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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, October 23, 2007

**Advisory Committee in Attendance:** PDC Commissioner Charles Wilhoite (Co-Chair); City Commissioner Erik Sten (Co-Chair); City Commissioner Dan Saltzman; Jon Kruse; PDC Commissioner Mark Rosenbaum (via telephone).

**Committee Members Absent:** County Commissioner Jeff Cogen; Planning Commissioner Don Hanson.

**Presenters:** Karen Williams, PBA; Owen Blank, PBA; Gwenn Baldwin, PBA; Erin Flynn, PDC; Allyson Reed, PBA; Blake Bishop, General Growth; Mike Williams, Cushman & Wakefield; Brad Malsin, Beam Development; Ryan Buchanan, eROI.

**Public Attendees:** Debbie Aiona, Doreen Binder, Patrick Gortmaker, Patricia Gardner, Terri Warpinski, Jan Oliver, E.D. Mondaine, Howard Weiner, Steve Sivage, Harold Williams, Elaine Howard, Jeff Tashman, Carly Riter.

**PDC Staff Present:** Bob Alexander, Bob Durston, Morgan Masterman, Joleen Jensen-Classen, Jerrohn Jordan.

#### 1) Welcome / Meeting Note Approval and Report on Follow-Up Assignments

Commissioner Wilhoite stated that Commissioner Cogen would be absent from today's meeting and that Commissioner Rosenbaum would be joining us via telephone. Commissioner Sten began a discussion regarding his island district proposal. He specifically asked that PDC staff come back to the next meeting with a strategy on how to create and manage an island district and to prepare a list of the pros and cons associated with an island district. Wilhoite suggested that a panel be assembled consisting of PDC Legal staff, Harvey Rogers, Dan Bates and others to discuss the legality of an island district. Sten responded that he did not feel it was necessary to have a legal discussion. Either it's legal and we have a discussion on how to go about doing one, or it's not legal and we don't have the discussion. PDC Executive Director Bruce Warner explained that PDC Legal Counsel is currently working on the legal issues of a satellite district. Sten asked PDC staff to answer three questions: 1) is it legal to form a satellite district; 2) is it advisable to form a satellite district; and 3) if it is legal and advisable, where should one be formed (if not David Douglas, then where)? Commissioner Rosenbaum commented that if the legal issues are grey, PDC needs to cover contingencies that if we form an island district and get taken to court and lose, what does this mean for the city and PDC.

Next, Bob Durston explained that we had received 2 sets of proposed changes to make to the September meeting notes. First, Ed McNamara submitted technical corrections on his presentation. Second, the League of Women Voters wanted to clarify that the three recommendations that Shelly Lorenzen discussed were not exclusive. The Advisory Group approved the [9/25/07 meeting notes](#) with the proposed amendments.

Durston demonstrated how staff recorded various boundary recommendations ([PowerPoint](#)) and notified the Group that PDC staff had completed an initial assessment of the Old Town Chinatown/Pearl Joint Land Use Committee's boundary recommendation. The analysis supported most of the neighborhood's suggested boundaries, and the Advisory Group authorized Peter Englander to continue to work with the neighborhood groups on areas of potential disagreement. The Advisory Group reviewed a map of the housing recommendations from the September meeting. Durston asked the Group if they wanted to consider reserving some acreage. Sten asked that staff consider a series of options, holding back 5, 10, and 15 acres.

Bob Alexander continued with a brief financial analysis ([PowerPoint](#)) addressing four basic [financial questions](#) asked at the last Urban Renewal Advisory Group meeting:

1. Property tax flow from Option 3 Districts to other taxing jurisdictions
2. Property tax flow from hypothetical project assessed at \$200M
3. Scenarios for last date to issue debt variations for Downtown Waterfront (DTWF)
4. Scenarios for last date to issue debt variations for South Park Blocks (SPB)

Commissioner Wilhoite asked Alexander if we continue DTWF and SPB through 2008 (when they are set to expire) and incur all available debt would that produce roughly \$92M for reinvestment in those areas? Alexander agreed. Wilhoite summarized that PDC is set to close DTWF and SPB in 2008. One of the recommendations the Advisory Group has heard is to shut them down now without incurring more debt—leaving \$92M of TIF resources unexpended. Jon Kruse asked if PDC had done an analysis on what projects we would want to include if we had this dollar amount available. Alexander replied that we have a list of projects that make up the \$92M in our budget. He reminded the Group that some of these projects are already legally committed. Wilhoite asked PDC to provide a list of what is legally committed.

## **2) Policy Framework Follow-Up**

Next, the Portland Business Alliance Urban Renewal Task Force presented their early defeasance strategy. Karen Williams stated that urban renewal is important in the central city core and tax increment financing (TIF) is an important tool to keep in the central city. Their [recommendations](#) to the Advisory Group include:

1. Expand River District to include portions of Old Town/Chinatown, but hold aside 15-20 percent of the 61 acres of potential River District expansion to allow the City to respond to important projects that come up in the future that are contiguous to the revised River District boundary
2. A new urban renewal district should be formed and be specifically focused to address the economic development of the Central City.
3. Accelerate debt defeasance in Downtown Waterfront and South Park Blocks urban renewal districts with the explicit goal of forming a new district that incorporates some of this same area; use remaining funds for projects that will stimulate additional development and rehabilitation.
4. Urban renewal plans should be created so that all of the property within a plan area is within a single, contiguous boundary.
5. Any expansion of an urban renewal district should only include those properties with a known strategic benefit.

