2

Summary of FY 2008-09 Urban Renewal Impacts on Taxing Districts in Lane County by Type of District						
District Type	**City of Coburg**	**City of Eugene**	**City of Florence**	**City of Veneta**	**Springfield Econ. Dev.**	**Grand Total**
City	$91,456	$1,218,391	$51,917	$211,812	$153,673	$1,727,249
County	$34,133	$226,496	$22,030	$49,708	$34,133	$366,500
Education	$212,563	$1,137,543	$97,004	$282,215	$219,619	$1,948,944
Other	$39,078	$0	$16,449	$83,739	$88,175	$227,441
Grand Total	$377,230	$2,582,430	$187,400	$627,474	$495,600	$4,270,134

Data source: Oregon Dept. of Revenue, *Property Tax Annual Statistics FY 2008-09*, Table 3.2 Urban Renewal Division of Tax Revenue for 2007-08 and 2008-09, by Agency, County, Type of Levy, and District Type.

Using the raw data from Lane County Assessment and Taxation SAL Table 4e spreadsheet files, it is possible to estimate the 2009-10 URD impacts on all the tax districts in Lane County. The summary shown in Table 3 is an estimate of URD impacts based on a multiplying the excess value of each URD by the taxing rate of each district within the URD. These are not exact numbers, since compression and other adjustments are not included in this table. Table 3 provides an example of the kind of up-to-date reporting that could be provided by the County with very little cost using existing data.

Note that Table 3 reflects only the impact of URDs on taxing districts. It does not include URD impacts on bonds and levies. This is because the impact of URDs on the repayment of bonds and levies is borne by the taxpayers directly in the form of higher taxes.

Table 3

Estimate of Urban Renewal Impacts on Taxing Districts in Lane County, 2009-10
(Values are approximated based on URD excess value multiplied by each district's tax rate)

	Urban Renewal Districts in Lane County							
Tax District Name	**Coburg Industrial Area**	**Eugene Downtown**	**Florence District**	**Glenwood District**	**Eugene Riverfront**	**Springfield Downtown District**	**Veneta Downtown**	**Total**
City of Coburg	$89,283							**$89,283**
City of Eugene		$865,868			$300,857			**$1,166,726**
City of Florence			$64,151					**$64,151**
City of Springfield				$83,135		$76,424		**$159,560**
City of Veneta							$217,848	**$217,848**
Coburg RFPD	$31,606							**$31,606**
Eugene School District 4J	$113,038	$586,882		$99,971	$203,920			**$1,003,810**
Fern Ridge Library District							$14,803	**$14,803**
Fern Ridge SD 28J							$186,745	**$186,745**
Glenwood Water District				$14,559				**$14,559**
Goshen RFPD				$44				**$44**
Lane Community College	$14,738	$76,516	$13,882	$13,049	$26,587	$9,981	$23,966	**$178,719**
Lane County	$30,454	$158,113	$28,685	$26,965	$54,938	$20,625	$49,524	**$369,304**
Lane ESD	$5,313	$27,586	$5,005	$4,705	$9,585	$3,598	$8,640	**$64,433**
Lane Fire District #1							$76,720	**$76,720**
Port of Siuslaw			$3,305					**$3,305**
Siuslaw Pub Lib Dist			$11,577					**$11,577**
Siuslaw School District			$87,286					**$87,286**
Springfield School District				$115		$74,826		**$74,942**
Western Lane Amb Dist			$7,171					**$7,171**
Willamalane Park and Rec				$42,312		$32,364		**$74,676**
Total	**$284,431**	**$1,714,965**	**$221,061**	**$284,855**	**$595,887**	**$217,819**	**$578,247**	**$3,897,265**

According to a January 4, 2010 memo from the Eugene City Attorney to the City Council on "Urban Renewal Questions":

> Unless the Council adopts an ordinance amending the urban renewal plan before the end of this fiscal year (June 30, 2010), tax increment financing for the downtown district will cease. The 2009 Legislature passed HB 3056 related to urban renewal. That legislation took effect on January 1, 2010. One

> of the changes resulting from HB 3056 now requires that an urban renewal agency notify the county assessor when the agency has sufficient tax increment funds to fully pay the principal and interest on the maximum indebtedness. The county assessor then will notify the country treasurer, who will discontinue distributing tax increment funds to the URA [Urban Renewal Agency] for the downtown district.

