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MEMORANDUM

TO: Urban Renewal Advisory Group
FROM: Commissioner Erik Sten
Subject: Island Expansion of the River District within the David Douglas School District

This memo follows conversations I've had with many of you regarding a non-contiguous expansion of the River District Urban Renewal Area to include eight acres within the David Douglas School District, in order to finance a new elementary school and community facility on land that the school district already owns. As we form recommendations to the PDC Commission and City Council for an expansion of the River District and its maximum indebtedness, I hope to make the David Douglas proposal part of the overall package.

Filling the Gaps and Addressing the Side Effects of the River District

When the River District Urban Renewal Area was created in September of 1998, the City Council was trying to create a vibrant, mixed-use, high-density urban neighborhood on abandoned industrial land. Growth management consistent with the Metro 2040 plan, with its emphasis on transit-oriented development, was a central theme. The results have dramatically exceeded the overall targets for new housing units, and more housing is on the way. The streetcar is a successful part of our transportation system, and adding additional segments and connecting East Portland will enhance its appeal.

Affordable housing has always been a central tenet of the River District work, though most people probably don't know it. Roughly 25% of the 7500 housing units in the River District are affordable to people earning less than half of the median income. Outstanding affordable housing obligations and ongoing efforts by PDC and the city will continue to produce affordable housing in the River District. This work, combined with efforts to preserve and strengthen our vital network of social service agencies, will keep our central city neighborhoods accessible and functional for everyone.

As successful as the River District has been, it does have weaknesses. Most notably, it needs more kids. There are many reasons for this deficiency,

including a shortage of amenities like parks, community space, and a school. The biggest obstacle is a shortage of affordable units big enough to house families. As the River District builds out, a key focus in the housing arena will be affordable family housing.

Citywide Perspective on the Needs of Families

Not only are there not enough families living in the River District, but the sheer impact of the investment and vitality generated by the River District has made Portland as a whole, and central city housing in particular, more attractive and more highly valued in the marketplace. While the housing boom of the past decade has been great news for home owners, renters and new families starting out have been pushed from inner Portland neighborhoods to more affordable areas. Portland Public Schools has seen its enrollment fall by roughly 20%, or 11,000 students, in the past decade. In a 2001 survey of families who left PPS, 71% cited housing as a primary reason for leaving the district.

The biggest impact of this significant displacement of families has been felt east of 82nd Ave in the David Douglas School District. In the past decade, enrollment is up by 2,618 kids, or 36.1%. There is no reason to expect this increase in enrollment to stop in future years.

In general, the operating costs of schools are paid for by the state of Oregon, via a funding formula that distributes, for FY 2007-08, about \$5,900 a year for each student enrolled. The costs of building and rehabilitating school facilities are borne by local bond measures approved by voters. Therefore, the effects of the tremendous changes in Portland's housing market have delivered their strongest blows to the operating budget of Portland Public Schools, and to the facilities backlog at rapidly growing districts like David Douglas, where it is estimated to exceed \$100 million.

David Douglas: A Growing Concentration of Needs & Challenges

The David Douglas School District faces a daunting mix of challenges in raising money to build new schools, as do other East Portland school districts. The trend is getting worse, not better, as rapid rates of infill development tax the recently-annexed area's deficient infrastructure.

David Douglas lacks the tax base generated by downtown Portland. Its largest employer, a hospital, is a non-profit that pays no property taxes. Consequently, in order to generate enough revenue to build a new school, the tax rate per \$1,000 of assessed value is much higher than it would be in Portland Public Schools. (The same factors that make it very hard to pass a bond measure also would lead to anemic tax increment if we were to create a new URA on 122nd Ave.)

In addition to a weak property tax base, incomes in the David Douglas school

district are lower than in inner Portland neighborhoods, owing to a large number of seniors and households who moved into the area precisely because they were priced out of inner Portland. 70% of the students in David Douglas schools qualify for free or reduced school lunch.

