



PORTLAND BUSINESS ALLIANCE

Leading the way

February 9, 2010

Mr. Scott Andrews
Melvin Mark Properties
111 SW Columbia, #1380
Portland, OR 97201

Re: 2010-11 Budgets of Downtown Waterfront, South Park Blocks, River District, Oregon Convention Center & Central East side Urban Renewal Areas

Dear Chair Andrews,

Thank you for allowing us to comment on the Urban Renewal budgets. The Alliance advocates for the continued use of urban renewal in the downtown as a catalyst for economic development, job creation and fulfillment of city and regional land use and transportation strategies and as an offset to the higher cost of development and redevelopment in the urban core.

Used appropriately, tax increment financing (TIF) can restore blighted areas or keep threatened areas from declining, leverage significant private investment, leverage other public sector resources, and increase tax revenue for local jurisdictions. In order to achieve these objectives, urban renewal should support a mix of functions, land use and property types so that each urban renewal project leverages the entire area as a whole.

While there are many important projects that can benefit from public funding, it is critical to recognize that some projects generate increment, while others do not. If a district is not generating sufficient tax increment, it will not have the financial capacity to fulfill its objectives, regardless of its authorized maximum indebtedness. The 30 percent set aside for affordable housing and other important projects that generally do not directly generate tax increment make it even more critical to ensure other budget priorities generate increases in property values.

TIF Set Aside for Affordable Housing

The Alliance believes that the central city should have a balanced housing stock across all income levels and geographic areas. The Alliance has been supportive of providing development tools to assist in the development of central city middle-income housing, which we interpret as 80- 120 percent of

median family income. There are several tools to assist with low income housing development, including tax credits and urban renewal resources set aside for low income housing. The market takes care of the highest end of housing. Workforce housing is stuck in the middle without either the rents or the tax credits to make them consistently attractive investments. We look forward to working with the new Bureau of Housing on finding creative ways to address this unmet need. At the same time, the five-year period for the 30 percent set aside is nearing completion and we look forward to a review of this policy to determine if the set aside parameters of income levels should be adjusted to reflect a broader central city housing need.

Use of Urban Renewal

With the expiration of Downtown Waterfront and South Park Blocks districts and the upcoming expiration of Oregon Convention Center, the presence of tax increment financing (TIF) in the central city potentially may be reduced significantly. The scarcity of funds makes judicious and efficient use of remaining TIF funds more critical than ever. The city has limited remaining capacity of acres and assessed value that can be included in urban renewal districts. While the total remaining capacity can be enhanced to some extent by removing land from existing urban renewal districts, any remaining capacity must be used in areas and on objectives where urban renewal is the most effective and efficient tool.

There will always be more projects than there are resources available. Therefore, when selecting projects eligible for urban renewal, there are several public benefits that should result from every project. In order to effectively utilize limited public resources, Urban Renewal projects should maintain these characteristics:

- The ability to generate an incremental increase in assessed value, either as a property that is entirely or partially taxable;
- Private sector participation directly in the project, related to the project, or stimulated by the project;
- The ability to generate a local and widespread “halo effect” of economic development, living and family wage job creation, and private investment; and
- Appropriately timed project execution that maximizes tax increment generation potential over the life of the district.

The following suggests how PDC and the City of Portland should consider projects in regard to these premises.

Urban Renewal Districts

Downtown Waterfront

We understand that the final issuance of bonds has occurred for this district and the district has expired. In light of this, the recently adopted Mayor's Downtown Retail Strategy is unfunded in this district. The Alliance believes that downtown needs continued investment to maintain its role as the economic, civic and cultural center of the region. These sites, projects and opportunities in the core still merit the use of continued urban renewal and we assume that they are currently under or unfunded because it is anticipated that they will be included and funded in a new district.

The Alliance serves on the Westside Urban Renewal District Committee and advocates that there be a new URA in the downtown core to fund many of the remaining projects and efforts in the Retail Core and parts of Ankeny Burnside, as well as key opportunity sites such as the Morrison Bridgehead. If these areas are not included in a new urban renewal district in the near term, it will be necessary to revisit the Downtown Waterfront budget and reallocate the remaining funds to spur private development and create a tailwind of investment. Remaining funds should be reallocated because, for most of the area, new TIF funds will not be available until 2024, if ever.

