

NORTH MACADAM URBAN RENEWAL AREA RETURN ON INVESTMENT (ROI) ANALYSIS UPDATE

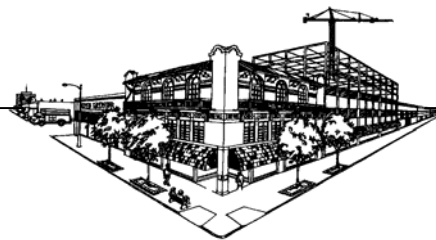
Prepared for:

Portland Development Commission

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Economic and Development Services



North Macadam Urban Renewal Area Return on Investment (ROI) Analysis Update

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EXECUTIVE SUMMARY

As the largest remaining underdeveloped area in Portland's Central City, the South Waterfront/North Macadam district stands at the threshold of redevelopment that will transition this formerly industrial area into a mixed use riverfront district – with urban-scale housing, offices, hotels, and retail uses together with public open space and multi-modal transportation facilities. Over the course of the next approximately 20 years, this emerging district is expected to experience potential for:

- An estimated 9,000 jobs – including an anchor presence by OHSU and catalyst role for the city's science and technology quarter.
- Approximately 3,700 housing units – including market rate and affordable condominiums, market rate and affordable apartments, and student housing.

In 1999, an initial return on investment (ROI) analysis was completed for the *North Macadam Urban Renewal Area* based on the *North Macadam Framework Plan*. This report provides an updated ROI assessment – reflecting changes including new planning standards with the 2002 adopted *South Waterfront Plan*, revised expectations regarding urban renewal and tax increment financing, and proposals by Oregon Health Science University (OHSU) and associated private development for a substantial Central District investment commitment. What follows are summary findings and observations from this updated ROI analysis.

QUANTITATIVE RETURN ON INVESTMENT

In 1999, the *North Macadam Urban Renewal Area* was expected to receive approximately \$1.2 billion in combined public private investment by 2020. Current projections are for \$1.9 billion of combined investment – a 58% increase (reflecting 27% more public investment and 74% in added private investment).

Private Investment: Added private investment (now estimated at \$1.7 billion) occurs with greater density of development. Increased density is particularly focused on the Central District which will be anchored by 1.2 million net square feet of OHSU related development, 250 hotel rooms, over 300,000 net square feet of retail and just over 2,700 high rise residential units.

While most Central District development is targeted for completion by as early as 2012, full build-out of the entire North Macadam/South Waterfront area is expected to occur by about 2025. Under the extended 2025 timeline for build-out of the revised development program, some average annual absorption targets increase above those associated with the Framework Plan.

Housing unit absorption would increase from 150 units (under the Framework Plan) to 186 units per year. Office space absorption targets would increase from 95,000 net square feet of office absorption annually (without significant biomedical) to 102,000 square feet per year. Retail and service space to serve local demand would increase from 12,500 net square feet to 13,000 square feet per year.

These more aggressive absorption expectations come at a time of economic downturn for the Portland metro area. However, the Central City housing market has outperformed the region. The combination of low interest rates and growing preference for close-in living provide a more

optimistic view of residential absorption potentials – further strengthened with a broader mix of owner and rental product than was envisioned just four years ago.

Of greater concern today are high office vacancy rates in the Central City and regionwide. However, while total office space projected for North Macadam has increased, OHSU will account for approximately 60% of the new office-related space developed, meaning that the need for private office tenancy drops to less than one-half of the level previously planned. Added employment also declines somewhat from 10,000 to 9,000 added jobs – due in large part to lower employment density generally associated with lab/research space versus typical office space.

Public Investment: Approximately \$131 million in tax increment/urban renewal funding is planned over the 2000-2020 time period. This estimate reflects an 18% reduction compared to prior estimates – due to more conservative TIF projections and projections for more tax exempt development (OHSU facilities and other institutions). Other public funding increases from less than \$13 million to over \$23 million, with an added \$65 million in potential public funding from sources not yet committed (see table below).

North Macadam Investment Summary (2000-2020)

Source of Funding	2003 Program		1999 ROI Analysis	
	Estimated Amount	% of Total	Estimated Amount	% of Total
Public Investment				
Tax increment financing (TIF)	\$131,230,000	7%	\$160,210,000	13%
Other public	\$23,130,000	1%	\$12,793,000	1%
Potential public*	\$64,660,000	3%	--	--
Subtotal Public	\$219,020,000	11%	\$173,003,000	14%
Private Investment	\$1,689,080,000	89%	\$971,998,000	80%
Undetermined***	--	--	\$65,069,000	6%
Total Investment**	\$1,908,100,000	100%	\$1,210,070,000	100%

Note: All dollar figure estimates are in 2002/2003 dollars.

* Indicates other potential, but not currently available or committed, public funding sources.

** Investment projected is for the urban renewal area, extending beyond the boundaries of the *South Waterfront Plan*.

*** Undetermined investment associated with the Framework Plan enhanced development funding strategy was expected to come from a mix of private and public sources not specified in 1999.

Source: Portland Development Commission.

Operating Budget Implications: Though not required by state statute, the Portland City Council has taken the additional step to assess broader financial implications extending beyond urban renewal and TIF to the City’s General Fund. With incremental property tax revenues potentially committed to repayment of urban renewal bonded indebtedness, primary sources on non-property tax revenue available to the City are transient lodging tax, business license fees, and utility franchise fees. Through 2025, an estimated \$47 million in revenue is projected from these sources – with 61% from transient lodging tax receipts, 25% from business license fees and 14% from utility franchise fees.

Operating cost projections have been made for police, fire service and parks maintenance (consistent with the 1999 analysis) plus street lighting, general administration, business license services, community development, miscellaneous services, and Portland street car operation and maintenance

(added with this update). Incremental city expenses incurred from 2002-2025 are estimated at a cumulative total of \$62 million – with expenses exceeding non-property tax revenues by approximately \$15 million.

In addition to on-going operating revenues, system development charges (SDCs) will be generated from one-time fees and permits issued when development occurs. An estimated \$21 million in one-time revenue is forecast through 2025 build-out from parks and recreation, transportation, water and sanitary system SDCs. Though SDCs are not generally applied to the districts in which they are generated, including these revenues in calculation of net impacts to the city results in a net city revenue gain of approximately \$6 million.

While the City of Portland will forego most North Macadam District property tax collections through the period of funding urban renewal expenditures, all taxing jurisdictions generate significant long-term benefit after the urban renewal program is completed. This is because total private investment is higher with urban renewal completion versus without. After the urban renewal area expires and bond indebtedness has been repaid, the city portion of the additional property tax revenue generated by district development (estimated at nearly \$5 million per year) will more than offset the difference between ongoing operating budget revenues and expenses (at approximately -\$958,700 per year at build-out).

QUALITATIVE RETURN ON INVESTMENT

A primary purpose of public investment is to obtain a *public benefit or return on investment* exceeding what could be expected without a major public commitment to development. Public policy goals have been articulated by the *South Waterfront Plan* and the *North Macadam Urban Renewal Plan*. This return on investment extends beyond financial objectives of adequate tax increment for urban renewal bond repayment and general fund implications to also address the degree to which proposed public and private investments achieve the vision for the district beyond what would be expected with private market mechanisms alone.

This ROI analysis concludes with a comparison of development that could be expected with *base case* conditions (and limited public capital investment) versus development anticipated with the *2003 investment program* involving both TIF and non-TIF expenditures. The base case analysis results in little movement toward fulfillment of adopted plan objectives and substantially reduced private as well as public investment in North Macadam/South Waterfront.

Base case private investment was projected to be only 18% of the 2003 projected public-private development program value. Housing production would be only about one-quarter (27%) as strong, and net jobs added less than one-half (44%) what is projected with the 2003 investment program as currently proposed – for Central District development plus the remainder of the North Macadam/South Waterfront Plan area.

Performance Indicators for North Macadam Development Strategies

A. Development Program Elements	Base Case Development	2003 Development Program
Greenway, Parks & Open Space	Greenway built to prior minimum public 25 foot standard; no parks planned	Three public parks/open spaces & Greenway built to average 145 foot setback, with moderate funding for design & construction
Housing	+/- 1,000 du	+/- 3,700 du
	Mix of market rate apartment and condo; limited affordable housing	Mix of affordable and market rate condo and apartment; +/- 1,900 affordable housing units
Jobs	3,200 net added jobs	7,200 net added jobs
Office	625,000 sf suburban scale office	2 million nsf high and mid-rise office/OHSU; targeting knowledge-based industries which provide livable wages
Lodging	300 lodging rooms	800 additional lodging rooms
Retail	60,000 nsf of local serving retail development	411,000 nsf of local and destination serving retail development
Transportation	Improvements limited to private funding of Bancroft-Macadam intersection, one-half of River Parkway and one half of East-West streets; Harrison connector publicly funded	Builds all transit (including a portion of streetcar and tram) and most North-South street and portal improvements; most East-West streets privately funded
B. Capital Investment		
Public Investment		
Tax Increment	\$0	\$131,230,000
Other Public	\$3,342,000	\$23,130,000
Undetermined Public	--	\$64,660,000
Subtotal Public	\$3,342,000	\$219,020,000
Private Investment*	\$345,765,000	\$1,689,080,000
Total Investment	\$352,449,000	\$1,908,100,000
C. City of Portland Operating Budget Impacts		
Ongoing Public Revenues less Expenses**	Net positive due to combination of property and other tax revenues	Net negative due to combination of significant institutional use and higher residential density – inclusion of SDCs in calculating net impacts results in city net revenue gain of \$6 million

Notes: The term du refers to number of dwelling units; sf denotes square feet of building area. Base case investment case been adjusted for inflation. All figures in 2003 dollars.

* Includes investment within North Macadam Urban Renewal Plan area.

** This indicator is provided to show whether the North Macadam Urban Renewal District is expected to generate sufficient revenues to cover service costs. Development at scenario levels may or may not result in net revenue growth in the city.

Source: Portland Development Commission and E.D. Hovee & Company.

