



**DATE:** April 30, 2012  
**TO:** Board of Commissioners  
**FROM:** Patrick Quinton, Executive Director  
**SUBJECT:** Report Number 12-04

Accepting the proposed Education Urban Renewal Plan and directing that the Plan be forwarded to the Portland City Council for approval

### **BOARD ACTION REQUESTED**

Adopt Resolution No. 6935

### **ACTION DESCRIPTION**

The Board is being asked to accept the Education Urban Renewal Plan (the "Plan") and forward it to City Council for adoption. The Board held a public hearing on this item on April 11, 2012.

This action presents a unique opportunity to advance both City and Commission goals to create jobs, attract investment and bring lasting benefit to the region by accelerating the growth of Portland State University ("PSU"). As proposed, the Plan will direct tax increment resources to the 144-acre Education Urban Renewal Area (the "EDURA"). The Plan sets forth long-term partnerships with PSU, Portland Public Schools ("PPS"), Multnomah County and the City with the broad objective of creating an environment of educational excellence, attracting private investment, enhancing blighted properties and developing the region's workforce. The Plan is forecasted to provide up to \$169 million for investment in research facilities, business accelerators, affordable housing, and private development.

### **BACKGROUND AND CONTEXT**

In 2012, municipalities across the United States, from New York to Tennessee to Utah, are pursuing urban universities for the opportunities they present to improve a region's economic future. These communities recognize the link between a world class research university and accelerating economic growth.

In New York, Mayor Bloomberg is pushing forward the Applied Sciences NYC Initiative by partnering with Cornell University to bring a new two million square foot campus to New York City by 2043. The city has pledged up to \$100 million for infrastructure as an incentive to build out the campus. In Tennessee, Governor Haslam directed \$50 million toward a program focusing on innovation, commercialization, investment, technology and entrepreneurship to raise Tennessee's profile in innovation-based economic development and drive growth in the creation of knowledge-based jobs. In addition to expanding the state's capacity for innovation, the governor has pledged \$10 million to the Memphis Research Consortium to cultivate commercialization partnerships. In 2006 Utah launched the Utah Science and Technology Research Initiative, or USTAR. The program invested more than \$100 million in the state's universities. The goal was to recruit top researchers in key economic areas from around the world. Six

years later in 2012, the researchers Utah recruited are creating real economic value. Jobs in the state's technology sector have grown from about 60,000 in 2006 to more than 72,000 in 2011. At the same time, the University of Utah took steps to make it easier to turn cutting-edge research into a business and to connect business students to the engineers and scientists doing the research. Last year, venture capital investment in Utah increased by 54 percent.

The Portland region is fortunate to have an urban university with world class potential in its own backyard. Portland State University is Oregon's largest and most diverse research university with a regional impact of more than \$1.4 billion. Providing close access to the city's business, technology, and cultural resources, PSU's mission – "let knowledge serve the city" applies to the city, the metro community and the region.

The university, with its current 50-acre campus, is forecasting growth in enrollment from 30,000 in 2012 to more than 50,000 by 2035. This growth is occurring at a time when PSU is taking an increasingly aggressive approach toward research, which has already led to the establishment of "Centers of Excellence" such as the Institute for Sustainable Solutions (the "ISS"). These centers have generated more than \$65 million in sponsored research and expect to exceed \$100 million by 2017. The combination of more students and greater ambitions to attract the best researchers and faculty requires increased and improved academic space, a need that will exceed 4.2 million square feet. Such growth positions PSU as an even more prominent employer, purchaser, researcher, real estate developer, and community partner.

This is a timely, unique opportunity for urban renewal to help grow a great urban university that will serve a great city. The implementation of the Plan is envisioned to bring regional benefit through a continuum of educational advancement and job growth. Designed to be consistent with PDC's mission and strategic plan, as well as with PSU's strategies for evolving into a world class university, these investments will provide a platform for job creation and private sector commerce through research and commercialization and other partnerships. Reduction of blight will also occur through both taxable and non-taxable development on low-density properties.