We applaud the investment of remaining funds in projects that will catalyze an area and will leverage private investment after the life of the district. The Alliance supports the commitment to funding projects in the Ankeny Burnside area, particularly Block 8 and the South Old Town China Town redevelopment project/Block 33.

Due to the inherent development challenges with old, historic and mixed use buildings typical in downtowns, the access of Storefront Grants and Redevelopment Loan programs have been essential to keeping the downtown building stock viable for modern business use. We are concerned that the Storefront Grants and Redevelopment Loan programs are unfunded for the remaining life in this district. These are popular programs that, with relatively small public investment, dramatically improve the streetscape, assist many businesses and property owners, and incent other property owners to invest in

their buildings. We recommend that these programs be funded throughout the life of the district.

South Park Blocks

Similar to Downtown Waterfront, we emphasize that creating a tailwind effect of continued investment is necessary in this expired district. Through the end of the district's life, retail development, storefront grants, business finance and redevelopment loans are an important component of creating investment opportunity and should remain funded to support the commercial, educational and cultural focus of this district.

As with Downtown Waterfront, part of the Mayor's Downtown Retail Strategy and transformative project list is located in the South Park Blocks boundaries. The strategy lists small, medium and large-scale development sites that at this time, are not adequately funded. We recommend that the area in the retail core that is within South Park Blocks be removed and included in a new urban renewal district. If this does not occur, we recommend revisiting the existing budget to more adequately fund this strategy.

The Affordable Housing Set Aside is a static percent set by policy and is recognized without discussion. Given this, the City of Portland and PDC must administer that allowance responsibly with respect to the other project needs in the districts. The Alliance recognizes the upcoming expiration of Section 8 units in the district and is concerned about TIF becoming the main funding source for preserving these units. The Alliance believes providing housing for vulnerable populations is an important goal and request to work with PDC and the Bureau of Housing to develop funding tools that can help deliver quality units in the most economically efficient way possible.

River District

We are pleased that the expanded River District includes important project areas including the Burnside/Couch Couplet, the 10th and Yamhill Garage, parts of Old Town/China Town and significant blocks of the east end of the retail core. The acknowledgement of including these areas indicates the City's commitment to economic development in the central city.

With respect to including the downtown retail core, we are pleased that there is funding for the Mayor's Downtown Retail Strategy, particularly the 10th and Yamhill garage, the Retail Development line item, and the funding of

Redevelopment Loan and Storefront programs. We urge PDC to work with the Downtown Retail Vision Task Force on identifying more details on project timing and allocation of additional funding as project timelines become clearer.

The Alliance is supportive of keeping long term projects funded in the budget. Particularly, we are supportive of the ongoing effort to acquire the Post Office site. This is a major opportunity for the central city to locate a significant number of new jobs and catalyze the northern end of the River District. We are supportive of keeping Burnside Couch Couplet funded, as well as the 10th and Yamhill Garage. These projects will dramatically transform their adjacent areas and are worthy of the dedicated investment.

We applaud PDC's focus on creating jobs and leveraging private sector investment, through the implementation of the City of Portland Economic Development Strategy. The Alliance believes that job creation and leveraging private investment is most important at this time, even if they are not explicitly within the adopted Economic Development Strategy industry clusters. We urge the city and PDC to keep this in mind when considering funding for projects that create jobs and additional investment. With respect to this recommendation, we advocate that the Business and Industry allocation conceptually implement the Economic Development Strategy, but that resources are available to businesses that create new jobs and investment, even if they are not in the designated industry clusters.

The Alliance recognizes the amount of time and resources that are put into the planning efforts of an urban renewal plan, development opportunities and project list to fulfill the plan objectives. Therefore, we are concerned when a plan or project is delayed, or at times, made infeasible by one regulatory element. Ultimately this delay or infeasibility increases the cost of a project, and usually the requirement of increased public subsidy. In the case of the Skidmore Old Town District and the height restrictions imposed by Landmarks Commission, and the replacement for Blanchet House delayed by the question of the historical significance of the Dirty Duck site, we are particularly concerned. Both of these development plans are part of a larger planning process and are held up by one policy goal. We urge PDC to work with the city and Landmarks on resolving these issues with a clearly defined process so that thoughtful development plans can move forward with certainty.

