

# Chair's Letter

## Central Eastside Urban Renewal Study Stakeholder Committee

### **Stakeholder Committee**

Doug Blomgren (Chair),  
*PDC*

Debbie Aiona,  
*League of Women Voters*

Mike Bolliger,  
*CEIC*

Pam Brown,  
*Ptld. Public Schools*

Kelly Bruun,  
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Tim Holmes,  
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Jim Kautz,  
*Kerns*

Wayne Kingsley,  
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Susan Lindsay,  
*CES URAC*

Don MacGillivray,  
*Buckman*

Susan Pearce,  
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Dee Walsh,  
*Housing Rep.*

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Ariane Sperry,  
*Planning Bureau*

To the Members of City Council, the Planning Commission, the Portland Development Commission, Local Taxing Jurisdictions, and Interested Citizens:

The last date for the Central Eastside (CES) Urban Renewal Area to issue debt is August 26, 2006. Since June 2005, a PDC Commission appointed Stakeholder Committee has been researching whether the Central Eastside Urban Renewal Plan (Plan) should end as scheduled, or whether an extension/amendment to the Plan should occur.

The Committee was composed of the following people:

Doug Blomgren (Chair), *Portland Development Commission*  
Debbie Aiona, *League of Women Voters*  
Mike Bolliger, *Central Eastside Industrial Council*  
Pam Brown<sup>1</sup>, *Portland Public Schools*  
Kelly Bruun, *Central Eastside Urban Renewal Advisory Committee*  
Doug Butler, *Multnomah County*  
Tim Holmes, *Central Eastside Industrial Council*  
Jim Kautz, *Kerns Neighborhood*  
Wayne Kingsley, *Portland Business Alliance*  
Susan Lindsay, *Central Eastside Urban Renewal Advisory Committee*  
Don MacGillivray, *Buckman Neighborhood*  
Susan Pearce, *Hosford Abernethy Neighborhood*  
Ingrid Stevens, *Portland Planning Commission*  
Dee Walsh, *Housing Representative*

PDC intentionally sought to bring together a group of individuals with potentially different perspectives: residents and property/business owners who possess local knowledge; representatives from taxing jurisdictions which set public policy; and representatives of citywide organizations which frequently play a role in influencing policy. It should be noted, participation by representatives of the Portland Public Schools and Multnomah County does not imply support from the publicly-elected officials they represent.

The Committee's process led to a greater understanding of the impacts of using tax increment financing as well as the unfulfilled objectives of the district. The committee is supportive of the recommendations and the investment strategy listed in the report. Nevertheless, reservations still exist regarding the overall impact and additional burden an extension and expansion of the urban renewal plan would have on the taxing jurisdictions. Members agreed these issues should be identified up front in this transmittal letter.

<sup>1</sup> At times, Doug Capps served in Pam Brown's place.

The Committee strived to develop a list of potential investments that allowed tax increment financing to be used to address priorities, and fulfill unmet objectives within the district (transportation improvements, upgraded facilities for the delivery of social services, development that attracts families through housing and community centers). The final investment strategy excludes a number of other possibilities discussed by the Committee, such as structured parking, greater funding of the streetcar resources for emerging opportunities adjacent to the district, and more. The strategy reflects serious consideration of initiatives which are most likely to contribute to increases in the assessed value of the area while also addressing needs which concern Multnomah County, the City of Portland, Portland Public Schools, and the inner eastside.

This report is a product of eight months of healthy and at times, intense debate regarding the level of need and the appropriate use of urban renewal in the CES. The resulting recommendation illustrates great compromise and varying levels of satisfaction. For example, The League of Women Voters would have preferred an increase in maximum indebtedness of no more than \$18,000,000<sup>2</sup> due to concerns about taxing jurisdictions' current fiscal condition. Similar views were expressed by other representatives on the committee, some of whom also encouraged an investment strategy which balanced local needs with regional priorities.

Some of the members, who are actively involved in improving the district, believe there was a compelling need for closer to \$60,000,000 in resources to assist in existing and emerging initiatives. Those initiatives could include industrial investment in the southern end of the district (the southern triangle); transportation improvements related to southbound connections to Interstate 5 via the Ross Island Bridge, and potential opportunities at the 7-Up Bottling Company near 14<sup>th</sup> and Sandy<sup>3</sup>.

Ultimately the Committee balanced these various perspectives. Everyone worked together to find an appropriate trade-off between the short- and long-term impact of continuing to use tax increment and the short- and long-term benefits that could be achieved by the investments.

The resulting recommendation requests an eight-year extension of the Plan, and an increase in maximum indebtedness of \$22,700,000. These combined actions will provide up to \$35,000,000 in new resources for the Central Eastside.

On behalf of the Committee, the following report is submitted for your consideration.

Respectfully;



Douglas C. Blomgren, Chair  
Central Eastside Study Stakeholder Committee

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<sup>2</sup> This would allow property taxes to be returned to other jurisdictions two years earlier (in 2018) which results in about \$2,000,000 - \$3,000,000 annually for **each** of the City, the County and statewide education, beginning in 2018.

<sup>3</sup> See Appendix A Committee Extension Proposals

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# Table of Contents

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**Section I: Summary** ..... Page 5

**Section II: Introduction**

Purpose of Study ..... Page 11  
 Background ..... Page 11  
 Methods ..... Page 12

**Section III: Evaluation**

Overview of the Central Eastside ..... Page 13  
 Historic Objectives ..... Page 15  
 Work In Progress ..... Page 17  
 Recommendation ..... Page 19  
 Vision for Continuing the Central Eastside URA ..... Page 20

**Section IV: Proposed Use of Tax Increment Resources**

Investment Strategy ..... Page 21  
 ▪ Transportation and Infrastructure..... Page 24  
 ▪ Real Estate Initiatives ..... Page 27  
 ▪ Economic Initiatives ..... Page 30  
 ▪ Quality of Life ..... Page 32

**Section V: Impacts and Issues Considered**

Impacts to Taxing Jurisdictions ..... Page 33  
 Citywide and Regional Priorities ..... Page 36  
 Prospects for Development without Urban Renewal ..... Page 36

**Appendices:**

Appendix A Committee Extension Proposals.....Page A1  
 Appendix B Map of Washington Monroe Expansion Area..... Page B1  
 Appendix C Expected Benefits Table .....Page C1  
 Appendix D Growth in Assessed Value Assumptions..... Page D1  
 Appendix E Key Assumptions .....Page E1  
 Appendix F Investment Strategy Project Map..... Page F1  
 Appendix G Phase 1 Research Report..... Page G1  
 Appendix H Options and Impacts ..... Page H1  
 Appendix I District Success without Urban Renewal..... Page I1  
 Appendix J Meeting Minutes ..... Page J1



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*Planning Bureau*


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# Committee Report and Recommendations

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**Section I: Summary**

The Central Eastside Urban Renewal Area Study Stakeholder Committee (Committee) recommends the Portland Development Commission (PDC), the Planning Commission and the Portland City Council amend the Central Eastside Urban Renewal Plan (Plan) as follows:

- ▶ **Extend** the last date to issue debt of the Plan to August 26, 2014. Allows the ability to access \$12,300,000 within the current remaining indebtedness.
- ▶ **Increase** maximum indebtedness for the district to \$88,974,000. Authorizes up to an additional \$22,700,000 in tax increment resources.
- ▶ **Expand** the size of the district by 7.10 acres. Allows for the incorporation of the Washington Monroe High School site near SE 12<sup>th</sup> and Stark<sup>4</sup>.

The Committee also recommends:

- PDC staff annually report on the progress and performance of the investment strategy proposed in this report according to the expected public benefits and desire to complete unfinished goals in the 1988 *Central City Plan* and the 1986 *Plan*<sup>5</sup>.
- Investment of new resources should focus on the implementation of existing adopted plans such as *the Central Eastside Industrial Zoning Project* (for Water Avenue); *the Central Eastside Urban Renewal Area Housing Strategy*; and *Central Eastside Commercial Corridor Strategy*. There is a strong preference to limit the amount of new resources spent on additional studies to three percent (about \$1,000,000). Eligible studies would include improvements to Interstate 5 and other work which benefits the district.

Investing \$35,000,000<sup>6</sup> in tax increment resources into the Central Eastside is expected to increase assessed value within this district by 91 percent by the time all debt is projected to be retired and taxes are returned to overlapping taxing jurisdictions in 2020/2021<sup>7</sup>. Without additional tax increment resources (TIF), assessed values are expected to grow by 71 percent over the same time period. This growth translates into an additional \$1,600,000 in property tax revenues for overlapping taxing jurisdictions beginning in FY 2020/21<sup>8</sup>.

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<sup>4</sup> See Appendix B for map of site.

<sup>5</sup> See Appendix C for an example of the benefits that should be measured. Staff should also track property tax generation comparing the year before and the year after completion (for projects which directly generate property tax).

<sup>6</sup> Assumes \$17,000,000 (net) in spring 2006, and another bond issue in 2014, with draws on line of credit through 2012 and du jour through 2014. Amounts of line of credit draws are generally in the \$1,000,000 - \$2,000,000 range per year. Final bond sale is estimated at \$12,000,000, which would include amounts to retire outstanding amounts on line of credit. Du jour total is about \$23,000,000 (amounts per year range from about \$1,500,000 to \$4,000,000).

<sup>7</sup> See chart on page 32 for debt retirement schedule.

<sup>8</sup> See Appendix D for growth assumptions and Appendix E for other key assumptions. Does not include the additional \$2,000,000 increase associated with Burnside Bridgehead and Holman projects (part of existing plans).

The Committee will participate in public discussions of these recommendations with local elected and appointed officials, as well as the community, before requesting formal action to amend the Plan be taken by the PDC in April 2006. The amendment will be considered by the Portland Planning Commission in May with the final decision occurring at the Portland City Council in June 2006.

These recommendations allow for the implementation of a strategy which places a priority on projects and activities essential for securing the success of investment in the district to date and preparing it for a time when tax increment is no longer available. This strategy is based upon an expectation of \$35,000,000 in resources (\$12,300,000 plus \$22,700,000 of new debt).

Priorities were guided by a preference to allocate new resources on a percentage basis, across four categories. The category approach is important to assure any tax increment resources associated with an extension have the best possible chance to complete unmet objectives and goals of the *Central City Plan* and the *Urban Renewal Plan*; objectives which are still incomplete after nearly twenty years of investment.

|                                 |             |          |                                 |
|---------------------------------|-------------|----------|---------------------------------|
| Transportation & Infrastructure | 35%         | =        | \$12,000,000                    |
| Real Estate Initiatives         | 30%         | =        | \$10,750,000                    |
| Economic Initiatives            | 25%         | =        | \$ 8,750,000                    |
| Quality of Life                 | 10%         | =        | \$ 3,500,000                    |
| <b>TOTAL:</b>                   | <b>100%</b> | <b>=</b> | <b>\$35,000,000<sup>9</sup></b> |

Collectively this strategy will lead to a growth in tax increment, a growth in the tax rate, growth in jobs and additional amenities for adjacent neighborhoods, while addressing three main barriers to the future economic success of the Central Eastside. These barriers are:

- The existence of many older un-reinforced masonry buildings not able to be economically renovated.
- Traffic growth threatening the capacity and movement of local traffic and limits redevelopment and investment.
- Weak commercial corridors dotted with surface parking lots and dilapidated structures in need of upgrade.

