

# Portland Business Alliance Urban Renewal Analysis Task Force

## Recommendations Regarding the Expansion of River District and the Future of Urban Renewal in the Central City

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### Summary of Recommendations

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.

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### Background

The City of Portland (the City) has formed a work group comprised of members of City Council, the Portland Development Commission, Multnomah County and the Planning Commission to evaluate and make recommendations regarding the future of urban renewal in the Central City. Concurrently, the City is undertaking an update of its Central City Plan.

This is occurring because several Central City urban renewal districts are set to expire in the near future – Downtown Waterfront and South Park Blocks in 2008 and Oregon Convention Center in 2013. More immediately, there are conversations occurring about the River

District, which was identified during the 2004 Downtown Waterfront extension as having the potential to add more land area.

The longevity and financial capacity of the River District urban renewal area to incur additional debt has caused numerous government officials and community stakeholders to urge a geographic expansion of the River District. The near-term expiration of the Downtown Waterfront district's ability to incur additional debt, even though many needs in that district have not been met, adds impetus and urgency to the discussion.

This is an important milestone for the Central City and the future of urban renewal. The Alliance has long been an advocate for urban renewal and the critical role it plays in ensuring a vibrant and healthy Central City; the current situation provides an opportunity for the Alliance to provide input on the decisions that ultimately will shape the Central City for many years to come.

An Urban Renewal Analysis Task Force was convened by the Alliance to make recommendations in the following areas:

1. Potential expansion of the River District,
2. Extension of time to issue debt for Downtown Waterfront and South Park Block urban renewal districts, and
3. Use of urban renewal in the Central City.

## **Principles of Urban Renewal**

Urban renewal is a strategic investment of tax dollars that ultimately results in more revenue gained for local taxing jurisdictions. When a new urban renewal district is formed, taxing jurisdictions invest their respective revenue into these districts with the confidence that urban renewal will address blighted areas of the city, ultimately bolstering property values for larger parts of the city than that which would otherwise occur. This in turn raises the amount of revenue the invested jurisdictions receive over time. To illustrate this point, the City of Portland, Multnomah County, the Port of Portland and Metro collectively receive over \$17 million dollars per year from Airport Way, Convention center, South Park Blocks and Downtown Waterfront districts alone. This increment is received in addition to the repayment of any sequestered revenue originally invested in the districts.

Urban renewal is a critical economic and community development tool for the city, with a primary purpose of removing blight. Blight is often confused with slum-like building and housing conditions, but is more accurately described as a series of factors that discourage economic investment. Used wisely, tax increment financing can result in increased economic activity, job creation, housing opportunities and higher property taxes returned to benefit taxing jurisdictions now or in the future depending on the type of district. At the same time, urban renewal can leverage investment that can prevent an area from declining. This cost-effective preventive approach should also be a primary purpose for urban renewal funding.

Ongoing use of tax increment financing in the Central City should focus on economic stability and development. While capital improvement projects assist in spurring additional development, dollar for dollar there is a more profound economic result when urban renewal resources are used for projects that directly raise increment in a district and fulfill

the role of addressing blight. Urban Renewal Districts should balance infrastructure and economic development. Tax increment funds should not continually be a replacement for proper infrastructure funding, such as capital levies, system development charges and local improvement districts. The City must identify diverse sources of revenue for ongoing capital improvements instead of repeatedly using urban renewal as a temporary expedient.

## Recommendations

### Potential Expansion of the River District Urban Renewal District

*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.*

The River District may be expanded by a maximum of 61 acres without cumbersome notice and voting procedures. These 61 acres represent a significant opportunity to meet current community needs and to take advantage of future opportunities. In order to preserve the ability to respond to future projects, some of which may not be currently anticipated, the City should forgo expanding the River District by all 61 acres at this time. In a sense, the 61 acres should be treated as “assets”, some of which may be used currently to meet important needs, but some of which should be held in reserve for the future for worthy projects that are largely opportunity-driven and cannot be predicted in any district plan.

The Task Force labored over this point, as the case of holding a reserve was well advocated for but was one about which reasonable people could and did differ, based on the long-identified projects in Old Town/Chinatown, a sense that the timing is right the area to redevelop and a hesitancy to reserve land that may be used for a pet project that comes up in the future.

Ultimately, the Task Force voted to reserve 15-20% of the potential 61 acres to use as a resource to capitalize on a future opportunity that is, as of yet, unforeseen. The reserve should be used for specific, targeted economic development opportunities that are part of the River District’s strategic plan and that arise in areas contiguous to the River District boundary. The near-term expiration of Downtown Waterfront and South Park Blocks districts will leave a large portion of the Central City without urban renewal tool until a new district is created. As a result, the reserve may be used in areas that are currently incorporated in these districts, including areas of Old Town/China Town, but may also be used in other areas contiguous to the River District boundary.

### Addressing the Expiration of Downtown Waterfront and South Park Blocks Urban Renewal Districts and the Creation of a New Urban Renewal District

*2. A new urban renewal district should be formed specifically to address the economic development of the Central City.*

The successes of the last three decades clearly illustrate that urban renewal is an effective tool for the development and revitalization of urban areas such as the Central City, and revitalization of the Central City is not complete. Continued reinvestment is essential if the Central City is to remain and expand as the economic and civic center of the region.

Urban renewal should continue to be used as a focused tool in the Central City and a new urban renewal district should be formed with the intention of advancing the economic role of the Central City, specifically through office, retail and housing development.

