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# Meeting Notes

## Urban Renewal Advisory Group

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PDC Commission Conference Room

2:00 p.m. – 5:00 p.m.

Tuesday, September 25, 2007

Edits approved by URAG on October 23, 2007

**Advisory Committee in Attendance:** PDC Commissioner Charles Wilhoite (Co-Chair); City Commissioner Erik Sten (Co-Chair); City Commissioner Dan Saltzman; County Commissioner Jeff Cogen; Planning Commissioner Don Hanson; Jon Kruse.

**Committee Members Absent:** PDC Commissioner Mark Rosenbaum.

**Presenters:** Gil Kelley, Bureau of Planning; Shelley Lorenzen, League of Women Voters; Ethan Seltzer, Nohad Toulon School of Urban Studies and Planning; Andrew Wilch, PDC; Leah Greenwood, PDC; Bobby Weinstock, Northwest Pilot Project; Will White, Bureau of Housing and Community Development; Bob Granger, Old Town/Chinatown Visions; Ed McNamara, Turtle Island Development; Damin Tarlow, Gerding Edlen.

**Public Attendees:** Lili Mandel, Irwin Mandel, Karen Bean, Karen Whitman, Doreen Binder, Robb Wolfson, Patrick Gortmaker, Jan Oliver, Terri Warpinski, John Bradley, Sam Chase, Betty Dominguez, Fern Elledge, Elaine Howard, Jeff Tashman, Carly Riter, Bob Alexander, Bob Durston, Morgan Masterman, Peter Englander, Steven Shain, Joleen Jensen-Classen, Jerrohn Jordan, Shelby Acteson, Karen Fox, Kim McCarty.

### 1) Welcome

Charles Wilhoite began the meeting by welcoming everyone and explaining that Mark Rosenbaum would be absent from today's meeting. Jon Kruse moved, and Don Hanson seconded, the motion to approve last month's meeting notes as submitted. Wilhoite reviewed the agenda and asked that the group re-arrange panel schedules to provide an opportunity for public testimony prior to the Advisory Group's discussion.

### 2) Mapping Exercise

Wilhoite then invited Bob Alexander to illustrate how specific boundary recommendations will be recorded. Alexander showed a [slide image](#) of one quadrant of the recommendations received in July from the joint Old Town/Chinatown --Pearl District Land Use Committees (Land-Use Committees). Wilhoite had asked PDC staff to consider and comment on the proposed boundaries. A second slide identified areas of general agreement between staff and the Land-Use Committees. It also identified areas of potential disagreement.

Alexander stated that, assuming PDC received direction from the Advisory Group to prepare some financial analyses as the meetings progress, PDC would present a map and chart such as this at the beginning of each meeting to represent recommendations from previous meetings. Wilhoite reiterated that the projects listed on the map are strictly examples and that no decisions had been made at this time.

Jon Kruse asked Alexander if the project list was prioritized in any way. Alexander stated that it was not. Kruse then asked if PDC was going to show financial analyses for these projects. Alexander said PDC would and reminded Kruse that there had been discussion in the past that PDC staff was not planning on doing a project by project analysis. For example, there will be some projects that everyone will be in agreement on. PDC may not do the full analysis on those projects.

Jeff Cogen asked Alexander how much area the recommendations showed. Alexander stated that the map only represented one quarter of the recommendations and reminded the group that the OTCT Committee's full recommendation was exactly 61 acres.

### 3) Panel Discussion on Policy Perspective

**Gil Kelley of the Portland Bureau of Planning.** Kelley began by stating that the Group's charge was to address three main questions: how much, how long, and what for. In the instance of the [Portland Plan](#), the Bureau is asking the 'what for' question. The effort, which addresses why the city is using urban renewal in the Central City, will conclude in 2010. The Portland Plan will address many different scales including a citywide look at city policy as well as a Central City focus. Kelley explained that the varying scales allow us to talk across plans. It is meant to be the city's guiding policy on many issues, such as urban form, transportation, and housing.