The implementation of these recommendations and interplay among the investment categories will lead to the CES reaching its unique potential. By the end of the Plan extension in 2014 the area will have improved transportation systems which benefit the older distribution and industrial roots while also allowing higher capacity development in the featured industrial and commercial corridors.

The corridors of MLK/Grand; Burnside/Couch; and Water Avenue will be thriving with more quality jobs, improved buildings and compatible services enhancing the adjacent neighborhoods and industrial zoned lands. Buffers will exist between the neighborhoods and employment zones with amenities for families which provide improved pedestrian access to points of interest, such as OMSI and the Willamette River. This combination of job growth, improved transportation, revitalized corridors and healthy adjacent neighborhoods will generate momentum to carry the entire area towards a future without tax increment.

<sup>9</sup> See Appendix F for map of Investment Strategy Projects.

**Transportation & Infrastructure**                      **35% of resources = \$12,000,000<sup>10</sup>**

| <u>Key Project</u>  | <u>TIF Expense</u> |
|---|--------------------|
| <ul style="list-style-type: none"> <li>• <b>Burnside/Couch Couplet</b><br/>                     Provides important transportation circulation and safety improvements while leveraging a 10 to 1 ratio from federal and other non-TIF resources. The total project cost for the eastside is approximately \$16,200,000.</li> </ul>  | <b>\$1,620,000</b> |
| <ul style="list-style-type: none"> <li>• <b>Install Sidewalks/Routes to the River</b><br/>                     Provides long sought after family friendly pedestrian connections from the neighborhood near SE 12<sup>th</sup> to the Willamette River. Improvements cost about \$190,000 per block, with an estimated twelve blocks in need of improvement and upgrade.</li> </ul>   | <b>\$2,280,000</b> |
| <ul style="list-style-type: none"> <li>• <b>Transportation Improvements</b><br/>                     Leverages other transportation resources and addresses a backlog of infrastructure projects improving circulation, capacity and traffic movements. Primary importance is completing the Tier 1 projects from the 2005 <i>Freight Master Plan</i>. These include street improvements on 4<sup>th</sup> between Caruthers and Ivon; new street connections on SE 7<sup>th</sup>/8<sup>th</sup>; bridgehead improvements on SE Grand near Hawthorne and an extension of Water Avenue from SE Caruthers to Division; thereby reducing the amount of regional traffic on MLK/Grand. Other notable projects include repaving of SE Water and SE 2<sup>nd</sup> Avenues<sup>11</sup>. Total cost of these projects is \$5,140,000. Tier 2 projects cost about \$2,850,000.</li> </ul> | <b>\$4,100,000</b> |
| <ul style="list-style-type: none"> <li>• <b>Extension of the Portland Streetcar</b><br/>                     Provides \$4,000,000 towards the extension of the Portland Streetcar across the Broadway Bridge, through the Lloyd District, south through the Central Eastside. The alignment along MLK/Grand is critical in order to create synergy with investments related to the 2005 <i>Commercial Corridor Strategy</i>. Estimated project cost is about \$165,000,000 (this includes both the Lloyd and CES).</li> </ul>   | <b>\$4,000,000</b> |

**Real Estate Initiatives**                                      **30% of resources = \$10,750,000<sup>12</sup>**

| <u>Key Projects</u>   | <u>TIF Expense</u> |
|---|--------------------|
| <ul style="list-style-type: none"> <li>• <b>Burnside Bridgehead</b><br/>                     Completes a 5-block redevelopment which creates a gateway to the eastside and adds nearly \$2,000,000 in property tax generation for the area in the anticipated year of completion (2010). The total project cost is estimated at about \$175,000,000, including \$10,150,000 from TIF (including the \$1,450,000). This additional \$1,450,000 investment is primarily for relocation of commercial tenants in existing structures.</li> </ul> | <b>\$1,450,000</b> |
| <ul style="list-style-type: none"> <li>• <b>Site Redevelopment on MLK/Grand</b><br/>                     Provides gap financing for large-scale redevelopment of two of the three key sites in the vicinity of SE Stark and the MLK/Grand Commercial Corridor. Redevelopment would create more commercial space, shared parking, and over 100 units of workforce housing<sup>13</sup>.</li> </ul>   | <b>\$4,200,000</b> |

<sup>10</sup> The Committee approved Transportation Category projects which total about 34% of the \$35,000,000 requested. The percentage was intentionally rounded up.

<sup>11</sup> Source: September 2005, Freight Master Plan, Portland Office of Transportation

<sup>12</sup> The Committee approved Real Estate Category projects which total about 31% of the \$35,000,000 requested. The percentage was intentionally rounded down.

<sup>13</sup> Source: July 2005, Central Eastside Commercial Corridor Strategy, ECONorthwest.

**Real Estate Initiatives Cont.**

**30% of resources = \$10,750,000**

| <u>Key Projects</u>   | <u>TIF Expense</u> |
|---|--------------------|
| <ul style="list-style-type: none"> <li>• <b>Housing</b><br/>                     The 2003 <i>Central Eastside Housing Strategy</i> set priorities for the funding and implementation of housing investments. Housing resources should be invested in projects which serve a variety of household needs and are compatible with the existing neighborhoods. Among the opportunities are locations along the commercial corridors and the Washington Monroe expansion area. Emphasis is on the following uses and populations (MFI = Median Family Income):                     <ul style="list-style-type: none"> <li>• New Development (50% - 100% MFI)</li> <li>• Mixed - Use Rehabilitation (50% - 100% MFI)</li> <li>• Existing Single-Family Properties (homeowner/buyer assistance)</li> <li>• Multi-Family Rental Rehabilitation (0% - 60% MFI).</li> </ul> </li> </ul> | <b>\$3,100,000</b> |
| <ul style="list-style-type: none"> <li>• <b>The David P. Hooper Detoxification Center</b><br/>                     In 2005, Multnomah County transferred the land and aging building associated with this social service to Central City Concern with hopes it could continue to evolve as a long time Portland institution serving an important function for Multnomah County and the Portland Police Bureau. These resources provide \$2,000,000 toward construction of a replacement facility which includes housing and other amenities to improve service delivery.</li> </ul>   | <b>\$2,000,000</b> |

**Economic Initiatives**

**25% of resources = \$8,750,000**

| <u>Key Project</u>  | <u>TIF Expense</u> |
|---|--------------------|
| <ul style="list-style-type: none"> <li>• <b>Seismic (\$875,000 yr./5 yrs. worth of resources)</b><br/>                     The Central Eastside has over 1,300 buildings. Nearly half of these are masonry structures built before the 1950's. Typically any change of use or increase in occupancy triggers seismic and fire life safety improvements costing about \$25 per square foot (in addition to another \$20 p.s.f for basic rehabilitation.). These costs can rarely be recouped through higher rents. Funding this program assumes about five buildings over eight years. This re-engineered program, along with other economic initiatives, should be used to increase job density, increase assessed values of buildings, and attract businesses in an aggressive effort to double the number of jobs in the district to 34,000 and the number of businesses to 2,000.</li> </ul> | <b>\$4,375,000</b> |
| <ul style="list-style-type: none"> <li>• <b>Rehabilitation along SE Water Avenue (\$875,000 yr. /5 yrs.)</b><br/>                     Provides resources for rehabilitation and redevelopment in the SE Water Avenue sub-district. In 2006, this area will receive final approval for a more flexible IG1-zoning designation intended to encourage higher-per-building job density by allowing new urban industrial office use. Resources should be used to assist with seismic and other costs associated with redevelopment and tenant assistance programs along the corridor. Rehabilitation costs, including tenant improvements, average about \$50 per square foot. Funding assumes about five buildings over eight years.</li> </ul>   | <b>\$4,375,000</b> |



**Quality of Life****10% of resources = \$3,500,000**

| <u>Key Project</u>  | <u>TIF Expense</u> |
|---|--------------------|
| <ul style="list-style-type: none"> <li>• <b>Washington Monroe High School</b><br/>Provides the ability to facilitate the development of a community center and other neighborhood benefits. Resources would assist in off-setting the City's outstanding loan obligation of \$5,390,550 for purchasing 4.5 of the 7.1 acres in July 2004<sup>14</sup>.</li> </ul> | <b>\$3,500,000</b> |

**GRAND TOTAL: \$35,000,000**

These projects were selected based upon their ability to achieve at least one of the following:

- Directly leverage other non-TIF resources.
- Directly generate significant increases in assessed value.
- Completes unmet objectives in the *Central City Plan* and the *URA Plan*.
- Achieve measurable results and benefits due to an extension.

See the summary table on page 23 for more details on how each project listed in the investment strategy addresses these goals.

<sup>14</sup> Action done through City of Portland Ordinance No. 178635. The Council action impact statement identified potential funding sources as: Parks SDC \$1,000,000; One-time General Fund contribution \$1,000,000; Proceeds from sale of Park assets up to \$2,000,000 - \$3,000,000; Central Eastside urban renewal not less than \$1,500,000, grants \$500,000 requested.

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## Section II: Introduction

### **Purpose of Study:**

The CES Urban Renewal Area (URA) Plan was created in August 1986, and will no longer be able to issue debt after August 26, 2006. Since June 2005, a PDC appointed Stakeholder Committee has been working to determine whether the Plan should end as scheduled, or an extension/amendment to the Plan occur. The Committee was chaired by PDC Commissioner Doug Blomgren and comprised of Central Eastside and citywide interests.

Doug Blomgren (Chair), *Portland Development Commission*  
Debbie Aiona, *League of Women Voters*  
Mike Bolliger, *Central Eastside Industrial Council*  
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Ingrid Stevens, *Portland Planning Commission*  
Dee Walsh, *Housing Representative*

This purpose of this report is to identify and recommend why an extension to the Plan is desirable, the financial impacts of the extension, and suggest an investment strategy for specific priority projects.

### **Project Background:**

The 681-acre Central Eastside Urban Renewal Area (CES) was created by PDC Resolution No. 3472, in July 16, 1986, and City Council action through Ordinance No. 158940, adopted August 27, 1986. The URA is legally permitted to issue up to \$66,274,000 in debt. Proceeds are used to invest in projects and programs which advance the goals of the 1986 *CES Urban Renewal Area Plan* in conjunction with the 1988 *Central City Plan*. The CES is expected to have about \$12,300,000 in remaining indebtedness by the time the Plan reaches its last date to issue debt in August 2006.