Under the 2003 investment program there is direct *public benefit or return on investment* more closely accomplishing the goals of the *South Waterfront Plan* and *North Macadam Urban Renewal Plan* including:

- Increased development density – above what would otherwise occur
- Diversity of parks and open space – including and enhanced riverbank and Greenway
- Retention and expansion of Portland’s largest employer – OHSU
- Improving the City’s competitive position – for knowledge based industries of the future
- A mix of housing for renters and homeowners – both affordable and market rate
- Efficient multi-modal transport – for residents, employees and visitors
- A faster pace of redevelopment – better addressing City/regional population and employment objectives

Table of Contents

EXECUTIVE SUMMARY	i
Quantitative Return on Investment	i
Qualitative Return on Investment	iii
I. INTRODUCTION TO ANALYSIS	1
Purpose of Analysis	1
Relationship to North Macadam District Planning	1
Organization of Report	2
II. BACKGROUND	3
Areas Evaluated	3
Net Developable Land Area	4
Updated Development Program	5
Market Implications	6
III. QUANTITATIVE RETURN ON INVESTMENT	9
Public-Private Investment Summary	9
Urban Renewal Investment	10
Additional Public Investment	11
Operating Budget Implications	12
IV. QUALITATIVE RETURN ON INVESTMENT	18
Public Objectives	18
Performance Measures	19
Plan Implementation	20
APPENDIX. OPERATING BUDGET ASSUMPTIONS	23
Financial Assumptions	23
Operating Budget Projection by Year	27
ENDNOTES	33

Table of Figures

Figure 1.	North Macadam Areas (2003)	3
Figure 2.	Updated North Macadam Net Developable Area	4
Figure 3.	North Macadam Urban Renewal Area Development Program (1999)	5
Figure 4.	Updated North Macadam Urban Renewal Area Development Program (2003)	6
Figure 5.	Average Annual Absorption Estimates for Development Programs	7
Figure 6.	North Macadam Investment Summary (2000-2020)	9
Figure 7.	Proposed Urban Renewal Funding (2000-2020)	11
Figure 8.	Additional Public Investment	12
Figure 9.	Projected Ongoing Non-TIF Revenues with North Macadam Redevelopment	13
Figure 10.	Projected Ongoing City Expenses with North Macadam Redevelopment	14
Figure 11.	Projected Ongoing City Revenues less Expenses with North Macadam Redevelopment	15
Figure 12.	Cumulative System Development Charges with North Macadam Redevelopment	16
Figure 13.	Performance Indicators for North Macadam Development Strategies	21
Figure 14.	North Macadam District/URA Operating Budget Assumptions	24
Figure 15.	North Macadam Urban Renewal District Operating Budget by Year	28

I. INTRODUCTION TO ANALYSIS

The South Waterfront/North Macadam District is the largest remaining underdeveloped area within Portland's Central City. This area stands at the threshold of redevelopment that will transform this formerly industrial area into riverfront district with a mix of urban-scale housing, offices, hotels, and retail uses, and public open space and multi-modal transportation facilities. This area is also expected to play a significant role in the city's science and technology quarter.¹

Over the course of 20 years, the South Waterfront/North Macadam Plan Area is expected to experience potential for:

- Creation of an estimated 9,000 new jobs.
- Development of 3,700 housing units.

PURPOSE OF ANALYSIS

As one of Portland's Central City Plan districts and urban renewal areas, South Waterfront/North Macadam has been the subject of considerable public-private planning since the mid-1990s. In 1999, an initial return on investment (ROI) analysis was completed for the *North Macadam Urban Renewal Area* based on the *North Macadam Framework Plan*.

Since that time, a variety of assumptions embedded within the earlier Framework and Urban Renewal Plans have changed – as reflected in *South Waterfront Plan* adopted of November 2002. Major changes have included:

- New planning standards – particularly for Greenway Setbacks and anticipated densities.
- Revised expectations about urban renewal and associated tax increment funding capacity.
- Proposals by Oregon Health Science (OHSU) for a substantial *Central District* presence in South Waterfront/North Macadam.

As with the 1999 ROI analysis, this update addresses a key question for public policy consideration: Will the City realize sufficient property tax revenue to fund its urban renewal program and revenue from other sources to support the added cost of on-going city services to a revitalized South Waterfront/North Macadam District?

RELATIONSHIP TO NORTH MACADAM DISTRICT PLANNING

As part of the November 2002 plan adoption, the City Council renamed this area south of the downtown core "South Waterfront". Several planning documents including the recently adopted plan set the context within which this development financing and public return on investment assessment is conducted:

- *A Residential and Commercial Market Evaluation* prepared for the Portland Development Commission, October 1998, addressed market potentials for the district with and without a concerted public investment strategy.

- The *North Macadam District Framework Plan*, July 1, 1999, described an implementation strategy to achieve the district’s working vision.
- The *North Macadam Urban Renewal Plan*, June 24, 1999, was prepared to complement and implement the *Framework Plan*. The *Urban Renewal Plan* is intended to serve as the primary mechanism for public capital investment funding and creating public-private partnerships.
- The subsequent September 1999 report on *Development Financing & Public Return on Investment Analysis* addressed questions of anticipated private investment with and without urban renewal, financial feasibility of private development, and adequacy of public revenues to defray both tax increment investments and added cost of ongoing city services to serve North Macadam revitalization.
- The November 2002 Adopted *South Waterfront Plan* supercedes the prior 1999 *Framework Plan*. With this updated plan, a variety of development assumptions for South Waterfront or North Macadam and nearby parts of the urban renewal area have been modified.

These documents are built on a variety of related research and planning activities reaching back to the 1988 Central City Plan. This updated ROI analysis reflects revised development assumptions of the *South Waterfront Plan* including continuing changes to the Central District planned for development by OHSU and its private partners.

ORGANIZATION OF REPORT

The remainder of this return on investment analysis is organized to cover the following topics:

- Background
- Quantitative Return on Investment
- Qualitative Return on Investment
- Appendix – Operating Budget Analysis

II. BACKGROUND

An appropriate starting point for this updated return on investment assessment is the review of geographic areas discussed, current development assumptions, and market absorption. Key aspects of this discussion center on:

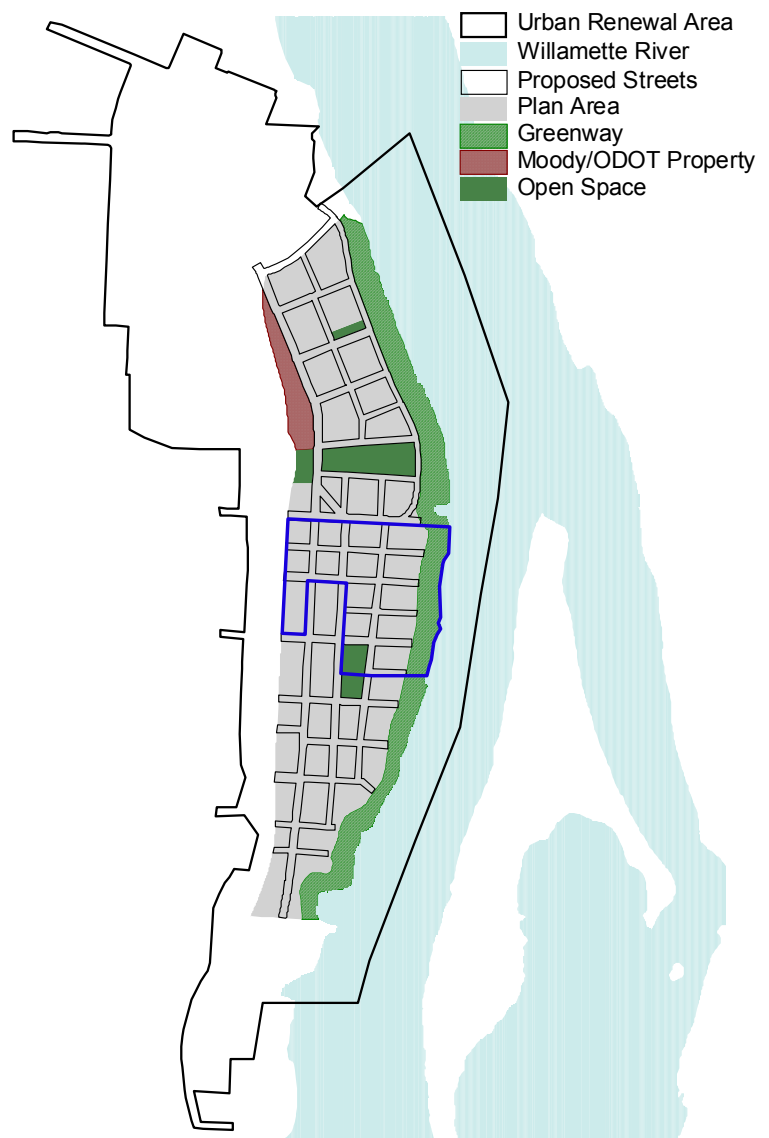
Areas Evaluated
Net Developable Land Area
Updated Development Program
Market Implications

Figure 1. North Macadam Areas (2003)

AREAS EVALUATED

The 1999 return on investment analysis was conducted for a geographic area that encompassed both the Framework Plan area (now South Waterfront Plan) plus nearby property (identified as Other URA).² This analysis is based on the same geographic area. For the purposes of this analysis, including comparison to previous documents, the remainder of the report refers to this area as North Macadam. Three areas/sub areas of North Macadam are identified for purposes of discussion:

- The *Central District* – As outlined in the adjacent map, this area is the focus of development planned by Oregon Health Sciences University (OHSU) and North Macadam Investors (NMI).
- The *North Macadam Plan Remainder* – This area represents the plan area outside the Central District boundaries and most development here is expected to occur subsequent to early phase Central District investment.



- *Other Urban Renewal Area (URA) Remainder* – These areas are located outside the plan district but within the URA. Some of the expected development has occurred already and more is projected over the timeline of this analysis.

All three of these geographic areas include land that will not be developed for building uses, such as proposed rights-of-way, greenway, open space, and (for the URA) areas already in use. For analytical purposes it is helpful to understand how much net developable land area is available.

NET DEVELOPABLE LAND AREA

E.D Hovee & Company has reviewed and compared developable land area modeling by this firm in 1998, ZGF Partnership in February 2000, and the Portland Bureau of Planning (BOP) in June 2002. BOP’s geographic information systems (GIS) based developable area analysis likely includes the most accurate land area measurements currently available and best reflects the most current parks, greenway, and streetscape plans.

The BOP *North Macadam Developable Area Analysis* and GIS were then used to determine net developable area for the Central District subarea and remainder of the North Macadam Plan Area.

Figure 2. Updated North Macadam Net Developable Area

Geographic Area	Net Developable Area	
	Square Feet	Acres
Central District Subarea	722,100	16.6
NM Plan Remainder	2,412,847	55.4
Total	3,134,948	72.0

Note: The Moody Property (also called the ODOT property) has been excluded in North Macadam Area developable land calculations. The Central District Subarea includes blocks 23-31, 33-35, 37, and 38 of the Emmons Architects site map. This chart excludes the other URA remainder areas which are comprised of vacant land interspersed with existing uses.

Source: Portland Bureau of Planning, Emmons Architects for NMI, and E.D. Hovee & Company.

The 2002 estimate of 72.0 acres of net developable land includes property that would be taxable and tax-exempt. Excluded from the net developable acreage are the Moody property (also called the ODOT property), rights-of-way, and land set aside for open space including the Willamette Greenway (at an average 145 foot width).

This 72.0 acre figure compares with 78.5 acres estimated with the 1999 Framework Plan and 84.3 vacant acres for the North Macadam Urban Renewal Area. Reasons for differences with the Framework Plan are increased Greenway allocation (currently at 145 feet up from 50 feet), changes in parks and street locations, and differences in measurement tools (recent work was done using GIS rather than previous work using AutoCAD or planometer measurements).

