

Summary of the 2023 Amendment to the Downtown Urban Renewal Plan

On June 12, 2023, the Eugene City Council voted to amend the Eugene Downtown Urban Renewal Plan to increase the spending limit in the Plan and include new projects in the Plan, both of which will enable high priority downtown improvements within the Downtown Urban Renewal District. The Plan amendment includes three types of projects that are now eligible for urban renewal funding, described below.

Downtown Project Areas

A. Housing

The creation of housing downtown will support vibrancy, safety, and local economic development in the heart of our community, while addressing the community-wide need to increase the supply of housing and to reduce our per capita carbon emissions on an ongoing basis. In order to support the creation of new housing in the Downtown Urban Renewal District, the 2023 Plan Amendment adds two eligible activities:

Development Fee Assistance

Under this program, Urban Renewal funds will be used to pay for development fees associated with projects that result in the creation of new housing. Development fees paid by the Agency may include System Development Charges (SDCs), permit fees, and other government-imposed development fees. Both new construction and redevelopment of existing buildings are eligible.

An important reason for the lack of housing in the Downtown core is the relatively high cost of construction in dense areas. Payment of development fees would help offset construction costs and make projects more financially feasible, while also continuing to fund the programs and activities those pay for (such as infrastructure capacity for new growth).

To implement this activity, staff will begin the process of drafting the program scope, including any eligibility criteria, for Agency Board/City Council consideration, feedback and approval.

Real Property Acquisition

To implement this activity, staff will begin developing a strategy for this project, including identifying a process and criteria for disposition of properties at reduced cost. Agency Board action is required before the acquisition or disposition of any real property in the Plan Area.

B. Physical Improvements to Address Safety and Comfort

Under this focus area, the Agency can use Urban Renewal funds to make physical improvements to street, curb, sidewalk, and other right-of-way in the Plan Area to create safe, accessible, and welcoming spaces for users. Improvements could include street, curb, alley, and sidewalk improvements; streetscape projects; and pedestrian, bike, and multi-modal improvements

Improvements to the public right-of-way benefit downtown workers, visitors, and residents, as well as the community at large with a safe and attractive downtown core. In addition to improving the quality of Downtown public spaces, improvements to street, curbs, and sidewalks can accomplish other City goals related to public safety, low carbon transportation, local economic development, and events and culture.

Projects will be implemented on an as-needed basis. Any project that costs more than \$250,000 will require Agency Board approval. Community Development staff will work with other City divisions and private partners to determine needs and priorities and to coordinate implementation.

C. Emerging Projects Directed or Initiated by the Agency Board

During the public outreach conducted in the fall of 2022, the community identified a number of possible projects that could help with the revitalization of downtown. The projects listed in this section are projects that were identified during that process and are eligible for Urban Renewal funds, but require additional research and Agency Board action before they can move forward. The inclusion of the projects in the Plan amendment does not guarantee the projects will move forward. By including the projects in the amendment, the Agency Board will be able to allocate Urban Renewal funds to the projects should they wish to pursue them.

Community Facilities

This focus area allows for Urban Renewal funds to be used on the development of community facilities that would attract local residents and visitors to the city center. This could include the creation of new facilities, or the expansion of existing facilities. Investing in community facilities will ensure that they remain relevant, modern, and functional, supporting positive activity and events downtown.

Should the Agency Board want to pursue a Community Facilities project, further study is needed to determine type, location, design, cost, ownership structure, feasibility, and timing. The Agency Board would have multiple opportunities to review project specifics before deciding whether to pursue a Community Facilities project.

Open Spaces

This focus area allows for the use of Urban Renewal funds for revitalization of Open Spaces and Parks within the Plan Area. This could include implementation of projects identified by the 2016 Projects for Public Spaces study, *Places for People*, including revitalization of the Park Blocks, Kesey Square, and completion of phase 2 of the Willamette Connection.

Agency Board direction is needed for this work to move forward. Further study is needed to determine design, costs, priorities, feasibility, and timing.

Development Support

To support development and commercial activities within the Plan Area, especially the revitalization of vacant storefronts and underutilized property, the Agency is able to offer financial assistance for physical improvements to privately owned properties, such as renovating ground-floor storefronts or underutilized commercial spaces. Incentivizing improvements to buildings can lead to an enhanced experience for downtown residents,

workers, and visitors. Updated commercial spaces could stimulate economic activity and bring positive ground-floor presence to the street.

Urban Renewal funds could be used to acquire real property to support commercial activity in the Plan Area. Offering real property for reduced or no cost can help offset construction costs and make projects financially feasible, which could catalyze investment and positive activity.

Agency Board direction is needed for development support to move forward. Staff would begin developing a strategy for these activities and bring a program scope for financial assistance to the Agency Board for consideration, feedback, and approval. If the Agency chooses to acquire and dispose of property for commercial redevelopment, staff could identify strategically located properties and conduct negotiations with the property owner. To dispose of properties at reduced costs, staff could identify a process and criteria to select qualified developers. Agency Board action is required before the acquisition or disposition of any real property in the Plan Area.

Financial Impact

The Plan amendment includes a \$50 million increase to the spending limit. The Agency Board has indicated they expect to direct a majority of funds included in the new spending limit to support the creation of housing in the downtown core. The actual project funding allocations will depend on future Agency Board budgetary action and project implementation.

With the approval of the Plan amendment, the Agency will continue to collect tax increment revenue within the Downtown Urban Renewal District. The amendment does not reduce the amount of tax revenue the overlapping taxing districts, such as the City, County, and schools, are currently receiving from within the Downtown District boundary. Based on current financial projections, a \$50 million spending limit increase would extend the life of District by 19 years.

The Downtown District generates approximately \$2.6 million in tax increment revenue per year as of FY22. The impact to City finances depends on the path ultimately chosen by the Agency Board:

- **Continue the Downtown Urban Renewal Plan.** The \$2.6 million in annual revenue will continue to grow and be directed to the District to be used on eligible capital projects.
- **Discontinue Downtown District's collection of tax increment revenue.** If the District no longer collects revenue from the division of tax, the tax increment revenue will be directed to the overlapping taxing districts. Under this scenario, the City's General Fund would receive approximately 50% of what the Downtown District collects (\$1.3 million dollars per year as of FY22). Lane County would receive approximately 9% (\$235,000 per year as of FY22). Approximately 34% (\$880,000) would be collected on behalf of School District 4J, although it is important to note that the impact to 4J's overall budget would be negative. This is due to State funding mechanisms for education and local properties that are in 'compression' related to State laws regarding property tax limits. If the Downtown Urban Renewal District ceases to collect tax increment revenue, the *net impact to School District 4J would be an estimated decrease of \$150,000 per year.*

Next Steps

City Council voted to amend the Downtown Urban Renewal Plan on June 12, 2023. Staff will begin implementation of the identified project areas. This includes drafting a scope for the Development Fee Assistance program and outlining a strategy for Real Property Acquisition, both of which the Agency Board will discuss. Staff would also begin implementing physical improvements to address safety and comfort on an as needed basis. Projects over \$250,000 will require Agency Board approval.