



Urban Renewal Analysis/Budget Task Force

Recommendations Regarding the Budgets of Downtown Waterfront,
South Park Blocks, River District, Oregon Convention Center &
Central East Side Urban Renewal Areas

GENERAL COMMENTS

Purpose of Urban Renewal

The Portland Business Alliance considers urban renewal a critically important tool that, used appropriately, can address blight and blighting factors, help create jobs, promote the continued economic vitality of the central city and facilitate needed investments in other areas of our community that will make them and the city a more vibrant and economically healthy place to live and work.

The creation of urban renewal districts represents a compact between the city and the underlying taxing jurisdictions. The underlying jurisdictions forgo potential tax revenue in the near term in exchange for the possibility of greater revenue in the future. We believe urban renewal fulfills this compact when it makes investments in undervalued areas, catalyzes private investments that increase property value, and then returns those properties to the tax rolls so they can support the critical general fund services of all taxing jurisdictions.

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.

In approaching the budget review, the Alliance task force relied on guiding principles developed in the past and reaffirmed in this budget cycle, which include prioritizing projects based on whether they fulfill the following criteria:

- Demonstrably result in multiple other projects
- Remove barriers to existing private sector development
- Help build jobs and tax base
- Leverage private funds or other public funds to expand benefit

In light of the current economic conditions, lack of liquidity, increasingly difficult financing, and the impact on tax credits, many projects are in a holding pattern waiting for financing

tools to recover. At the same time, there are diminishing Tax Increment Financing (TIF) funds available due to delays in issuing of bonds and the expiration of the Downtown Waterfront and South Park Blocks urban renewal districts. The scarcity of funds makes judicious and efficient use of remaining TIF funds more critical than ever. The following suggests how PDC and the City of Portland should consider their projects in regard to these premises.

Affordable Housing Set Aside

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 set aside should be held to no more than the approved set aside amount in each district over a five-year period. Additionally, there are economic efficiencies that should be considered with respect to affordable housing development given the current investment market. The reduced use of Low Income Housing Tax Credits (LIHTC) by investors may reduce the financial feasibility of some affordable housing developments in the near term. If the LIHTC are not readily available, then the projects will have larger financing gaps. The Alliance supports a careful review of these projects to determine if a short delay in construction would result in a significant reduction in the PDC TIF obligation if the LIHTC market turns around in the near future.

Contractual Agreements

We understand that some elements of the budgets require a long-term view and we appreciate the placeholders made for these important projects. There are a number of contractual agreements between PDC and developers that have associated deadlines for execution. We believe that these agreements were made with an assumption of a more favorable economic environment. Currently many developers are challenged to access sufficient equity and financing to make deals financially feasible. We request that PDC extend the agreements with developers until a more universally favorable economic climate returns.

URBAN RENEWAL DISTRICTS

Downtown Waterfront

We understand that the final issuance of bonds has occurred for this district. We urge that the remaining funds be used to spur private development where possible, due to the fact that, for most of the area, new TIF funds will not be available until 2024, if ever. The remaining resources should fund projects which are catalytic in nature, such as key redevelopment or reconfiguration sites in the east end of the retail core, development and infrastructure improvements in the Ankeny/Burnside area, and private development opportunities in the South Old Town/China Town area. Funding these projects will revitalize adjacent areas and will leverage additional development. In addition, the value of any PDC-owned land donated for an affordable housing development, such as Block U, should apply to the set aside allocation for that district.

The Alliance urges the city to work with the bond underwriters to explore removing acreage equal to 40 percent of the assessed value of land in Downtown Waterfront and South Park Blocks, allowing parts of the area to be included in a new downtown urban renewal district in the near term. The Alliance asks to participate in discussions regarding any parameters or approach to identifying land eligible for removal out of these districts.

South Park Blocks

Similar to Downtown Waterfront, we emphasize that creating a tailwind effect of continued investment is necessary in this expired district. Economic development and development expenditures should be made on projects that demonstrably result in additional catalytic development and investment to lessen the impact of the expiring district. Retail, business finance and seismic loans are an important component of creating investment opportunity and should remain funded. Part of this strategy necessitates limiting the 30 percent TIF set aside for affordable housing to no more than 30 percent of the budget resources for this district.

In light of this request, the Alliance recognizes the upcoming expiration of Section 8 units in the district and the possible funding gaps and cost increases associated with preservation of these units. The Alliance believes providing housing for vulnerable populations is an important goal and would like an opportunity to work with PDC and the City's new housing bureau to develop funding tools that can help deliver quality units in the most economically efficient way possible.