This information provides a basis for review of development program assumptions.

UPDATED DEVELOPMENT PROGRAM

The development program discussion begins with a review of the 1999 Framework Plan and Urban Renewal Area (URA) development estimates, followed by 2003 Central District and North Macadam Plan and URA remainder development assumptions.

1999 Development Allocations: The September 1999 *North Macadam Framework Plan: Development Financing & Public Return on Investment Analysis* development program included a combination of planned projects and development goals inside both the Framework Plan and Urban Renewal areas. An overview of the assumptions used at the time is provided by the following table.

Figure 3. North Macadam Urban Renewal Area Development Program (1999)

Development Type	Framework Plan	Other URA	NMAC URA Total
Residential Units	3,000	717	3,717
Market Rate Condominiums	900	203	1,103
Condominiums with 10-year Abatement	500	47	547
Apartments with 10-Year Abatement	1,050	467	1,517
Non-Profit Apartments with Permanent Abatement	550	0	550
Office (NSF)	1,900,000	824,000	2,724,000
Retail Commercial (NSF)	250,000	0	250,000
Lodging Rooms	900	380	1,280
Jobs	10,000	4,000	14,000

Source: Portland Development Commission and E.D. Hovee & Company.

Potential development within the Framework Plan boundaries (based on assumptions of public investment) totaled an estimated 3,000 housing units, 1.9 million square feet of office space, 250,000 square feet of retail space, and 900 lodging rooms. In combination, this development was proposed to provide for approximately 10,000 jobs.

Outside the Framework Plan area but within the urban renewal area, additional development was expected. This development totaled an estimated 717 housing units, 824,000 square feet of office space, and 380 lodging rooms supporting another 4,000 jobs.

2003 Development Allocations: Assumptions applied for the updated development program begin with the Central District development as currently envisioned by RCI, OHSU, and NMI. Central District development is expected to include 2,707 housing units, nearly 1.2 million square feet of office/OHSU space, approximately 303,000 square feet of retail/other use, and 250 lodging rooms. In combination, this development is projected to provide for approximately 4,800 jobs.³

Within the North Macadam Plan area remainder, development is expected to include an additional 1,009 housing units, nearly 805,000 square feet of office (both private and institutional), approximately 108,000 square feet of retail/other use, and 550 lodging rooms; providing another 4,100 jobs.

Figure 4. Updated North Macadam Urban Renewal Area Development Program (2003)

Development Type	Central District	NMAC Plan Remainder	NMAC Plan Total	Other URA Remainder	NMAC URA Total
Residential (Units) Total	2,707	1,009	3,716	764	4,480
Market Rate Condominiums	1,353	221	1,574	274	1,848
Condominiums w/ 10 year abate.	0	77	77	23	100
Market Rate Apt. w/ 10 year abate.	704	200	904	467	1,371
Non-Profit Apartments w/ abate.	400	511	911	0	911
Student Housing	250	0	250	0	250
Office (NSF) Total	1,232,100	805,000	2,037,100	824,000	2,861,100
Office (NSF)-Private	0	624,250	624,250	700,400	1,324,650
Office (NSF)-Institutional	1,232,100	180,750	1,412,850	123,600	1,536,450
Retail Commercial (NSF)	303,300	107,700	411,000	0	411,000
Lodging (Rooms)	250	550	800	740	1,540
Jobs	4,800	4,100	8,900	4,100	13,000

Source: Portland Development Commission and E.D. Hovee & Company.

Outside the plan area but within the urban renewal area, additional development is occurring with ongoing development/redevelopment still expected. This development totals an estimated 764 housing units, 824,000 square feet of office space, and 740 lodging rooms providing another 4,100 jobs.⁴

Differences Between 1999 and 2003 Development Programs: There are a number of notable differences between the 1999 development assumptions and the 2003 development program:

- Average development density across North Macadam under the revised development program increases from an FAR of 3.41 (original modeling) to 3.54. This equates to an average FAR of 9.63 in the Central District (assuming an average NSF/GSF ratio of 0.80) and an average FAR of 1.72 for the remainder of the North Macadam Plan area.
- RGI/OHSU/NMI currently plans approximately 303,000 square feet of retail and associated commercial/service space for the Central District – exceeding the locally generated market demand for the entire North Macadam Plan area. For purposes of this analysis, it is assumed that one-half of the NMI retail/service development would be locally serving with the remainder assumed to be destination retail/service – serving customers from drawn outside North Macadam.
- Because biotech office space is expected to have a lower employment density than occurs with typical office use, there would be less employment associated with the 2.0 million square feet of planned private and intuitional office/OHSU space than with the originally proposed 1.9 million square feet of office space in the Framework Plan.

MARKET IMPLICATIONS

The market implications resulting from the change in development assumptions for the North Macadam district could be substantial. While this updated return on investment is not intended to

comprise a full market analysis, it is appropriate to consider the extent to which the 2003 program diverges from previous market expectations.

The time frame associated with the *North Macadam District Framework Plan, Urban Renewal Plan*, and associated return on investment analysis was twenty years (2000-2020). As a starting point, maintaining the 2019-2020 fiscal year as the development program build-out year (to the conclusion of the urban renewal area designation) was evaluated. Due to the more aggressive development targets and the lack of development since 1999 (within the Plan area), the timeline for that evaluation was 15 years. The implications for market absorption were as follows:

- Increase from 150 residential units to 248 units per year (Pearl District absorption has been estimated at 142 units per year from 1998 through 2001).
- Increase from 95,000 square feet of office absorption annually (without significant biomedical) to 135,800 square feet per year (now including biomedical).
- Increase from 12,500 square feet of locally serving retail and service commercial to 17,300 square feet per year.
- Employment target raised from 500 jobs annually to just under 600 jobs per year.

Figure 5. Average Annual Absorption Estimates for Development Programs

Development Type	Current NMAC Plan		Previous Framework Plan
	2005/06-2019/20	2005/06-2024/25	2000-2020
Residential Units	248	186	150
Market Rate Condominiums	105	79	45
Condominiums with 10-year Abatement	5	4	25
Market Rate Apartments with 10-Year Abatement	60	45	53
Non-Profit Apartments with Permanent Abatement	61	46	28
Office (NSF)	135,800	102,000	95,000
Retail Commercial (NSF) for Local Demand	17,300	13,000	12,500
Lodging Rooms	53	40	45
Jobs	593	445	500

Source: Portland Development Commission and E.D. Hovee & Company.

These more aggressive absorption expectations came at a time of economic downturn for the Portland metro area. While housing development has continued – with continued strong Central City activity – office vacancies have risen appreciably.

Consequently, this return on invest analysis assumes a longer timeframe extending North Macadam build-out and the rate of return analysis back to a 20-year schedule (2005-2025). This longer time period provides more cushion against the possible effects of the economic cycle – giving more time for *make-up* development in a better business climate.

Under the extended 2025 timeline for build-out of the revised development program, some absorption targets would still increase above those associated with the Framework Plan, but not as dramatically. Housing unit absorption would increase from 150 units (under the Framework Plan) to 186 units per year. Office space absorption targets would increase from 95,000 square

feet of office absorption annually (without significant biomedical) to 102,000 square feet per year. Retail and service space to serve local demand would increase from 12,500 square feet to 13,000 square feet per year.

III. QUANTITATIVE RETURN ON INVESTMENT

The primary goals of the adopted plans for the South Waterfront/North Macadam area are to enable development/redevelopment as a mixed use urban-scale district served by a multimodal transportation system. In order to achieve such a vision, a combination of public and private investment is required.

This portion of the analysis focuses on questions of direct financial returns on public sector investment being considered for the North Macadam District:

- What are the projected costs associated with planned urban renewal/tax increment expenditures?
- What other public investment beyond tax increment financing is proposed as part of the urban renewal scenario?
- Will ongoing revenues generated from non-property tax resources be adequate to cover added city operating costs to serve new development in the North Macadam District?

PUBLIC-PRIVATE INVESTMENT SUMMARY

Total investment in the North Macadam area is projected at up to \$1.9 billion for the 2000-2020 time period of the *North Macadam Urban Renewal Plan*. Of this amount, nearly \$1.7 million (or 89% of the total investment) is expected to come from private sources — primarily in the form of new construction for office (including biomedical), residential, lodging, and retail development.

Figure 6. North Macadam Investment Summary (2000-2020)

Source of Funding	Revised 2003 Program		1999 ROI Analysis	
	Estimated Amount	% of Total	Estimated Amount	% of Total
Public Investment				
Tax increment financing (TIF)	\$131,230,000	7%	\$160,210,000	13%
Other public	\$23,130,000	1%	\$12,793,000	1%
Potential public*	\$64,660,000	3%	--	--
Subtotal Public	\$219,020,000	11%	\$173,003,000	14%
Private Investment	\$1,689,080,000	89%	\$971,998,000	80%
Undetermined***	--	--	\$65,069,000	6%
Total Investment**	\$1,908,100,000	100%	\$1,210,070,000	100%

Note: All dollar figure estimates are in 2002/2003 dollars.

* Indicates other potential, but not currently available or committed, public funding sources.

** Investment projected is for the urban renewal area, extending beyond the boundaries of the *North Macadam Plan*.

*** Undetermined investment associated with the Framework Plan enhanced development funding strategy was expected to come from a mix of private and public sources not specified in 1999.

Source: Portland Development Commission.

Both the total investment amount and the private contribution (in dollar and percentage terms) exceed the level previously anticipated. The 1999 analyses anticipated \$1.2 million in total

investment with the private investment component at \$982 million (or 80% of the total investment). The current public-private investment projection of \$1.9 billion represents a 58% increase over what was previously planned – due largely to the intensity of OHSU and private development now planned for the Central District.

In effect, for every seven to eight dollars of private/institutional investment anticipated under the new development program for the North Macadam District, one dollar in public funding would be invested to achieve basic implementation of the *South Waterfront and Urban Renewal Plans*.

Tax increment financing (TIF) represents the largest proposed source of public investment at just over \$131 million, down from the \$160 million anticipated in 1999. Other public funding resources account for \$23 million or approximately 1% of the total investment program, with nearly an additional \$65 million of as yet unsecured or uncommitted potential public funding to achieve planned levels of development.

This overview sets the stage for more detailed discussion of individual public funding elements.

URBAN RENEWAL INVESTMENT

The prior 1999 *North Macadam Framework and Urban Renewal Plans* identified funding of just over \$160 million in public investment over 20 years for greenway, parks and open space, jobs, housing, transportation, and infrastructure. Updated 2003 urban renewal planning anticipates a reduced level of \$131 million in public tax increment investment through fiscal year 2019-2020.

Urban renewal is viewed as one of several tools to implement city policies and goals in the district. Not all city policies are expected to be implemented by use of urban renewal. Actual expenditures for urban renewal will be slated for funding through five-year plans of the Portland Development Commission and associated budget allocations for the district.

