

Urban Renewal and Tax Increment Financing

What is Urban Renewal?

The City of Dallas has one existing urban renewal area in the downtown and is considering the adoption of another area to facilitate economic development growth in South Dallas.

Urban renewal, and the associated tax increment financing (TIF), is a local government financing tool used to facilitate development and improve conditions in a specific boundary area in a city. It is not a new tax. It is a division of taxes that are already paid. It allows for the concentrated use of property tax revenues to facilitate economic growth.

These areas are called “blighted” by state statute and typically contain sections of a city which are underdeveloped and not contributing fully to the local economy.

How Does Tax Increment Financing Affect Property Taxpayers?

Property taxpayers will **not** see an increase in property taxes as a result of a new urban renewal area. However, once an urban renewal plan is adopted in a city or county, taxpayers within that city or county will see a line item on their property tax statements for “urban renewal”. This can be quite confusing because regardless of whether you are physically located in the area or not, you will see an indication of the impact of urban renewal on your property tax bill. The overall tax bill does not increase, but the allocation of revenues received from your payment is changed as a portion of that payment now goes to urban renewal as opposed to the other taxing jurisdictions. This is called “division of taxes” and is the administrative way that assessors must show the calculation of the tax increment.

How is an Urban Renewal Program Started?

For an area to be designated as an urban renewal area, a city normally completes a feasibility study to determine appropriate boundaries and to analyze the financial feasibility of the area, including the impacts on the other taxing

jurisdictions. The Feasibility Study for the South Dallas Area was completed in April 2022. The City Council reviewed the Feasibility Study and directed staff to begin preparation of an urban renewal plan. The urban renewal plan and the accompanying urban renewal report document the blighting conditions in the urban renewal area which qualify it for the use of urban renewal. An urban renewal plan establishes an urban renewal boundary, goals and objectives for the area, and outlines projects and programs which will help to improve the conditions in the area. The plan also sets a limit on the amount of money which can be used to fund these projects and programs, called a “maximum indebtedness”. The urban renewal plan is accompanied by a technical report which contains the financial feasibility analysis and projects when funding will become available to pursue projects within the area. The urban renewal plan must be adopted by the City Council.

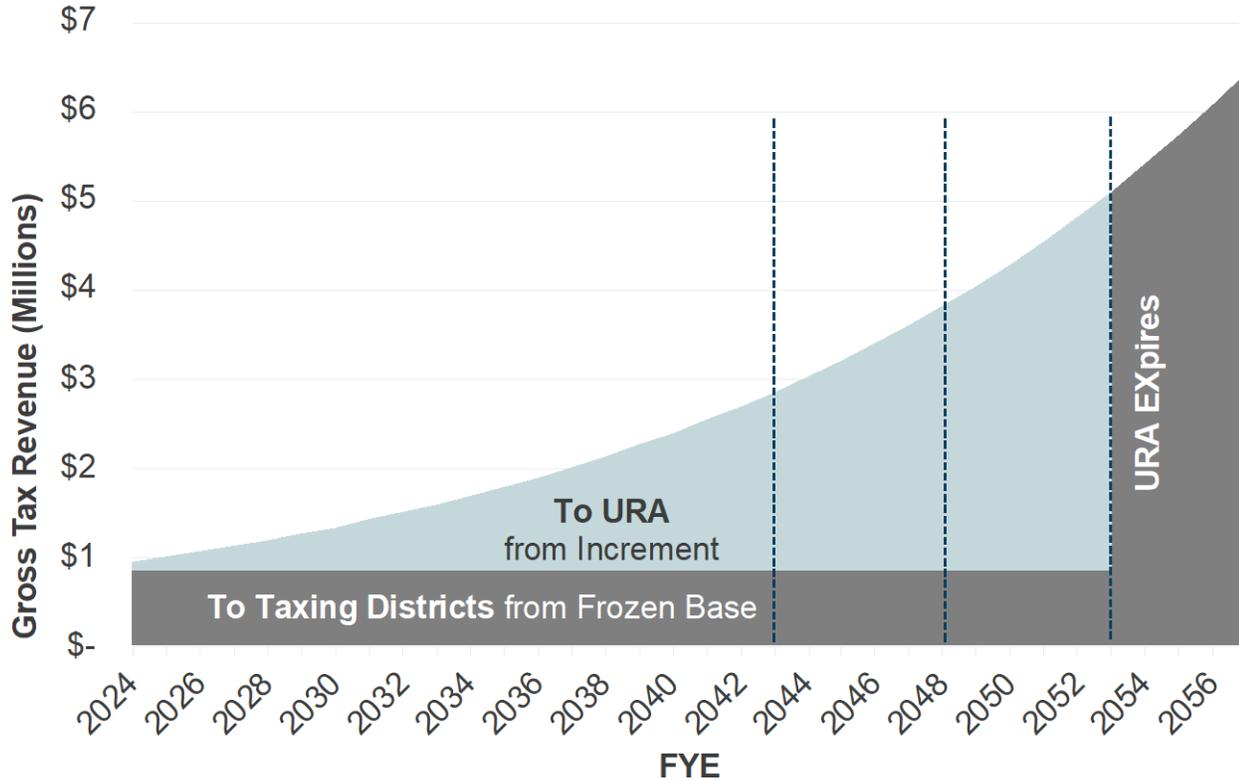
What Projects are being Considered?

The potential projects being considered for the South Dallas Urban Renewal Area are infrastructure projects to enable future development and the funding to work with targeted businesses to incentivize development in the Area. The full project list is available on the Dallas Urban Renewal Open House webpage.

How are Urban Renewal Plans Financed?

Urban renewal is one of the few remaining tools for encouraging local economic development. It is unique in that it has its own funding source, tax increment financing. At the time an urban renewal plan is adopted, the county assessor calculates the total assessed value of the area and establishes this value as the “frozen base” for the area. Growth above the base is called the “increment”. Frozen base is the definition for the assessed value at the time an urban renewal area is formed. It does NOT mean that any property taxes are frozen. Increment or tax increment revenues are the permanent levy property tax revenues generated off the increase in the assessed values over the frozen base. This concept is shown in the chart below.

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What is the Adoption Process for an Urban Renewal Plan?

The planning for urban renewal typically involves review and input from a virtual Open House, city staff and the Urban Renewal Agency. Once a draft plan is prepared, it must be circulated to the impacted taxing jurisdictions for their review and comment. The plan must be presented to the Urban Renewal Agency, Planning Commission and to the City Council. Any action by the City Council must be by non-emergency ordinance, after a public hearing is held. Notice of the public hearing must be sent to each individual household in the city. These dates will be placed on the city's website and are shown on the timeline.

How Does Tax Increment Financing Affect Overlapping Taxing Districts?

Taxing jurisdictions gain revenues through the collection of property taxes. Property tax increases come through new development and the statutory limit of 3% increase in assessed values on existing real property. 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 Dallas Development Commission and not the taxing district. The taxing jurisdictions still are able to collect the property tax revenues from the assessed value of the frozen base but increases

in revenues are allocated to the Dallas Development Commission 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. Shared TIF as shown in the chart above refers to meeting thresholds as defined in ORS 457 where TIF revenues must be shared with overlapping taxing jurisdictions.

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.

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