



Commissioner Jeff Cogen, District 2

MULTNOMAH COUNTY OREGON

501 SE Hawthorne, Suite 600

Portland, Oregon 97214

(503) 988-5219 phone

(503) 988-5440 fax

www.co.multnomah.or.us/cc/ds2/

district2@co.multnomah.or.us

MEMORANDUM

To: Urban Renewal Advisory Group

From: Jeff Cogen

Date: 12/18/07

Re: Making Urban Renewal Work for the Entire Community

Summary

Urban renewal was created as a way to combat “blight”. While it has played an important role in bolstering downtown Portland’s vitality, ironically urban renewal has had the unintended, and often unrecognized, consequence of furthering blight by taking away funding from vital human services and public safety programs. As we consider the future of urban renewal and specific changes to the Downtown Waterfront, South Park Blocks and River District Urban Renewal Areas (“URA”), we have an opportunity to minimize this hidden tradeoff and create a new model for urban renewal that benefits the entire community.

Making strategic capital investments in the River District URA that will free up service dollars can protect core services and reduce the inequities caused by past urban renewal actions while helping to build a consensus for urban renewal investments in the 21st century. Additionally, we need to fulfill the promises made at the inception of URAs by allowing the Downtown Waterfront and South Park Blocks URAs to expire and their property to return to the tax rolls. Finally, democratizing the decision making process around urban renewal by giving affected jurisdictions a voice in urban renewal decisions will result in better and fairer decisions that account for the needs of the entire community.

Background

Urban renewal is a unique and powerful tool that enables local governments to make targeted investments in a community’s future through tax increment financing (TIF) designed to minimize “blight” by borrowing against projected future taxes to finance projects. Blight is a product of multiple factors, some of which can best be addressed by increasing human service and public safety investments. However, by law dollars raised through tax increment financing in urban renewal areas can only be spent on capital needs (“bricks and mortar”).

Urban renewal investments require local governments to forgo tax revenue for up to 40 years in the hope that the investments will ultimately grow the total tax base and strengthen the entire community. During the period that a URA is in place, and as long as the debt issued is being repaid, resources that would otherwise be available to

fund critical community services are instead directed to the URA to be spent on bricks and mortar.

In Portland, twenty six cents of every dollar spent in URAs would otherwise be available to Multnomah County for investments in public safety and human services, which together account for 85% of Multnomah County's budget. Currently, the County forgoes more than \$16 million annually due to urban renewal. This has contributed significantly to the dire financial condition of the County, which has had to cut its general fund budget for 8 years in a row – even during the recent economic boom – and faces another significant budget cut next year.

Although the County's revenue sources have been deeply depleted by urban renewal, the community's need for human services and public safety programs has continued to grow. Despite the huge impact on its ability to provide these vital services, Multnomah County has no real voice in decisions regarding urban renewal, which are vested entirely with the City of Portland and PDC.

While the Urban Renewal Advisory Group isn't charged with overhauling Oregon's urban renewal law, we are responsible for recommending changes to the policies and practices governing urban renewal decisions in Portland. As we consider potential changes to the River District URA, as well as the future of the Downtown Waterfront and South Park Block URAs, we must be mindful of the impact that these actions will have on the broader community. Following is a proposal that suggests ways to pursue urban renewal that can succeed in keeping our downtown core vital, while minimizing the impact to vital services and thereby addressing both the physical *and* social elements of blight.

A Three Part Proposal:

1) A Bricks and Mortar Strategy for Helping to Preserve Funding for Vital Services

While urban renewal dollars cannot be spent on providing services, strategic investments of urban renewal resources in facilities on behalf of Multnomah County can free up program dollars which can then be made available to provide vital services. Multnomah County currently provides human and public safety services from three buildings downtown: The Mead (in the River District), the McCoy (adjacent to the River District) and the Lincoln Building (adjacent to the River District). Multnomah County leases a large portion of the Lincoln Building and owns both the Mead and McCoy buildings.

The Mead and McCoy are unreliable, unsightly buildings that most would consider blighted themselves. The cost of retrofitting these buildings for safety and efficiency is beyond the County's financial reach and would at best result in marginally improved facilities from a County operational perspective.