Public investment priorities can be expected to change over time *in sync* with changing conditions for securing private investments to implement the South Waterfront and North Macadam Urban Renewal Plans. The following chart indicates the updated timing and priorities currently anticipated with the urban renewal plan.

The largest component of the urban renewal allocation (\$53 million or 41%) is for transportation projects. This includes street and neighborhood access improvements, transit related expenditures including portions of streetcar and tram funding, and funds for public parking facilities. Housing investment for affordable housing in the district and parks, open space and greenway funding represent the next largest allocations (at over \$28 million and nearly \$24 million respectively). These are followed by jobs investment programs and other infrastructure investments (at over \$17 million and nearly \$9 million).

Figure 7. Proposed Urban Renewal Funding (2000-2020)

Project/Program Activity	Revised 2003	1999 Program
Jobs	\$17,380,000	\$19,406,000
OHSU Commercializable Research Space	\$5,000,000	
Quality Jobs Program	\$9,000,000	
Strategic Land Acquisition - Target Industry Dev.	\$2,250,000	
Employee Assistance Home Ownership	\$1,130,000	
Parks, Open Space, & Greenway	\$23,610,000	\$24,796,000
Neighborhood Park - Improvements	\$2,250,000	
Urban Plaza	\$3,380,000	
Greenway	\$11,450,000	
Ross Island Bridge Park	\$6,530,000	
Housing Investment	\$28,110,000	\$26,952,000
Affordable Rental	\$25,630,000	
Affordable Ownership	\$2,480,000	
Transportation	\$53,420,000	\$75,898,000
Harrison St (for Streetcar PSU to RiverPlace)	\$1,730,000	
Bond - Lane to Bancroft	\$2,130,000	
Bond - Gibbs to Lane	\$640,000	
River Parkway - Gibbs to Lane	\$520,000	
Moody Ave (for Streetcar Sheridan to Gibbs)	\$3,300,000	
Phase II-III North-South Streets	\$16,400,000	
Streetcar - RiverPlace to Gibbs	\$5,000,000	
Central City Transit Hub	\$560,000	
Tram	\$2,000,000	
Other (Transportation Management, etc.)	\$1,130,000	
Neighborhood Pedestrian/Bike Access Improvements	\$2,000,000	
Public Parking	\$18,010,000	
Infrastructure	\$8,710,000	\$14,968,000
Bioswale/Stormwater Improvements	\$60,000	
Storm/Sanitary Sewer	\$650,000	
Strategic Infrastructure Fund	\$5,700,000	
Riverplace Redevelopment & Environmental	\$2,300,000	
Total	\$131,230,000	\$162,020,000

Note: All dollar figure estimates are in constant 2003 dollars.

Source: Portland Development Commission.

ADDITIONAL PUBLIC INVESTMENT

A total of \$23 million of other public funds have been identified under the revised investment allocation program to achieve the urban renewal/tax increment strategy – to facilitate implementation of the *South Waterfront Plan*. Of this amount, the largest component (84%) is identified for transportation (primarily streetcar related), 13% for parks, open space and greenway, and 3% for infrastructure.

Figure 8. Additional Public Investment

Project/Program Activity	Revised 2003		1999
	Other Public	Potential Public	Other Public
Jobs	\$0	\$9,000,000	\$0
Parks, Open Space, & Greenway	\$3,000,000	\$14,290,000	\$539,000
Housing Investment	\$0	\$7,000,000	\$0
Transportation	\$19,350,000	\$34,370,000	\$9,811,000
Infrastructure	\$780,000	\$0	\$2,400,000
Total	\$23,130,000	\$64,660,000	\$12,750,000

Note: All funding figures are in 2003 constant dollars.

Source: Portland Development Commission.

Nearly an additional \$65 million of potential public funding (from sources not currently available or committed) is also called out. The largest component (53%) is similarly identified for transportation and also primarily streetcar related. Parks, open space and greenway, jobs and housing investment comprise the remaining allocations (at 22%, 14% and 11% respectively).

OPERATING BUDGET IMPLICATIONS

By state statute, only an evaluation of projected incremental property tax receipts associated with redevelopment versus public capital expenses to be funded from the urban renewal program is required. Not explicitly considered as part of urban renewal statutory requirements are:

- Non-property tax revenues that may be generated from development in the urban renewal district.
- Operating expenses associated with ongoing delivery of added public service responsibilities associated with development in the urban renewal district.

In evaluating the *North Macadam District Framework Plan*, the *Urban Renewal Plan* and most recently the 2002 *South Waterfront Plan*, the Portland City Council has indicated its interest in considering the broader financial implications, including and extending beyond the requirements of urban renewal planning. Because TIF revenues require application of most of the projected incremental property tax over the life of the *Urban Renewal Plan*, operation expenses would ideally be defrayed by other incremental non-property tax and fee revenues available to the City of Portland from the North Macadam District.

This assessment of the operating budget implications is organized to cover on ongoing non-TIF revenues, ongoing city operating expenses, revenues less expenses, and systems development charges for the Central District and Remaining North Macadam Plan and Urban Renewal Area – for the period from 2002/03 to 2024/25. More detailed operating budget worksheets are provided in the appendix of this report.

Ongoing Non-TIF Revenues: Development in the South Waterfront/North Macadam District will generate added revenues to the City of Portland from a variety of non-TIF resources. Transient lodging tax, business license, and utility franchise fees are expected to be the primary non-property tax resources that will generate added ongoing revenue from new development within the district.

Figure 9. Projected Ongoing Non-TIF Revenues with North Macadam Redevelopment

City Revenue Source	2025 Build-Out Revenue Estimate*			2022 Build-Out 1999 ROI Analysis
	Central District	Remaining Plan & URA	Total	
Business License Fees	\$3,711,000	\$7,952,000	\$11,663,000	\$9,689,000
Office**	\$0	\$2,783,000	\$2,783,000	\$2,270,000
Retail	\$2,524,000	\$539,000	\$3,063,000	\$1,276,000
Lodging	\$1,187,000	\$4,630,000	\$5,817,000	\$6,143,000
Utility Franchise Fees***	\$3,602,000	\$3,240,000	\$6,842,000	\$5,832,000
Commercial	\$206,000	\$597,000	\$803,000	\$1,748,000
Residential	\$3,129,000	\$1,602,000	\$4,731,000	\$3,225,000
Lodging	\$267,000	\$1,041,000	\$1,308,000	\$859,000
Transient Lodging Tax	\$5,870,000	\$22,886,000	\$28,756,000	\$30,761,000
Total Annual Ongoing Revenue	\$13,183,000	\$34,078,000	\$47,261,000	\$46,282,000

Notes: * Estimates are made as of completed development in 2025 for the entire Urban Renewal Area. All funding figure estimates are in constant 2003 dollars.

** No office revenue is projected for the Central District as non-profits are exempt from city business license fees.

*** Assumes only 75% of businesses, housing units, and rooms are subject to tax.

Source: E.D. Hovee & Company, May 2003. Year-by-year operating revenue projections from 2002/03-2024/25 are provided in the Operating Budget Assumptions section of this memo.

Of the non-property tax sources indicated, transient lodging tax represents 61% of the added projected annual revenue followed by business license fees (25%) and utility franchise fees (14%). In terms of sub-districts, the Central District is expected to generate 28% of North Macadam’s non-TIF resources. This occurs for a number of reasons including the higher proportion of institutional development (not subject to business license fees nor likely to incur utility franchise fees), and the relatively small proportion of Central District lodging rooms compared to the Urban Renewal Area as a whole (250 of 1,540).

Total cumulative projected non-TIF revenues under the current development program are marginally higher (at \$47.3 million) than those projected in 1999 (\$46.3 million in inflation adjusted dollars) despite significant increases in development. This occurs for a number of reasons associated with changes in operating budget assumptions. Primarily responsible are the changes related to the lodging industry. Specifically, a lower per night room rate is now projected – at \$110 down from \$115 in the 1999 return on investment analysis. Also, the average annual lodging business license fee is assumed to be lower – at \$279.40 down from \$322.32 in the 1999 analysis.⁵

Ongoing Expenses: Offsetting added revenues are city-incurred costs to serve new development within the Urban Renewal District. These are annually recurring city expenses that typically increase with new residential population or commercial activity. Police, fire service, and parks maintenance represent the costs addressed in this analysis that are consistent with the 1999 ROI.

However, methods for determining those costs have been revised in consultation with Portland development Commission, Portland Office of Management & Finance, and pertinent city bureaus. In addition, the updated analysis has also added in costs associated with street lighting, general administration, business license services, community development and miscellaneous services, and street car operation and maintenance.

Figure 10. Projected Ongoing City Expenses with North Macadam Redevelopment

City Expenditure Category	2025 Build-Out Cost Estimate			2022 Build-Out 1999 ROI Analysis
	Central District	Remaining Plan & URA	Total	
Police & Emergency Communications	\$15,558,000	\$9,086,000	\$24,644,000	\$15,110,000
Fire Protection Services	\$9,114,000	\$6,523,000	\$15,637,000	\$19,120,000
Parks Operations & Maintenance	\$1,942,000	\$5,318,000	\$7,260,000	\$3,598,000
<i>Subtotal Continuing Categories</i>	<i>\$26,614,000</i>	<i>\$20,927,000</i>	<i>\$47,541,000</i>	<i>\$37,828,000</i>
Street Lighting Services	\$766,000	\$447,000	\$1,213,000	--
General Administration	\$1,279,000	\$747,000	\$2,026,000	--
Business License Services	\$140,000	\$101,000	\$241,000	--
Community Development Services	\$1,819,000	\$1,063,000	\$2,882,000	--
Miscellaneous Services	\$1,105,000	\$645,000	\$1,750,000	--
Street Car Operating & Maintenance	--	--	\$6,200,000	--
<i>Subtotal New Categories</i>	<i>\$5,109,000</i>	<i>\$3,003,000</i>	<i>\$14,312,000</i>	--
Total Annual Ongoing Expenditures	\$31,723,000	\$23,930,000	\$61,853,000	\$37,828,000

Note: Estimates are made as of completed development in 2025 for the entire Urban Renewal Area. All funding figure estimates are in constant 2003 dollars.

Source: E.D. Hovee & Company based on cost data provided by City of Portland Office of Finance and Administration, 2002/2003. Year-by-year operating expense projections from 2002/03-2024/25 are provided in the appendix of this report.

Of the cumulative expenses noted (as of completed North Macadam development), police and emergency communications account for an estimated 41% of incremental service costs followed by fire protection (26%), parks maintenance (12%) and community development (at 5%). The Central District accounts for 53% of the estimated costs – in large part because it is projected for higher density development.

