Exhibit A

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Unlocking the Value of Urban Infrastructure: A Real Estate Perspective

A White Paper

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American cities that long struggled to manage urban sprawl are now beginning to realize the benefits of their legacy surface street grids and its infrastructure. The City of Spokane, Washington recently retired a levy financing streets and sewer improvements by recognizing the imputed market value of its city-owned public rights-of-way. Chicago may lead the nation in renewing the vitality of its central city core by leveraging infrastructure improvements using Tax Increment Financing (TIF) Districts. Meanwhile in Portland, Oregon, Local Improvement Districts (LIDs) have catalyzed improved neighborhood livability and property value increases in reclaimed neighborhoods with higher value redevelopment.

We have found that thoughtful and complete street paving projects in isolation can improve property values or intensify land use where implemented. Such infrastructure projects measurably increase resulting increments in property tax revenues. For Portland, recognizing the cumulative magnitude of such premiums over time, can create an innovative basis to fund the improvement of the remaining 55.7 centerline miles of streets which still remain unpaved within the City.

This paper seeks to put the Portland effort in context by citing Spokane and Chicago, select cities that creatively funded necessary infrastructure projects by leveraging the value such improvements unlock in surrounding properties. The corollary of these imputed benefits is the blight which lingers when infrastructure are withheld or not extended, forfeiting the opportunity to maximize property value.

Background

Streets, the supporting infrastructure that promoted automobile-based growth patterns for major western American cities, were seldom designed to survive their second century. But just as cities must confront years of infrastructure reinvestment deferral, local governments are struggling just to pay operating costs. A host of unfunded mandates further burden efforts to pay for capital projects. These mandates range from legacy financial commitments to incentivizing affordable housing. Portland is no exception. Yet imagine infrastructure as the circulatory system for the urban corpus. If it fails, cities die...consider Flint, Michigan. It makes sense when embarking on infrastructure projects to pursue project scopes that offer the lowest possible life cycle costs of both capital and maintenance.

But where does the money for infrastructure improvements come from? What is the collateral to borrow against? Leveraging the positive impacts on property values may prove to be the most resilient solution.

It is difficult to conceive of a real estate development that could exist, much less thrive, but for perennially maintained access and the plumbing to deliver water while removing waste. We take infrastructure for granted. But how do we best pay for its sustenance? Housing developers, if there were any, are long gone. Direct taxes or development fees can be difficult to pass when government is already seen as overextended as it may be underfunded.

But take a moment and think about the nature of the appurtenant real estate- the direct beneficiary of sustainable infrastructure. Real estate is fixed in place but its use can be intensified and its value reflected by rent or other quantifiable benefits.

This paper suggests three tracks to recognizing the implicit value of infrastructure, the circulatory system of our cities. The first, Spokane, demonstrated the actual market value of city-owned rights of way that it used as collateral to help retire an infrastructure tax levy. Chicago, despite severe fiscal challenges, has exploited tax increment financing as the tool of choice to revitalize both neighborhoods and its downtown. Though often focused on vertical construction, Chicago's numerous TIF Districts typically pay for necessary infrastructure improvements along the way. Finally, Portland, its pioneering city planning legacy secure, wishes to complete the unfinished business of extending infrastructure to all its residents. While funding such projects with Local Improvement Districts (LIDs) is not new; pooling the tax increment into a fund to serve all is a subtle innovation that provides badly-needed defrayment of public infrastructure costs.

Spokane leverages the value of its city-owned rights of way to fund infrastructure

Spokane, Washington with a population of 250,000 sought to retire a temporary levy used to finance several streets and sewer projects in this foothill city built around the Spokane River Falls.

In 2014, the City of Spokane passed an Ordinance, later approved by voters, to dedicate $5,000,000 per year in utility funding to support integrated street and utility projects. This commitment was a match to the voter approval of a new 20-year street levy to sustain long term funding of infrastructure improvements within city-owned rights of way.

At issue was the need to establish a leverageable basis in street rights of way as a property right. In late 2014, DeLacy Consulting was retained by the City, based on prior work experience with corridor valuations, to create a market-based valuation model. DeLacy found that public rights of way encompassing streets throughout the city exceeded 11,000 acres. Surprisingly, in platted residential neighborhoods which comprise over 75% of the incorporated urban land area, streets, sidewalks and alleys constituted nearly 40% of land use.