The objectives of this Plan will prioritize job growth and economic development projects through the following categories of investment:

- *Strategic Partnerships that Develop and Educate a 21st Century Workforce and Enhance the Academic Environment;*
- *Urban Innovation;*
- *Research and Technology Commercialization;*
- *Entrepreneurship; and*
- *Cluster Industry Firms*

These objectives will lead the progression of a district that will connect an educational environment and job generation to physical development as follows:

- Investing in the Lincoln High School site will provide an improved learning environment to aid the development of our future workforce.
- An enhanced academic environment at PSU provides the foundation for attracting new research dollars which also spurs greater entrepreneurship and small business development within the campus.

- Outward expansion evolves as entrepreneurs commercialize their ideas into startups and high-growth companies which attract additional cluster industries to locate in private development within the URA.

Consistent with the City of Portland Housing Set Aside Policy, the Plan will provide tax increment resources for the Portland Housing Bureau to pursue investments in alignment with its mission and strategic goals.

### **COMMUNITY AND PUBLIC BENEFIT**

This action will provide funding, support and partnerships to implement multi-jurisdictional policy objectives which provide a regional benefit.

As proposed, the Plan is intended to accelerate the region's growth and excellence, attract private investment, enhance blighted properties and educate the region's workforce. Investments include research facilities, business accelerators, academic space, affordable housing, and private development. Investments are designed to advance the PDC's mission and strategic plan and PSU's strategies for evolving into a world class university while providing a platform for job creation and private sector commerce through research and commercialization and other partnerships. These investments will also lead to increases in assessed values as blighted low-density properties redevelop and are replaced by taxable uses.

### **PUBLIC PARTICIPATION AND FEEDBACK**

In 2009, Mayor Adams formed the Potential Central City URA Evaluation Committee ("Committee") to provide recommendations on the creation of a new west side central city urban renewal area. This Committee held 14 meetings between May 2009 and August 2010 and provided feedback on the initial framework used in the creation of this proposed EDURA Plan. Over the next year, the framework was further refined through discussion with major partners including PSU and Multnomah County. On April 26, 2012 this Committee received a presentation on the EDURA from Mayor Adams and President Wiewel.

From November 2011 through April 2012, PDC and PSU staff sought feedback from several community groups on this Plan. Presentations were provided to the following groups:

- Portland Business Alliance URA Task Force
- South of Market EcoDistrict Steering Committee
- Portland Business Alliance Central City Committee
- Portland Downtown Neighborhood Association
- Goose Hollow Foothills League leadership
- Residents of the Eliot Tower
- Mayor's Economic Development Cabinet
- Greater Portland, Inc
- Open House for the Public-at-Large
- Portland Planning and Sustainability Commission (formal review as part of approval process)
- Multnomah County Commission (presentation and action for the County project per the IGA)
- Central City URA Evaluation Committee

On April 11, the Board received a presentation and public testimony on the Plan. Testimony in support of the Plan emphasized the regional benefit of growing PSU as a world-class research university and the opportunities for industry partnerships. Other testimony recommended additional time for public review, asked for more detail about certain projects including how the housing set-aside will be spent, and expressed concern related to a direct investment Lincoln High School.

A public open house hosted by Mayor Adams, PSU President Wiewel and Executive Director Quinton was held on April 17, 2012. Approximately 100 people were presented with an overview of the EDURA including the overall objectives, an identification of boundaries and a discussion of key projects. Following this hour long presentation, President Wiewel and Executive Director Quinton led a 45-minute question and answer session with the audience. Many of the questions focused on how the URA will benefit the area, project expenditures and the housing set aside. Additional highlights from comments received between April 12 and April 29 will be shared with the Board in preparation for the April 30 action.

PDC staff, as required by ORS 457, also provided notice of the May 9, 2012, City Council hearing to all property owners in the city. At the time of preparing this board report, staff had received approximately 15 inquiries from people who received the notice.

Also in accordance with ORS 457, copies of the draft Plan and Report were sent to overlapping taxing jurisdictions. Specific detailed conversations and opportunities for partnership occurred with PPS and the County. These partnerships are reflected by specific investments at the Lincoln High School site and the County Project.