Total cumulative city expenses under the current development program are higher (at \$61.9 million) than those projected in 1999 (\$37.8 million in inflation adjusted dollars). This occurs even if the comparison is limited to the same three categories of the earlier analysis – reducing the comparative difference to \$47.5 million over the previous \$37.8 million. In part this reflects a significantly higher number of housing units in the new development program (4,480 vs. 3,716) and resulting public service costs associated with additional residents. Methodological changes in assessment of police and emergency communications costs also affected the updated results.⁶

Expenses to special funds such as the city’s water or sewer funds are not included in this analysis. As revenue or enterprise programs, these functions generate user revenues based on rate schedules to defray incremental service expenses.

Revenues Less Expenses: Ideally, annual ongoing operating revenues might offset incremental public service expenses to serve the district. The operating budget model as outlined indicates a deficit of approximately **\$1.1 million** for the year 2019/2020 – the last year of the North Macadam Urban Renewal Area.

Figure 11. Projected Ongoing City Revenues less Expenses with North Macadam Redevelopment

Operating Budget Elements	2002/03 to 2006/07	2007/08 to 2011/12	2012/13 to 2019/2020	2020/21 to 2024/25
City Non-TIF Operating Revenues	\$3,110,000	\$6,138,700	\$20,810,300	\$17,200,000
City Operating Expenses	\$441,700	\$8,845,300	\$30,171,400	\$22,389,700
Revenue Less Expenses	\$2,668,300	(\$2,706,600)	(\$9,361,100)	(\$5,189,700)

Note: All funding figure estimates are in constant 2003 dollars.

Source: E.D. Hovee & Company based data provided by City of Portland Office of Finance and Administration, 2002/2003. Year-by-year projections from 2002/03-2024/25 are provided in the appendix of this report.

There are some periods, particularly in the earlier years (prior to the Central District’s development), in which net operating surpluses occur. Over the remaining life of the urban renewal area (from 2002-2003 fiscal year to 2019-2020), there is a cumulative deficit of **\$14.6 million** in 2003 dollars. Operating budget deficits continue beyond this time to build-out (estimated at 2024-2025).

It is important to note that development to urban renewal may or may not result in operating budget figures projected for the city. In large part, this is because both revenue and expense effects will vary substantially depending on the specific types of development generated.

In contrast with this analysis, the prior 1999 return on investment report indicated that non-TIF revenues would be adequate to cover incremental costs of key city services. Reasons for the change from surplus to deficit position (prior to URA expiration and recapture of city property tax revenues) include:

- Shift of development program to more tax exempt functions (including OHSU).
- Increased housing with added public service demands.
- Reduced taxable private job generating activity.
- Increased development across other types without commensurate increase in lodging development – transient lodging taxes were viewed as primarily responsible for the net surplus in 1999.
- Allocation of more city departmental costs to North Macadam development combined with increased estimate of police and emergency service costs.

Urban renewal statute focuses on the need for a district to generate enough property tax increment to pay bonded indebtedness associated with TIF funded investment. Because state statute does not address city operating revenue vs. cost issues during the life of the urban renewal area, it is at the City of Portland’s policy discretion as to whether and how to underwrite general fund expenses associated with new development. City Council decision to proceed can be based

on consideration of financial ramifications to the district and entire city plus non-financial quality of life and employment retention considerations.

Reasons to consider underwriting any net operating loss to the general fund from North Macadam, pending URA completion, may include factors such as:

- Retention of Portland’s largest employer and catalyst to future economic growth for the city and region.
- Meeting City and region 2040 goals with higher density and more rapid pace of development than would otherwise occur.
- Securing a Willamette Greenway and enhanced riparian habitat that also occurs more rapidly than would otherwise occur.
- Positioning Portland for continued economic prosperity and livability – through recovery from the current recession.

System Development Charges: In addition to ongoing operating revenues, system development charges (SDCs) are generated from one-time fees and permits issued when development occurs. SDC estimates are made for charges collected by the Portland Bureau of Parks and Recreation, Department of Transportation, Bureau of Water Works, and associated with the Sanitary System.

Projections of total SDCs collected over the entire 2002/03-2024/25 period are expected to be approximately \$20.7 million (in 2003 dollars). This is more than double the SDC estimate associated with the 1999 development program and return on investment analysis (at \$8.8 million in inflation adjusted dollars). The significant increase reflects increases in the charges themselves, a significant increase in the number of housing units, and the addition of sanitary system SDCs.

Figure 12. Cumulative System Development Charges with North Macadam Redevelopment

City Agency	2025 Build-Out Cumulative Fee Estimate			2022 Build-Out
	Central District	Remaining Plan & URA	Total	1999 ROI Analysis
Bureau of Parks and Recreation	\$2,810,000	\$1,841,000	\$4,651,000	\$4,121,000
Department of Transportation	\$1,783,000	\$2,414,000	\$4,197,000	\$3,895,000
Bureau of Water Works	\$790,000	\$830,000	\$1,620,000	\$801,000
Subtotal Continuing Categories	\$5,383,000	\$5,085,000	\$10,468,000	\$8,817,000
Sanitary System	\$6,158,000	\$4,034,000	\$10,192,000	--
Total Charges	\$11,541,000	\$9,119,000	\$20,660,000	\$8,817,000

Note: Estimates are made as of completed development in 2025 for the entire Urban Renewal Area. All funding figure estimates are in constant 2003 dollars.

Source: E.D. Hovee & Company, May 2003. Year-by-year SDC projections from 2002/03-2024/25 are provided in the appendix of this report.

SDC revenue generated from the North Macadam District is not explicitly directed back to district-related improvements. However, this could represent one source of funding and/or a portion of resources associated with the infrastructure development funding strategy. If SDC

revenues were included in calculation of net impacts to the city, the results would be a net revenue gain of approximately \$6 million.

Property Tax Payback After Urban Renewal: While the City of Portland will forego most North Macadam District property tax collections through the period of funding urban renewal expenditures, all taxing jurisdictions generate significant long-term benefit after the urban renewal program is completed. This is because total private investment is higher with urban renewal completion versus without. After the urban renewal area expires and bond indebtedness has been repaid, the city portion of the additional property tax revenue generated by district development (estimated at nearly \$5 million per year) will more than offset the difference between ongoing operating budget revenues and expenses (at approximately -\$958,700 per year at build-out).⁷

IV. QUALITATIVE RETURN ON INVESTMENT

A primary *purpose* of public investment is to obtain a *public benefit or return on investment* that exceeds what would be expected without a major public contribution to redevelopment of the North Macadam District. As with other urban renewal districts, such as downtown Portland and the Convention Center, expenditures by the City of Portland have proven critical to generating private investment in support of public objectives.

This section of the report discusses public objectives associated with the *South Waterfront Plan* and *North Macadam Urban Renewal Plan*, quantitative and qualitative performance measures for these objectives, and an assessment of the degree to which proposed public and private investment achieve the vision for the district beyond what would be expected with private market mechanisms alone.

PUBLIC OBJECTIVES

The *South Waterfront Plan* and *North Macadam Urban Renewal Plan* anticipate the planned expenditure of significant private, tax increment, and other city, state and federal resources over a multi-year period. As with other urban renewal districts, such as downtown Portland and the Convention Center, expenditures by the City of Portland have proven critical to generating private investment in support of public objectives.

The additional development stimulated with tax increment financing (TIF) in turn provides revenues for continued investment in district amenities, achievement of jobs and housing targets, and provision of transportation and other types of infrastructure necessary to achieve the *South Waterfront Plan* and *North Macadam Urban Renewal Plan* goals. Achievement of these goals serves citywide policy objectives. These objectives include:

- Increased density of development with less parking than would otherwise occur.
- Creation of a diversity of well designed parks and open spaces including the greenway – while providing for enhanced riverbank and upland wildlife habitat.
- Retention and expansion of Portland’s largest employer – Oregon Health Sciences University (OHSU).
- Office and institutional development to improve the Central City’s competitive position within the region for new jobs, including attraction of knowledge-based industries, especially bioscience technology.
- A mix of attractive housing affordable to a broad range of households and incomes – both owners and renters.
- Creation of an efficient integrated multi-modal transportation system to serve residents, employees, and visitors.
- A faster pace of redevelopment better addressing Central City population and employment objectives.

Investment in North Macadam also serves broad citywide policy objectives for housing and job development. To the extent that North Macadam succeeds, the pressure on other city neighborhoods to meet Metro job and housing targets is correspondingly reduced.

PERFORMANCE MEASURES

Quantitative measures of the degree to which proposed public and private investments achieve the vision for the district beyond what would be expected with private market mechanisms alone can be applied in assessing prospective effects, such as determining:

- Total private investment leveraged.
- Density of development — both employment and residential.
- Parks, open space, and greenway.
- Net added employment.
- Number of housing units.
- Transportation efficiency — improvements enabling full build-out, non-auto mode availability, mode split, live/work opportunity, and parking spaces.

In addition to measures that can be directly quantified, the city's public return on investment also is comprised of distinctive *qualitative* benefits for the North Macadam District, adjoining neighborhoods, and the broader Portland community. *Qualitative* performance is not as easily measured in numerical terms, but can be discerned by the extent to which the vision of the South Waterfront/North Macadam District as a “vibrant urban neighborhood” and “desirable location for jobs and residences” is realized.

The quality of the South Waterfront/North Macadam experience undoubtedly will be assessed based on a variety of additional factors including but not limited to:

- Accessibility to and diversity of waterfront, greenway and open spaces; integration of natural resource planning with redevelopment
- Achievement of compact, mixed-use developments
- Housing affordable and attractive to a mix of incomes, household types, age, and race/ethnicity of residents generally reflecting the diversity found in the city as a whole and balanced with local employment opportunities
- Business activities ranging from incubator to emerging businesses to corporate headquarter
- Active public, non-profit and civic institutions
- A mix of transportation modes lessening dependence on the automobile.

PLAN IMPLEMENTATION

The central question intended to be addressed by this public return on investment analysis is the degree to which proposed public and private investment achieves the vision for the district beyond what would be expected with private market mechanisms alone. In 1999 this determination was made by comparing a base case development scenario with what could be achieved under an urban renewal/tax increment strategy and an enhanced funding development strategy. This assessment compares the base case from 1999 with the revised 2003 investment program.

- A. *Base Case Development* — assumes limited public capital investment, public-private development tools available without urban renewal and market rate development. This scenario also assumes *no significant transportation infrastructure or planning constraints* that would limit the level of private sector-driven development otherwise achievable.
- B. *2003 Investment Program* — assumes urban renewal plan enabling multi-year funding of a balanced set of project and program activities including jobs, parks/open space/greenway, housing investment, transportation, public parking and infrastructure. Funding is achieved through urban renewal and associated tax increment financing (TIF) with moderate commitment of other outside public funding resources to accomplish *South Waterfront Plan* and *North Macadam Urban Renewal Plan* goals.

Public-private implementation can be assessed for *South Waterfront Plan* and *North Macadam Urban Renewal Plan* goals of jobs, greenway, parks and open space, housing, transportation, and infrastructure. The figure on the next page illustrates the differences between the two scenarios.