The following options existed for this district:

1. Allow the end date to pass without extending.
2. Extend the date (in order to allow it to reach maximum indebtedness).
3. Extend the date and increase maximum indebtedness.
4. Extend the date, increase maximum indebtedness, and modify the acreage of the district.

Any PDC Commission action to extend the Plan would require formal review by the Portland Planning Commission and approval by Portland City Council, as well as conversations with other taxing jurisdictions receiving property taxes revenues within the Portland city limits.

**Methods:**

The CES URA Study was led by a Stakeholder Committee (Committee) which directed the work of a Research Team. Two phases of research occurred between March 2005 and January 2006.

The Phase 1 Research Report completed in May 2005 served as an objective assessment of the history of the district, the role and accomplishments of urban renewal, and the legal and financial issues which control the operation of the CES<sup>15</sup>. The research and findings of Phase 1 were used to educate and inform the Stakeholder Committee in order for them to direct Phase 2.

Phase 2 required the Committee to determine: (1) if additional project and program objectives are important to Central Eastside stakeholders. If so, determine potential costs and measure how they achieve goals from the 1986 *Plan* and the 1988 *Central City Plan*; and (2) the financial impacts their recommendations would have on other taxing jurisdictions which receive property tax revenues within the city of Portland; as well as identify how an amendment to the Plan would put the district in a position where it would no longer require tax increment funds in the future.

The \$35,000,000 investment strategy on page 23 is a product of eight months of healthy and at times, intense debate regarding the level of need and the appropriate use of urban renewal in the CES. Some members of the committee vociferously argued for far fewer resources, while others argued equally for far more. The resulting recommendations illustrate great compromise and varying levels of satisfaction among Committee members. However, it also led to an elevated understanding on the impacts of using tax increment financing and the unfulfilled objectives of the district.

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<sup>15</sup> See Appendix G for complete Phase 1 Report.

## Section III: Evaluation

### Overview of the Central Eastside:

Unlike other Central City URAs the CES is characterized by a large base of industrial jobs and businesses. Over 480 acres are zoned industrial; another 170+ acres are commercial. The district provides over 17,000 jobs to the Central City and over 1,100 businesses. The area has successfully sustained job growth throughout the 1970s, 80s and 90s. In addition to the industrial and commercial uses, it spans three neighborhoods: Buckman, Kerns, and Hosford Abernethy. There are nearly 1,000 housing units in the district.

While areas such as the Pearl District have outgrown their manufacturing and distribution roots, the CES remains a steady mover of goods and center of commerce. Transportation access and connections continue to be important, as well as maintaining the recent redevelopment momentum and opportunities to improve the quality of life in the area.

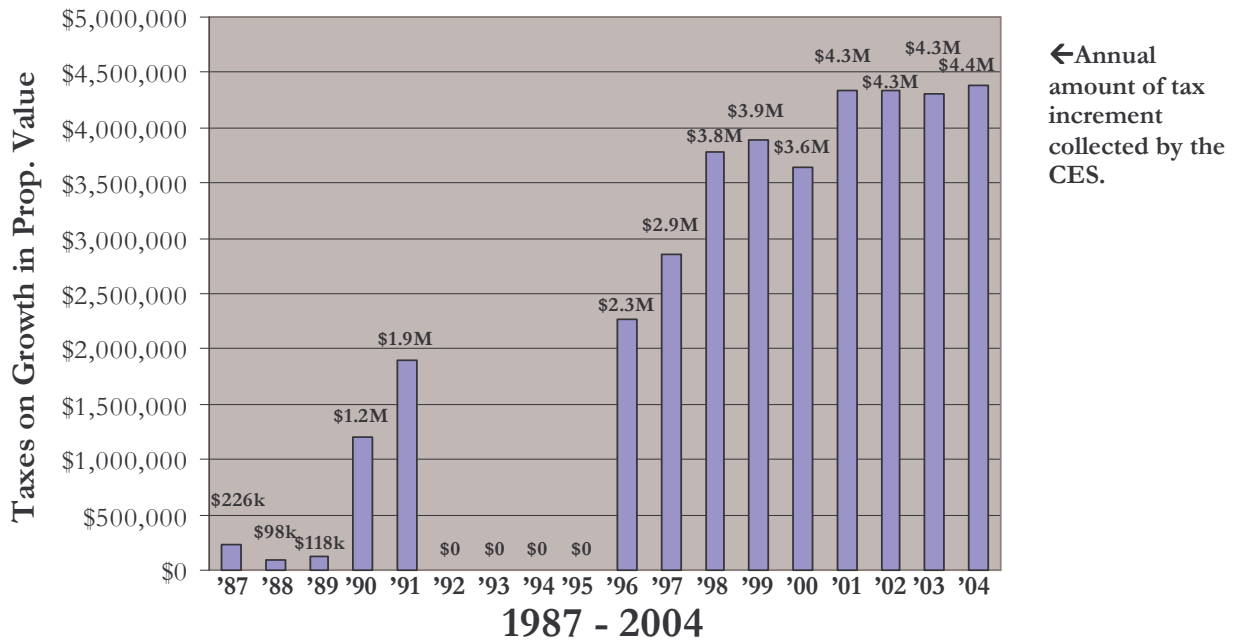
The district today has much the same infrastructure it had 30 years ago. Nearly half of its 1,300 buildings were built before 1954. These largely masonry structures require expensive seismic upgrades to serve the needs for future job growth and business expansion. Many streets are also in need of repair, while sidewalk connectivity from the neighborhoods to the Willamette River is unreliable at best.

Since its creation, the CES has received over \$33,000,000 in taxes on growth in property value (see chart on following page). These are resources which would have gone to overlapping taxing jurisdictions if urban renewal was not an approved tool for financing capital projects. The district received no resources from 1992-1993 through 1995-1996 due to the effects of State Ballot Measure 5 which limited the amount of taxes that could be collected on assessed value of property; and created a phenomenon known as compression<sup>16</sup>.

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<sup>16</sup> The district received no money between FYs 1992-93 through 1995-96 due a decision by the City and PDC to limit the effects of State Ballot Measure 5 on the City's General Fund revenues. Measure 5 requires that local government property taxes for individual properties be no more than \$10.00/\$1,000 and school property taxes be no more than \$5.00/\$1,000 of Real Market Value. If taxes on a property exceed these amounts, then the tax rate for each corresponding taxing jurisdiction is proportionately reduced until the Measure 5 cap is reached. This reduction in taxes to the Measure 5 limit is called "compression."

An Oregon Supreme Court ruling in 1992, *City of Portland v. Smith*, held that tax increment revenue was not exempt from the Measure 5 tax limit and should be categorized as a local government tax subject to the \$10.00 local government property tax limitation of Measure 5. The result of this court decision was that local governments now competed with urban renewal districts for revenue under the \$10.00 limit. Higher collections for urban renewal during this time would have increased compression on the City's General Fund and other local government operating tax levies, reducing revenues available for programs and services. The City chose to not collect urban renewal tax revenue until such time as tax increment collections could be resumed without compressing local government tax levies. This occurred in FY1996-97.



While the CES has received over \$33,000,000 in tax increment financing, the agency has invested over \$41,000,000 throughout the district. The difference is attributed to use of other resources such as federal funds, and program income (proceeds from land sale, rent, etc.).

Investments have gone towards the implementation of the four 1986 *Plan* goals:

**Goal 1: Urban Development:** Support development of underutilized land - benefit a diverse range of people - retains the character of the district.

**Goal 2: Business Retention & New Business Development:** Support existing businesses, new businesses and create stable quality jobs.

**Goal 3: Central Eastside Revitalization Program:** Support a diverse, thriving, and evolving central-city industrial district.

**Goal 4: Riverfront Access:** Implement the Willamette River Greenway Plan and increase access to the river.

Policy 20 of the 1988 *Central City Plan* also has 18 actions specifically directed toward the Central Eastside. Of the 18 actions in, seven are incomplete<sup>17</sup>.

<sup>17</sup> See page 29 in Appendix G.

**Historic Objectives, Guiding Policies and Plans:**

In order to fully understand why urban renewal was viewed as a necessity of the district in the 1980’s, and why the Committee is recommending its continued use in the future, it is necessary to revisit how the area has evolved since the late 1800’s.

The area now known as the CES was originally incorporated as East Portland in 1870. Early industries included shipping and distribution, lumber and flour mills, smelting plants and foundries. The area was favored for industrial uses because of rail service, proximity to river service, the nearby labor force, and the developing road system.

In the 1970s and 1980s the CES was described as a regionally significant industrial employment district with concentrations of commercial uses in the northern central area and residential uses on the eastern edge. Industrial uses were mainly warehousing and distribution, with manufacturing on the decline. Urban block configurations and physical constraints such as the Southern Pacific Main Rail line limited industrial redevelopment opportunities. Many older buildings still exist (nearly half of the 1300+ buildings were constructed prior to 1954)<sup>18</sup>.

During this period the district identified a number of challenges – some of which remain today. While it is centrally located and considered a transportation hub, traffic congestion/circulation, parking within the district and access to I-5 were problematic. Also during that era, street lighting and pedestrian amenities were lacking, as was public access to and along the east bank of the Willamette River. Compatibility was sought between the industrial, commercial and residential areas. Overall, the predominantly industrial employment district was stable but needed to leverage resources for public and private investments.

Since the 1970s numerous plans, studies, and reports have helped craft a vision for the Central Eastside. Two that have arguably done the most to shape the area are the 1986 *Urban Renewal Plan for the Central Eastside Urban Renewal District*, and the 1988 *Central City Plan (CCP)*<sup>19</sup>.

The table to the right demonstrates the economic and market stability of the industrial district over the past 30 years. Such stability is rare for centrally located industrial sanctuaries.

| Central Eastside Key Facts |            |            |  |
|----------------------------|------------|------------|--|
|                            | Total Jobs | Businesses | Rent per Square Foot for B & C Buildings |
| 1976/78                    | >15,000    | 800        | \$1.20 - \$1.60                          |
| 2002/04                    | >17,000    | +/- 1,100  | \$9.00 - \$13.00                         |

**1988 Central City Plan:**

The 1988 *CCP* created a vision for the future of Portland’s downtown core and adjacent inner-city neighborhoods. It is one of the City’s most esteemed and referenced planning documents. The *CCP* sets actions intended to position Portland’s Central City as a hub of commerce and cultural activities, recognizes its unique environmental setting and historic precedence, integrates residential and business characteristics of the individual districts, and preserves the integrity of adjacent neighborhoods.

Policy 20 in the *CCP* directs actions for the Central Eastside. The Policy says the City should preserve the CES as an industrial sanctuary while improving freeway access and expanding the area devoted to the Eastbank Esplanade.

<sup>18</sup> See page 65 in Appendix G for details.

<sup>19</sup> See page 81 in Appendix G for details.

