



The League of Women Voters of Portland

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MEMORANDUM

DATE: May 5, 2014

TO: Mayor Charlie Hales, Commissioners Fish, Fritz, Novick, and Saltzman

FROM: League of Women Voters of Portland
Kathleen Hersh, Co-president
Debbie Aiona, Action Chair

Urban Renewal Area Modification Proposal

The League of Women Voters of Portland appreciates the steps Mayor Hales is taking to rethink Portland's urban renewal areas. While we support the move to reduce property tax diversions from reduced and terminated urban renewal areas in order to benefit the taxing jurisdictions next year, we believe these decisions should be made in the context of a full public process. In addition, we urge thoughtful consideration of the current proposals along with other alternatives.

As the conversation continues, we encourage the Portland Development Commission and city staff to analyze the following issues and incorporate the information in the materials you provide the public and City Council in the upcoming months.

River District

The Mayor's proposal would remove about 30 percent in assessed value from the district (~50 acres), resulting in a total of \$32.7 million in additional property tax revenue for the county, schools, and city between now and 2020.

This district was formed in 2000 and at that time had a total assessed value of \$391 million; it is now valued at \$2.2 billion and diverted last year alone \$32 million in property taxes from the city's general fund, the schools, and the county. That amount makes up nearly one third of the \$107 million in property tax revenue that flowed last year to PDC from all of the city's urban renewal districts.

In 2008, over the objections of former PDC officials, urban renewal experts, and the League of Women Voters, the city increased the district's maximum indebtedness from \$225 million to \$489.5 million. As of June 30, 2013, \$280 million in debt had been issued.

An alternative proposal raised by Commissioner Novick would end the district within the next few years. If the district were terminated in 2018, \$72 million would be returned to the city's general fund over the next seven years. Reducing the district by 30 percent would yield \$10 million over the same time period.

Information presented at City Council's April 3 work session suggests there will be little difference in new assessed value over the long term whether the district continues or terminates early.

Issues to address:

- Provide a description of the cost, timing, feasibility, and likelihood of pending district projects.
- Consider citywide projects that could be completed with general fund revenue realized by early termination.
- Provide more detail on the impact to the schools, county, and city general fund of reducing the size of the district vs. ending it altogether.

Central Eastside

The proposal envisions adding the area around the new light rail stops near OMSI and Clinton Street, extending the life of the district by five years, and increasing maximum indebtedness by \$21 million.

The district, created in 1986, was due to expire eight years ago. In 2006, a review committee, the PDC board, and the Planning Commission all recommended extending the life of the district by eight years and increasing the maximum indebtedness by \$23 million. City Council instead chose to extend the district by 12 years and increase maximum indebtedness by \$35 million. If five more years are added to the Central Eastside URA, it will have been in existence for 37 years before it stops issuing debt.

Issues to address:

- Conduct an analysis of the increase in assessed value that will be achieved by the projects funded by the additional \$21 million. Include whether the assessed value will be sufficient to result in a net benefit to the taxing jurisdictions.
 - In theory, tax increment financing benefits taxing jurisdictions by revitalizing an underperforming area and, after a period of foregone revenue, the taxing jurisdictions are made whole again and then some. Urban renewal experts caution against extending districts beyond 20 years because diverting revenue over longer periods of time can result in a net loss to taxing

jurisdictions. Local jurisdictions are unable to recoup foregone revenue because the property tax diversion goes on for so many years.

- Explore other approaches besides urban renewal to stimulating development around the light rail stations.
- Consider the feasibility of creating a new urban renewal area only around the station areas.

North Macadam

The proposal would add about 35 acres to the North Macadam urban renewal area and extend the life of the district another five years. The plan amendment would allow the district to utilize about \$60 million more of its maximum indebtedness. The expansion area would include a portion of the South Auditorium Urban Renewal Area, surface parking lots across from the PSU engineering building, and the block where the Sustainability Center was to be located.

Issues to address:

- Provide a description of the projects planned for the expansion area including timing and cost.
- Describe the impact on plans within current district boundaries including parks, transportation, parking, and housing.
- Provide an analysis of the increase in assessed value that will be achieved by the projects funded by the additional \$60 million. Include whether the assessed value will be sufficient to result in a net benefit to the taxing jurisdictions.
- Update the Housing Development Strategy including a current unit count, units available at each income level, and any shortfalls. If the district total has exceeded 3,000, are units in excess of that number meeting the income profile of the city as a whole as called for by the district's housing strategy?

Affordable Unit Goals for South Waterfront Area

% of MFI	Affordable	Affordable	Total	MFI Category
	Rental	Ownership		
0-30%	166	0	166	Extremely Low
31-50%	211	0	211	Very Low Income
51-60%	102	0	102	Low Income
61-80%	103	0	103	Moderate Income
81-100%	129	43	172	Middle Income
101-120%		34	34	Middle Income
TOTAL	711	77	788	

Source: North Macadam Urban Renewal Area Housing Development Strategy, Summer 2003, p. 7.

