

# PDC

## PORTLAND DEVELOPMENT COMMISSION

**DATE:** June 25, 2008

**TO:** Board of Commissioners

**FROM:** Bruce A. Warner, Executive Director

**SUBJECT:** Report Number 08-87  
Cooperative Agreement with Portland Public Schools

### EXECUTIVE SUMMARY

#### BOARD ACTION REQUESTED

Adopt Resolution No. 6611

#### ACTION SUMMARY

This action will adopt an agreement with the Portland Public Schools (PPS) providing PPS with the following (see agreement for details):

- 1) Greater involvement in broad urban renewal area planning efforts.
- 2) Participation on urban renewal advisory committees (as plans are amended or created).
- 3) Additional consideration as to the impact to other taxing jurisdictions as one of the criterion used to decide whether or not an urban renewal area is created or amended.
- 4) Greater coordination between PDC and PPS on school facilities needs and capital investments.
- 5) A head start in discussing school needs in relation to a new downtown urban renewal area.

#### PUBLIC BENEFIT

Enhances strategic relationship with governmental partner and provides benefits to urban renewal areas.

#### **This action will support the following PDC goals:**

- Develop healthy neighborhoods
- Provide access to quality housing
- Help businesses to create and sustain quality jobs
- Support a vibrant Central City (urban core)

- Contribute to a strong regional economy

## **PUBLIC PARTICIPATION AND FEEDBACK**

Agreement is a product of public discussions that have occurred over the past twelve months on plan amendments to neighborhood and central city urban renewal areas. These are the same conversations which resulted in PDC's approving a Cooperative Agreement with Multnomah County to work more closely together on the formulation and implementation of urban renewal plans.

Conversations occurred between PDC and PPS staff and officials. PPS held a public discussion of this agreement at their Board meeting on June 9<sup>th</sup>. No public testimony was given.

## **COMPLIANCE WITH ADOPTED PLANS AND POLICIES**

Complies and enhances confer and consult requirements in ORS 457 regarding creation and amendment of urban renewal plans.

## **FINANCIAL IMPACT**

No direct impact. Will likely lead to more financial partnerships whereby tax increment is used for eligible Portland Public Schools priorities.

## **RISK ASSESSMENT**

No risk.

## **WORK LOAD IMPACT**

Will require amending the URAC policy to allow Taxing Jurisdiction Partners to be voting members. It will also require expanding the Lents Town Center URAC membership to include a Portland Public Schools representative.

## **ALTERNATIVE ACTIONS**

The Board could decide to modify the proposed agreement, or not adopt it and continue to work with PPS on an ad-hoc and less formal basis.

## **CONCURRENCE**

Legal and other applicable departments have reviewed and support the resolution and agreement.

## BACKGROUND

Over the course of the past year PDC has been working with multiple plan amendments to urban renewal areas. This includes the Lents Town Center, River District, Downtown Waterfront and South Park Blocks urban renewal areas.

In 2007/08, local taxing jurisdictions received nearly \$47 million in property taxes from four of PDC's oldest URAs. Over 60% of their incremental assessed value was provided to these jurisdictions.

It is also important to recognize PPS understands urban renewal investments provide significant benefits to taxing jurisdictions; URAs also affect PPS's ability to issue levies. This direct impact to PPS is about \$5.2 million in the gap levy and local option levy from existing URAs.

On June 9, the PPS Board approved a Cooperative Agreement with PDC to work closer together on urban renewal decisions. This agreement with Portland Public Schools parallels that in terms of intent.

The development of the Cooperative Agreement stemmed from the following factors:

- a) A similar agreement negotiated between PDC and Multnomah County in May 2008.
- b) City Council's direction in the formation of satellite urban renewal areas to assist David Douglas.
- c) PPS predicament of deteriorating infrastructure within urban renewal areas and the value of synergy between improved school buildings, improved neighborhoods, and how they improve Portland's economic vitality.

The agreement was crafted between staff at PPS and PDC.

## ATTACHMENTS:

**A.** Copy of Joint memo from PDC/PPS Staff regarding impact of urban renewal on schools.

**CC:** Bruce Warner, Executive Director  
Keith Witcosky, Government Relations Director  
David Elott, Acting General Counsel  
J. Jackley, Executive Operations Manager



To: Portland Development Commission  
Portland Public Schools Board of Education

CC: Portland City Council

From: Mark Murray, Budget Director, Portland Public Schools  
Bob Durston, Special Projects, Portland Development Commission

Subject: Fiscal Impact of Proposed Urban Renewal Area plan Amendments

Date: May 30, 2008

The Portland Development Commission (PDC) has proposed significant amendments to four of the city's urban renewal areas (URAs): reducing the size of two older downtown districts, Downtown Waterfront and South Park Blocks, as they head toward close-out, and major expansions of two other districts, the River District and Lents Town Center urban renewal areas.

In addition to these changes, PDC's planning for a new urban renewal area for downtown will occur in conjunction with the Central Portland Planning process.

This memo offers an overview of the proposed changes, outlines the financial impact of urban renewal on Portland Public Schools (PPS) currently, and then considers the specific financial impact of the River District and Lent Town Center expansions.

These financial impact projections assume the Legislature and voters approve continuation of the local option and gap funding. Projections use present value calculations to account for the time value of money.

