How Sisters' Urban Renewal Agency works

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Recent improvements made in downtown Sisters are partially the result of funds granted by the Sisters Urban Renewal Agency (URA), established in 2004.

The URA district covers much of the downtown commercial district. Sisters' City Council serves as its board of directors and is financially responsible for its operations.

URAs are designed to borrow money and make expenditures for community development and implementation of the urban renewal plan. The theory is that the development and improvements within the district will increase the property tax values, thus generating more tax revenue, which will be used to repay debt and implement the plan.

Historically, urban renewal referred to programs designed to clear, rebuild and redevelop urban slums or urban areas of moderate to high-density land use. Critics contend that in large urban areas renewal is usually undertaken for the purpose of persuading wealthier individuals to move into or open businesses in the revitalized area. Urban renewal is often part of the "gentrification" process that is evident in parts of Portland and other large metropolitan areas.

The whole concept of URAs locally has its devotees and its detractors. When it was first created in Sisters, the assessed value within the district boundaries was established as the "frozen base." If the urban renewal efforts are successful, the value of the district will grow above the frozen base amount. That increase is called the "incremental" or "excess" value.

Overlapping jurisdictions (schools, fire districts, park departments, general government) continue to receive property tax revenue on the frozen base, while the urban renewal agency receives property tax revenue related to the incremental value, which may or may not be higher.

Urban renewal agencies do not create an additional tax. Instead, during the agency's lifespan (20 years), overlapping taxing districts "forego" a percent of their permanent rate. Once the urban renewal area is terminated, the taxing jurisdictions receive their full permanent rate. For the majority of taxing districts this impact is less than 1 percent of their permanent rate levy.

Altogether, there are 14 taxing districts that had to agree to the establishment of the Sisters Urban Renewal Agency, costing them a total of $188,351 of forgone revenue for 2013-14. Some of those districts include Deschutes County, the jail and fairgrounds bonds, county law enforcement, the public library district, and Central Oregon Community College.

The City of Sisters' forgone amount in fiscal year 2013-14 was $34,633 or 4.32 percent of its permanent rate. Other agencies impacted in Sisters and their amounts of forgone revenue in FY 2013-24 include: the Sisters-Camp Sherman Fire District, $33,633; Sisters Park & Recreation District, $2,878; Sisters School District #6. $53,769; and the 2001 school district bond, $12,936.

The projects partially paid for with or slated to receive urban renewal funds include the following:

- Fir Street improvements: $123,751
- Fir Street Park: $217,678
- Cascade Avenue improvements: $263,148
- Trash enclosure grants: $30,000
- Village Green restrooms: $131,375
- Village Green parking: $120,000
- Chamber ADA & landscaping (City-owned facility): $30,000
- Façade grants
  January 2014: $129,000
  May 2014: $100,000
  April 2015: $100,000

Total projects: $1,244,952

Bank of the Cascades loan: $1,250,818

Additional funds available: $5,866

It is clear to most observers that the improvements already completed have done much to enhance the downtown core area. Tourism is the main economic driver in Sisters, and anything that improves the city and the experience for the visitors probably means money in the tills of the town merchants.

The question can be asked if the façade improvements along Cascade should be funded with URA grants, as they are helping individual building owners to improve their properties. On the other hand, any downtown improvements benefit everyone if the tourists come and businesses thrive. Making the grants available for façade improvements is designed to encourage building owners to invest in maintaining and improving their properties, as they are required to provide funds as well.

The money borrowed by the City from the Bank of the Cascades, $1.25 million, to fund all these projects must be paid back, with interest of 3.22 percent. Increasing property values are anticipated but not guaranteed. If they don't go up, the amount of taxes collected doesn't increase, and the money available to repay the loan is less, leaving the City on the hook for the balance. Or in 2022, another URA could be established for another 20 years. There is no guarantee that the 14 taxing districts would agree to that. Sisters' URA costs them tax revenue every year.

The question to be answered right now is: does the Urban Renewal Board (the Council) approve the last 19 grants for façade improvements as expected by the businesses and property owners that have applied?