It appears from this memo that there may be an opportunity to amend or terminate the Eugene Downtown URD. However, it appears that City administration is proposing that the URD be extended and that the debt limit be increased from $33 million to $53 million. Earlier City documents show a proposed debt increase to $73 million in 2007.

Analysis

The URD generates benefits primarily for property owners located within the district at the expense of those outside the district. Property owners within the URD pay the same tax rates as those outside the district, but receive disproportionately greater investment. As a result, the URD is essentially a diversion of tax revenues to a specific, designated geographic area. To justify this diversion, the need of the targeted area for investment must be ranked above the unfunded needs that could be supported by the municipality's general fund and those of other impacted taxing districts.

The impact on school district property tax revenues is significant, with the Eugene 4J SD alone losing about $1 million per year. Revenues lost in this manner by school districts are largely offset at the local level by the State School Fund's equalization formula. This formula is intended to equalize funding on a per-student basis, so the less money raised by the school district, the more the state contributes. However, there is a statewide impact on school funding. The more tax dollars diverted to URDs, the more the State School Fund must expend to compensate the impacted school districts. This means that the Legislature must increase statewide school funding to compensate for school district revenues lost to URDs.

Statewide, URDs reduced local property taxes to educational districts by $69,793,930 in 2008-09, the most recent year figures are available.[4] This figure includes community colleges. Replacing this lost funding at the state level is clearly a significant expense.

Tax revenues from an URD are effectively capped. Therefore, the Urban Renewal District will not contribute to future levies and bonds issued by any of the taxing districts. This results in an increased tax burden on property owners outside the URD to shoulder a greater share of these new costs. The bond or levy costs that

[4] Property Tax Annual Statistics FY 2008-09, Oregon Department of Revenue, Table 3.2.

would have been paid by the property owners inside the URD must be distributed across taxpayers outside the URD.

Criticism

Multnomah County Commissioner Jeff Cogen explains his objections to Urban Renewal in a short video on BlueOregon at http://www.blueoregon.com/2008/05/urban-renewal-g.html. He shows how URDs shift resources to one area, leaving other areas with less. He also states that URD expenditures are limited to physical infrastructure, which results in reduced emphasis on social needs. He mentions that Multnomah County has achieved a cooperative agreement with the Portland Development Commission that, for the first time, gives the County a say in urban renewal decisions.

Some of the common criticisms of the tax increment financing (TIF) used in urban renewal are effectively summarized on Wikipedia as follows:

- Although generally sold to legislatures as a tool to redevelop blighted areas, some districts are drawn up where development would happen anyway such as prime areas at the edges of cities. California has had to pass legislation designed to curb this abuse.
- The designation as blighted can allow governmental condemnation of property through eminent domain. The famous *Kelo v. City of New London* Supreme Court case, where homes were condemned for a private development was about actions within a TIF district.
- Normal inflationary increases in property values are captured with districts, representing money that would have gone to the public coffers even without the financed improvements.
- Districts are drawn too large, capturing value, again, that would have been increased anyway.
- The process leads to favoritism for politically connected developers, lawyers, economic development directors and other implementers.
- Funding often goes toward what have been traditionally private improvements from which developers profit. When the public "invests" in these improvements it is the developers that still receive the return.
- Capturing the full tax increment and directing it to repay the development bonds ignores the fact that the incremental increase in property value likely requires an increase in the provision of public services, which will now have to be funded from elsewhere (often from subsides from less economically thriving areas). For example, the use of tax increment financing to create a large residential development means that public services from schools to public safety will need to be expanded, yet if the full tax increment is captured to repay the development bonds, other money will have to be [diverted].

Additional criticisms specific to URDs in Oregon include:

- Major expenditures can be approved with a simple majority vote of the Urban Renewal Agency (URA).
- There is no requirement to demonstrate that the URD is beneficial or that the priority of URD expenditures is greater than those of the taxing districts it impacts.
- URAs appear to have very high administrative costs. For example, the Eugene URA reports a department operating costs of $874,000 for FY09. This administrative cost represents 34% of the total combined tax increment financing revenues for both URDs ($2,540,000).[5] Legal expenses were $270,000 for the same year. Additional administrative costs are incurred by the County Tax Assessor's Office.
- One of the justifications for URDs is that they will increase investment, which will ultimately increase the tax base for the city when the URD is terminated. However, once created, URDs are rarely terminated. Eugene's Downtown URD has been in existence since 1968 (42 years).
- The life of an URD can be extended by a simple vote of the URA.
- URDs divert the tax revenues that support the general funds of the various impacted taxing districts. These taxing districts may have no alternative funding to replace these lost revenues when faced with compression and 3% tax increase limits. On the other hand, URDs spend primarily on capital facilities. This spending could be accomplished with general obligation bonds, which would not affect compression or 3% limits.