The County recently considered purchasing the Lincoln Building in order to consolidate its downtown services in one location, which would improve service

delivery and efficiency. However, the County simply could not afford to make the purchase and today is in the unenviable position of simply waiting for the Mead and McCoy buildings to fail.

To address this dire situation, and to minimize the overall impact of changes to the River District URA, the County proposes that the River District be expanded to include the McCoy building and the Lincoln Building. The County requests that PDC work with Multnomah County to redevelop the Mead and McCoy (returning them to the tax rolls), and acquire for the County a building similar in size and location to the Lincoln building for a downtown service hub. This expansion will require no more than 1-2 acres of land be added to the River District, which seems clearly achievable in light of the 61 acre expansion capacity we have discussed.

Such an action will have many benefits to our community. It will save the County millions of dollars in operational expenses, which can be used to fund core services. It will help clean up blight in the River District. And it will allow the County's services to be provided in an efficient, effective manner. It will also make the system of urban renewal fairer to members of our community who currently are not enjoying its benefits, and in doing so will help ensure continued support for urban renewal as a tool for addressing the community's needs in the future.

2) Keeping our promises: allow URAs to expire and return property to the tax rolls

The promise of urban renewal is that property will be removed from the general tax rolls for a limited period of time in order to allow focused investment into a specific, blighted area. This causes short term losses in revenue available to fund community services. The justification for this is that doing so will build value in the area in the long term that will eventually benefit the entire community. However, this promise rings hollow when, as is increasingly the case, the end point of an urban renewal area's "life" is continually put off into the future.

The Downtown Waterfront URA was created in 1974. The South Park Blocks URA was created in 1985. Both have already been extended beyond their original proposed time limits. Both URAs are now set to expire in 2008.

In order for Urban Renewal to remain a credible tool to address blight, it is critical that the South Park Blocks and Downtown Waterfront urban renewal areas be allowed to end in 2008. Moreover, we should carefully limit the amount of debt issued at the end of these districts' life, to speed their return to the tax rolls. We don't suggest that current commitments be ignored, but rather that no new commitments are made. Moreover, since it is extremely likely that some portions of the Downtown Waterfront URA will be appended to the River District, we should make an effort to see whether some current commitments can be fulfilled with the River District URAs funding.

3) Creating an Inclusive Process for Urban Renewal Decisions

Multnomah County is a large government with varied responsibilities, but the core of its mission is to provide social services to vulnerable members of our community and to protect public safety. The recipients of the County's services are overwhelmingly low-income and a very high percentage are people of color. These people are often powerless and ignored by our society. It is no exaggeration to say that they have largely been without a voice in the urban renewal decisions that directly impact their lives.

Under State law, the City's only responsibility to Multnomah County is to "consult and confer" with the County about its Urban Renewal decisions. (ORS 457.085(5)). Yet, while this is all the State requires, it is not good policy. We can, and should, do more to include Multnomah County in our urban renewal decision making process.

Approaching urban renewal decisions collaboratively will mean that decisions are only made after fully considering the impact of urban renewal on our poorest residents and ensures that the tradeoffs inherent in tax increment financing are discussed and debated publicly. In this way we can make sure that urban renewal works on behalf of our entire community.

Recognizing that a thoughtful, cooperative approach can improve the effectiveness of both TIF expenditures and City and County services and in the spirit of community partnership, this group should recommend that the City and the County enter into an agreement that any future decisions to create a new URA, expand an existing URA, increase the maximum indebtedness of a URA or change the date at which an existing URA expires, will be made in a collaborative process with the County having a meaningful voice in decisions.

Conclusion:

This body is presented with an opportunity to improve the fairness of urban renewal decision making, address blight that today mars the edge the River District, assist the County by lowering its operating costs as well as the ongoing costs of maintaining decrepit buildings, improve service delivery to our community in a new central city service hub and provide development opportunities for two centrally located properties which could subsequently be returned to the tax rolls. We can also demonstrate that by being nimble and creative we can create a model for urban renewal that addresses urban blight while protecting critical services needed by our community.