Similar to other URAs, PDC shall form a committee to advise the Board on the investments in the EDURA. PDC staff will likely solicit applications from the public from those who have an interest in the specific economic development nature of this URA.

#### **BUDGET AND FINANCIAL INFORMATION**

Summary cash flow\* for the Education URA over the 28-year life of the district:

Bond Issuance Costs	\$7,700,000
Housing Set-Aside	\$46,500,000
PDC Direct Staffing and Overhead	\$24,500,000
Multnomah County	\$19,150,000
Remaining for Projects	\$71,150,000
<b>TOTAL</b>	<b>\$169,000,000</b>

\*Numbers rounded

We anticipate that the first year of budgeted tax increment proceeds will be FY 2013/14.

The financial model used to project assessed value growth and tax increment revenues for the EDURA Plan relies on the following assumptions:

- 2.5% assessed value growth rates in years 0-5 (2012/13-2017/18)
- 3.0% assessed value growth rates in years 6-28 (2018/19-2044/45)
- 3% inflation applied to new construction

- Tax rate of \$17.5/1,000 starting in 2025. A higher tax rate of \$17.8/1,000 is used in the earlier years due to current bond rates prior to Oct 2001 still being repaid
- Assumed status quo for tax rates (i.e. library levy will remain a local option levy. No assumed new permanent rates. If new permanent rates are approved by voters, this district would get the benefit of those rates, as it is a reduced-rate district.)
- Tax increment revenues will provide two times coverage of debt service
- Reduction in tax increment revenues due to Measure 5 compression of 5% and 6.1% for discounts and delinquencies

Because this is a new district, the City's debt policy requires that only du jour debt is issued for the first five years. Following that, assuming the district value grows as expected, the City will work with commercial banks to execute a line of credit for interim financing until the line of credit balance reaches an amount where a public bond offering is feasible.

### **RISK ASSESSMENT**

There are three primary risks associated with these actions:

#### 1) Flexibility to form or amend other URAs

By state statute, PDC is limited to designating no more than 15% of the city's land area for urban renewal. Currently about 834 acres are available for designation within this limitation (this includes any deductions for the Neighborhood Prosperity Initiative districts). The 144-acre EDURA brings the acreage down to about 690 acres. Assuming no amendments to increase or decrease existing urban renewal areas, the acreage capacity will not increase until a current URA expires (pays off all outstanding debt). This is not forecast to occur until 2020 when the expiration of the Airport Way URA would give 1,841 acres back.

#### 2) Financial Capacity:

Like any other URA, the ability to achieve the vision of the URA Plan is dependent upon assessed value growing at a rate forecast in the Plan within the duration of the Plan's existence. The EDURA has a maximum indebtedness of \$169 million and a Plan End Date of June 30, 2041. It will be important for appointed and elected bodies who oversee the Plan to make budgetary decisions to invest in a sufficient amount of taxable projects to maintain an availability of resources. Such decisions are particularly relevant in this university-oriented URA.

#### 3) Legal Challenges to the City Council Action:

While rare, the possibility does exist for a party or parties to formally challenge the creation of the URA. Should such a challenge occur, it could delay the formation for a year or more.