Possible Policy Responses by Lane County

- **Better Reporting**. Lane County can help to keep track of URD impacts on County revenue and the revenues of all taxing districts by providing summary tables from existing data files by the Assessment and Taxation Department. For example, one summary table could report how revenues for each taxing districts located in an URD in Lane County are affected by Urban Renewal. A second table could show how each of the seven URDs individually impacts the revenues of taxing districts within its borders. A third table could provide summary data showing the total revenue impacts of URDs on Lane County, the Cities, Education, and all the other types of districts. These tables could be available for public access on the County's Assessment and Taxation web site under a specific, identifiable heading such as "Urban Renewal Impacts."

- **Education.** URDs are sometimes portrayed as a source of money for investment and economic development that does not raise local taxes. This is

[5] Eugene Urban Renewal Agency 2010 Budget Report, page I.14.

misleading and untrue, since all tax dollars must come from taxpayers. The tax dollars spent on UR projects will not be available to spend on other public facilities and services. Each expenditure within an URD comes at the cost of reduced revenues and reduced expenditures for all the impacted tax districts supporting the URD. Lane County could play a greater role in educating the public about the choices and compromises that are made to fund URDs. An "Urban Renewal Fact Sheet" could be developed by the County explaining how tax payers, taxing districts, and bonds/levies are affected by URDs.

- **Monitoring.** Lane County can monitor and comment on the following types of URD activities which must be approved by the city council of the local sponsoring municipality:
  - New URD creation
  - URD boundary expansion
  - URD debt limit increases
  - URD Plan amendments
  - Termination

  There appears to be a current window of opportunity to terminate the Downtown Eugene URD. The County may want to express a position to the City.

- **Cooperative Agreements.** Given the direct impact URDs have on the County general fund, it may be possible for the County to establish reciprocal agreements that specifically require County approval for the URD activities. As noted previously, Multnomah County provides an example of this.

- **State Legislation.** Lane County can lobby the State Legislature for changes in Urban Renewal regulations. Possible changes include:

  - Establish review and approval authority by counties for all UR decisions that affect a county's tax revenues.

  - Require annual reporting by all URDs of financial impacts on cities, counties, schools, fire departments, and other affected taxing districts.

  - Require that URDs meet certain performance standards or demonstrate public benefits that are commensurate with costs. For example, URDs are supposed to increase property values within the district, which would ultimately benefit the various affected taxing districts when the URD is terminated, but there are no performance standards to assure that this occurs.

  - Require that URDs compensate counties for administrative costs.

– Require voter referrals for new URDs, changes in debt limits and plan amendments. Some cities do this already (Corvallis and Beaverton).

Enterprise Zones

Governing regulations: ORS 285C.175

Description

An Enterprise Zone (EZ) is a designated geographic district that allows for a full property tax exemption for three to five years on improvements to property by businesses that apply and meet local criteria for the zone. The program applies to manufacturing and certain other industries ("traded-sector" businesses[6]). Businesses must increase employment by 10% throughout the exemption period. The tax exemption does not apply to land value.

Cities, ports and counties can sponsor enterprise zones inside their territory. The applicant for a new zone designation or re-designation must consult with all taxing districts within the area proposed for designation in preparing applications to the Economic and Community Development Department (ECDD).[7] The County tax assessor bears much of the zone administration burden. An enterprise zone designation terminates after 10 years.

According to the *2009-11 Tax Expenditure Report* by the State of Oregon, the maximum number of enterprise zones allowed in the state (57) have already been authorized.

EZ Impact in Lane County

According to the City of Eugene's web site, the West Eugene Enterprise Zone was established [re-established] in 2005 and is jointly sponsored by the City of Eugene and Lane County. The Zone has been designated by the State of Oregon for a ten-year period. Eligible new investments within the Zone can be exempted from property taxes for a period of three years, and potentially up to five years. The EZ encompasses a large area of land in West Eugene along and north of West 11th Avenue and another area in Northwest Eugene along and around Highway 99.

Lane County does not produce information showing the tax revenue impacts of the

[6] A "traded-sector" industry is one that sells goods or services in markets with national or international competition, including but not limited to manufacturing.

[7] Now referred to as the Oregon Business Development Department, or Business Oregon.