It furthermore list:

- A. Encourage the formation of incubator industries.
- B. Reinforce the district’s role as a distribution center.
- C. Allow mixed use developments, which include housing in areas already committed to non-industrial development.
- D. Preserve buildings which are of historic and/or architectural significance.
- E. Develop MLK Blvd. and Grand Avenue as the principal north-south connection and commercial spine of district for transit and pedestrians.
- F. Continue implementation of the CES Economic Development Policy.

**Urban Renewal Related Accomplishments:**

Since 1986 PDC has invested over \$41 million<sup>20</sup> into projects and programs throughout the Central Eastside. The investments have focused on “New Development”, “Public Infrastructure”, “Rehabilitation”, and “Economic Development Assistance”:

| <u>Activity</u>       | <u>URA Plan Goal<sup>21</sup></u> | <u>Amount</u>       |
|-----------------------|-----------------------------------|---------------------|
| New Development       | Goal #1/Goal #2                   | \$10,500,000        |
| Public Infrastructure | Goal #4                           | \$22,500,000        |
| Rehabilitation        | Goal #2/Goal #3                   | \$ 5,200,000        |
| Economic Assistance   | Goal #2/Goal #3                   | \$ 3,150,000        |
| <b>TOTAL</b>          |                                   | <b>\$41,350,000</b> |

**► New Development: \$10,500,000**

Many of PDC’s New Development resources have been spent on land assembly, the provision of land resources, and occasionally financial assistance required for new private investment, the creation of jobs and improving the environment for businesses. The Produce Row and Belmont/Main redevelopment projects highlight this activity.

Collectively, PDC has brought together over 14 acres of land to capture more than 300,000 square feet of industrial space for companies such as TAZO Tea, Pacific Coast Fruit, Platt Electric and others. These investments have directly leveraged over 500 jobs for the district.

**► Public Improvements: \$22,500,000**

Investments in public infrastructure have improved vehicular and pedestrian connections in an area of the city with an aging street and sidewalk infrastructure. A vast majority of these resources went toward the Eastbank Riverfront Park (Esplanade). However PDC also assisted in transportation system improvements which paved, extended, and otherwise upgraded 2<sup>nd</sup> Avenue, Water Avenue, and the Grand/Burnside/MLK area.

<sup>20</sup> Includes tax increment debt proceeds as well as allowable non-TIF resources. See page 93 in Appendix G for list of accomplishments.

<sup>21</sup> See page 91 in Appendix G.



**► Rehabilitation: \$5,200,000**

There are two fundamental strategies for building rehabilitation investments. One is to create opportunities for affordable housing such as the Logus Building, the Grand Oaks, and the Wilshire apartments. The second purpose is to provide resources for commercial renovation of multi-story under-utilized buildings. These projects include the Bosco-Milligan Foundation, the conversion of an old bank for the Oregon Ballet Theater, and more recently the purchase and upgrade to the Holman building at the east end of the Hawthorne Bridge. In total, over 100 rental housing units and over 120,000 square feet of commercial space have been rehabilitated. Very little of the housing investments were done with tax increment resources.

**► Economic Dev. Programs: \$3,150,000**

The CES is one of the most active URAs for Economic Development programs. Since 1996, the Storefront Improvement Program has approved over 70 grants for local businesses. The sum of these grants exceeds \$750,000. There were also more than 40 other economic development assistance loans totaling in excess of \$2.4 million dollars. These business oriented programs have led to over 250 jobs being created and retained. Recent efforts include NW Incorporated, Hippo Hardware, Portland Roasting, Media Systems, Stock Options, the Lippman Company, Wentworth, Twenty-Four Seven, Produce Row, and Pratt and Larson.

**Work in Progress:**

The PDC Adopted Budget for FY2005/06 and FY06/07 has over \$17,000,000 identified for projects and programs in the CES.

**Capital projects from PDC Adopted**

- The Holman Building will convert a tired, blighted structure into an activity area where over 250 jobs will bring sidewalk activity and life to the southern end of the district. The Burnside Bridgehead project takes an abandoned and intimidating section of East Burnside and develops it into a gateway to the Central Eastside. Combined property taxes generated in the area are forecasted to be almost \$2,000,000 higher in 2010 as a result of these projects<sup>22</sup>.

| Project                             | Total: 2005/2006 – 06/07 |
|-------------------------------------|--------------------------|
| Pre Development                     | \$50,000                 |
| Wentworth Place Redevelopment       | \$225,000                |
| Burnside Bridgehead Redevelopment   | \$6,400,000              |
| Eastside Streetcar Feasibility      | \$317,000                |
| Burnside/Couch Study                | \$360,000                |
| Eastbank Park/Holman Building       | \$720,000                |
| Holman Building Ec. Dev. Assistance | \$2,400,000              |
| Storefront Grants                   | \$184,000                |
| Business Finance Tools              | \$4,552,000              |
| Housing Programs: Preservation      | \$2,100,000              |
| <b>PROJECT TOTAL</b>                | <b>\$17,308,000</b>      |

- Budgeted project also address the community’s interest to prepare for the future. Resources are included for studying a massive infrastructure upgrade to East Burnside (Burnside Couch Couplet). Stakeholders in the district are also hopeful of extending the Streetcar across the river through a connection with the Oregon Convention Center urban renewal area.

<sup>22</sup> See chart on page 32.

- Adopted Budget projects and many of the investment strategy priorities in this report reflect the goal to implement actions associated with recently completed area-specific planning efforts:
  - *Development Opportunity Strategy along SE Water Avenue - 2005*  
Focused on 30 acres of under-utilized land along Water Avenue between Caruthers and the Morrison Bridgehead. Zoning in this area (the definition of “industrial jobs”) is proposed to be made more flexible in order to encourage increased employment density by attracting “cutting-edge” urban industrial businesses (graphic arts, engineers, etc.).
  - *Commercial Corridor Redevelopment Plan - 2005*  
Targeted to fulfilling the potential of a high capacity mixed use zoning area (EX) between Clay and Everett along MLK and Grand. The strategy for this commercial corridor identified three opportunity sites where over 300,000 square feet of redevelopment could occur.
  - *Central Eastside Urban Renewal Area Housing Strategy - 2003*  
Set priorities for the funding and implementation of a variety of housing investments with emphases on a variety of uses and populations. The strategy strives to achieve five primary goals:
    - Job and Housing Balance
    - Vitality and Livability
    - Rental Housing Supply
    - Home Ownership Opportunity
    - Displacement Prevention

**Recommendation:**

Given this context and current status of development and condition of the area the CES URA Study Stakeholder Committee recommends the following actions:

- ▶ **Extend** the Urban Renewal Plan for a period of 8 years
- ▶ **Increase** maximum indebtedness by \$22,700,000
- ▶ **Expand** the size of the district by 7.10 acres

These actions will result in the following:

- Plan end date (last date to issue debt) of August 26, 2014 .....(previously August 26, 2006)
- New total maximum indebtedness of \$88,974,000 ..... (previously \$66,274,000)
- District size of 688.3 acres .....(previously 681 acres)

An eight-year extension and a \$22,700,000 increase in maximum indebtedness will allow the district to access approximately \$35,000,000 in additional tax increment resources (\$12,300,000 in remaining maximum indebtedness plus \$22,700,000 of new debt).

The Committee recommends expanding the boundary of the Central Eastside URA to include the 7.10-acre Washington Monroe High School site. The purpose of this expansion is to encourage the creation of a mixed-use development with a community center for inner SE Portland. This would reduce the amount of land available for urban renewal citywide from approximately 1,046.5 acres to 1,039.4.

The Committee also recommends:

- PDC staff annually report on the progress and performance of the investment strategy proposed in this report according to the expected public benefits and desire to complete unfinished goals in the 1988 *Central City Plan* and the 1986 *CES Urban Renewal Plan*.
- Emphasis during the extension should be placed on the implementation of existing adopted plans such as the *Central Eastside Industrial Zoning Project* (for Water Avenue); the *Central Eastside Urban Renewal Area Housing Strategy*; and *Central Eastside Commercial Corridor Strategy*. There is a strong preference to limit the amount of new resources spent on additional studies to three percent (about \$1,000,000). Eligible studies would include improvements to Interstate 5 and other work which benefit the district.

Investing \$35,000,000 in tax increment resources is expected to increase assessed value within this district by 91 percent by 2020/2021. Without this resource, assessed values are expected to grow by 71 percent over the same time period. This growth translates into an additional \$1,600,000 in property tax revenues beginning in 2020/2021.

**Vision for Continuing the Central Eastside:**

The Committee measured the potential for additional urban renewal investment to achieve substantive progress of unmet Central Eastside objectives. These objectives are outlined in Policy 20 of the 1988 *Central City Plan* and the existing *Plan*:

- Increase Jobs
- Increase Job Density
- Increase Industrial Investment
- Increase Housing
- Increase Commercial Development
- Improve Transportation
- Provide Benefit to Adjacent Neighborhoods
- Improve Open Space and Riverfront
- Preserve Historic Character
- Improve District Appearance & Conditions
- Leverage Children and Families to the Area

The Committee also based the evaluation on the premise that urban renewal activity should have a finite and limited timeframe for achieving measured results. Urban renewal districts should not exist in perpetuity.

Through research and deliberation it was concluded an eight-year extension of the Plan, guided by a specific investment strategy will produce substantial, measurable and accelerated results in meeting the adopted objectives for the Central Eastside. After such time, the benefits of urban renewal investments will leave the district well positioned for the future and additional debt issuance will not be necessary or requested.

The CES has the unique potential to succeed because of the interplay between investment strategy elements – job growth, improved transportation, healthy commercial corridors and healthy adjacent neighborhoods. If the momentum generated can be extended into the next decade the CES can thrive as a unique, healthy, and prosperous area.

## Section IV: Proposed Use of Tax Increment Resources

The purpose for these recommendations is to allow for the implementation of an investment strategy which places a priority on \$35,000,000 in projects and activities which are essential for securing the success of the City’s investment in the CES to date and prepare it for a time when tax increment is no longer available. The strategy is comprised of a series of deliberate, inter-related activities.

Priorities were guided by a preference to allocate new resources on a percentage basis, across four categories. The category approach is important to assure any tax increment resources associated with an extension have the best possible chance to complete unmet objectives and goals of the *Central City Plan* and the *Plan*, objectives which remain incomplete after nearly twenty years of investment.

|                                 |             |          |                                  |
|---------------------------------|-------------|----------|----------------------------------|
| Transportation & Infrastructure | 35%         | =        | \$12,000,000                     |
| Real Estate Initiatives         | 30%         | =        | \$10,750,000                     |
| Economic Initiatives            | 25%         | =        | \$ 8,750,000                     |
| Quality of Life                 | 10%         | =        | \$ 3,500,000                     |
| <b>TOTAL:</b>                   | <b>100%</b> | <b>=</b> | <b>\$35,000,000<sup>23</sup></b> |

Projects were selected due to their ability to address at least one of the following:

- Directly leverage other non-TIF resources.
- Directly generate significant increases in assessed value.
- Completes unmet objectives in the *Central City Plan/URA Plan*.
- Achieve measurable results through an extension.