River District

We are pleased that the boundary amendment of River District includes important projects 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 funding for these projects indicates the City's commitment to economic development in the central city.

With regard to these important projects, we are very concerned with the decision made by the Land Use Board of Appeals remanding the River District Amendment to the City to make findings of blight for the district. Not only does this severely limit funding availability for important projects in the River District, but it also jeopardize the City's ability to use urban renewal. We urge the City to remedy this as quickly and thoroughly as possible in order to preserve the use of urban renewal.

The Federal Stimulus request from the City of Portland, if awarded, may send some resources through to fund shovel-ready infrastructure projects. The Alliance supports this and suggests Union Station and the Streetcar be classified under qualified projects. The Alliance recommends that any TIF dollars that can be replaced by the Federal Stimulus package in this or other districts flow to other projects that are not eligible for federal funds.

The Alliance supports the development of the Resource Access Center as a part of the 10 Year Plan to End Homelessness. That said, the project costs continue to escalate. We emphasize that it is critical to maximize the significant public investment made in this project. We ask that PDC and the City examine the source of these increases and determine if there are efficiencies that can be made in development costs that do not impact project goals.

Oregon Convention Center

The development of a headquarters hotel remains a priority for this district and for the Alliance. We support maintaining the current and out-year funds in the budget for the project to ensure there are opportunities to move this project forward. Particularly in light of the limited resources in the district, it is vital that PDC find the most effective time and method for its investments. The cost of private capital differs at each stage of a project. For the hotel, early investment by PDC is likely more valuable to the project because of this private

market dynamic. PDC should make predevelopment capital available as soon as possible. In addition, the Alliance supports ensuring adequate planning resources for the hotel prior to development and believes TIF funding is an appropriate resource.

The east side streetcar is also a priority for the Alliance. The funds allocated to the streetcar in both Oregon Convention Center and Central Eastside are linked and each district must maintain their share of allocated funding to ensure the project is able to move forward. As with other districts, the Alliance recommends that any TIF dollars associated with infrastructure projects that can be offset by any awarded Federal Stimulus resources flow to other projects within the district that are not eligible for federal funds.

We encourage the upcoming PDC urban renewal area boundary studies. The analysis will give a better indication of where investment opportunities are in the North and Northeast neighborhood areas, and how opportunity areas needs align. 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, such as redevelopment of the Rose Quarter and 100 NE Multnomah.

These are projects of great magnitude in their capacity to generate TIF and economic opportunities for the City that should be prioritized in the district. At the same time, the point at which the district can no longer issue debt is approaching. 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, rather than new projects that are not a part of any approved plan or vision for the area.

Central East Side

The Alliance supports the Central East Side as an important employment district in the central city. Economic development programs that assist businesses as well as projects that remove barriers to additional employment and development should be an important focus of PDC expenditures.

The Alliance supports moving forward with two major infrastructure projects in the district: the Burnside Couch Couplet and the east side streetcar. Both will contribute to the overall connectivity of the central city and improve access to businesses and amenities within each sub-area. The Federal Stimulus request from the City of Portland, if awarded, may make available resources to fund shovel ready infrastructure projects in this district, including the eastside streetcar. The Alliance recommends that any TIF dollars associated with infrastructure projects that can be offset by the Federal Stimulus package flow to other projects within the district that are not eligible for federal funds.

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 request that the funds allocated to the Burnside Bridgehead remain in the budget until the market is more favorable for financing. Further, the Burnside Bridgehead, the east side streetcar and the Burnside Couch couplet projects should be considered dependent on a related timeline. Therefore, the resources and planning for each project must remain available and in correct succession so each project is feasible and able to move forward.

We understand that the current east side configuration of the Burnside Couch couplet was tailored to the former Burnside Bridgehead project proposal. We recommend that the configuration of the couplet at the project site be aligned to meet the needs of any future Burnside Bridgehead development program. Additionally, the development proposal's feasibility is likely hinged on positive capital markets. If the market is not favorable during the time stipulated in the contractual agreements, we recommend that the allocated money for the Burnside Bridgehead project remain available to the project until private resources are available.

The Alliance is supportive of PDC economic development programs to assist businesses in this district. Much of this district is in an industrial sanctuary and provides complementary employment to downtown. Therefore, economic development should be an important focus of this district.

As an Option 1 district, the Central East Side district is only as financially robust as increment can be generated. Therefore, the sequencing of funding increment and non-increment generating projects is critical. We recommend that any resources gained from property sales be used first for increment-generating projects. This way, additional resources flow into the district overall, which ultimately generates a larger amount of money for all project types in the district.

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