Kelley hopes to reinvent what is meant by a comprehensive plan. It allows for more strategic planning and for discussion on bigger issues. He explained that today the community talks about climate change, globalization of the economy, population change, and the rising gap in income levels—these issues were not discussed in 1980 (when the current Comprehensive Plan was adopted). Finally, Kelley advised the Group to hold back on some acreage. He reminded the Group that it is important to invest in the core of the region.

**Shelley Lorenzen from the League of Women Voters (League).** Lorenzen reminded the Group that in 2003, when Downtown Waterfront (DTWF) was about to expire, the League called for an end to the DTWF. The League agreed that Old Town/Chinatown (OTCT) was in need of urban renewal investment, and they recommended at that time to move 61 acres of OTCT into the River District. However, DTWF was extended to 2008 with a pledge that any remaining TIF would be invested in OTCT. Lorenzen stated that the sooner the blocks are moved over, the sooner they can take advantage of the increment. The League wanted to see OTCT draw off the River District budget. She reminded the Group that PDC did an analysis that concluded it was feasible and legal to do this, but then the work and discussion stopped there.

Lorenzen explained that there is approximately \$122 million of maximum indebtedness left in the River District and that the River District team claims it is all committed. At the same time, many people are lobbying to be included in the River District.

Lorenzen continued, giving a short [policy background](#) on urban renewal. She stated that the League would never question investment in the downtown area. Their question is whether urban renewal is the appropriate tool. We need to crunch the numbers on financial impact every time a change is proposed. She went on to explain that TIF was conceived in the '50s and '60s to redevelop 'blighted' areas with the idea that such areas would not develop on their own. Lorenzen pointed out the impact on other taxing jurisdictions. She commented that people have this idea that TIF is paying for itself, but River District is not paying its share of the cost of urban services (fire, police, schools, etc).

~~Lorenzen concluded that the League of Women Voters had three recommendations:~~  
Lorenzen concluded by recommending that the committee consider several options including, but not limited to, the following:

- Redraw the River District to pick up 61 acres of OTCT. Earmark most, if not all, remaining TIF for OTCT use. Do not increase the maximum indebtedness of River District.
- End all Central City urban renewal areas (URAs) when their maximum indebtedness is reached, and then consider a new district that encompasses all of OTCT and some or all of the remaining blighted parts of South Park Blocks, DTWF, and the River District.
- ~~Invest in the River District with other financial tools once the URA expires.~~ Once the River District URA expires, utilize other financial tools besides tax increment financing for district improvements.

Lorenzen urged the Advisory Group to make sure a financial analysis is completed for any decision that may impact revenues for other taxing jurisdictions. Commissioner Wilhoite asked Lorenzen to clarify that the handout she gave represented the views of the League of Women Voters. Lorenzen stated that they were the views of the League. (Ed. Notes: [League of Women Voters representative](#)).

**Ethan Seltzer from Portland State University's Nohad Toulan School of Urban Studies and Planning.** Seltzer made five points:

- Urban renewal has been successful. We wouldn't be having this conversation if it was not successful.
- Cities are never done so we need to regard our city as a work in progress that requires a number of tools. Urban renewal is just one tool among many and it cannot fix all civic problems. He pointed out that the City has not done well in identifying alternative tools.
- The definition of blight is very broad. Blight means something different to different people. Seltzer suggested it may be helpful to have a Portland definition of blight that indicates the kinds of issues and problems we want to address with urban renewal.

- Our existing urban renewal boundaries are a bit bizarre and should be changed. Urban renewal areas should not last forever. It is dangerous when we regard URAs as neighborhoods. URAs are areas where we hope to address specific problems. We should not give the impression that we are applying this tool neighborhood by neighborhood. Seltzer stated that the placement of funds needs to be causal. It can be a slippery slope when we start using funds outside of a URA. He warned that the conversation will get stranger if we keep talking about putting funds outside the area where they are generated.
- Lastly, Seltzer's fifth point was the importance of the Comprehensive Plan. He stated that he was shocked that the [Criteria for Evaluation](#) did not mention the Comprehensive Plan. Urban renewal should help implement the Comprehensive Plan.
- Seltzer concluded his presentation by reminding the Advisory Group that there is no free lunch. If jurisdictions want a healthy tax base they need to be willing to invest.