Oregon Convention Center

The near term expiration of this district necessitates the funding of projects that stimulate additional investment and promote long-term job creation. We understand the North/Northeast study is underway. Until the planning process determines boundary amendments for the Oregon Convention Center URA, we urge that uncommitted resources in the district focus on projects identified in the Oregon Convention Center Vision Development Plan and the Lloyd District Development Strategy.

The Alliance is participating in the Rose Quarter Development Project and the Memorial Coliseum Reuse Study process. We see the redevelopment/reuse as an opportunity to further catalyze the Rose Quarter area and incent additional investment. We believe that investing in this area will strengthen visitor and local connections between the Rose Quarter and the Oregon Convention Center.

The development of a headquarters hotel remains a priority for this district and for the Alliance. We understand that PDC currently is determining next steps in the headquarters hotel. The Alliance supports maintaining the current and out-year funds in the budget for the project to ensure there are opportunities to move this project forward.

The Alliance recommends PDC and the City explore a Zero Coupon Bond purchase to leverage the remaining indebtedness available in the district. The Alliance requests that any future funds or surpluses are directed to funding established priorities and goals for the district, as these projects are of great magnitude in their capacity to generate TIF and economic opportunities for the City and should be prioritized in the district.

We are pleased that the construction of the streetcar loop is underway. The streetcar loop will connect the east and west sides of the central city and will stimulate investment in nearby properties along the streetcar line.

As with other districts, the Alliance recommend that projects which spur private investment and create jobs should be eligible for development loans and business finance resources, even if the jobs created are not specifically within the industry clusters identified in the Economic Development Strategy. We are supportive of the development of blocks 47-49 and urge PDC to work with the developer to move this forward as soon as possible.

Central East Side

The Alliance supports the Central East Side as an important employment district in the central city. This district remains primarily an industrial employment district, and URA-funded programs should focus on supporting and growing employment in the industrial sector. As the streetcar loop brings new opportunity for mixed-use development in this district, an appropriate balance between industrial employment and other uses should be maintained.

This district historically has made significant investments in infrastructure with the idea that the investments will stimulate additional private investment. At this point in the district's life, it is imperative that the district focuses its remaining resources on job creation, TIF generation, and creating a tailwind of investment that prolongs the life of the district. The Alliance recommends that the district's remaining resources focus on development projects that maximize the infrastructure investment.

The Alliance is pleased that two major infrastructure projects in the district are moving forward: Burnside Couch Couplet and the streetcar loop. Both will contribute to the overall connectivity of the central city and improve access to businesses and amenities within each sub-area. With respect to maximizing these infrastructure investments, the Alliance supports commercial development around the streetcar station areas with a focus on employment. Therefore, station-oriented development should support the primary role as an employment district and mainly be commercial, supported with some residential, where allowed within the existing Exd zoning.

The Alliance continues to support the Burnside Bridgehead development as a project that will drive additional private development, and will also generate tax increment growth that is imperative for the financial success of this district. We look forward to working with PDC and stakeholders on moving that project forward as soon as possible.

Conclusion

Thank you for the opportunity to comment on the urban renewal district budgets. Tax increment is a critical tool at the City's disposal to generate economic and community benefits. As such, its use should be predominantly for projects that leverage private and other public sector funds. We look forward to continuing to work with you regarding the future of urban renewal

and its role of meeting City objectives, and assisting in creating a vibrant and healthy central city.

Sincerely,

A handwritten signature in black ink that reads "Sandra McDonough". The signature is written in a cursive, flowing style.

Sandra K. McDonough
President & CEO

cc: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman
Commissioner Bertha Ferran
Commissioner John Mohlis
Commissioner Charles Wilhoite
Commissioner Steven Straus
Executive Director Bruce Warner