Figure 13. Performance Indicators for North Macadam Development Strategies

A. Development Program Elements	Base Case Development	2003 Investment Program
Greenway, Parks & Open Space	Greenway built to prior minimum public 25 foot standard; no parks planned	Three public parks/open spaces & Greenway built to average 145 foot setback, with moderate funding for design & construction
Housing	+/- 1,000 du	+/- 3,700 du
	Mix of market rate apartment and condo; limited affordable housing	Mix of affordable and market rate condo and apartment; +/- 1,900 affordable housing units
Jobs	3,200 net added jobs	7,200 net added jobs
Office	625,000 sf suburban scale office	2 million sf high and mid-rise office/OHSU; targeting knowledge-based industries which provide livable wages
Lodging	300 lodging rooms	800 additional lodging rooms
Retail	60,000 sf of local serving retail development	411,000 sf of local and destination serving retail development
Transportation	Improvements limited to private funding of Bancroft-Macadam intersection, one-half of River Parkway and one half of East-West streets; Harrison connector publicly funded	Builds all transit (including a portion of streetcar and tram) and most North-South street and portal improvements; most East-West streets privately funded
B. Capital Investment		
Public Investment		
Tax Increment	\$0	\$131,230,000
Other Public	\$3,342,000	\$23,130,000
Undetermined Public	--	\$64,660,000
Subtotal Public	\$3,342,000	\$219,020,000
Private Investment*	\$345,765,000	\$1,689,080,000
Total Investment	\$352,449,000	\$1,908,100,000
C. City of Portland Operating Budget Impacts		
Ongoing Public Revenues less Expenses**	Net positive due to combination of property and other tax revenues	Net negative due to combination of significant institutional use and higher residential density – inclusion of SDCs in calculating net impacts results in city net revenue gain of \$6 million

Notes: The term du refers to number of dwelling units; sf denotes square feet of building area. Base case investment case been adjusted for inflation. All figures in 2003 dollars.

* Includes investment within North Macadam Urban Renewal Plan area.

** This indicator is provided to show whether the North Macadam Urban Renewal District is expected to generate sufficient revenues to cover service costs. Development at scenario levels may or may not result in net revenue growth in the city.

Source: Portland Development Commission and E.D. Hovee & Company.

The degree to which proposed public and private investment achieves the vision for the district beyond what would be expected with private market mechanisms alone is clear. Achievement of the *South Waterfront Plan* and *North Macadam Urban Renewal Plan* goals clearly increases with higher levels of public investment. The base case results in little if any movement toward plan goals and substantially reduced investment in the district. Under the 2003 Investment Program there is direct *public benefit or return on investment* more closely accomplishing the goals of the *South Waterfront Plan* and *North Macadam Urban Renewal Plan*.

APPENDIX. OPERATING BUDGET ASSUMPTIONS

The following pages provide detailed information used for the projection of incremental effects of South Waterfront/North Macadam development on operating revenues and expenses to the City of Portland:

- The first multi-page worksheet details assumptions applied to calculation of specific operating revenues and expenses and system development charges by line item.
- The second multi-page worksheet provides year-by-year estimates of line item revenues and expenses and system development charges.

Operating revenue effects are projected for business license and utility franchise fees, and for transient lodging tax receipts. Expenditure projections are made for police & emergency communications, fire, and parks maintenance, street lighting, general administration, business license, community development, miscellaneous services, and street car operations & maintenance. In addition to annually recurring effects, one-time systems development charge (SDC) revenues are estimated for transportation, water, sanitary systems, and parks.

These fiscal projections should be viewed as illustrative rather than definitive. Information is based on estimates that may vary from actual conditions and is therefore subject to change. Background information for this analysis has been compiled in cooperation with the Portland Development Commission (PDC) and Office of Management & Finance.

FINANCIAL ASSUMPTIONS

The following two pages reflect an update of the key operating budget financial assumptions. The methodology applied to estimate City operating revenues and expenses is modeled after that of the prior 1999 return on investment analysis. Important updates and other changes to assumptions previously applied include:

- Changes in development programming such as the addition of a significant number of residential units and increase in non-profit/intuitional space associated with OHSU's presence, reducing the proportion of office development contributing to non-TIF revenues.
- Differences in the number of types of operating cost covered and assumption and methodological changes for those previously included.
- Virtually all other assumptions have been updated to reflect current conditions.

Figure 14. North Macadam District/URA Operating Budget Assumptions

Assumption Category	Factor	Unit Measurement	Source
Development Program			
Market Rate Condominiums	1,848	Dwelling Units	Portland Development Commission
Condominiums with 10-Year Abatement	100	Dwelling Units	Portland Development Commission
Market Rate Apts. with 10-Year Abatement	1,371	Dwelling Units	Portland Development Commission
Non-Profit Apartments with Permanent Abatement	911	Dwelling Units	Portland Development Commission
Student Housing	250	Dwelling Units	Portland Development Commission
Commercial Office Space - Private	1,324,650	Square Feet	Portland Development Commission
Commercial Office Space - Institutional	1,536,450	Square Feet	Portland Development Commission
Retail Commercial Space	411,000	Square Feet	Portland Development Commission
Hotel/Lodging	1,540	Rooms	Portland Development Commission
Office Net leasable to GFA	0.8		Central District Block Phasing
City Business Licenses Fee (BLF) Rate Assumptions			
Average Tenant Size - Retail	2,258	Square Feet	B.O.M.A. 1999 - Avg. sf per retail tenant for Portland - All Downtown
Average Tenant Size - Office	11,932	Square Feet	B.O.M.A. 2000 - Avg. sf per office tenant for Portland - All Downtown
Average Annual Business License Fee Paid - Office	\$2,710.84	Per Tenant	City of Portland Bureau of Licenses - Avg. amount paid by professional services firms for Tax year 2000
Average Annual Business License Fee Paid - Retail	\$1,248.75	Per Tenant	City of Portland Bureau of Licenses - Avg. amount paid by retail businesses for Tax year 2000
Average Annual Business License Fee Paid - Lodging	\$279.40	Per Room	2003 EDH Estimate
Portland City Business License Fee	2.2%	Percent of Profits	City Office of Management & Finance, August 2002
Utility Franchise Fee Rate Assumptions			
Average Annual Utilities Paid – Commercial	\$1.21	Per Square Foot of GLA	B.O.M.A. for year end 2001 (\$1.16 for buildings size 100k-299k, \$1.25 for buildings 300k-599k)
Average Annual Utilities Paid – Residential	\$2,020.86	Per Dwelling Unit	U.S. Census Bureau - OTAK <i>River District Development Plan - Return on Investment Analysis</i> , Inflation Adjusted by EDH
Room Revenue as Percentage of Total Revenue (All Hotels)	67.60%	All Hotels	PKF Consulting <i>Trends in the Hotel Industry USA Edition 2002</i>
Utility Cost Ratio to Total Revenues for All Hotels	4.1%	All Hotels	PKF Consulting <i>Trends in the Hotel Industry USA Edition 2002</i>

Assumption Category	Factor	Unit Measurement	Source
Percent of Businesses/Residential Units Subject to Tax	75.0%	Percent of Total Fees	Allowance - OTAK <i>River District Development Plan - Return on Investment Analysis</i>
Utility Franchise Fee Capture Rate to City	5.00%		City Office of Management & Finance, August 2002
Transient Lodging Tax Receipts Assumptions			
Average Annual Lodging Occupancy Rate	68.8%	Downtown Portland	PKF Consulting <i>Trends in the Hotel Industry Pacific Northwest Edition 2002 - Year to date for 2002 as of October</i>
Average Room Rate	\$110	Per Night	City of Portland Headquarters Hotel Analysis
Transient Lodging Taxes to City as Percentage of Room Revenue	5.0%		City Office of Management & Finance, August 2002
Incremental Operating Costs (Police, Fire, Parks)			
Factor for Estimating Non-Resident Employment Population	12.32%	Of total added URA employment	City Office of Management & Finance, June 23, 2003, Excel spreadsheet from Ken Rust & Drew Barden
Average Household Size	1.6	Persons	Portland Development Commission
Annual Police Protection Cost	\$208.64	Per adjusted resident (incl. emp)	City Office of Management & Finance, October 31 2002 memo from Drew Barden
Annual Parks Maintenance Cost	\$554,517	At Build Out	Based on NMAC Parks, Open Space & Greenway Cost Estimate October 1, 2002 provided by Becki Marsh-PDC
Annual Fire Protection Costs	\$1.35	Per \$1,000 of AV	City Office of Management & Finance, October 31 2002 memo from Drew Barden
Annual Fire Protection Costs	\$26.72	Per adjusted resident (incl. emp)	City Office of Management & Finance, October 31 2002 memo from Drew Barden
Street Lighting	\$10.27	Per adjusted resident (incl. emp)	City Office of Management & Finance, October 31 2002 memo from Drew Barden
General Administration	\$17.15	Per adjusted resident (incl. emp)	City Office of Management & Finance, October 31 2002 memo from Drew Barden
Licenses	\$69.44	Per business license	City Office of Management & Finance, October 31 2002 memo from Drew Barden
Community Development	\$24.40	Per adjusted resident (incl. emp)	City Office of Management & Finance, October 31 2002 memo from Drew Barden
Miscellaneous, all other	\$14.82	Per adjusted resident (incl. emp)	City Office of Management & Finance, October 31 2002 memo from Drew Barden
Estimated Value Per Rental Dwelling Unit	\$90,000		Based on PDC valuations for TIF estimate.

Assumption Category	Factor	Unit Measurement	Source
Estimated Value Per Owner Dwelling Unit	\$300,000		Based on PDC valuations for TIF estimate.
Estimated Value of Retail Commercial	\$220	Per Square Foot of GLA	Based on PDC valuations for TIF estimate.
Estimated Value of Institutional Lab	\$240		Based on PDC valuations for TIF estimate.
Estimated Value of Commercial Office	\$190	Per Square Foot of GLA	Based on PDC valuations for TIF estimate.
Estimated Value of Lodging	\$90,000	Per Room	Based on PDC valuations for TIF estimate.
System Development Charges (SDCs)			
Transportation SDC for Condo/Townhouse Dwelling Unit	\$340.30	Per MFR unit	Office of Transportation SDC Calculations for North macadam 28 Acres, 6/30/02
Transportation SDC for Apartment Unit	\$384.70	Per MFR unit	Office of Transportation SDC Calculations for North macadam 28 Acres, 6/30/02
Transportation SDC for Lodging	\$614.80	Per Room	Office of Transportation SDC Calculations for North macadam 28 Acres, 6/30/02
Transportation SDC for Retail	\$0.81	Per Square Foot of GFA	Office of Transportation SDC Calculations for North macadam 28 Acres, 6/30/02
Transportation SDC for Office	\$0.52	Per Square Foot of GFA	Office of Transportation SDC Calculations for North macadam 28 Acres, 6/30/02
Water Works SDC for Residential and Lodging	\$22,788	Per 100 Units/Rooms	City Office of Management & Finance and E.D. Hovee & Company
Water Works SDC for Retail and Office	\$7,596	Per 100,000 Square Feet	City Office of Management & Finance and E.D. Hovee & Company
Parks SDC Per Multi-Family Dwelling Unit	\$1,038	Per MFR unit	City Office of Management & Finance, August 2002
Sanitary System SDC for Residential	\$2,275	Per Unit	Eric Johansen, OMF, January 2003

OPERATING BUDGET PROJECTION BY YEAR

On the following pages is provided a detailed chart listing anticipated development together with non-TIF revenues and expenses over the 2005-2025 time period. Each page of the spreadsheet is organized to cover:

- *Anticipated development* – residential office, retail and lodging (including identification of taxable versus tax-exempt development).
- *Incremental operating revenues* – including business license and utility franchise fees plus transient lodging tax receipts.
- *Incremental operating cost* – covering ongoing city services including police & emergency communications, fire, and parks maintenance, street lighting, general administration, business license, community development, miscellaneous services, and street car operations & maintenance.
- *Systems Development Charges* – received as one-time revenues as development occurs for parks, transportation, water, and sanitary system infrastructure.