The vision is achieved by addressing the following primary barriers to the Central Eastside’s long-term success:

**Traffic growth which threatens the capacity and movement of local traffic and limits redevelopment and investment.** Increasing congestion makes it important to find ways to move through traffic off MLK/Grand and to ensure CES businesses can access I-5 North and South. Extending the Streetcar, as well as creating the Burnside/Couch couplet create a synergy through their relationship to serving mixed-use developments along MLK/Grand and increased traffic capacity to serve the Burnside Bridgehead project.

**The existence of many older, un-reinforced masonry buildings which cannot be economically renovated.** Investing in transportation solutions while providing seismic assistance for outdated buildings, combined with assistance for firms wishing to expand and more flexible zoning, will result in the district’s ability to handle increased density of quality, family wage jobs. The future of the CES is as an inner city sanctuary for jobs and employment. Such a sanctuary maintains close-in sites for distribution, light manufacturing and new urban industrial firms.

**Weak commercial and industrial corridors dotted with surface parking lots and dilapidated structures in need of upgrade.** The two primary commercial corridors are MLK/Grand and Burnside, with an emerging new urban industrial corridor along SE Water Avenue. Strategies exist to stimulate larger catalytic projects at the intersection of MLK/Grand and Burnside, at MLK/Grand and SE Stark, and along Water Avenue. Together these initiatives create a triangulation of investment and redevelopment which will aid each corridor.

<sup>23</sup> See Appendix F for map of Investment Strategy Projects.

Collectively this strategy addresses barriers to the future economic success of the CES while increasing family friendly amenities and the viability of adjacent neighborhoods through better pedestrian access and the creation of a community center. The component parts build upon each other: Transportation projects improve the flow of freight traffic for industrial uses while also increasing capacity and transit alternatives adjacent to three key corridors targeted for investment through programs which attract quality jobs to upgraded and rehabilitated older structures leading to higher employment density and more housing in the mixed-use zones.

The table on the following page summarizes how investment strategy projects help to achieve synergy among the investment categories and advance adopted goals.

| <b>INVESTMENT STRATEGY KEY PROJECTS</b>                            |  |                   |                            |   |  |
|--|--|-------------------|----------------------------|---|--|
|  | <b>Estimated TIF Needed</b>                                      | <b>Total Cost</b> | <b>Leverage Capability</b> | <b>Direct Initial increase in Property Taxes<sup>24</sup></b> | <b>Relevance to Adopted Plans<sup>25</sup></b>   |
| <b>Burnside Bridgehead</b>   | \$1,450,000  | \$175,000,000     | Very High                  | \$1,800,000   | <u>Central City Plan</u><br>Goals: C, F Items: 8, 9<br><br><u>Urban Renewal Plan</u><br>Goals: 1, 3  |
| <b>Washington Monroe High School</b>                               | \$3,500,000  | unknown           | Moderate                   |   | <u>Central City Plan</u><br>Goals: C, D Items: 1<br><br><u>Urban Renewal Plan</u><br>Goal: 1         |
| <b>Burnside Couch Couplet</b>                                      | \$1,620,000  | \$16,200,000      | High                       |   | <u>Central City Plan</u><br>Goals: C Items: 8, 9, 10<br><br><u>Urban Renewal Plan</u><br>Goals: 1, 3 |
| <b>Site Redevelopment on MLK/Grand</b>                             | \$4,200,000<br><br>Site 1: \$2,500,000<br>Site 2: \$1,700,000    | \$33,700,000      | High                       |   | <u>Central City Plan</u><br>Goals: C, D, E Items: 9<br><br><u>Urban Renewal Plan</u><br>Goals: 1, 2  |
| <b>Transportation Improvements (from 2005 Freight Master Plan)</b> | \$4,100,000  | \$7,950,000       | Moderate                   |   | <u>Central City Plan</u><br>Goal: B Items: 2, 6, 9, 10<br><br><u>Urban Renewal Plan</u><br>Goal: 3   |
| <b>Economic Development Initiatives</b>                            | \$8,750,000<br><br>Seismic \$4,375,000<br>Water Ave. \$4,375,000 | unknown           | High                       |   | <u>Central City Plan</u><br>Goals: A, E, F<br><br><u>Urban Renewal Plan</u><br>Goals: 1, 2, 3        |
| <b>Sidewalks/Routes to the River</b>                               | \$2,280,000  | \$2,280,000       | Low                        |   | <u>Central City Plan</u><br>Goals: 1 Items: 5<br><br><u>Urban Renewal Plan</u><br>Goals: 4           |
| <b>Portland Streetcar</b>  | \$4,000,000  | \$165,000,000     | Very High                  |   | <u>Central City Plan:</u><br>Goal: E<br><br><u>Urban Renewal Plan:</u><br>Goals: 1, 3                |
| <b>Housing Investments</b>   | \$3,100,000  | unknown           | High                       |   | <u>Central City Plan</u><br>Goals: C, D, E Item: 1<br><br><u>Urban Renewal Plan</u><br>Goals: 1      |
| <b>Hooper Detox Center</b>   | \$2,000,000  | \$25,000,000      | Moderate                   |   | <u>Central City Plan:</u><br>Goal: C<br><br><u>Urban Renewal Plan</u><br>Goal: 1                     |
| <b>TOTAL TIF:</b>  | <b>\$35,000,000</b>  |                   |                            |   |  |

<sup>24</sup> Figures are only included where project detail is beyond the conceptual stage. Data should be tracked throughout the implementation of the strategy.

<sup>25</sup> Related to the 1986 *Plan* and the 1988 *Central City Plan*.

**Investment Strategy Project Details (by category):**

**Transportation and Infrastructure:**

The Central Eastside is served by the major north/south arterials of MLK/Grand, Burnside, Interstate 84 and Interstate 5, and four bridges emptying traffic directly into its core. The efficient transfer of goods, services and people to/from, and through the district will play a large role in its future health.

In the 1990’s, urban renewal was used to improve the transportation system and streetscapes along Second Avenue, Water Avenue and the Grand/Burnside/MLK area. These investments have helped the district, but much more needs to be accomplished to stimulate job growth, business growth and private investment.

Stakeholders are eager to see tax increment financing (TIF) leverage transportation resources at the local, state and federal levels. These types of activities should lead to increases in jobs, industrial investment, and provide benefits to the adjacent neighborhoods. There is an expectation by many members of the community that transportation improvement projects will leverage resources to improve sidewalks, make it safer for pedestrians, and begin a trend to invest in better connections from the neighborhoods to the river and central eastside jobs and services.

| Benefits from Transportation and Infrastructure     |                    |             |                        |                                |
|---|--------------------|-------------|------------------------|--------------------------------|
| \$12,000,000  |                    |             |                        |                                |
| Expected Benefits<br>(Central City Plan objectives) | Burnside<br>/Couch | Streetcar   | Routes to<br>the River | Transportation<br>Improvements |
|   | \$1,620,000        | \$4,000,000 | \$2,280,000            | \$4,100,000                    |
| Increase Jobs                                       | ++                 | +           |                        | ++                             |
| Increase Industrial Investment                      | ++                 | +           |                        | ++                             |
| Increase Job Density                                | ++                 | +           |                        | ++                             |
| Increase Housing                                    | ++                 | ++          |                        | ++                             |
| Increase Commercial Development                     | +++                | ++          |                        | ++                             |
| Improve Transportation                              | +++                | +++         | ++                     | +++                            |
| Provide Benefit to Adjacent Neighborhoods           | ++                 | +           | +++                    | +                              |
| Improve Open Space & Riverfront                     |                    |             | ++                     |                                |
| Preserve Historic Character                         |                    | +           |                        | +                              |
| Improve District Appearance & Conditions            | ++                 | ++          | +++                    | ++                             |
| Leverage Children and Families to the Area          |                    |             | ++                     |                                |

|                |                                      |
|----------------|--------------------------------------|
| <b>Legend:</b> |                                      |
| +++            | = Will significantly advance benefit |
| ++             | = Will moderately advance benefit    |
| +              | = Will minimally advance benefit     |
| “blank”        | = Will not directly advance benefit  |

**Burnside/Couch Couplet (\$1,620,000)**

The *Burnside Transportation and Urban Design Plan* includes the creation of a Burnside/Couch couplet from East 14<sup>th</sup> to West 16<sup>th</sup> - with increased signalization, wider sidewalks, additional on-street

parking, improved and redirected traffic movements, improved access by allowing left turns on Burnside, and the introduction of more street trees and ornamental lighting. The FY2005/06 – 2006/07 Adopted Budget includes \$360,000 for feasibility and engineering of the couplet and the urban design effort. The total cost, including capital construction and improvements for the eastside project (Burnside to East 14<sup>th</sup>) is estimated at \$16,200,000. Approximately ten percent (\$1,062,000) would need to come from local resources (such as tax increment financing). The ten percent leverages a ninety percent federal match.



**Install Sidewalks/Create Routes to the River (\$2,280,000)**

One of the longstanding commitments associated with the Eastbank Riverfront Park was to improve connections from the neighborhood to the Willamette River.

Currently, pedestrians and bicyclists trying to access the eastbank of the Willamette River through the CES have to contend with many barriers, including the MLK/Grand couplet, the I-5 freeway, the railroad tracks, and a lack of sidewalks. The *Central City Plan* proposed improving district pedestrian-ways on Clay, Ankeny, Morrison, Main, Stephens, Caruthers, Division, Grand 12<sup>th</sup>, and 3<sup>rd</sup>. Some of the work on these has been completed, but no clear east/west pedestrian paths to the river have yet emerged. Streetscape improvements cost about \$190,000 per block. Improvements should include signage related to the Esplanade and other destinations.

These connections in and among the neighborhoods and commercial/industrial properties, including links to the commercial corridors, connections across the busier streets of MLK and Grand Avenues, and connections to the Eastbank Riverfront Park will provide significant benefit to adjacent neighborhoods and allow Esplanade users to access the eventual amenities in the MLK/Grand corridor. The links can be achieved by installing sidewalks, upgrading and adding crosswalks, adding directional signage and other improvements. While some of the streets have received investment, many have not. Total cost is in the range of \$2,280,000.

**Portland Streetcar (\$4,000,000)**

The PDC FY2005/2006 Adopted Budget includes \$317,000 to study the feasibility of the eastside streetcar connection. The vision is to extend the existing Portland Streetcar across the Broadway Bridge, through the Lloyd District, south through the Central Eastside (via the MLK/Grand commercial corridor) to the Oregon Museum of Science and Industry and back across the Willamette to RiverPlace, where it will join the existing line. The new leg will strengthen ties between downtown Portland and the inner eastside. This item provides \$4,000,000 toward the estimated project cost of about \$165,000,000 (this includes both the Lloyd and CES). Having the Streetcar in the Central Eastside, with an MLK/Grand alignment, provides benefits to the adjacent residential neighborhoods, and also would have an impact on the density of development that could be achieved for sites along the commercial corridor.