Public Participation

The League appreciates the information provided by the Mayor's office and PDC staff that allowed us to study the proposals currently under consideration. As this effort moves forward, we urge PDC and city staff to conduct regular briefings open to the community at large and to post all written materials on the PDC and Mayor's websites. Although urban renewal issues are complex, there is growing understanding and concern about the impact this financing tool has on public services.

Affordable Housing

We are grateful for the efforts the Mayor took to preserve the affordable housing set aside funds in this process. Low income housing, especially for those earning less than 30 percent of median family income, is such a critical need. We are fortunate to live in a city where our leaders are mindful of the importance of ensuring everyone has a safe and decent place to call home.

Again, the League commends Mayor Hales for opening this very important discussion on the future of Portland's urban renewal districts.

Mayor Hales and Commissioners,

Thank you for the opportunity to address the resolution before you today. I am Debbie Kitchin, Co-owner of InterWorks, LLC and President of the Board of Directors of the Central Eastside Industrial Council.

Our board has not taken a position on the proposal for the Central Eastside Urban Renewal Area yet because we don't know what the details of the plan will be. Those details are important and we understand that today's resolution is the first step in making amendments. While we think it makes sense to redraw boundaries, we hope that you will engage the Central Eastside Industrial Council and others in the community to prioritize the use of resources in the district.

We understand that urban renewal can provide a tool for job growth and economic development. Some of our concerns include how the money will be spent and whether there is a focus on creating jobs and supporting development that is compatible with our thriving business district. We are also concerned about freight access and enhancing the vitality of our businesses. We are concerned about whether funds will be available throughout the district or only available at the light rail stations. In particular, we are concerned that existing housing is not compatible with many areas of our business district.

We want to ensure that:

- The Central Eastside has and will continue to be a unique opportunity for Portland to grow its industrial and commercial job base.
- We are an attractive location for startups and growing businesses and are home to a number of diverse industry clusters in manufacturing, distribution and creative industries.

Positive factors for our growth include the industrial sanctuary designation and zoning, stable conditions that promote long term investment, and close proximity to downtown and the central city.

As part of the Central City 2035: SE Quadrant planning process, the city is undertaking a comprehensive and long term look at how to support continued growth in the central eastside for the next 20 years. We look forward to working with you in the amendment process and beyond to address these concerns and to ensure that our thriving business district can continue to provide economic opportunities to our community. Thank you.

**Testimony of Sandra McDonough
President & CEO
Portland Business Alliance
Before Portland City Council
Regarding URA Refinement
Wednesday, May 7, 2014**

Good afternoon Mayor Hales, Commissioners.

My name is Sandra McDonough and I am the President and CEO of the Portland Business Alliance. I'm here today to express the Alliance's support for the resolution before you.

The Alliance is a longtime supporter of the appropriate use of tax increment financing and urban renewal as a catalyst for economic development and job creation. Specifically, we believe the use of tax increment dollars should result in more revenue over time to the taxing jurisdictions than would have occurred without the public investment. This can be accomplished through direct investment by the city in tax-generating operations or in catalytic investments that attract private sector dollars. We have also maintained for some time that urban renewal districts should not last forever, and at some point, the property should go back to the tax rolls.

We supported the creation of most of the districts in today's proposal, but, as with anything, we agree they should be re-examined in light of current conditions and needs. As I said, we support today's resolution, but we also think the next step in the process is critical, and that is the development of the actual plans for each district. We urge you to ensure that the impacted communities have a role in that planning process.

I do want to call out the Education District, which this proposal would eliminate. We supported the creation of that district because we believe a strong Portland State University is critical to our ability to grow and retain jobs in this region. We are pleased that you have reached an agreement with PSU to expand the North Macadam District to accommodate the university's growth and provide an immediate opportunity to accelerate PSU's growing role as an economic engine for the region.

We believe the major focus for PDC and its urban renewal investments should be on catalyzing private-sector job growth. While we have recovered most of the jobs we lost in the recession, we still have wages and incomes that lag the national average for major metro areas, and it is hard for many families to afford living in our city. Looking at this proposal, we applaud the extension and expansion of the North Macadam and Central Eastside districts as they pose significant opportunities for near-term job growth. We support expansion of the Central Eastside district to include Milwaukie Light Rail station areas but we also want to ensure that tax increment revenue is applied throughout the district and not just for the development of these two station areas.

We understand that proposal eliminates the Willamette Industrial district and we appreciate that the remaining bond proceeds will support manufacturing industries in the area.

We support the proposed reduction of the River District, but we also hope that, at some future date, PDC and Council will consider adjusting that urban renewal area's boundary to include more of Old Town/Chinatown, where investment is sorely needed to address long-term blight.

Finally, with urban renewal resources dwindling, we must face the reality that we need new methods for investing in economic development in Portland. We hope to have the opportunity to work with all of you, as well as our partners at the Portland Development Commission, to address how the city can actively participate in the effort to build a strong economy and create more, quality jobs for the people of this region.

Thank you.