



DATE: April 11, 2012
TO: Board of Commissioners
FROM: Patrick Quinton, Executive Director
SUBJECT: Report Number 11-92 (UPDATED 4/10/12)

Public Testimony Regarding the Proposed Education Urban Renewal Plan; Approving two Minor Amendments to the South Park Blocks Urban Renewal Plan; Approving an Intergovernmental Agreement with Multnomah County relating to the Education Urban Renewal Area

BOARD ACTION REQUESTED

Adopt Resolution Nos. 6933, 6934, 6936

ACTION DESCRIPTION

The actions before the Board present 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.

Two amendments are proposed for the South Park Blocks Urban Renewal Plan ("SPB Plan") serving as the Eleventh and Twelfth Amendments to the Plan since it was first created in 1985. The Eleventh Amendment clarifies amendment procedures and makes them consistent with other urban renewal plans. The Twelfth Amendment reduces the size of the SPB Plan area (the "SPBURA") by 58.4 acres in order to transfer that land into the proposed Education Urban Renewal Area (the "EDURA").

At this meeting the Board will also take actions that begin the formal approval of a new Education Urban Renewal Area. On April 11, the Board will receive a presentation and take public testimony on the EDURA Plan and Report. The actual Board action which forwards the Plan to City Council for adoption is scheduled to occur April 30, 2012.

As proposed, this EDURA Plan will provide tax increment resources to a 144-acre Education Urban Renewal Area. This will set forth a long-term partnership with Portland State University ("PSU"), Portland Public Schools ("PPS"), Multnomah County (the "County"), and the City of Portland (the "City") intended to accelerate the region's growth and excellence, attract private investment, enhance blighted properties and educate the region's workforce. It is projected to provide up to \$169 million for investment in research facilities, business accelerators, affordable housing, and private development. See Attachment A for a map of the EDURA boundaries.

A third Board action associated with these items is to authorize an intergovernmental agreement for the purpose of providing the County with \$19,000,000 in tax increment revenues from the EDURA to develop a facility that will co-locate the County Department of Human Services and PSU academic and research programs (the "County Project").

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. By 2012, the researchers Utah recruited are creating real economic value. Jobs in their 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 ("PSU") 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 considers its mission to both "let knowledge serve the city," and to serve our greater community and 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. This enhanced focus 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. This growth positions PSU as an even more prominent employer, purchaser, researcher, real estate developer, and community partner.

As proposed, this Education Urban Renewal Plan (the "Plan") will direct tax increment resources to the 144-acre Education Urban Renewal Area ("EDURA"). The Plan sets forth long-term partnerships with PSU, Portland Public Schools ("PPS"), Multnomah County (the "County"), and the City of Portland (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.

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 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 gain a presence in private development within the URA.

Consistent with the City of Portland Housing Set Aside Policy, the EDURA 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

These actions will provide funding, support and partnerships to implement multi-jurisdictional policy objectives which bring 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.

They 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 to provide recommendations on the creation of a new west side central city urban renewal area. This group held a series of 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, this framework was further refined through discussion with major partners including PSU and Multnomah County.

From January to April 2012, PDC and PSU staff sought feedback from several community groups during the formation of this Plan.

Specific organizational meetings included:

- South of Market EcoDistrict Steering Committee (supportive of the EDURA)
- Portland Business Alliance (hopeful for a larger geographic area, but supportive of the EDURA)
- Goose Hollow Foothills League (requested some airspace over the top of I-405 be included and was supportive of the EDURA)
- Portland Downtown Neighborhood Association (mostly interested in the housing investments that would occur, and supportive of the EDURA)
- Residents of the Eliot Tower (supportive of the EDURA, yet very interested in seeing more market rate housing developments occur in their neighborhood)

The PDC Board meeting on April 11, 2012, will allow for public testimony on the creation of the Education Urban Renewal Area prior to a vote by the PDC Commissioners scheduled for April 30, 2012.

Additionally a public open house is scheduled for April 17, 2012, where interested parties will receive a presentation on the purpose of the EDURA and have an opportunity for comment.

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. Given the specific economic development nature of this URA, membership shall likely be composed of a PSU representative and four to five industry representatives.

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
TOTAL	\$169,000,000

*Numbers rounded

We anticipate that the first year of budgeted tax increment proceeds will be FY 13/14.

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. This is 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 take the following alternative actions for these items.

EDURA/IGA:

On April 30, 2012, 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 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.