**Transportation Improvements (\$4,100,000)**

The Portland Office of Transportation has an on-going list of improvements and projects to be completed in the Central Eastside. These projects are very important in order to reinforce the district's role as a near-in employment/distribution center and inner city hub of commerce; to prepare the district for increased job density and development intensity; as well as removing regional through traffic off the MLK/Grand corridor.

The September 2005 *Freight Master Plan* identifies two tiers of projects totaling \$7,990,000. The \$4,100,000 in TIF should be used to leverage other transportation resources which allow for the completion of Tier 1 and Tier 2 projects. Tier 1 projects have a goal for implementation within five years; Tier 2 projects within ten years.

**Tier 1 (\$5,100,000):****4<sup>th</sup> Ave (Caruthers – Ivon) - Multi-modal street improvements**

Improve geometrically constrained 4<sup>th</sup> and Caruthers intersection to facilitate truck turning movements. Construct urban standard street improvements for traffic, and pedestrian and bike facilities connecting the Springwater Corridor. \$250,000

**7<sup>th</sup>/8<sup>th</sup> - New Street Connection**

Construct new street connection from SE 7<sup>th</sup> and 8<sup>th</sup> Avenue at Division to improve local street connectivity for industrial properties. \$500,000

**Grand Avenue - SE Hawthorne Bridgehead Improvements**

Reconstruct west edge of SE Grand at the Hawthorne bridgehead to provide sidewalks and urban standard turn lanes. Improves truck safety and access. \$4,100,000

**Water Avenue (Caruthers – Division Place) - Street Extension Phase II**

Provide a new roadway connection with sidewalks, bike lanes, landscaping, and access to Willamette Greenway to improve access and circulation for industrial district. \$250,000

**Tier 2 (\$2,850,000)****11<sup>th</sup>/12<sup>th</sup>/Railroad Crossing (West of Division) - Intersection Improvements**

Reconstruct intersection to upgrade traffic signalization and establish bike and ped routes to improve safety and reduce delay at intersection. \$400,000

**Belmont Ramps (Eastside of Morrison Bridge) - Ramp Reconstruction**

Reconstruct ramp to provide better access to the Central Eastside. \$1,500,000

**Stark Street (2<sup>nd</sup> – Grand) - Safety & Capacity Improvements**

Improve safety and capacity at the SE Stark/Grand intersection by re-striping the street to add eastbound lane, revising Stark to one-way eastbound between King-Grand, or implement a Stark-Oak one-way couplet between 2<sup>nd</sup> and Grand. \$50,000

**Water Avenue (Stark – Clay) - Road Reconstruction**

Reconstruct street to meet industrial needs and provide pedestrian enhancements. \$900,000

The Committee is hopeful TIF will leverage at least a two to one match from other resources (one dollar TIF to two dollars other).

**Real Estate Initiatives:**

There are 681 acres within the current boundaries of the Central Eastside Urban Renewal Area. Nearly 500 acres are zoned industrial and slightly over 170 are zoned commercial. It is a unique industrial district located in the heart of the Central City between the Willamette River to the west and the older residential neighborhoods of Kerns, Buckman and Hosford Abernethy to the east. The area also has several emerging mixed-use corridors in the EX zoned areas along Burnside, MLK/Grand and SE 11th/12<sup>th</sup>; as well as the evolving industrial corridor along Water Avenue.

Land assembly and support for new development are basic urban renewal strategies for removing barriers to development. In an urban renewal area where returns on investment are uncertain, public sector investment is frequently needed for redevelopment of land. This has been successful in the CES. The most recent example is PDC’s efforts to purchase and redevelop land associated with the Burnside Bridgehead. By 2010, an investment of tax increment resources will transform this blighted property into a project which increases the annual property tax revenues in the area by almost \$2,000,000 and creates a gateway to Portland’s inner eastside.

The Committee’s recommendation to increase maximum indebtedness was, in part, based on the principle that careful investing could boost property tax revenues beyond the typical annual citywide growth of 2.5 percent while leveraging at least two or three more signature projects for the district. The focus should be on the commercial corridors and the industrial corridor particularly along Water Avenue. These investments have the greatest impact on increasing future returns to overlapping taxing jurisdictions.

Given the large number of older buildings in the Central Eastside, increasing job density, attracting new businesses, and developing new housing units frequently requires new development in addition to rehabilitation. Depending upon the size and scope of the project public investment can range from a few hundred thousand dollars into the millions.

There are numerous site specific factors which affect the appropriate level of public financial involvement. Many of these include project “gap” costs related to the potential provision of structured parking to accommodate increased density, seismic retrofits, fire and life safety requirements, environmental cleanup, associated transportation improvements, and desired public amenities. Some factors to consider are<sup>26</sup>:

|                         |   |
|-------------------------|---|
| Land in the CES:        | \$25 - \$40 per square foot (about \$1M to \$2M per block).                     |
| Environmental clean-up: | \$100,000 - \$500,000 per block on average.                                     |
| Seismic upgrades:       | \$25 per square foot.   |
| Structured parking:     | \$25,000 per space above grade/\$35,000+ below                                  |
| Housing:                | \$10,000 - \$20,000 construction cost gap per unit depending upon income range. |

<sup>26</sup> August 2005 estimates based on conversations with PDC staff, property owners and developers.

| Benefits from Real Estate Initiatives               |                        |             |                          |                  |
|---|------------------------|-------------|--------------------------|------------------|
| \$10,750,000  |                        |             |                          |                  |
| Expected Benefits<br>(Central City Plan objectives) | Burnside<br>Bridgehead | Housing     | MLK/Grand/<br>Water Ave. | Hooper<br>Center |
|   | \$1,450,000            | \$3,100,000 | \$4,200,000              | \$2,000,000      |
| Increase Jobs                                       | ++                     |             | +++                      |                  |
| Increase Industrial Investment                      | +                      |             | +                        |                  |
| Increase Job Density                                | ++                     |             | +++                      |                  |
| Increase Housing                                    | +++                    | +++         | +++                      | ++               |
| Increase Commercial Development                     | +++                    | +           | +++                      |                  |
| Improve Transportation                              | +                      |             | +                        |                  |
| Provide Benefit to Adjacent Neighborhoods           | ++                     | +++         | +++                      | ++               |
| Improve Open Space & Riverfront                     |                        | +++         |                          |                  |
| Preserve Historic Character                         |                        | +           | +++                      |                  |
| Improve District Appearance & Conditions            | +++                    | +++         | +++                      | ++               |
| Leverage Children and Families to the Area          | +                      | +++         | +                        |                  |

**Legend:**  
 +++ = Will significantly advance benefit  
 ++ = Will moderately advance benefit  
 + = Will minimally advance benefit  
 “blank” = Will not directly advance benefit

**Burnside Bridgehead (\$1,450,000)**

The Burnside Bridgehead project is envisioned to be a five-block development at the base of the Burnside Bridge on the east side of the Willamette River. The proposal being pursued with Opus Northwest consists

of a high intensity mixed use development containing retail, office, residential – both for sale and rental units, and light industrial and manufacturing space, all served by a four block underground parking structure. PDC is expected to invest \$8,700,000 from the Adopted Budget. This includes resources to purchase the land and address the expected gap in construction costs. The project may require up to an additional \$1,450,000<sup>27</sup>. A completed project with an assessed value of \$100,000,000 would add nearly \$2,000,000 to the property tax rolls in its initial year of assessment. The project is expected to be complete in FY2009/2010.

**MLK/Grand Commercial Corridor (\$4,200,000)**

In July 2005, ECONorthwest assisted PDC in developing a strategy to encourage investment in an area of historic structures, vacant storefronts and underutilized buildings and sites along Grand Avenue and Martin Luther King Boulevard. This area is within a large “EX” zoned corridor between Clay and Everett. It represents some of the highest capacity for new development in Portland’s eastside. The strategy specifically recommended redeveloping three high potential sites on SE Stark, as well as associated improvements to vehicle infrastructure and improved pedestrian connections.

The report emphasizes:

*“The district’s older buildings are considered an asset because of their ability to contain multiple uses...but they are also a liability because of seismic and other building code issues. Many of the vintage commercial buildings in the Corridor will require expensive upgrades for life-safety and circulation. Unfortunately, industrial uses in the Corridor do not typically support the rents needed to finance necessary improvements. Public assistance may be beneficial in certain cases...where there is a public desire to retain the building while enforcing the building code.”*

<sup>27</sup> Negotiations with the community and the prospective developer (Opus NW) are still in progress at the time of this report.

The two low intensity sites clustered along SE Stark with the best redevelopment potential are:

1. East of MLK between SE Stark and SE Oak (3/4 block)
2. East of MLK between Stark and Washington (western portion of block)

The public financing gap, based on the 2005 *Commercial Corridor Strategy*, is \$1,700,000 for one site and up to \$4,200,000 for both sites. The gap ranges by site, from 11 to 13 percent of the total construction costs (depending on development assumptions such as on-site parking). It is projected to leverage nearly \$34,000,000 in direct private investment and over 245,000 square feet of programmable space. The study also identified transportation improvements and the presence of the streetcar on MLK/Grand as elements that help alleviate congestion by moving people through the corridor and could play a role in generating demand in an area with strong potential for redevelopment. Should these sites not develop due to lack of owner interest or other obstacles, resources should become eligible for other initiatives which increase jobs, jobs density and similar benefits.

### **Housing (\$3,100,000)**

The 2003 *Central Eastside Housing Strategy* set priorities for the funding and implementation of a variety of housing investments. The strategy strives to achieve five primary goals:

- Job and Housing Balance
- Vitality and Livability
- Rental Housing Supply
- Home Ownership Opportunity
- Displacement Prevention

Opportunities exist along the commercial corridors of Burnside/Couch, properties near MLK/Grand, and some of the land associated with the Washington Monroe acreage addition (WAMO). The WAMO site in particular provides an opportunity to develop housing which includes units and amenities which attract families with children.

### **The David P. Hooper Detoxification Center (\$2,000,000)**

In 2005, Multnomah County transferred ownership of this 1954 facility to Central City Concern with hopes it could continue to evolve as a long time Portland institution which provides an important function for the Multnomah, Washington and Clackamas Counties; as well as the Portland Police Bureau. There are 14,000 annual admissions serving approximately 6,000 people.

Central City Concern is interested in a redeveloped multi-story facility with services on the lower floors and housing above (up to 65 units). Construction costs could be as high as \$25,000,000. TIF resources would provide \$2,000,000 toward any financing gap which may occur.

