



PORTLAND BUSINESS ALLIANCE

Leading the way

March 11, 2008

The Honorable Mayor Potter
City of Portland
1221 SW Fourth Avenue
Portland, Oregon 97204

Dear Mayor Potter:

The Portland Business Alliance supports the use of urban renewal as a critical economic and community development tool for the city. Urban renewal, though focused on specific geographic areas within the city, ultimately benefits the entire city. Through the use of tax increment, the city can leverage private investment, which increases property values and revenues that flow to the city, county and schools to support critical services, such as police and fire, education, health and human services and the like. Only through thoughtful and balanced funding between projects that generate increment and those that do not does this equation work. Done right, urban renewal is an investment that grows the property tax base and results in a long-term benefit to the entire city, county and school districts.

We applaud City Council for acknowledging and looking for solutions to the needs throughout the city, including the school districts within its boundaries. However, based on both policy and legal reasons, the Alliance is concerned about the city moving forward with a policy that supports the creation of satellite districts, and we urge you not to support this proposal. Shifting money from one district to fund projects in other areas of the city is ill advised, whether the shift is from a downtown district or from an eastside neighborhood district, and the City Council should refrain from adopting the satellite proposal. Our position is based on the following concerns:

First, transferring resources from one defined urban renewal area to a satellite is a significant departure from the traditional use of urban renewal throughout the city and state and, potentially, at odds with Oregon Revised Statutes. Although the legal basis for a potential satellite district is unclear, we remain concerned that approving a satellite may subject the city to legal challenge.

Second, 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 or clearly defined geographic area. 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 and allows for greater compatibility between neighborhood, economic development and land use plans and the urban renewal financial program.

Third, most urban renewal districts do not generate significant increment like the River District and, instead, must carefully budget projects to ensure the district's debt service can be met. A significant new policy direction, like the satellite, should not be adopted based on an anomaly. Even in the River District, the 2008-2009 budget process has exposed cash flow issues that inhibit the ability to use tax increment to fund long-standing community priorities developed through the Urban Renewal Plan for the River District and other adopted neighborhood plans and development strategies. The River District is not generating "extra" resources; we need to complete the work envisioned for this area.

Fourth, once one satellite district is authorized, there will likely be a substantial stream of requests from other areas of the city, school districts and others. Without a comprehensive plan, like the Urban Renewal Plan required by state statute, there is very little to guide the city in identifying the most critical investment. We recognize that David Douglas School District has significant needs; so do the rest of the school districts within or partially within the city limits. How can the city rationalize focusing on one district at the exclusion of the others?

Finally, with respect to the specific proposal for David Douglas, we are concerned about the shifting of resources from Portland Public Schools to David Douglas. The potential to implicate the Measure 5 cap and trigger additional compression is a significant unresolved issue, according to the City

Attorney. It is critical that we fully understand what this decision may mean for Portland Public Schools and David Douglas with respect to Measure 5 limitations before moving forward.

Urban renewal has been authorized by the State of Oregon for over 50 years. During that time it has helped accomplish numerous economic and community development goals. A proposed use of non-contiguous districts is a radical departure from historic use and intent of urban renewal law. We are concerned about the impacts of such a departure on the integrity of urban renewal in the City of Portland and the entire State of Oregon. We recognize there are needs throughout the city; urban renewal is not the only tool at the city's disposal and is not the appropriate tool in this circumstance.

City Council should not adopt this major shift in urban renewal practice, and we urge you to reject the satellite district proposal.

Sincerely,

Sandra McDonough
President & CEO

cc: Commissioner Adams
Commissioner Leonard
Commissioner Saltzman
Commissioner Sten