As a result of this analysis, the annual amount of the interdepartmental transfer was secured by only a small fraction of the value of the indivisible aggregate market value of these rights of way. This mechanism allowed certain inter-governmental fees to be paid between agencies secured by the collateral represented by the rights of way.

Chicago use of Tax Increment Financing (TIF) Districts to fund infrastructure development

Spokane's modest effort to recognize the value of its street and sewer infrastructure may be compared with Tax Increment Financing programs; the most ambitious of which is embodied by Illinois law as manifested by the City of Chicago.

Tax increment financing has been used in Chicago for over 20 years to stimulate economic development and remove urban blight from city neighborhoods. In essence, the program freezes local property taxes prior to development and provides funding based on the increment of value created by the new development. Often TIF projects involve some type of give back or infrastructure improvement to help eliminate urban blight.

The program has become controversial when TIF funding is used to incentivize development in wealthier enclaves where the case for blight removal is a little difficult. Opponents argue the projects subsidized in this fashion do not contain sufficient allocations for low income housing or other direct benefits to the poor in a given location.

A recent example involves a long closed children's hospital owned by a religious order in Chicago. Redevelopment has languished for 8 years because the potential buyer conditioned whatever price was to be paid by the amount of the TIF award. Only recently, the Community Development Commission voted unanimously to provide tax increment financing for a 381 unit 26 story apartment tower to built at a close-in site with lakefront view potential. To alleviate elements deemed to blight the neighborhood, the developer would remove the derelict hospital and remodel a nearby city park fieldhouse. The project, as proposed, together with the creation of yet another TIF district, awaits City Council approval.

Although tax increment financing is used by municipalities and counties across the country to stimulate development and economic activity, no one has used the strategy more extensively than the City of Chicago. In Chicago the process begins by drawing a boundary around an area deemed to meet specific criteria in the law which constitutes a blight or an area in need of economic development.[1]

The Cook County assessor then calculates the current property tax assessments within the district and then local taxing agencies agree to freeze the amount they will receive in taxes for a specific period. The period of a tax freeze can extend for up to 23 years, the longest in the nation.

Taxpayers continue to pay property taxes, but that increment of increased tax attributable to rising values of properties developed to higher and better use is then dedicated to a special TIF fund. According to Hunt and DeVries, when used

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[1] Tax Increment Financing in Illinois see Hunt and DeVries, Planning Chicago, American Planning Association, 2013, p. 250

strategically, TIF can generate the resources to catalyze affordable housing, economic development, infrastructure, and other local improvements that would not otherwise occur, thus benefiting the city and its residents. The last element, known as the "but for" test is critical.

Unfortunately, Illinois law has been seen to be generous to municipalities thus allowing the definition of "blight" to be interpreted broadly. The "but for" test is weak and TIF funds have been spent on a wide range of subsidies including corporate relocation incentives and also to spur suburban development in areas hardly considered to be blighted by most definitions of the term. Further, it has been argued that the TIF robs from school districts and other agencies, diverting funds that could other be otherwise be used for social services and affordable housing. Finally, Chicago being Chicago, the TIF process has been criticized for lacking transparency. Portland Value Capture approach is contrasted below.

Portland and Local Improvement Districts (LIDs)

The City of Portland borrows from both concepts to expand a necessary infrastructure program that lacks the glamour or transformational attributes associated with light rail or new city type developments. The proposed LID program will aggregate increases in consequent property tax increments resulting from rising property values into a Local Improvement District Value Capture Program. Only City TIF will flow to the Value Capture Program; County and schools' TIF would not be affected. Each TIF-funded project would be approved by the Portland City Council with input from local neighborhoods.

In Portland, Local Improvement Districts (LIDs) are most commonly used to improve unpaved streets but are increasingly used to reconstruct paved streets lacking an adequate subgrade, curbs, stormwater management and more recently utility undergrounding. If an LID is formed, the City manages the design and construction of the project, and property owners do not pay until the work is complete.

LIDs have also been used to provide sanitary sewer, water main improvements, traffic signal and utility undergrounding improvements in conjunction with street improvements for economies of scale to provide comprehensive and complete infrastructure solutions to neighborhoods. The Value Capture Program would help pay for service extension to incorporated areas that might not realize dramatic property value changes for many years. Redevelopment follows after street construction is completed.