6. When considering the expansion, extension or increase in debt issuance in an existing urban renewal district, or the creation of a new urban renewal district, the impact of urban renewal should be addressed not only for the urban renewal districts involved but also in terms of the broader community benefit.

Karen Williams said if PDC stops issuing debt in DTWF and SPB now, the existing bonds will be paid off in approximately 4.5 to 5 years. This would allow for the creation of a new urban renewal plan while returning the \$13.5M per year to the overlapping taxing jurisdictions. In the interim, this new URA could be funded by bridge financing (general fund backed borrowing), the same way in which the city funds any new URA. This would allow for early urban renewal activities before increment has been built up. If, on the other hand, you issue these bonds now, you will have enough money for 3 or 4 more years of projects, and then you will spend 18-20 years paying off these bonds. The property is tied to those bonds, so you will be unable to create a new district until the bonds are paid off. Gwenn Baldwin discussed the importance of a reserve of acreage (approximately 15-20% of the 61 acres) for future targeted increment generating projects.

Commissioner Wilhoite asked if PBA has thought about the issue of contiguousness. Owen Blank said they had not yet discussed Commissioner Sten's proposal internally. Sten asked if they performed an analysis on projects not to include. In order to make this strategy feasible you have to provide an alternative way to fund these projects. Blank responded that they have not done this analysis. Sten asked staff if they could produce these strategies. Sten suggested that the largest argument against the PBA proposal (and creating a large downtown URA) is the lack of results in areas such as Lents and Gateway. Commissioner Rosenbaum wanted to clarify that Williams suggested that the city could issue interim financing before a new URA was formed. Williams replied that she believes the city could back a borrowing that would provide interim operating funds for PDC. Rosenbaum also asked if it was possible to see a comparison between the \$13M that would immediately be returned to the taxing jurisdictions to the increment generated if the district was extended. Williams responded that PBA's recommendation is based less on the return to taxing jurisdictions than it is motivated by the idea that tax increment needs to be a continuous tool in the downtown core. Their recommendation avoids a 15-year hiatus in the availability of tax increment funds.

Wilhoite noted that due to time constraints, the Infrastructure Panel would be postponed to the next meeting. He also noted that they may add another meeting to the URAG schedule.

### **3) Panel on Jobs and the Economy ([PowerPoint](#))**

**Erin Flynn, Economic Development Director of PDC.** Flynn stated that a key goal moving forward is to maintain Portland as an economic driver of the region. Portland has not met job creation expectations over the last decade. Portland has a smaller portion of overall jobs in the region than it did in 1988. We need a concerted focus on job creation and we need to target our scarce resources to achieve this goal. The public-private partnership is important in helping keep Portland as the region's job center.

**Allyson Reed, PBA Downtown Retail Advocate.** Reed spoke on the importance of retail as an economic development contributor. Retail contributes to the quality of life of the downtown. The retail environment requires critical mass in order to be successful. This includes a mix of local, regional and national retailers. Retail is a fragile economy and requires ongoing public and private

investment. Reed pointed out that an empty storefront sends a negative message to potential tenants. By keeping downtown vital, an activated storefront is the place where people want to locate.

**Blake Bishop, General Growth.** General Growth manages Pioneer Place. It is successful because the appropriate retailers have been put into the appropriate location. Pioneer Place is currently in a re-tenanting process. General Growth is currently considering an expansion of the Rotunda building by 500,000 square feet of mixed use (including a hotel, office space, additional retail space, and residential units). A public/private partnership may be needed for a project of this magnitude to proceed. General Growth wants to make sure that financial tools are available if a public/private partnership turns out to be a preferred option to take the project to the next level. Bishop asked the Advisory Group to keep these blocks in mind when thinking about the River District expansion.

**Mike Williams, Cushman & Wakefield.** Williams spoke about the downtown office market. High rise construction in the core is beneficial as it promotes density, creates space to attract high-quality jobs, is developed with less environmental impact than a suburban development, and it also leverages investment from the city and county to encourage transit and housing in the central business district (CBD). While a number of new mid- and high-rise buildings have gone up in the CBD over the last 5 years, there have been no new office towers. We expect a severe shortage of office space in the CBD over the next two years. A small office tenant with 22 employees needs about 5,000 sq. ft. and has about 99 location choices in the CBD. However, a larger tenant with 350 employees requiring 4 floors of office space has no place to locate in our CBD. This shortage can hurt our economic development efforts considerably. The city, county and local businesses need to use their leverage and influence to help promote jobs in the core. Williams encouraged the Advisory Group to keep these real estate market conditions and issues in mind when making their recommendations.