**Economic Initiatives:**

The CES is a close-in hub for jobs and businesses for Portland's Central City. Over the past thirty years, the predominantly industrially zoned district has maintained economic stability and is currently home to over 17,000 jobs and 1,100 businesses. While industrial activity in other cities in the United States has been steadily decreasing, Portland prides itself on the industrial character of the CES and recognizes its benefit as a centrally-located job generator.

Investment in economic development activities, through TIF or other means, is intended to increase the number of jobs and businesses in the district. Stakeholders encourage an aggressive target of doubling the number of jobs to 34,000 and number of businesses to 2,000.

Part of the strategy for the CES is to expand the presence of both "new urban industry" businesses in the district and support the growth and evolution of the existing industrial base. This should be a priority for urban renewal funds due to the lack of alternative sources for these kinds of investments at the City, State or Federal levels.

Four primary public benefits can be achieved through economic development investments:

- Increase Jobs
- Increase Industrial Investment
- Increase Job Density
- Increase Commercial Development

In the Central Eastside there is particular need and opportunity to invest in economic development by helping bridge the financial gap encountered by building owners in the redevelopment and seismic upgrade of many older un-reinforced masonry structures. There is also continued opportunity and need for other programs to provide grants and loans to business and employers in exchange for job creation. The potential risk of not addressing these problems is that the character of the district will change if older, non-historic, buildings are demolished in favor of more cost effective construction.

Over the past years a number of building rehabilitation projects has occurred in the district. Pratt & Larson Tile used \$500,000 in funding from PDC's Quality Jobs Program, Economic Opportunity Fund and direct tax increment financing loan to offset the \$1,050,000 cost of renovations to their 40,000 square foot building. The PDC contribution to this project resulted in 130 total jobs with 90 retained and 40 additional jobs added to the Central Eastside. The cost of this rehabilitation was \$26.00 per square foot (p.s.f).

| Benefits from Economic Initiatives<br>\$8,750,000   |             |                         |
|---|-------------|-------------------------|
| Expected Benefits<br>(Central City Plan objectives) | Seismic     | Water Ave<br>DOS Zoning |
|   | \$4,375,000 | \$4,375,000             |
| Increase Jobs                                       | +++         | +++                     |
| Increase Industrial Investment                      | +++         | +++                     |
| Increase Job Density                                | +++         | +++                     |
| Increase Housing                                    | +           |                         |
| Increase Commercial Development                     | +++         | +++                     |
| Improve Transportation                              |             |                         |
| Provide Benefit to Adjacent Neighborhoods           | +           |                         |
| Improve Open Space & Riverfront                     |             |                         |
| Preserve Historic Character                         | +++         | ++                      |
| Improve District Appearance & Conditions            | +++         | +++                     |
| Leverage Children and Families to the Area          | +           |                         |

The Eastbank Commerce Center located at 1001 Water Avenue is another example of a multi-tenant building with a percentage of them utilizing tax increment programs to renovate space. The building was rehabbed by Beam Development and “warm shells” were provided to be built out by the tenants. Over the past two years, seven tenants (out of the 30 in the building)

|                |                                      |
|----------------|--------------------------------------|
| <b>Legend:</b> |                                      |
| +++            | = Will significantly advance benefit |
| ++             | = Will moderately advance benefit    |
| +              | = Will minimally advance benefit     |
| “blank”        | = Will not directly advance benefit  |

have applied for PDC funds to build out their respective spaces. Of those seven tenants, three relocated to Portland from outside of the area. The total TIF investment in the project to date is about \$310,000, generating 94 jobs. Cost p.s.f for the Eastbank Commerce Center averaged \$50 including initial rehab and finished tenant improvement (TI’s). Total project cost was \$5,000,000.

More recently, the B&O Warehouse is in the process of a complete seismic upgrade and rehabilitation. Estimated cost p.s.f. is \$35 to \$40 for seismic and an additional \$20 for rehab. Total estimated cost for this project is \$13,000,000 with financing coming from the developer, Bank of America, and New Market Tax Credits provided through the lender. No PDC funding is available for use on this project.

Based on these case studies two programs, seismic and rehabilitation on Water Ave., are proposed as part of the investment strategy. These programs could be augmented to a lesser extent by continued availability of funds for storefront programs and other business retention and recruitment tools. However, the primary focus should be on these two initiatives. It should be noted, even though the extension requested is for eight years, only five years worth of dollars are suggested given the complexity of the transactions, uncertainty of demand and in the interest of limiting the total resource request.

**Seismic Programs (\$875,000 per year for five years = \$4,375,000)**

The Central Eastside has over 1,300 buildings. Nearly half of these are masonry structures built before the 1950’s. Typically, any change of use or increase in occupancy triggers seismic and fire life safety improvements at about \$25 p.s.f. (in addition to another \$20 p.s.f. for basic rehab.). This premium translates into about \$1,000,000 on a 40,000 square foot building that typically contains 100 - 150 employees. These costs can rarely be recouped through higher rents. Large scale projects can usually absorb the cost through higher debt service, but small scale (\$500,000 to \$1,000,000) renovations have a more difficult time. PDC should aggressively pursue a seismic program for the CES which provides funding in exchange for increases in jobs and job density and recognizes the premiums associated with seismic upgrades and other “change of occupancy” costs. Funding for this program assumes about five buildings over eight years.

**Rehabilitation along SE Water Avenue (\$875,000 per year for five years = \$4,375,000)**

This provides resources for building owners and tenants in the rehabilitation and redevelopment in the rezoned SE Water Avenue sub-district. In 2005, the Portland Planning Commission approved a more flexible IG1-zoning designation intended to encourage higher per building job density by allowing new urban industrial office uses<sup>28</sup>. These users are less-service oriented and more production-oriented, with the term production being expanded to include digital products such as software, design work, and advertising materials. These businesses tend to serve other businesses, as opposed to the general public.

Resources should be used to assist with seismic and other costs associated with redevelopment and tenant assistance along the corridor. Rehabilitation costs, including tenant improvements average about \$50 p.s.f. Funding assumes about five buildings over eight years

**Quality of Life:**

**Washington Monroe (\$3,500,000)**

The Washington Monroe High School is owned by Portland Public Schools. The City of Portland has a loan outstanding on the purchase of a portion of the property. Tax increment resources are anticipated to be used to facilitate the development of a community center on this site. While TIF puts the property in the path of opportunity for such a center, other financing tools will likely be needed to realize the vision. The 7.1 acre site is located at SE 12<sup>th</sup> and SE 14<sup>th</sup>, between SE Stark and SE Alder and SE Morrison.

The purpose of the project would be to facilitate a development in accordance with a project plan from 2004 that includes<sup>29</sup>:

- Market-rate, owned-occupied condominiums at SE 14<sup>th</sup>/Morrison.
- The existing high school building being converted to market rate apartments or condos.
- An athletic field running east/west on the property and preservation of existing mature trees on the site.
- A new community center with a pool at SE 12<sup>th</sup>/SE Stark.
- A 135 space parking garage underneath the athletic field.

| Benefits from Quality of Life<br>\$3,500,000        |                   |
|---|-------------------|
| Expected Benefits<br>(Central City Plan objectives) | Washington Monroe |
|   | \$3,500,000       |
|   |                   |
| Increase Jobs                                       |                   |
| Increase Industrial Investment                      |                   |
| Increase Job Density                                |                   |
| Increase Housing                                    | +++               |
| Increase Commercial Development                     |                   |
| Improve Transportation                              | +                 |
| Provide Benefit to Adjacent Neighborhoods           | +++               |
| Improve Open Space & Riverfront                     | +++               |
| Preserve Historic Character                         | +                 |
| Improve District Appearance & Conditions            | +++               |
| Leverage Children and Families to the Area          | +++               |
|   |                   |

**Legend:**

- +++ = Will significantly advance benefit
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<sup>28</sup> The Zoning recommendations are in the process of receiving transportation impact analysis and then will proceed to Portland City Council in early 2006.

<sup>29</sup> Source: February 17, 2004; Final Report of the Washington Monroe Project Advisory Committee.



## Section V: Impacts and Issues Considered

In addition to evaluating the needs and benefits from urban renewal in the CES, the Stakeholder Committee also considered several other critical questions:

- What is the impact of an extension on overlapping taxing jurisdictions?
- How do Central Eastside investments support citywide and regional needs and priorities?
- Is urban renewal essential for continued private investment in the CES?

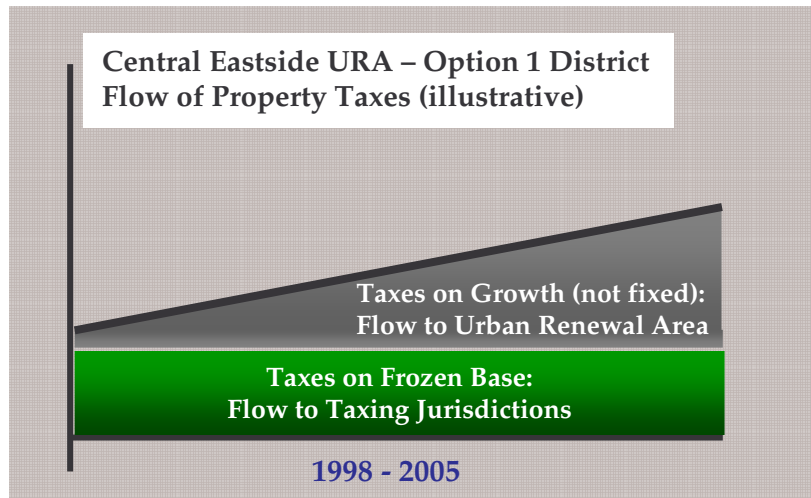
Serious consideration was given to these factors in the development of this report. The recommended duration of and increase in maximum indebtedness reflect considerable compromise among Committee members, many of whom began the consensus-making process at opposite sides of the spectrum<sup>30</sup>.

### Impacts to Taxing Jurisdictions:

In 1997, PDC and City Council designated the CES as an Option 1 district<sup>31</sup> this means it operates in a manner where all property tax revenues generated above the “Frozen Base” flow to urban renewal until all of the debt is retired/defeased. All taxes within the “Frozen Base” flow to other taxing jurisdictions (City of Portland, Mult. County, Educational districts, and others). The tax revenues generated by the Frozen Base are about \$4,000,000 per year. In 2004/05, the CES generated about \$4,400,000 in tax increment revenues above the Frozen Base.

This operating structure differs from other urban renewal areas which were in existence prior to 1996. These other older districts function in a manner where a fixed amount of revenue above the Frozen Base is used for urban renewal, and all revenues above the fixed amount flow to overlapping taxing jurisdictions (in addition to the taxes within the Frozen Base)<sup>32</sup>. Therefore only a portion of the taxes on growth in property value is used for urban renewal. The

remainder of growth in value generates taxes for other jurisdictions. For example, Downtown Waterfront was recently extended to April 2008, and releases about 60 cents on the dollar of incremental assessed value to overlapping taxing jurisdictions (it releases more than it keeps). For the CES decisions to increase maximum indebtedness and extend the last date to issue debt postpone the return of all taxes above the Frozen Base. The Committee was very sensitive to this issue, and closely studied the impacts of multiple extension options<sup>33</sup>.