### **Overview of proposed changes**

The PDC and City Council will consider and vote on five specific amendments to the urban renewal plans:

- Amendments to the **Downtown Waterfront and South Park Blocks** Urban Renewal Areas (URAs) to shift properties into the River District URA. These two amendments will allow the PDC to complete priority projects in those areas, while allowing the older URAs to closeout under their existing debt maximums.

- PDC proposes to extend the **Lents Town Center** URAs expiration date from 2015 to 2020, increase its maximum indebtedness limit from \$75 million to \$245 million and add underdeveloped commercial areas along Foster Road and 122<sup>nd</sup> Avenue for a net increase of 140 acres for a new total acreage of 2,847.
- The **River District** URA will be amended in area, time line and maximum debt. The River District will increase in area by a little more than 40 acres up to 351 acres to add the above properties and release some additional acreage that is not primed for redevelopment. The proposed amendment also extends the final date to issue debt in the district (the expiration date), from 2020 to 2021. Finally, PDC proposes to increase the district's maximum indebtedness limit from \$225 million to \$549.5 million.
- A separate amendment to the River District URA would create an 8.5 acre **satellite district in the David Douglas school district**. The satellite district amendment would further increase the debt maximum in the River District URA from \$549.5 million to \$568.5 million.

*See Attachment 1 for summary of proposed amendments.*

### **Current Impact of Urban Renewal on Portland Public Schools**

The PDC has 10 urban renewal areas within PPS boundaries (its 11<sup>th</sup> URA, Gateway, lies primarily outside PPS). Those urban renewal areas cover just under 10 percent of the PPS jurisdiction.

Generally, the PDC collects taxes on the increased value of properties in those urban renewal areas – or the “incremental” taxable assessed value. (The two older districts, Downtown Waterfront and South Park Blocks, operate differently because they pre-date Measure 5.) The PDC collects taxes on \$3.2 billion in incremental value; that represents 9 percent of the \$37.5 billion total assessed value of properties within PPS.

How does that affect PPS tax revenue? There are two main components of PPS property taxes:

- 1) The permanent rate (\$4.7743 per \$1,000 in taxable assessed value), which is classified as local revenue to the State School Fund.

The total amount allocated to support Oregon schools through the State School Fund is a policy and budget decision made by the State Legislature. The state funding depends on a large number of variables: local tax collections (which drop because of urban renewal); state income tax revenues (which normally rise under urban renewal); and all other state revenue projections.

In general, however, PDC and PPS staffs agree that Portland's urban renewal areas have minimal, if any, direct impact on the level of state school funding for PPS.

- 2) Two other taxes, the PPS local option levy approved by voters in 2006 (\$1.2500 per \$1,000) and the gap funding reauthorized by the State Legislature in 2007 (\$0.5038 per \$1,000) directly support the PPS General Fund.

Portland Public Schools assessments on properties within the 10 urban renewal areas would have produced \$19.5 million: \$14.5 million classified as local revenues to the State School Fund and \$5.0 million that would have gone directly to the school district's General Fund.

*See Attachment 2 for detail on current tax year foregone revenues in each urban renewal area.*

### **Impact of proposed Lents Town Center amendments**

This year, PPS is foregoing roughly \$0.5 million in local taxes in the Lents Town Center URA. Without the amendment, that \$0.5 million would have grown steadily through 2013, when the debt would have been paid off and the district closed out.

Under the amendments, the closeout date extends to 2026. The total amount of PPS local taxes foregone on a present value basis each year grows to roughly \$726,000 in the Lents Town Center URA by 2026, or a total during the repayment period (2014 to 2026) of \$8.5 million. That is an average of \$657,000 per year over the payment period.

The above figures are computed on a present value basis using a 5 percent annual interest rate. The date used for calculating the present value impact is FY 2009.

The estimates presume the continuation of both the local option levy and gap funding (now both set to expire well before the repayment period for the urban renewal expansions). While the School Board intends to ask for renewal, the continuation of those funding streams is not a certainty.

If the local option levy and gap funding are not renewed, the Portland Public Schools budget would face significant reductions. The taxes collected by PDC (and foregone in these estimates by PPS) would also drop significantly.

### **Impact of proposed River District amendments**

This year, PPS is foregoing roughly \$1.7 million in local taxes in the River District URA. That amount would have grown steadily through 2016, when the debt would have been fully repaid.

Under the amendments, the final debt repayment date extends to 2027. The total amount of PPS local taxes foregone on a present value basis grows to roughly \$2.2 million in the River District URA by 2027, or a total during the repayment period (2016 to 2027) of \$26.8 million. The annual amount averages \$2.2 million per year.

These figures include both the main amendments to the URA (which increase the debt by \$324.7 million), and the David Douglas satellite amendment (\$19 million). If the cost

to PPS of the satellite amendment is proportional to the overall cost of the River District amendments, the satellite district will cost PPS a “present value” of \$1.9 million in foregone revenues to PPS.

The date used for calculating the present value of impacts on PPS for the River District Amendment was 2009. This date was used to provide a consistent comparison with the Lents Plan Amendment for determining impact on PPS. However, the PDC River District Plan Amendment document uses 2008 for calculating present value impacts.

*See Attachment 3 for a summary of foregone tax revenues by levy type.*

## **CONCLUSION**

The primary fiscal impact on Portland Public Schools of these urban renewal area plan amendments will be the foregone revenues, assuming the renewal of the local option levy and gap funding. If these two taxes are extended through the urban renewal closeouts, the impact on the school district will be foregone revenues with a present value of \$35.3 million between 2014 and 2027, or approximately \$2.9 million annually.