EZ on the County or other taxing district. The impact on County revenues was estimated based on data from Lane County Assessment and Taxation for 2009-10 tax year. As shown in Table 4, the cost to the County is about $131,000 per year.

Table 4

Estimated Tax Revenue Impact on Lane County of West Eugene Enterprise Zone, 2009-10

Number of Accounts	60
Taxable Assessed Value	$217,233,373
Real Market Value	$526,511,125
Assessed Value Exempted	$102,240,584
Lane County Tax Rate per $AV	0.0012793
Lane County Annual Revenue Impact	**-$130,796**

Source: Data derived from Lane County SAL Table 3, 2009-10 based on exempted value multiplied by tax rate.

Enterprise Zone Issues

- The intention is to stimulate business investment to create new jobs in economically distressed areas.
- Basic economics would suggest that the primary beneficiaries of the tax exemption are the property owners within the zone who can sell or lease their property for more money, due to the tax benefits that have been conveyed to future development that takes place on their property.
- The tax revenues foregone to the EZ are not prioritized with other local needs and programs.
- Unclear whether similar business expansions would have occurred without EZ.
- Inequity issues result when businesses not located in EZ create jobs but do not receive similar tax treatment.
- Increasing the tax base is considered by ECDD as a longer-term benefit of the EZ, however no estimates of increased costs to serve development are available, so it is unclear whether there is a net fiscal benefit to local government once the EZ expires.

Statewide estimates from ECDD for 2006-07 indicate that the total cost in lost property tax revenue per new job averaged $10,686 for all exempted projects, and $27,954 for those project receiving extended abatements. The cost per job can be much higher for facilities with a high capital investment per job, such as the former Hynix factory. Because the EZ tax exemption applies to all new capital facilities, the EZ tends to encourage capital-intensive businesses rather than labor-intensive businesses. The ECDD figures do not include the costs of other inducements that may have been part of the incentive package along with the EZ tax exemptions.

<u>Possible EZ Policy Responses</u>

- **Change EZ Program.** As a joint sponsor of the West Eugene Enterprise Zone, the County has the authority to influence the program. The current program will expire in 2015, unless extended. Further research is needed to determine what changes could be made in the program before that date.

- **Report Revenue Impacts.** Lane County could provide public information on the revenue impacts of the EZ on Lane County and other affected taxing districts.

Multiple Unit Housing in Core Areas

Governing regulations: ORS 307.630

In the City of Eugene, this program is referred to as the "Multi-Unit Property Tax Exemption" (MUPTE). The Eugene MUPTE is the City's version of the state-authorized tax exemption for "Multiple Unit Housing in Core Areas." The district eligible to receive the tax exemption is a large area surrounding the Eugene Downtown consisting of approximately 150 city blocks.

According to the City of Eugene web site:

> The Multi-Unit Property Tax Exemption (MUPTE) program is enabled under state law for the purposes of stimulating the construction of multi-unit housing in the core area, and to ensure use of the core area as a place where citizens have the opportunity to live as well as work. Projects eligible for the tax exemption include construction, addition, or conversion of rental or ownership multi-unit housing within the MUPTE boundary. Projects must include a minimum of five new housing units.
>
> The MUPTE program offers a property tax exemption on the new structure, or incremental change in the property value of the building that comprises the project, for a maximum of 10 years. Projects are required to address specific quality standards established in the program.

The revenue impacts of this program are not reported by the County. The estimated impact was calculated based on County data. This program has a relatively small impact on Lane County revenues of less than $3,000, as shown in Table 5.

Table 5

Estimated Tax Revenue Impact on Lane County of "Multiple Unit Housing in Core Areas," 2009-10

Number of Accounts	152
Taxable Assessed Value	$0
Real Market Value	$45,220,430
Assessed Value Exempted	$2,214,059
Lane County Tax Rate per $AV	0.0012793
Lane County Annual Revenue Impact	**-$2,832**

Source: Data derived from Lane County SAL Table 3, 2009-10 based on exempted value multiplied by tax rate.

Summary of Revenue Impacts

Table 6 provides a summary of the estimated tax revenue impacts of the programs evaluated here. As shown, approximately $500,000 in property tax revenues is lost annually. It is clear that Urban Renewal Districts result in the greatest tax impact to the County ($369,000 loss), followed by the West Eugene Enterprise Zone ($131,000 loss). These impacts represent initial estimates, given the current limitations of reporting by the County.