<sup>30</sup> See Appendix A “Committee Extension Proposals”.

<sup>31</sup> In 1997 PDC and City Council collectively determined “Existing Urban Renewal Plans” should collect no more than \$40 million annually in combined tax increment revenues and special levy revenues. The taxes on growth were capped at \$25M annually; with a “Special Levy” that began at \$10M and grew to \$15M. The decision was based upon: anticipated costs to complete the plans; an effort to minimize impact to taxpayers; an interest in sharing tax increment revenues with other taxing jurisdictions. The Central Eastside is eligible to receive Special Levy; however in 1998 City Council and PDC agreed it would not receive/request any, in exchange for receiving all taxes on the growth in the district.

<sup>32</sup> See Subsection A in Appendix G for details.

<sup>33</sup> See Appendix H for details.

If the district had already expired and paid off remaining debt, the previously mentioned \$4,400,000 would have been distributed to other taxing jurisdictions as follows (this allocation applies to the Frozen Base as well):

- City of Portland 41%
- Multnomah County 26%
- Education 32%
- Other (Port, Tri-Met, Metro, etc.) 1%

PDC is currently scheduled to request that the City of Portland issue approximately \$27,000,000<sup>34</sup> in bonds for the Central Eastside before August 2006. This debt is expected to be retired/defeased by FY2013/14 assuming the district is not extended. Over this period, overlapping taxing jurisdictions will forego about \$41,100,000 in property taxes. The \$41,100,000 is the baseline foregone taxes against which extension options were measured.

Urban renewal investments in catalytic projects such as the Burnside Bridgehead is an example of how the growth in taxes on assessed value can be accelerated through the presence of tax increment financing (compare FY 2008/09 with FY 2009/10 in the table below).

For example, if a 2.5 percent growth rate is applied to the assessed value from 2006/07 the amount of annual tax increment revenues would grow to \$8,800,000 by 2020/2021 (it was about \$4,400,000 in 2004/05). However, investing \$35,000,000 of tax increment resources into the CES is expected to increase assessed value within this district by 91 percent by 2020/2021. Without this resource, assessed values are expected to grow by 71 percent over the same time period. This growth translates into an additional \$1,600,000 in property tax revenues.

In the study of extension options, as durations in time and maximum indebtedness increased, so did the amount of taxes foregone to other jurisdictions. By reaching agreement on an eight-year extension and a \$22,700,000 increase in maximum indebtedness the net increase of taxes foregone over the baseline is about \$46,700,000. This assumes debt is retired in 2019/20.

|  |                                    |
|--|------------------------------------|
| Total Taxes Foregone 2006/07 through 2019/20             | \$87,800,000 <sup>35</sup>         |
| Minus Taxes Foregone without extension                   | <b>\$41,100,000</b>                |
| Net Increase in Taxes Foregone created by Plan extension | <b>= \$46,700,000<sup>36</sup></b> |

| Fiscal Year<br>(in millions) | 2006-07      | 07-08        | 08-09        | 09-10        | 10-11        | 11-12        | 12-13        | 13-14        | 14-15        | 15-16        | 16-17        | 17-18        | 18-19        | 19-20        | Total               |
|------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|---------------------|
| City of Portland             | \$1.5        | \$1.7        | \$1.7        | \$2.5        | \$2.5        | \$2.6        | \$2.7        | \$2.8        | \$2.9        | \$3.0        | \$3.1        | \$3.2        | \$3.3        | \$2.1        | <b>\$35,600,000</b> |
| Mult. County                 | \$1.0        | \$1.1        | \$1.1        | \$1.6        | \$1.6        | \$1.6        | \$1.7        | \$1.8        | \$1.8        | \$1.9        | \$2.0        | \$2.0        | \$2.1        | \$1.3        | <b>\$22,400,000</b> |
| Schools                      | \$1.2        | \$1.3        | \$1.4        | \$2.0        | \$2.0        | \$2.1        | \$2.1        | \$2.2        | \$2.3        | \$2.4        | \$2.5        | \$2.6        | \$2.7        | \$1.6        | <b>\$28,500,000</b> |
| Other                        | \$0.1        | \$0.1        | \$0.1        | \$0.2        | \$0.1        | \$0.1        | \$0.1        | \$0.1        | \$0.1        | \$0.1        | \$0.1        | \$0.1        | \$0.1        | \$0.1        | <b>\$1,300,000</b>  |
| <b>Total</b>                 | <b>\$3.9</b> | <b>\$4.1</b> | <b>\$4.3</b> | <b>\$6.1</b> | <b>\$6.1</b> | <b>\$6.4</b> | <b>\$6.6</b> | <b>\$6.9</b> | <b>\$7.1</b> | <b>\$7.4</b> | <b>\$7.7</b> | <b>\$7.9</b> | <b>\$8.2</b> | <b>\$5.1</b> | <b>\$87,800,000</b> |

**Taxes foregone FY 2006-2007 through FY 2019-2020**

<sup>34</sup> Approximately \$17,000,000 will be available for new projects and about \$10,000,000 will be used to pay off an existing line of credit.

<sup>35</sup> Based on analysis in December 2005.

<sup>36</sup> 41% goes to the City of Portland, 26% to Multnomah County, 32% to Education, and 1% to Other (Tri-Met, Port, Metro, etc.). The education portion goes to the State of Oregon who reallocates it to districts statewide based on per student formulas, the impact is not dollar for dollar for local Portland school districts.

Recognizing the needs; and deficits facing other overlapping taxing jurisdictions, the Committee opted to limit the amount of the proposed increase in indebtedness to estimated costs for only the most vital projects needed for the district's future success. The district's capacity to generate the increase in maximum indebtedness is expected to occur within a five to six year time period. However, the Committee also realized many projects in the investment strategy will require more than five-six years to be completed. It debated whether duration of seven years or eight years was more appropriate. The reason for extending the district eight years is three-fold:

**Time:**

- The ultimate goal is to invest the resources and increase returns and social benefits to taxing jurisdictions. Eight-years allow time for complicated projects to leverage non TIF resources, receive permits, and be completed (many of which are not under the direct control of PDC).

**Financial Capacity:**

- It provides greater assurance that the full maximum indebtedness of the district will be able to be reached by allowing time for potential delays in increment generating projects such as the Burnside Bridgehead.

**Minimal Additional Taxes Foregone to Taxing Jurisdictions:**

- Regardless of whether debt is issued over a seven year period or an eight-year period, the impact to taxing jurisdictions should not be materially different. In either scenario, debt should be completely defeased or retired by FY2019/2020 assuming growth in assessed value of 2.5 percent and the Holman Building and the Burnside Bridgehead project being added to the tax rolls by FY 2010. The 2.5 percent growth rate is a modest forecast. To the extent growth in property values in the district are higher than forecasted; debt could be repaid more quickly.

The Committee had a lengthy discussion about the impact of urban renewal in the Central Eastside on schools, education, and other taxing jurisdictions which collect property taxes within the Portland city limits. If urban renewal in the CES ended (and all debt was retired), the amount of property taxes released to the City and County would be dollar for dollar from what currently flows to the CES (if the district stopped using \$100; \$100 would go back to the City/County/Port, etc.). This one to one relationship in taxes foregone does not exist with Portland Public Schools (PPS).

Under the current system of school financing, the State of Oregon projects the schools share of aggregate property taxes and then based on this information, the legislature develops a per student amount of money (statewide). The State then adds enough money from the State's common fund to achieve that target. Therefore, if property taxes from PPS tax code areas flow to urban renewal instead of to state education, the PPS loss is not dollar for dollar (it is probably less than 20 cents). If a dollar is returned from one urban renewal agency or area the local effect may be insignificant.

The collective annual impact of the statewide use of urban renewal is in excess of \$40,000,000 on Oregon's educational system. The single year impact on PPS from the use of tax increment in the CES was approximately \$123,000 in taxes foregone in 2002/03<sup>37</sup>. Statewide this impact was about \$1,200,000. This will increase over time by the average growth in assessed value of 2.5 percent. Therefore, while an examination of an individual URA might yield a relatively small impact, collectively the taxes foregone on a statewide basis are significant.

While the Committee is recommending an extension to the district, it believes the City should be conservative about its use of urban renewal, as should other jurisdictions.

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<sup>37</sup> Source: Presentation to the Committee by Jeff Tashman: August 3, 2005.

**Support for Citywide and Regional Priorities:**

While the need for resources in the CES exceeds what is available through an 8-year Plan extension, the Committee agrees an extension of an urban renewal district must be justified by achieving citywide and regional benefits as well as to address critical local needs. Urban renewal investments in the Central Eastside must also be able to leverage regional public projects. The Committee was able to identify important transit and transportation projects of local and regional significance including support for extension of the Portland Streetcar system on MLK/Grand, the Burnside/Couch couplet, about \$5,000,000 for transportation improvements that would typically fall to the burden of the City budgets, and resources that could be available for studying improvements to Interstate 5.

Supporting regionally significant projects is not new for the Central Eastside. In the 1990's, the CES contributed a little more than \$17,000,000 in tax increment resources toward the \$34,000,000 Eastbank Riverfront Park (the esplanade). This reflects almost half of the \$41,400,000 million in resources invested by PDC in the CES since 1986.

**Prospects for Development Without an Extension:**

As part of the evaluation, the Stakeholder Committee was asked to consider whether or not urban renewal support was essential to meet the development objectives of the district. The Committee invited presentations by economic experts from Urban Land Economics and ECONorthwest. The presentations argued private investment is occurring, and will continue to occur in the area without tax increment financing<sup>38</sup>. References were made to companies who located and expanded in the CES given its proximity to a quality workforce, and the synergy created by similar businesses.

Though it is not affluent, it is clearly delineated from areas of the city where blight is more prevalent, such as Old Town/Chinatown. The focus of the presenters was purely on economic development activity and did not suggest private market forces would cover costs associated with transportation improvements, quality of life projects or other similar investments.

While the market, acting alone, will undoubtedly produce development in the CES the market is likely to transform the CES into a place that is very different from what inner southeast stakeholders desire, and what current government policy envisions. If the interests of SE Portland and the community are to be served, something other than just "the market" and government regulations will need to be present in order for the CES to have a positive future which reflects its employment based roots.

This knowledge informed the Committee on how to best apportion new resources based on the categories discussed earlier in the report. While the presenters identified strong economic conditions, Committee members believed it was important to use some future TIF to leverage major redevelopment opportunities, as well as having resources available for economic development programs and unforeseen opportunities which may arise over the next eight years.

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<sup>38</sup> See Appendix I for details.