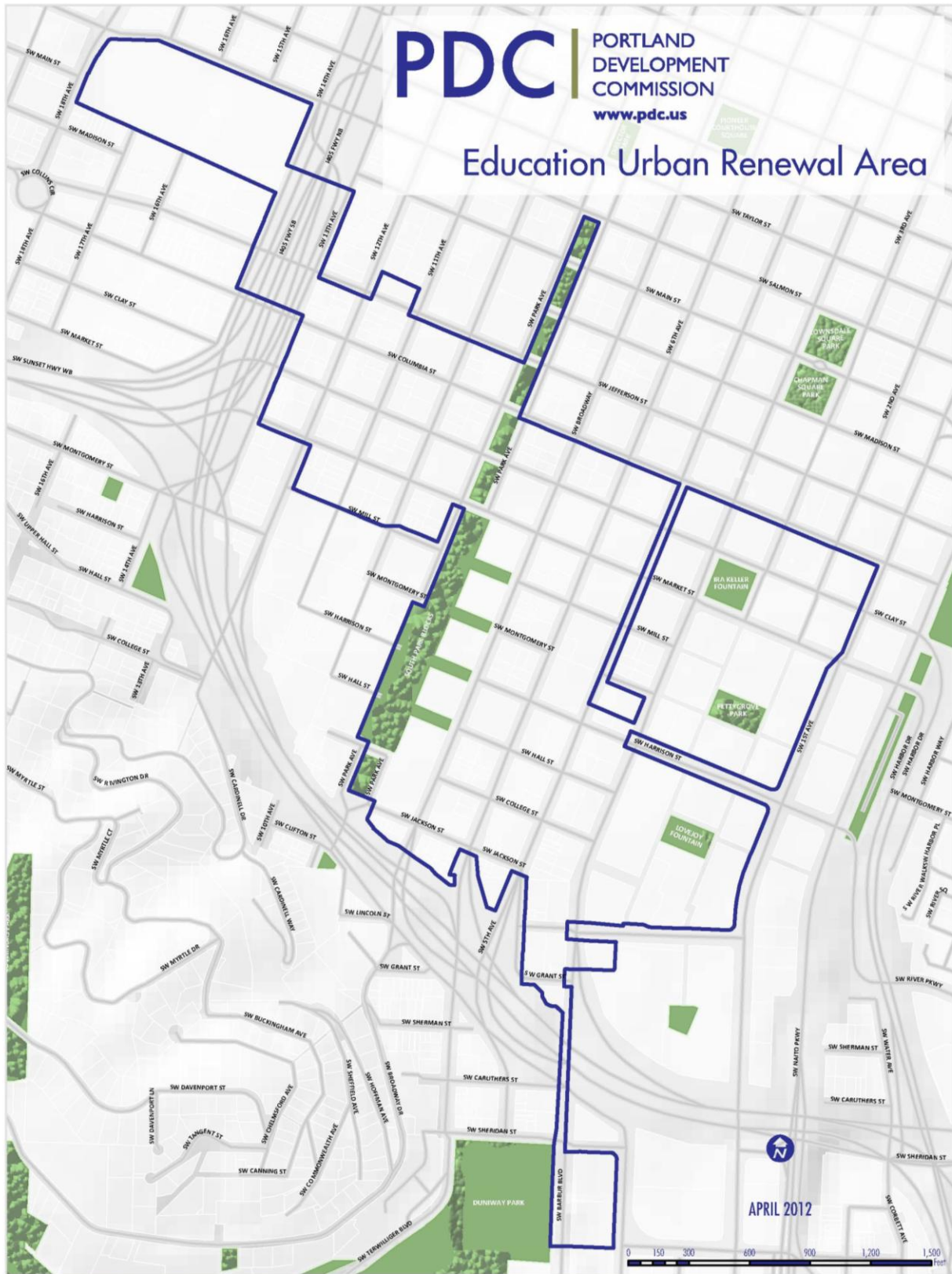
### **ALTERNATIVE ACTIONS**

The Board could decide against recommending approval of the EDURA or adjust the size of the district, the maximum indebtedness or the Plan End Date. However, these actions would require re-negotiating with the parties involved in the Board-approved IGA. Additionally, increasing the maximum indebtedness would require PDC to distribute an updated notice to all property owners in the city, possibly delaying the Council action beyond May 2012.

### **ATTACHMENTS:**

- A. Education Urban Renewal Area Boundary

### Education Urban Renewal Area Boundary



MapSource Scenios Portland Development Commission Geographic Information System, City of Portland Corporate GIS and Multnomah County Tax Assessor. Care was taken in the creation of this map, but it is possible "to be" by the Portland Development Commission cannot accept any responsibility for errors, omissions or outdated accuracy and therefore, there are no warranties that accompany this product.