Figure 15. North Macadam Urban Renewal District Operating Budget by Year

Year	1	2	3	4	5
Fiscal Year	02-03	03-04	04-05	05-06	06-07
Anticipated Development (Incremental)					
Residential (Units) Total	7	0	0	0	0
Market Rate Condominiums	7	0	0	0	0
Condominiums w/ 10 year abatement	0	0	0	0	0
Market Rate Apts. w/ 10 year abatement	0	0	0	0	0
Non-Profit Apartments w/ Abatement	0	0	0	0	0
Student Housing	0	0	0	0	0
Office (SF) Total	0	0	0	0	0
Office (SF)-Private	0	0	0	0	0
Office (SF)-Institutional	0	0	0	0	0
Retail Commercial (SF)	0	0	0	0	9,000
Lodging (Rooms)	360	0	0	0	0
Incremental Operating Revenues (Cumulative)					
Business License Fees Generated					
Annual Business License Fee Revenues - Office	\$0	\$0	\$0	\$0	\$0
Annual Business License Fee Revenues - Retail	\$0	\$0	\$0	\$0	\$4,995
Annual Business License Fee Revenues - Lodging	\$100,584	\$100,584	\$100,584	\$100,584	\$100,584
Annual Business License Fee Revenues	\$100,600	\$100,600	\$100,600	\$100,600	\$105,600
Utility Franchise Fees Generated					
Annual Utilities Paid - Commercial	\$0	\$0	\$0	\$0	\$8,134
Annual Utilities Paid - Residential	\$10,610	\$10,610	\$10,610	\$10,610	\$10,610
Annual Utilities Paid - Lodging	\$452,350	\$452,350	\$452,350	\$452,350	\$452,350
Annual Aggregate Utility Billings	\$462,960	\$462,960	\$462,960	\$462,960	\$471,094
Annual City Franchise Fee Revenues	\$23,100	\$23,100	\$23,100	\$23,100	\$23,600
Transient Lodging Tax Receipts Generated					
Annual Room Sales (\$)	\$9,944,352	\$9,944,352	\$9,944,352	\$9,944,352	\$9,944,352
Annual City Transient Lodging Tax Revenues	\$497,200	\$497,200	\$497,200	\$497,200	\$497,200
Subtotal Incremental Operating Revenues	\$620,900	\$620,900	\$620,900	\$620,900	\$626,400
Incremental Operating Costs (Cumulative)					
Police & Emergency Communication Services	\$9,389	\$9,389	\$9,389	\$9,389	\$10,015
Fire Protection Services	\$33,674	\$35,015	35,015	\$37,421	\$37,501
Parks Operations & Maintenance Services	\$0	\$0	\$0	\$0	\$0
Street Lighting Services	\$462	\$462	\$462	\$462	\$493
General Administration Services	\$772	\$772	\$772	\$772	\$823
Business License Services	\$0	\$0	\$0	\$0	\$278
Community Development Services	\$1,098	\$1,098	\$1,098	\$1,098	\$1,171
Miscellaneous Services	\$667	\$667	\$667	\$667	\$711
Street Car Operating & Maintenance	\$0	\$0	\$0	\$0	\$200,000
Subtotal Incremental Operating Costs	\$46,062	\$47,403	\$47,403	\$49,808	\$250,992
Operating Revenue minus Operating Costs	\$574,800	\$573,500	\$573,500	\$571,100	\$375,400
SDCs (Increment)					
Parks	\$7,300	\$0	\$0	\$0	\$0
Transportation	\$221,328	\$0	\$0	\$0	\$9,100
Water	\$83,600	\$0	\$0	\$0	\$700
Sanitary System	\$15,925	\$0	\$0	\$0	\$0
Subtotal One-Time SDC Revenues	\$328,153	\$0	\$0	\$0	\$9,800

Year	6	7	8	9	10
Fiscal Year	07-08	08-09	09-10	10-11	11-12
Anticipated Development (Incremental)					
Residential (Units) Total	889	730	184	517	400
Market Rate Condominiums	489	336	184	237	0
Condominiums w/ 10 year abatement	0	0	0	0	20
Market Rate Apts. w/ 10 year abatement	200	144	0	280	380
Non-Profit Apartments w/ Abatement	200	0	0	0	0
Student Housing	0	250	0	0	0
Office (SF) Total	266,500	0	350,000	120,000	250,000
Office (SF)-Private	0	0	100000	0	200000
Office (SF)-Institutional	266500	0	250000	120000	50000
Retail Commercial (SF)	39,300	86,000	35,310	29,160	29,090
Lodging (Rooms)	0	250	0	0	0
Incremental Operating Revenues (Cumulative)					
Business License Fees Generated					
Annual Business License Fee Revenues - Office	\$0	\$0	\$22,719	\$22,719	\$68,157
Annual Business License Fee Revenues - Retail	\$26,723	\$74,301	\$93,781	\$109,890	\$125,999
Annual Business License Fee Revenues - Lodging	\$100,584	\$170,434	\$170,434	\$170,434	\$170,434
Annual Business License Fee Revenues	\$127,300	\$244,700	\$286,900	\$303,000	\$364,600
Utility Franchise Fees Generated					
Annual Utilities Paid - Commercial	\$43,651	\$121,374	\$243,660	\$270,013	\$477,053
Annual Utilities Paid - Residential	\$1,358,021	\$2,464,445	\$2,743,324	\$3,526,914	\$4,133,174
Annual Utilities Paid - Lodging	\$452,350	\$766,483	\$766,483	\$766,483	\$766,483
Annual Aggregate Utility Billings	\$1,854,023	\$3,352,301	\$3,753,467	\$4,563,410	\$5,376,710
Annual City Franchise Fee Revenues	\$92,700	\$167,600	\$187,700	\$228,200	\$268,800
Transient Lodging Tax Receipts Generated					
Annual Room Sales (\$)	\$9,944,352	\$16,850,152	\$16,850,152	\$16,850,152	\$16,850,152
Annual City Transient Lodging Tax Revenues	\$497,200	\$842,500	\$842,500	\$842,500	\$842,500
Subtotal Incremental Operating Revenues	\$717,200	\$1,254,800	\$1,317,100	\$1,373,700	\$1,475,900
Incremental Operating Costs (Cumulative)					
Police & Emergency Communication Services	\$330,694	\$586,904	\$681,210	\$865,647	\$1,028,595
Fire Protection Services	\$212,522	\$377,724	\$456,924	\$554,677	\$615,955
Parks Operations & Maintenance Services	\$104,167	\$130,167	\$234,334	\$234,334	\$288,934
Street Lighting Services	\$16,278	\$28,890	\$33,532	\$42,610	\$50,631
General Administration Services	\$27,183	\$48,243	\$55,995	\$71,155	\$84,550
Business License Services	\$1,486	\$4,132	\$5,797	\$6,693	\$8,752
Community Development Services	\$38,674	\$68,637	\$79,666	\$101,236	\$120,292
Miscellaneous Services	\$23,490	\$41,689	\$48,387	\$61,488	\$73,063
Street Car Operating & Maintenance	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Subtotal Incremental Operating Costs	\$954,494	\$1,486,385	\$1,795,844	\$2,137,840	\$2,470,771
Operating Revenue minus Operating Costs	(\$237,300)	(\$231,600)	(\$478,700)	(\$764,100)	(\$994,900)
SDCs (Increment)					
Parks	\$922,800	\$757,700	\$191,000	\$536,600	\$415,200
Transportation	\$366,900	\$392,300	\$263,300	\$215,200	\$338,100
Water	\$225,800	\$229,900	\$71,200	\$129,100	\$112,400
Sanitary System	\$2,022,475	\$1,660,750	\$418,600	\$1,176,175	\$910,000
Subtotal One-Time SDC Revenues	\$3,537,975	\$3,040,650	\$944,100	\$2,057,075	\$1,775,700