Wilhoite asked the Advisory Group for any questions or clarification. Erik Sten asked Kelley when he said 'hold back' if he meant to hold off on allocating funds to specific projects or if he meant reserve some of the 61 acres for later inclusion. Kelley clarified that he meant the Group should not lock into specific projects until after the Portland Plan is completed. He explained that the plan may allude to a 30-year strategic investment. Kelley said it is easy to allocate money to specific projects, but we want to talk about a range of investment tools, not necessarily about what projects are out there.

Cogen asked Seltzer if he could give any suggestions for an expanded toolkit. Seltzer responded that you have limited choices: general fund, a special levy, local improvement districts, and possibly some creative uses of fees and charges. Seltzer stated that we should be thinking of ways not to depend on urban renewal funds. For example, we could try to fund economic development as a city service. Before we can identify alternative tools, we need to sharpen our focus on what urban renewal should be used for. Lorenzen added that the League had identified some possible sources of funds: general obligation bonds, limited tax bonds, revenue bonds and the general fund.

Sten distributed a [memo](#) that described his proposal to include five to six acres of the David Douglas School District in the River District as an island expansion. Sten stated that he has worked in city government for 15 years and local funding support for David Douglas has been minimal. He proposed that the city consider using urban renewal resources more creatively to meet needs throughout the city.

Seltzer agreed that David Douglas has a serious problem, but asked if it made sense to jeopardize urban renewal to solve it. He suggested the only reason the city was looking at urban renewal for assistance was because they haven't looked anywhere else. Lorenzen added that it may be possible to fund improvements at David Douglas with the general fund. Sten asked the Urban Renewal Advisory Group to think about his proposal. He cautioned them not to assume there are other ways to fund county resources and schools. He stated

that we know urban renewal has not generated a lot of revenue in areas like Lents, Gateway, and Interstate. He asked how you shape the tools to solve problems like David Douglas?

Seltzer added, since it seems like everything is on the table, why not include costs that the County is assuming. Cogen responded that over the past 50 years, there has been a fundamental change in government finance. Multnomah County is losing a lot of revenue from urban renewal. He has recently had conversations with PDC about thinking of ways to use urban renewal to compensate for the loss in revenue the County has seen.

Hanson commented that blight is a subjective term. He asked if the Group was bound to make a finding of blight. Alexander responded that ORS 457 is clear that there needs to be blight in order to use urban renewal. However, the [definition](#) given is fairly broad. Hanson asked if the area had to be characterized by each of the conditions listed in the ORS definition to be deemed blighted. Alexander clarified that just one condition would qualify the area. Cogen added that we should think through the concept of blight. Urban renewal should address community needs more broadly. Wilhoite suggested we look at how we have used the term historically. Alexander distributed the statutory definition of “blight.”

#### 4) Public Testimony on Policy Perspective

Lily Mandel expressed concern regarding the potential expiration of South Park Blocks. The job in the urban renewal area is not finished. Blight is still evident, especially in the form of surface parking lots that need to be developed. Mandel stated that in 1996 the Downtown Neighborhood Association adopted a plan that emphasized the need for housing, and she feels that this section of the plan has not been accomplished. She said that South Park Blocks is not just another URA. It is an important part of downtown. Citizens from throughout Portland benefit from downtown development. As a resident of the URA and as a concerned citizen, she recommended that the Advisory Group not let South Park Blocks expire without eliminating blighted areas and without providing housing for a diverse group of people.

#### 6) Panel Discussion on Housing

**Andy Wilch, PDC Housing Director**, introduced the [Housing Panel](#). Wilch provided the Group with a background on adopted city policies. Wilch noted that the Comprehensive Plan provides opportunities for all income ranges in the Central City. Wilch pointed out that panelists would be referring to the River District Planning Area, which includes the River District URA and part of DTWF (north of Burnside). Wilch outlined the city’s affordable housing policies (including new initiatives, special initiatives, and the 30% TIF set aside for affordable housing).