**Brad Malsin, Beam Development.** Malsin is involved in Jobs Strategy 2030 which is looking at how to create job opportunities. Malsin spoke about 'green collar' jobs and the importance of maintaining Portland's sustainability leadership position. From experience in Central Eastside, we have seen that creative flex spaces have expanded job opportunities. Malsin also mentioned that in the mixed-use concept we need to focus on workforce housing. He concluded that Portland needs a dense and diverse street activity, which is highly reflective of the success of European cities.

**Ryan Buchanan, eROI.** Buchanan, founder and CEO of eROI, provided a positive case study of a small creative company occupying a 2<sup>nd</sup> floor office space. Their new space has given them the ability to grow as a company. The space they are about to occupy has been vacant for 18 months.

Flynn reminded the Advisory Group that Portland's target industries are creative services, active wear, design and sustainability. These industries derive benefit from being located in the core and we need to leverage this in a big way. How do we stay open to the possibility, as the URAG considers boundary changes and maximum indebtedness, of catalyzing these large-scale transformative projects through public-private partnerships? Commissioner Sten asked Flynn if they had any explicit recommendations on the boundary changes. Flynn said they could provide specific buildings that have potential for creative reuse. Sten said the more specific they can be in their strategy the more likely the URAG can incorporate them. Commissioner Saltzman asked Bishop how certain the expansion of the Rotunda building was. He said it was not certain. Sten responded that the panelists think about certainty versus reserve. Commissioner Wilhoite asked Flynn what she meant about her first bullet on the conclusion slide "Extend River District." She responded that she meant we should

use the ability to expand River District to include those properties that are critical to job growth and creation moving forward.

#### **4) Public Testimony**

E.D. Mondaine commented on the concern that the city has not done enough in North Portland. He asked that the URAG give some considerations of the allocation of funds not only to the downtown community but to the community in North Portland as well. Commissioner Sten responded that they are currently considering using some of the money from River District to help fund projects in other parts of town where urban renewal may not be successful. Commissioner Wilhoite stated that we will consider this as part of the satellite district discussion. Durston responded that PDC will be hosting, on behalf of the Advisory Group, an educational forum where folks from throughout the community can learn about the specifics of the discussion going on.

Patricia Gardner also testified. She wanted to reinforce a point that Ethan Seltzer had made at the last meeting (September 25, 2007), the purpose of urban renewal. She felt that this should be included in the Criteria. She stated the purpose of urban renewal in the River District is about Metro 2040, urban growth boundaries, and a regional (rather than city) concern. She stated that fundamentally what we've been able to do in the River District has everything to do with increasing density and increasing office use in the central city in response to the urban growth boundary. She encouraged the Advisory Group to keep the regional goals in mind.

Marissa Madrigal, Chief of Staff to Commissioner Cogen, read a [memo](#) submitted by him.

#### **5) Wrap-Up**

Commissioner Wilhoite apologized for canceling the Infrastructure Panel. They will be first on next month's agenda. From today's discussion on satellite districts, it is clear that there is a definite process we need to go through before making any decisions on this issue. This includes a legal analysis, the pros and cons of such a concept, and the criteria for when we might use a satellite district. PDC staff will perform this analysis. Staff will also analyze the financial implications of the possibilities of closing Downtown Waterfront and South Park Blocks, letting them run through 2008, or extending them. The Advisory Group also needs to see a prioritization of projects. This will help them decide, if and when the expansion will occur, how much and what acreage should be moved to the River District. Finally, staff needs to analyze the implications of reserving part of the 61 acres.

Kruse suggested structuring a framework for analyzing the satellite issue over time, because they may see a lot of requests if this proposal is feasible. Wilhoite said as we move forward, a challenge will be facing trade-offs. Our target is to have recommendations in December and it looks like we need to add another meeting. Alexander reminded the group that Downtown Waterfront expires in April and this extension question can be split out from the rest of the deliberation and can be handled separately, then the time pressure is off until June of 2008, when South Park Blocks expires. Durston suggested staff adjust the timeframe and add another meeting. Kruse suggested a work session. Saltzman said they need to focus on the broader policy issues. Rosenbaum added that they will need to analyze the maximum indebtedness and how that related to the project prioritization. He suggested, in conjunction with a project-by-project break down, they need to have a broad discussion on area of expenditures. Alexander stated that one of the Advisory Group's charges is to examine maximum indebtedness, and that staff could analyze the current status of projects in the River District with some projections on alternatives if we added acreage to the district.

**Directions to Staff:**

- 1) Satellite districts: Is it legal? Is it advised? Where should it be done? List pros and cons.
- 2) Financial implications of DTWF and SPB options
- 3) Prioritization of projects – legally committed projects vs. known projects
- 4) Analyze acreage options: 45, 50, 55 acres
- 6) Adjust URAG meeting schedule, add work-session

**Next Meeting:** Tuesday, November 27, 2007, 2:00 P.M. - 5:00 P.M., Commission Conference Room, Portland Development Commission, 222 NW Fifth Avenue.