Year	11	12	13	14	15
Fiscal Year	12-13	13-14	14-15	15-16	16-17
Anticipated Development (Incremental)					
Residential (Units) Total	354	568	110	120	110
Market Rate Condominiums	274	248	30	0	30
Condominiums w/ 10 year abatement	0	20	0	20	0
Market Rate Apts. w/ 10 year abatement	0	100	0	100	0
Non-Profit Apartments w/ Abatement	80	200	80	0	80
Student Housing	0	0	0	0	0
Office (SF) Total	245,000	395,600	0	250,000	205,000
Office (SF)-Private	0	200000	0	200000	0
Office (SF)-Institutional	245000	195600	0	50000	205000
Retail Commercial (SF)	54,260	26,210	0	20,000	35,000
Lodging (Rooms)	250	0	250	0	0
Incremental Operating Revenues (Cumulative)					
Business License Fees Generated					
Annual Business License Fee Revenues - Office	\$68,157	\$113,595	\$113,595	\$159,034	\$159,034
Annual Business License Fee Revenues - Retail	\$155,969	\$170,454	\$170,454	\$181,568	\$200,924
Annual Business License Fee Revenues - Lodging	\$240,284	\$240,284	\$310,134	\$310,134	\$310,134
Annual Business License Fee Revenues	\$464,400	\$524,300	\$594,200	\$650,700	\$670,100
Utility Franchise Fees Generated					
Annual Utilities Paid - Commercial	\$526,091	\$730,528	\$730,528	\$929,353	\$960,984
Annual Utilities Paid - Residential	\$4,669,713	\$5,530,602	\$5,697,323	\$5,879,201	\$6,045,922
Annual Utilities Paid - Lodging	\$1,080,615	\$1,080,615	\$1,394,747	\$1,394,747	\$1,394,747
Annual Aggregate Utility Billings	\$6,276,419	\$7,341,745	\$7,822,598	\$8,203,301	\$8,401,654
Annual City Franchise Fee Revenues	\$313,800	\$367,100	\$391,100	\$410,200	\$420,100
Transient Lodging Tax Receipts Generated					
Annual Room Sales (\$)	\$23,755,952	\$23,755,952	\$30,661,752	\$30,661,752	\$30,661,752
Annual City Transient Lodging Tax Revenues	\$1,187,800	\$1,187,800	\$1,533,100	\$1,533,100	\$1,533,100
Subtotal Incremental Operating Revenues	\$1,966,000	\$2,079,200	\$2,518,400	\$2,594,000	\$2,623,300
Incremental Operating Costs (Cumulative)					
Police & Emergency Communication Services	\$1,174,435	\$1,404,147	\$1,445,875	\$1,514,100	\$1,568,764
Fire Protection Services	\$726,695	\$863,749	\$902,210	\$942,538	\$974,650
Parks Operations & Maintenance Services	\$288,934	\$393,100	\$393,100	\$393,100	\$399,600
Street Lighting Services	\$57,810	\$69,117	\$71,171	\$74,529	\$77,220
General Administration Services	\$96,537	\$115,420	\$118,850	\$124,458	\$128,951
Business License Services	\$10,419	\$12,388	\$12,388	\$14,170	\$15,247
Community Development Services	\$137,348	\$164,212	\$169,092	\$177,071	\$183,464
Miscellaneous Services	\$83,422	\$99,739	\$102,703	\$107,549	\$111,432
Street Car Operating & Maintenance	\$200,000	\$400,000	\$400,000	\$400,000	\$400,000
Subtotal Incremental Operating Costs	\$2,775,599	\$3,521,872	\$3,615,389	\$3,747,516	\$3,859,328
Operating Revenue minus Operating Costs	(\$809,600)	(\$1,442,700)	(\$1,097,000)	(\$1,153,500)	(\$1,236,000)
SDCs (Increment)					
Parks	\$367,500	\$589,600	\$114,200	\$124,600	\$114,200
Transportation	\$398,700	\$399,100	\$184,500	\$221,200	\$199,500
Water	\$160,400	\$161,500	\$82,000	\$47,900	\$43,300
Sanitary System	\$805,350	\$1,292,200	\$250,250	\$273,000	\$250,250
Subtotal One-Time SDC Revenues	\$1,731,950	\$2,442,400	\$630,950	\$666,700	\$607,250

Year	16	17	18	19	20
Fiscal Year	17-18	18-19	19-20	20-21	21-22
Anticipated Development (Incremental)					
Residential (Units) Total	100	100	80	80	20
Market Rate Condominiums	0	0	0	13	0
Condominiums w/ 10 year abatement	20	0	0	0	20
Market Rate Apts. w/ 10 year abatement	0	100	0	67	0
Non-Profit Apartments w/ Abatement	80	0	80	0	0
Student Housing	0	0	0	0	0
Office (SF) Total	250,000	0	250,000	0	154,350
Office (SF)-Private	200000	0	200000	0	100000
Office (SF)-Institutional	50000	0	50000	0	54350
Retail Commercial (SF)	20,000	0	0	0	17,700
Lodging (Rooms)	0	250	0	0	0
Incremental Operating Revenues (Cumulative)					
Business License Fees Generated					
Annual Business License Fee Revenues - Office	\$204,472	\$204,472	\$249,910	\$249,910	\$272,629
Annual Business License Fee Revenues - Retail	\$212,038	\$212,038	\$212,038	\$212,038	\$221,778
Annual Business License Fee Revenues - Lodging	\$310,134	\$379,984	\$379,984	\$379,984	\$379,984
Annual Business License Fee Revenues	\$726,600	\$796,500	\$841,900	\$841,900	\$874,400
Utility Franchise Fees Generated					
Annual Utilities Paid - Commercial	\$1,159,809	\$1,159,809	\$1,340,559	\$1,340,559	\$1,446,931
Annual Utilities Paid - Residential	\$6,197,487	\$6,349,052	\$6,470,304	\$6,591,556	\$6,621,869
Annual Utilities Paid - Lodging	\$1,394,747	\$1,708,879	\$1,708,879	\$1,708,879	\$1,708,879
Annual Aggregate Utility Billings	\$8,752,044	\$9,217,741	\$9,519,743	\$9,640,994	\$9,777,679
Annual City Franchise Fee Revenues	\$437,600	\$460,900	\$476,000	\$482,000	\$488,900
Transient Lodging Tax Receipts Generated					
Annual Room Sales (\$)	\$30,661,752	\$37,567,552	\$37,567,552	\$37,567,552	\$37,567,552
Annual City Transient Lodging Tax Revenues	\$1,533,100	\$1,878,400	\$1,878,400	\$1,878,400	\$1,878,400
Subtotal Incremental Operating Revenues	\$2,697,300	\$3,135,800	\$3,196,300	\$3,202,300	\$3,241,700
Incremental Operating Costs (Cumulative)					
Police & Emergency Communication Services	\$1,630,313	\$1,668,703	\$1,722,115	\$1,749,029	\$1,772,605
Fire Protection Services	\$1,014,124	\$1,048,716	\$1,083,868	\$1,087,315	\$1,113,509
Parks Operations & Maintenance Services	\$518,767	\$554,517	\$554,517	\$554,517	\$554,517
Street Lighting Services	\$80,250	\$82,139	\$84,769	\$86,093	\$87,254
General Administration Services	\$134,010	\$137,166	\$141,556	\$143,768	\$145,706
Business License Services	\$17,029	\$17,029	\$18,193	\$18,193	\$19,316
Community Development Services	\$190,662	\$195,151	\$201,398	\$204,545	\$207,302
Miscellaneous Services	\$115,803	\$118,530	\$122,324	\$124,236	\$125,911
Street Car Operating & Maintenance	\$400,000	\$400,000	\$400,000	\$400,000	\$400,000
Subtotal Incremental Operating Costs	\$4,100,957	\$4,221,951	\$4,328,739	\$4,367,697	\$4,526,121
Operating Revenue minus Operating Costs	(\$1,403,700)	(\$1,086,200)	(\$1,132,400)	(\$1,165,400)	(\$1,184,400)
SDCs (Increment)					
Parks	\$103,800	\$103,800	\$83,000	\$83,000	\$20,800
Transportation	\$213,500	\$192,200	\$193,300	\$25,800	\$118,200
Water	\$43,300	\$79,800	\$37,200	\$18,200	\$17,600
Sanitary System	\$227,500	\$227,500	\$182,000	\$182,000	\$45,500
Subtotal One-Time SDC Revenues	\$588,100	\$603,300	\$495,500	\$309,000	\$202,100

Year	21	22	23
Fiscal Year	22-23	23-24	24-25
Anticipated Development (Incremental)			
Residential (Units) Total	80	0	31
Market Rate Condominiums	0	0	0
Condominiums w/ 10 year abatement	0	0	0
Market Rate Apts. w/ 10 year abatement	0	0	0
Non-Profit Apartments w/ Abatement	80	0	31
Student Housing	0	0	0
Office (SF) Total	0	124,650	0
Office (SF)-Private	0	124650	0
Office (SF)-Institutional	0	0	0
Retail Commercial (SF)	0	10,000	0
Lodging (Rooms)	180	0	0
Incremental Operating Revenues (Cumulative)			
Business License Fees Generated			
Annual Business License Fee Revenues - Office	\$272,629	\$300,948	\$300,948
Annual Business License Fee Revenues - Retail	\$221,778	\$227,273	\$227,273
Annual Business License Fee Revenues - Lodging	\$430,276	\$430,276	\$430,276
Annual Business License Fee Revenues	\$924,700	\$958,500	\$958,500
Utility Franchise Fees Generated			
Annual Utilities Paid - Commercial	\$1,446,931	\$1,568,621	\$1,568,621
Annual Utilities Paid - Residential	\$6,712,808	\$6,712,808	\$6,759,793
Annual Utilities Paid - Lodging	\$1,935,054	\$1,935,054	\$1,935,054
Annual Aggregate Utility Billings	\$10,094,793	\$10,216,483	\$10,263,468
Annual City Franchise Fee Revenues	\$504,700	\$510,800	\$513,200
Transient Lodging Tax Receipts Generated			
Annual Room Sales (\$)	\$42,539,728	\$42,539,728	\$42,539,728
Annual City Transient Lodging Tax Revenues	\$2,127,000	\$2,127,000	\$2,127,000
Subtotal Incremental Operating Revenues	\$3,556,400	\$3,596,300	\$3,598,700
Incremental Operating Costs (Cumulative)			
Police & Emergency Communication Services	\$1,802,858	\$1,817,880	\$1,828,312
Fire Protection Services	\$1,154,540	\$1,156,464	\$1,171,782
Parks Operations & Maintenance Services	\$554,517	\$554,517	\$554,517
Street Lighting Services	\$88,743	\$89,483	\$89,996
General Administration Services	\$148,193	\$149,428	\$150,285
Business License Services	\$19,316	\$20,347	\$20,347
Community Development Services	\$210,840	\$212,597	\$213,817
Miscellaneous Services	\$128,060	\$129,127	\$129,868
Street Car Operating & Maintenance	\$400,000	\$400,000	\$400,000
Subtotal Incremental Operating Costs	\$4,507,068	\$4,529,843	\$4,558,925
Operating Revenue minus Operating Costs	(\$949,100)	(\$932,000)	(\$958,700)
SDCs (Increment)			
Parks	\$83,000	\$0	\$32,200
Transportation	\$141,400	\$91,100	\$11,900
Water	\$59,200	\$10,200	\$7,100
Sanitary System	\$182,000	\$0	\$70,525
Subtotal One-Time SDC Revenues	\$465,600	\$101,300	\$121,725

Source: E.D. Hovee & Company, May 2003.

ENDNOTES

- ¹ The *Science and Technology Quarter* includes South Waterfront/North Macadam, Marquam Hill, the University District, and portions of south Downtown, the Central Eastside Industrial District and the Corbett-Terwilliger-Lair Hill neighborhood.
- ² Other URA areas include those to the north of the Plan District between the Marquam Bridge and SW Montgomery Street and areas to the west between I-5 and Naito Parkway/First Avenue (north of SW Woods Street).
- ³ Assumes office/OHSU jobs occur at lower density of 350 nsf per job (based upon future employment and space growth outlined in the Marquam Hill Plan, Volume 3: Background Material, June 7, 2002) The remaining densities are those used in the original 1998 development model.
- ⁴ The differences between development allocations for the Other URA remainder occur primarily because of developments that occurred in 2002-2003 fiscal year and changes in expectations for planned developments.
- ⁵ This is related to the fact that business license fees are based on profit and some lodging performance indicators have declined.
- ⁶ Previous methodology estimated costs based on the resident population only. The current estimate includes an increased number of housing units and residents and is based on adjusted population (total of projected residents and costs associated non-resident employees).
- ⁷ Expressed in 2003 dollars and assumes a city taxing district rate of \$6.84 per \$1,000 of assessed value.