**Leah Greenwood, PDC Housing Policy Manager**, explained the city’s No Net Loss (NNL) Policy, explaining how the bulk of NNL units are located in the Westside outside of the River District. The main housing preservation challenge is that there is no identified funding source for the future. **Bobby Weinstock, Northwest Pilot Project**, continued by explaining challenges in preserving affordable rental housing and why it is so important to our community’s most vulnerable citizens (especially for senior citizens).

**Will White, Director--Bureau of Housing and Community Development**, explained specific challenges facing the Section 8 Housing stock. White explained the [change in unit types](#) in the River District over the past decade. He explained how housing available for people with over 120% median family income (MFI) has increased drastically, while units available to other MFI ranges have had much smaller increases, with an overall decrease in units available to the lowest MFI range, 0-30%. White described the challenge of [expiring Section 8](#) housing contracts. Section 8 housing is a significant source of federal affordable housing subsidy. We do not have adequate local resources to replace this important housing resource. The bulk of expiring [Section 8 properties](#) are within the South Park Blocks URA. Section 8 properties make up approximately 20% of the units available to 0-30% MFI, and the owners of the remaining 80% of the units are under extreme market pressure to convert to condos, market-rate rentals or other use.

White provided an overview of the City-County [10-Year Plan to End Homelessness](#). At the start of the plan, Portland had approximately 1700 chronically homeless (persons who have been homeless for one-year or more) in Portland. The goal of the plan was to eliminate chronic homelessness. In the first year of the program over 600 chronically homeless people were housed and now after year two, over 1000 chronically homeless have been moved to housing. There has also been a strong focus on housing for homeless families and the program has been able to house over 700 families in the past two years. However, there are still some critical needs in regards to community facilities. More units need to be built and an access center needs to be developed as a first step to move people from the streets to housing.

**Bob Granger, Old Town/Chinatown (OTCT) Visions**, gave a presentation on the important role of Community Based Organizations (CBO) in serving the needs of the homeless and other low-income Portland residents. Granger spoke of two key concepts: leverage and ecosystem. The OTCT ecosystem provides a variety of services. The 'Tapestry of Services' is made up of 14 organizations. Half of these organizations own property which gives them an opportunity to leverage public and private funds. CBO facility improvements are key to helping end homelessness in OTCT and in Portland. One focus of OTCT CBOs is the development of two key projects: the Blanchet House and Transition Projects. Another focus is an increase in workforce housing.

**Ed McNamara, Turtle Island Development**, ([presentation](#)) addressed issues related to the development of downtown market rate and affordable rental housing. ~~He offered the Advisory Group a pro forma comparison of affordable versus market rate housing projects.~~

Affordable housing projects have a variety of [financing](#) tools in addition to urban renewal investments. When rents exceed the low-income standard of affordability (rents affordable to households at or below 60% MFI), those tools disappear. In his illustration, a recent affordable housing project received \$7M in urban renewal investments. If the pro forma was modified to set the affordability standard at 61% MFI, the loss of low-income tools such as tax credits produce a larger financial gap requiring the ~~PDC investment to grow from \$7M to 10M~~ [rents to increase from about \\$1.03/SF to around \\$2.00/SF](#). In this market, developers can create rentals in the 100-150% MFI range but probably nothing less without alternative public subsidies.

McNamara noted that the downtown rental housing tax abatement program has been eliminated further reducing the tools available to do workforce housing.

McNamara also noted that ~~state~~ federal low-income housing tax-credits (LIHTC) can also help produce affordable middle-income housing over time. ~~Whereas, most affordable housing tools set~~ The LIHTC imposes both resident income and rent restrictions, but the income restrictions – in most cases – only apply at the time of move-in. Tenants whose income increases later on can choose to continue living in the building. ~~the low-income housing tax credit only requires rent restrictions.~~ His experience of the past two years at the Sitka indicates that it is now serving more very low-income residents than projected while at the same time, some tenants are staying even after their incomes grow. These tenants ~~may be using~~ can use their extra money income to go to school, or save for a homeownership opportunity.