Presently, the City of Portland has a backlog of unpaved streets (55.7 centerline miles) and paved streets without curbs (306.8 centerline miles) out of the City's total of 1,991.5 centerline miles of streets excluding impassable rights-of-way. Several recent street improvement projects have coincided with significant increases in assessed values and commensurate property taxes.[2] Many factors contribute to

[2] See accompanying presentations by Andrew Aebi, LID Administrator, particularly NE 148th Avenue and NW 13th Avenue LIDs

successful real estate developments, however paved access and frontage improvements are the prerequisite attributes enhancing marketability and "curb appeal". Further, real estate development is an opportunist's game of time and chance. Development deferred for want of paved access and frontage improvements can be development lost. And just as chance favors the prepared mind, development favors the prepared site.

Portland has led the nation in pioneering urban planning initiatives that leveraged infrastructure investments that both grew the city and enhanced its well-earned reputation for livability. Consider the track record of two long-term infrastructure programs:

- Mid-county sewer extensions (1986-98) and
- Transit-oriented development (TOD) at Max light rail stations (ongoing).

The legacy of mid-county sewer and light rail stations amply demonstrate positive property value impacts proximate to the public improvements.

The area known as East Portland was part of unincorporated Multnomah County, and was developed under the County's standards for infrastructure. The majority of East Portland was annexed by the City during the 1980s and 1990s. Sewer and street construction followed.

At the time, a city resolution stated that residents in unincorporated areas near Portland would need urban services, and that it was in the best interest of current City residents to provide a full range of urban services to "developable industrial sites" then outside City boundaries. Since that time robust industrial and commercial development occurred along Airport Way, at the north end of "East Portland" while the residential densities that extension of sewers (and often streets) allowed supported more intense commercial and multiple family development along commercial corridors.

Properly planned land use and transit-oriented development within existing urban boundaries limited suburban sprawl and resulted in more efficient provision of city services, as envisioned by planners, decades before.

One forgets that transit-oriented development was not always a given in the freeway-dominated thinking of transportation planners of the 1960s. Yet as commuting habits in Portland slowly evolved, as light rail, and, ironically the comeback of the bicycle began to impact employment and entertainment locations, more intensive housing options eventually followed. Concentrated mixed-use urban nodes now cluster around far flung light rail transit stations from Milwaukie to Hillsboro (if not Gresham and the airport).

But for these infrastructure investments would the Portland region be enjoying both positive population growth, relatively low unemployment and an enviable economy that balances lifestyle and commerce?

The proposed Value Capture Program promises equity and completion. Up to 7% of Portland streets remain unpaved and much of this in areas with lower incomes and a blighted landscape. Traditionally, the cost to pave these streets and construct frontage improvements was borne solely by appurtenant landowners. Thus truly blighted areas characterized by low-income households are least able to pay for such improvements. However, we have found that the dispersion of unserviced areas is uneven and value creation opportunities abound. Value Capture could help equitably fund improvements in areas of previous underinvestment while adding to the City's General Fund after the initial infrastructure investment is made.

In conclusion, Portland's innovative proposal to use concepts of tax increment financing to capture the latent potential for value increases where basic infrastructure is extended appears both feasible and fair. Such a program promises to relieve the burden of infrastructure funding from those most in need but least capable of paying for such improvements.

About the Author

P. Barton DeLacy has developed broad-based competencies in corridor and rights of way valuation, having completed various engagements for the Oregon Department of Transportation, Department of the Navy, Sound Transit, BNSF and Conrail Railroads as well as private land owners in both urban and rural venues throughout Oregon and Washington and in Colorado and New Jersey. His infrastructure valuation experience includes the subterranean steam lines for the Cities of Fairbanks, Alaska and Omaha, Nebraska.

DeLacy Consulting of Chicago worked with Kiemle & Hagood, the leading commercial real estate brokerage in Spokane, to develop methodology and a database to value the City of Spokane's 11,000 acres of public right of way in 2015.

Mr. DeLacy has a Bachelors of Arts degree in history from Oregon's Willamette University and a Masters in Urban Planning from Portland State University. His professional appellations include the CRE ® designation awarded by the Counselors of Real Estate and the Appraisal Institute's MAI, among others. From 1998-2013, DeLacy held practice leadership roles with Cushman & Wakefield, and Arthur Andersen in Portland, Seattle and Chicago.

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