Table 6

Estimated Impact of Selected Tax Exemptions on Lane County Revenues, 2009-10

Tax Exemption Type	Estimated Impact on Lane County
Urban Renewal Districts(1)	-$369,304
Enterprise Zones	-$130,796
Multi-Unit Property Tax Exemption	-$2,832
Total	**-$502,932**

(1) Urban renewal is not technically a tax exemption, but is a tax diversion.

The reporting on the tax revenue impacts of tax exemptions and urban renewal districts in Lane County is inadequate and insufficient for public information purposes. As part of the County's new "Transparency" initiative, full reporting of these impacts could be included in clearly formatted tables that can be interpreted by the layperson.

Additional Research

This has been a preliminary investigation and it is clear that much more research could be done on this topic. Below are listed some possible areas:

1. Examine the likely future and cumulative impacts of URDs in Lane County as tax increments continue to grow larger.

2. Examine the amount of Urban Renewal Agency budgets that go toward administrative costs. URAs appear to spend a large percentage of their tax increment revenues on administration of the Agency. If this is true, it may indicate a high degree of unproductive overhead.

3. Research how other jurisdictions are managing URDs differently. Multnomah County reportedly has an agreement with the Portland Development Commission giving the County influence over UR decisions that impact the County. Other jurisdictions are reported to allow or require public votes on URD changes.

4. Evaluate legal, technical and policy issues relating to the possible sunsetting of the Eugene Downtown URD.

5. Examine other economic development grants and subsidies that may result in lost tax revenues to Lane County.

6. Research the history, status, and trends of URDs in Oregon. How many are there? How long have they been in existence? How much tax revenue goes to them? How many have been terminated?

7. Examine the pros and cons of using UR financing compared with GO bonds from a public policy perspective.

8. Examine Lane County's policy options with regard to the West Eugene Enterprise Zone.

Selected Definitions Related to Urban Renewal

Tax increment financing (TIF) – The generic term applied in the U.S. to the type of financing used by urban renewal districts in Oregon. All tax revenues resulting from increases in property values beyond a frozen base amount within a specified district are used to fund projects within that district. TIF originated in California in 1951. Oregon adopted a TIF program in 1961.

Definitions from ORS Chapter 457

"**Taxing body**" or "taxing district" means the state, city, county or any other taxing unit which has the power to levy a tax.

"**Urban renewal agency**" or "agency" means an urban renewal agency created under ORS 457.035 and 457.045.

"**Urban renewal area**" means a blighted area included in an urban renewal plan or an area included in an urban renewal plan under ORS 457.160.

"**Urban renewal project**" or "project" means any work or undertaking carried out under ORS 457.170 in an urban renewal area.

"**Urban renewal plan**" or "plan" means a plan, as it exists or is changed or modified from time to time for one or more urban renewal areas, as provided in ORS

"**Increment**" means that part of the assessed value of a taxing district attributable to any increase in the assessed value of the property located in an urban renewal area, or portion thereof, over the assessed value specified in the certified statement.

"**Maximum indebtedness**" means the amount of the principal of indebtedness included in a plan pursuant to ORS 457.190 and does not include indebtedness incurred to refund or refinance existing indebtedness.

"**Municipality**" means any county or any city in this state. "The municipality" means the municipality for which a particular urban renewal agency is created.

"**Blighted areas**" means areas that, by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community. A blighted area is characterized by the existence of one or more of the following conditions:

> (a) The existence of buildings and structures, used or intended to be used for living, commercial, industrial or other purposes, or any combination of those uses, that are unfit or unsafe to occupy for those purposes because of any one or a combination of the following conditions:

(A) Defective design and quality of physical construction;
(B) Faulty interior arrangement and exterior spacing;
(C) Overcrowding and a high density of population;
(D) Inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities; or
(E) Obsolescence, deterioration, dilapidation, mixed character or shifting of uses;
(b) An economic dislocation, deterioration or disuse of property resulting from faulty planning;
(c) The division or subdivision and sale of property or lots of irregular form and shape and inadequate size or dimensions for property usefulness and development;
(d) The laying out of property or lots in disregard of contours, drainage and other physical characteristics of the terrain and surrounding conditions;
(e) The existence of inadequate streets and other rights of way, open spaces and utilities;
(f) The existence of property or lots or other areas that are subject to inundation by water;
(g) A prevalence of depreciated values, impaired investments and social and economic maladjustments to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered;
(h) A growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare; or
(i) A loss of population and reduction of proper utilization of the area, resulting in its further deterioration and added costs to the taxpayer for the creation of new public facilities and services elsewhere.