McNamara flagged Qualified Census Tracts (QCTs) as a consideration in setting new River District boundaries. QCTs are based on average income statistics. If the tract qualifies as a low income census tract, QCT the allowable tax credit benefit increases. When setting the boundaries for the River District, inclusion of QCTs will help reduce the amount of PDC investment in future affordable housing projects in those areas.

He spoke briefly to the commonly held belief that ~~downtown housing~~ high land costs were a factor favoring high-rise housing development. He presented two hypothetical pro formas to illustrate that mid-rise development was the most financially cost-effective for affordable housing. (This largely occurs because rents cannot rise to offset the higher construction costs.) This information suggested to him that housing projects should be targeted for areas with lower height limits or that the city develop easier ways to sell excess vertical development rights as a way to capitalize cost-effectiveness of the mid-rise development.

McNamara closed his presentation with an analysis illustrating how the limitations on the tax abatement for for-profit developers of affordable housing cost more in urban renewal dollars than the taxing jurisdictions realized in the tax revenues on new housing development. He suggested that the City consider adjustments to the tax abatement program to support workforce housing. (Ed. Notes: Ed McNamara).

**Damin Tarlow, Gerding Edlen Development**, continued the discussion of workforce housing (e.g., housing for households between 80-120% MFI). He illustrated his points with references to two Gerding Edlen projects. The Cyan and The Civic, target the new lifestyle of the urban workforce including smaller living spaces, green building technology and a pedestrian lifestyle. These positive aspects of their development are also challenges. The key will be to create this type of housing at a price point that attracts homeowners to downtown residential lifestyles. Tarlow suggested that the City consider offering some type of Service Development Charge (SDC) offset for projects that manage stormwater on-site.

## 7) Public Testimony on Housing

Irwin Mandel testified on the issue of housing in the South Park Blocks. He mentioned that he could not define blight but he knew it when he saw it. He mentioned specifically the 'lake'

of surface parking lots across from the Wells Fargo center. The Downtown Community Association Residential Plan (adopted in 1996) called for housing for a wide range of income groups. The implementers of the plan were called out as PDC, the Downtown Community Association, and the Housing and Community Development Commission. Mandel stated that the Plan also called out a focus on live/work space for artists and on residential and commercial development in the downtown area. He concluded that PDC is obligated to use TIF funds for urban renewal projects that benefit residents and create housing opportunities for a cross-section of Portland's population.

## 8) Advisory Group Discussion on Housing

Cogen commented that something was left out of the housing discussion. We have to think about it as an ecosystem as Bob Granger stated. We now know that housing alone is not enough. A critical component of the plan to end homelessness is services which are funded by the County. We need to look to the full ecosystem. If we don't, we will be using TIF funds to build buildings and, at the same time, be taking money away from the County who provides services to make those buildings successful in helping people. It is important to keep this ecosystem philosophy in mind as we move forward. Commissioner Wilhoite agreed that we need to keep in mind the question of where the money might have gone otherwise.

Kruse took the discussion back to policy and planning. Over the last few years he has been involved in various budget discussions. It seems to him that planning is out of synch with respect to the City's budget process. PDC is an implementation agency that should be driven by planning. Are we rushing to conclusions? Kruse asked, at the end of the day, how do we better couple the planning process with the implementation tools?

Hanson responded that he doesn't think the Group should wait until 2010. You can always point to reasons why you may want to wait to make a decision, but at some point you have to advance and make the best informed decision you can at that time. You can always refine the decision later.

## 9) Direction to Staff

Commissioner Wilhoite summarized the Advisory Group's direction to staff:

1. What are the implications of a close-out strategy for existing districts that limited additional debt? What projects would be complete? What projects would not? What would the impact be on taxing jurisdictions?
2. How would a satellite district work financially/operationally/programmatically?
3. Should we refine the definition of "blight" for our deliberations?
4. Should we consider reserving acreage for a satellite district or as a contingency?
5. What are the committed projects in each of the three districts, and how do they relate to maximum indebtedness questions for those districts?

**Next Meeting:** Tuesday, October 23, 2007, 2:00 P.M. - 5:00 P.M., Commission Conference Room, Portland Development Commission, 222 NW Fifth Avenue.