In November 2006, the David Douglas School District went out to its voters with a facilities bond measure for \$45 million. That included a new elementary school for its Deardorff Rd. property, a wing of ten classrooms at Floyd Light Middle School, a wing of twenty classrooms at David Douglas High School, and construction of a set of Industrial and Engineering Systems (Vocational Education) lab classrooms at David Douglas High School. In addition, the proposal included some playground upgrades at several elementary schools and various remodeling and refurbishing projects in existing buildings. The proposal would have cost property owners \$1.12 per thousand assessed value. 44.56% voted yes and 55.44% voted no.

Building on the Rosa Parks Model

There is a growing desire to design and build our schools as multi-functional community spaces. The great success of the Rosa Parks model gives us some guiding principles for making the school-design process a partnership between our school districts, the city, our citizens, and other community partners matched to the needs and desires of the surrounding neighborhood. In constructing a new elementary school, the David Douglas School District would like to follow the Rosa Parks model.

There are great opportunities for community partnerships. The property, 7144 SE Deardorff Rd., is close to Johnson Creek, offering opportunities for hands-on environmental education for the students, as well as proper integration of the school into the surrounding environment. The neighborhood would greatly benefit from additional recreational and community space built into the facility.

The East Portland Action Plan: Designing a School & Community Facility to Meet the Needs of East Portland

Prompted by the desire of Speaker Jeff Merkley of the Oregon House of Representatives to address long-standing needs in East Portland, Commissioner Leonard and Mayor Tom Potter worked with my office to put together the East Portland Action Plan, which will kick off this fall. This effort, staffed by the Bureau of Planning, will challenge both the city and East Portland residents to work together to make concrete progress on issues in stark need of attention. The rate of growth and change, need for safe streets and parks, and public safety challenges are among the issues likely to rank high on the list.

My office will be especially tasked with making progress on school facilities. I

believe we can use the East Portland Action Plan process to put the David Douglas community in the driver's seat in shaping the design and operation of its new elementary school. In addition, I believe there is an opportunity to take another look at Parkrose High, which was originally designed to include recreational uses built into the school's day-to-day operations—a vision that has not been maintained owing to budget cuts. Our other East Portland districts, Centennial and Reynolds, are partially within the city limits. Working with the Mayor's office and the city's Office of Government Relations, we can help these districts with their facilities plans, as well.

Renewing the Compact between the Central City and Our Neighborhoods

I have gone to some lengths to give you my perspective on the context that has led me to advance this proposal, as I believe that the relationship between the central city and our neighborhoods has been in need of repair for some time. The intense attention rightly focused on maintaining a healthy downtown—let's not forget how unprecedented and novel Portland's original successes were in this regard—has yielded such a robust engine of real estate development that its side effects have grown into problems of considerable scale. While this success story has unfolded in the central city over the past 25 to 30 years, another story needs to be told about those neighborhoods annexed into the city as a result of the Mid County Sewer Project.

54,000 households were annexed into the city of Portland, without a vote of the people. The people had to agree to waive their right to a vote in exchange for discounts on their sewer connections, which, at \$7500 to \$12000 each, were a big hit to the average Mid County household. Along with annexation and the sewers came a share of responsibility for paying to fix inner Portland's combined sewer overflow problem, now running at \$1.4 billion in costs. In addition, some Mid County residents preferred the familiar services provided for them by Multnomah County.

Quite a few years have gone by, but people have long memories, especially when it comes to issues of basic fairness. On top of the problems with annexation, the displacement of working families into neighborhoods east of 82nd has strained the fabric of this community and its inadequate infrastructure. In sum, the prosperity of the past decade has been uneven. Some of the central city's successes have come at the expense of Outer East Portland. That kind of dynamic undermines support for urban renewal in general. We need to take major steps to begin to acknowledge that we are all one city. We share the responsibility to solve our problems, and we should create a new kind of urban renewal strategy to match.