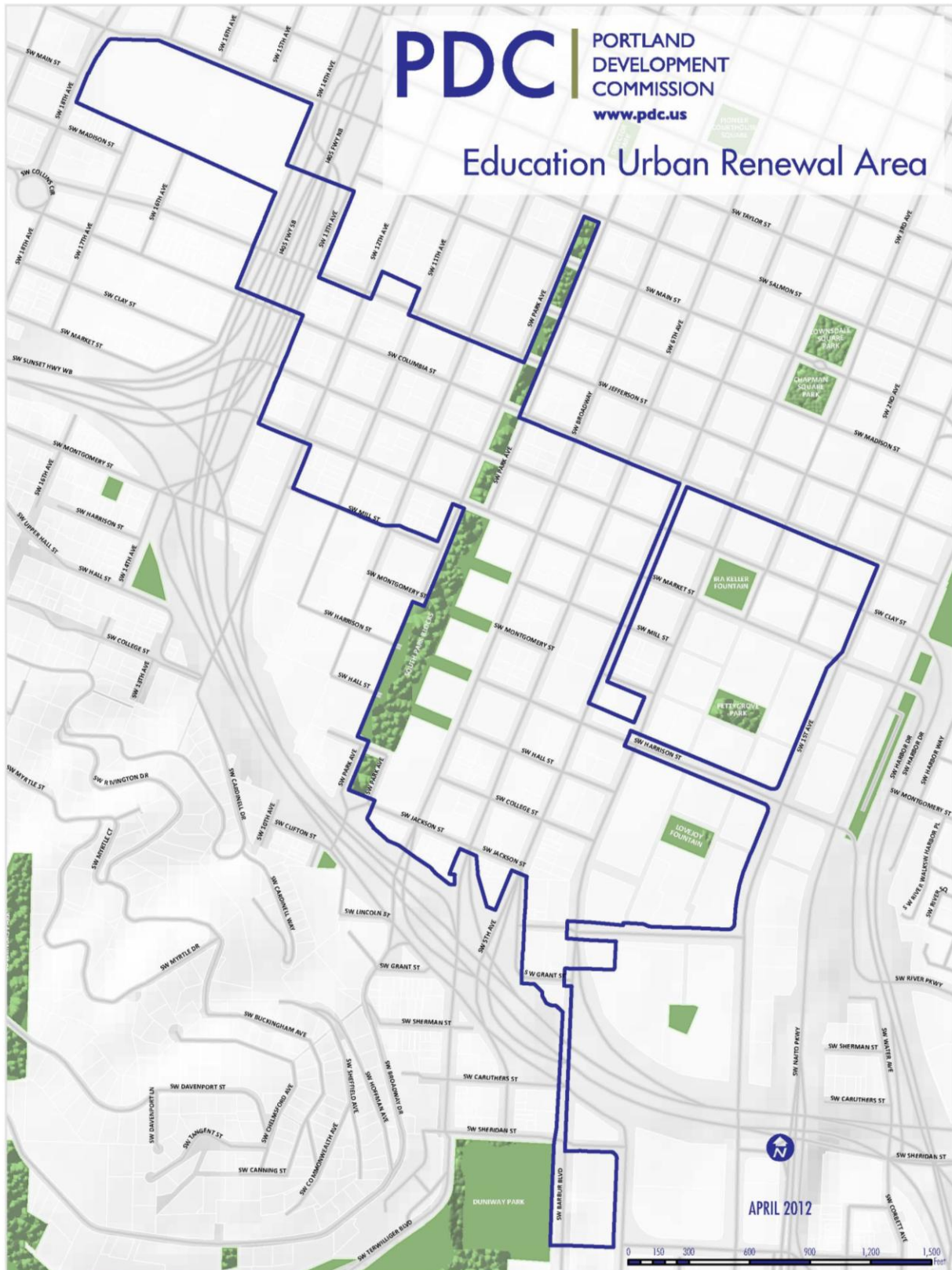
SPB Plan Amendments:

The Board could decide against reducing the South Park Blocks URA by 58.4 acres, thereby making it ineligible for transfer into the EDURA. The Board could decide against the Eleventh Amendment clarifying the amendment process which would require additional staff work and process for reducing the size of the South Park Blocks URA.

ATTACHMENTS:

- A. Education Urban Renewal Area Boundary

Education Urban Renewal Area Boundary



Mapmaker Source: Portland Development Commission Geographic Information System, City of Portland Corporate GIS and Multnomah County GIS Access. One was taken in the center of this map, but it's possible "to L." The Portland Development Commission cannot accept any responsibility for errors, omissions or outdated accuracy and therefore, there are no warranties that accompany this product.