

To: House Committee on Rules

Fr: Eric C. Winters, Attorney

Re: Support for HB 3499

I offer my support for HB 3499. It is a modest bill requiring cities to ensure that decisions to encumber the tax base with huge public debts obtain public support.

Proponents of Urban Renewal will tell you that this is unnecessary because they already measure public support in ways that do not require an election and that voters may be easily deceived about the nature of the public debt mechanisms undergirding most urban renewal plans. This is sophistry - the proponents of urban renewal resist actual tests of public support because they fear true public accountability.

When a city wants to issue bonds for capital improvements repaid from a specifically dedicated stream of property taxes, it must ask the voters for the borrowing authority. It cannot devise polls or public outreach campaigns to manufacture support, it must ask the voters in a ballot question that sufficiently discloses the proposed debts under state standards for ballot title neutrality. No one disputes the wisdom in asking voters to approve new taxes to repay long term bonds from the tax base. City councilors typically serve terms of 2-4 years, whereas repayment of general obligation bonds can last for decades.

Oregon's Urban Renewal laws also permit a city to issue bonds for capital improvements repaid from specifically dedicated streams of property taxes. These bonds typically require decades to be repaid, however, public support is not demonstrated by a public vote, instead it is demonstrated by the lack of one – it only requires the passage of an ordinance that is not promptly petitioned to a vote by at least 10% of city voters within the 30 days.

That defense is a fig leaf. Last year, Wilsonville (per city tradition) voluntarily offered its voters the opportunity to weigh in on its latest urban renewal plan at the primary election. The city did not detail the debt financing mechanisms or any of diverted tax revenues, rather it got to frame the question in the best possible light – essentially as free money (no new taxes) to revitalize a part of city that was in truly bad shape. Nevertheless, it lost.

Despite a well-funded “public education” campaign undertaken by the City prior to the

election, the voting public had become very skeptical of the City's proposal (which would have required previously undisclosed high density private development to underwrite \$100million in public subsidies for private development). The City's urban renewal plan has been paused for the last 11 months to determine whether it still has a path forward.

The truth is that the city referendum power is rarely exercised in Oregon because the process is much too expensive for the people to use anymore. Occasionally a county referendum succeeds, but only because the signature requirements and timetable are manageable. The city referendum power is too heavy a lift in most places. This is unfortunate, because holding local elections over fairly-worded questions helps ensure public support and provides the losing side with necessary closure. Instead, we have city officials insisting that they are acting in support of the public will with urban renewal without ever testing their hypotheses. In an age where we are seemingly defined by our divisions, the current urban renewal system just breeds more of it.

The other reason most commonly offered for avoiding a public vote on UR is that new taxes are not required for those debts like they are for general obligation bonds. This argument ignores the fact that urban renewal siphons away portions of pre-existing tax streams from other important public services. These UR-encumbered tax streams are the permanent funding sources for public schools, public safety and complete array of public services supported by property taxes. These hidden encumbrances to the property tax base typically stretch on for decades (while new tax packages are proposed at the state and local levels to supplement those public services for these diversions).

The law passed in 2019 to allow representatives from 75% of the encumbered tax districts to block an urban renewal plan leaves the public out of the decision-making process. The result has been to encourage even larger urban renewal plans as cities must now figure how much of their plan must be used to purchase the consent of the encumbered districts. The public is left out of it completely with the patronizing excuse that "it would only confuse them anyway."

According to the Department of Revenue, urban renewal plans diverted over \$560million of property tax revenues in the last biennium. A third of that that would have funded public education – most of it coming from tax streams dedicated to funding public k-12 education in Oregon.

In 2011, in the midst of a funding crisis for public education, the state of California banned cities from using urban renewal to encumber property tax streams. Fifteen years later, that ban is still in place. The least we can do is offer the public an

opportunity to weigh the value of a proposed urban renewal plan against the revenues that it would divert from public services.

Urban Renewal apologists hide behind the claim that no new taxes are generated, but they fail to admit that taxes are diverted from tax streams that would have been otherwise flowing to public services. The urban renewal plans are allowed to freeze property taxes for decades to service their debt. Then, decades later, it is credited for any and all increase values within the district over that period. Historically, the vast majority of taxable improvements to the tax base have occurred without special public subsidies for private development. Even without improvements, taxable values in districts always grow at least 3% per year due to the interplay between assessed vs real market value under Measures 5 and 50. So long as urban renewal plans continue to divert taxes from that automatic growth, they should be placed in front of the voters.

It isn't fair to allow public safety districts to propose local option levies to voters while simultaneously allowing them to approve diversions of funds from their permanent levies without a public vote.

In the name of public accountability, please vote YES on HB 3499.

Eric Winters