There are present liabilities as well as opportunities in the downtown retail core and the central business district office market where urban renewal can be applied and prevent these markets from losing market share. Escalating construction costs and the relatively conservative Portland market continue to limit new construction in the Central City. Due to lack of competitive retail and office space within the existing supply of buildings and limited new construction in the near term, businesses that want to locate in the Central City are generally unable to find suitable space. Leveraging the market so it is economically feasible to develop new office and retail inventory will position the Central City as a premier location to do business in the region.

The under representation of workforce housing in the existing housing stock is to the detriment of the City. Without a balanced residential population that uses a wide range of services, shops, restaurants, and entertainment businesses, the City will not have support for the amenities in the Central City that make it vibrant place for all people that want to work and visit. In addition, workforce housing in the employment center also reduces impacts on transportation, air quality, and the cost of public services. It is critical that the City focus urban renewal resources on providing housing opportunities that match the downtown demographics.

*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.*

The Task Force began with the premise that there is considerably more work needed to meet economic, housing and community objectives in the downtown area than there is time and money left available from Downtown Waterfront and South Park Blocks Urban Renewal Districts. Further, to extend each district in order to reach maximum indebtedness would mean a new district would be unavailable to form and begin to raise increment to meet these unmet needs until approximately year 2025 when the debt in each district is paid off.

Given this, one legitimate and responsible strategy is to leave these districts essentially as they are constituted now, issue no more debt, and retire the existing districts as soon as possible with the simultaneous and explicit goal of forming a new urban renewal district that incorporates some or all of this same area. This strategy may require forgoing or delaying the funding of known projects in order to accelerate debt defeasance, as well as undergoing the substantial political process involved with creating a new district. The Task Force supports undertaking such a challenge, as the benefits to this strategy are significant. First, it will allow the currently sequestered tax revenues for tax increment funding to be returned to the overlapping taxing jurisdictions (i.e. City of Portland, Multnomah County, Portland Public Schools). Second, it will provide for a more reasonable and prolonged amount of time and potential public commitment to more completely redevelop this area.

This new plan/district should be able to start collecting new tax increment revenues beginning not later than 2012, and potentially earlier depending on exact collections and

the outcome of any related public policy discussion on utilizing the City's current ability to reallocate the special levy for even a more expedited debt retirement plan.

This strategy would further suggest that those projects that will clearly have a tailwind effect on spawning additional development be funded with remaining urban renewal dollars now in-hand. This would effectively allow the efforts to rehabilitate these areas not experience a significant loss of momentum during the intervening years (2008-2012).

This strategy does not preclude moving acreage of the existing Downtown Waterfront district and incorporating it into the River District in the near term. In fact, to the extent River District funds are available to facilitate projects within this transferred area in the near term, it allows the remaining dollars in the Downtown Waterfront district to focus on continued redevelopment in the remaining acreage. This position is predicated on the understanding that moving area out of the Downtown Waterfront and into the River District will not diminish tax collections coming into the Downtown Waterfront district's bond sinking fund for debt retirement.

This is the preferred strategy; however the Task Force recognizes there are other strategies that address expiring districts and would like to be included in any discussion regarding the future of the Downtown Waterfront and South Park Blocks districts.

#### Use of Urban Renewal in the Central City

The following recommendations apply to decisions made with respect to the existing urban renewal areas in the central city, as well as to decisions regarding the future use of urban renewal.

*4. Urban renewal plans should be created so that all of the property within a plan area is within a single, contiguous boundary.*

The concept of urban renewal is to identify real estate with characteristics that meet the statutory indicia of blight, and to form a cohesive plan that will ameliorate those conditions. This has almost always been treated as property within a single, contiguous boundary. The policy reasons for taking that approach are that the boundary is more likely to include properties of a similar nature, or that are affected by a similar group of blighting factors. Then, a cohesive plan can be implemented such that actions on one property, or a programmatic undertaking such as a transportation improvement, are likely to have synergistic effects for many of the properties within the district. This improves the efficiency of tax increment expenditures, makes the use of tax increment more rational to citizens who have average expertise regarding these issues, and it allows for greater compatibility between neighborhood, economic development and land use plans and the urban renewal financial program. We recommend that non-contiguous boundaries not be allowed.

*5. Any expansion of an urban renewal district should only include those properties with a known strategic benefit.*

Assuming the addition of new properties into an existing urban renewal district will be made in consideration of their strategic benefit, and not simply for the purposes of a boundary expansion, it may be that a current plan no longer adequately reflects the goals and priorities of the modified district. It may well be that a changed district configuration will include projects that are an anomaly to the revised district. Or, a new property might

bring an opportunity not contemplated in the existing plan that complements or augments the existing goals and priorities of the district. Suggested plan revisions should honor the work of the original Urban Renewal Advisory Committee of a specific area, while prioritizing projects that encourage investment that benefits the entire Central City. It is sensible and prudent to update the plan of an existing district to reflect changed conditions.

*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.*

Urban renewal efforts, although concentrated in specific boundaries, are invested for the economic development of the city and the region and for the benefit of all citizens and taxing jurisdictions. For example, a project like Pioneer Place, which is in the Downtown Waterfront district, or Siltronic AG (formerly known as Wacker Siltronic), which is in what is now known as the Willamette Industrial district provide benefits throughout the City and County in terms of employment, commerce, increased tax revenues, and as a draw for yet further investment.

The importance of public *and* private money flowing into a project that becomes an economic driver is seen as a critical element of urban renewal. Projects that meet the following should take priority:

- Directly result in multiple other projects happening
- Remove a barrier to private sector development
- Help build jobs and tax base
- Leverage other non-TIF funds to expand the benefit