

DATE: December 11, 2014

TO: Board of Commissioners

FROM: Patrick Quinton, Executive Director

SUBJECT:Report Number 14-49Approving Amendments to Six Urban Renewal Areas

BOARD ACTION REQUESTED

Adopt Resolution Nos. 7081 - 7086

ACTION DESCRIPTION

This action by the Portland Development Commission (PDC) Board of Commissioners (Board) would approve amendments to the following six City of Portland (City) urban renewal areas (URAs):

- 1. Central Eastside
- 2. Education District
- 3. North Macadam
- 4. Willamette Industrial
- 5. Airport Way
- 6. River District

Subsequent to the PDC Board meeting on December 11, 2014, staff will present the package of URA amendments to Portland City Council (City Council) on December 17, 2014, for a public hearing; City Council is expected to take formal action through ordinances on each of the URA amendments and the Zidell Realty Company (ZRZ) development agreement at the City Council's January 7, 2015, meeting. Such action would statutorily codify the amendments for fiscal year (FY) 2015-16. Should the PDC Board and the City Council approve the amendments, the action is expected to result in releasing approximately \$122,000,000 in property taxes to taxing jurisdictions. In addition, the amendments will provide resources to PDC to invest in projects that will compel economic growth and real estate development in the North Macadam and Central Eastside URAs.

BACKGROUND AND CONTEXT

On May 7, 2014, City Council, through Resolution No. 37072 (see Attachment A), directed PDC and City staff to begin processing amendments to six URAs that, if approved, would:

- Reduce the impact of urban renewal on taxing jurisdictions;
- Provide resources to meet economic development, redevelopment, and affordable housing goals; and
- Support Portland State University (PSU).

This set of URA amendment resolutions is complemented by two related resolutions, which address separate development agreements with ZRZ and PSU, respectively.

Since May, staff has drafted amendments that meet City Council's goals. Below is a description of each amendment.

Central Eastside

This amendment would expand the district to include the Clinton Triangle, an approximately 16-acre area adjacent to the new Clinton Station on the Portland Milwaukie Light Rail Orange Line (see the map in Attachment B). In addition, this amendment would increase maximum indebtedness by 20 percent, and extend last date to issue debt from FY 2017-18 to FY 2022-23. It is estimated that the amendment will result in approximately \$16,000,000 in additional revenue to PDC over 10 years. The majority of these resources will be programmed to support implementation of the City's redevelopment, economic development, and housing goals, including: 1. Redevelopment of the Oregon Department of Transportation properties; 2. Infrastructure investments for transit-oriented employment related development and, possibly, affordable housing in the Clinton Triangle area; and 3. Redevelopment of other strategic sites, including properties within the Oregon Museum of Science district, as identified in the City's Central City 2035 Southeast Quadrant efforts.

The amendments would also yield approximately \$6,000,000 in affordable housing resources to the Portland Housing Bureau (PHB) for projects located in the Central Eastside URA.

Education District

The amendment would add approximately 35 acres from the Education District URA to the North Macadam URA to support PSU's priorities, release the remaining Education District URA acreage, release approximately \$216,000,000 in future tax revenues to taxing jurisdictions, accelerate the last date to issue debt from FY 2040-41 to FY 2015-16, and effectively close the Education District URA.

North Macadam

The amendment would expand the URA by approximately 45 acres (35 acres from the Education District URA), extend the last date to issue debt from FY 2019-20 to FY 2024-25, and not affect maximum indebtedness (see the map in Attachment C). It is estimated that the amendment will result in approximately \$81,000,000 in additional revenue to PDC over 10 years; the majority of these resources will be programmed to support the projects and commitments identified in two development agreements: 1. ZRZ, and 2. PSU. Through separate actions on the December 11, 2014, agenda, the PDC Board will be asked to approve the execution of these two development agreements. The amendments would also yield approximately \$32,000,000 in resources to PHB for the provision of affordable housing.

Willamette Industrial

This amendment will terminate collection of tax increment revenues, release acreage, release approximately \$13,000,000 in future tax revenues to taxing jurisdictions, and allow PDC to support manufacturing companies with remaining bond proceeds. The last date to issue debt will be accelerated from FY 2024-25 to FY 2015-16.

<u>Airport Way</u>

This amendment will reduce acreage equal to 40 percent of the URA's assessed value; approximately 971 acres (see the map in Attachment D). Since the last date to issue debt has passed, there is no impact to maximum indebtedness.

River District

This amendment will reduce acreage up to 26 percent of the URA's amended planned assessed value and release approximately 46,000,000 in future tax revenue to taxing jurisdictions (see the map in Attachment E). There would be no impact to maximum indebtedness or the last date to issue debt.

COMMUNITY AND PUBLIC BENEFIT

If approved, the amendments will provide significant public benefits, primarily through the allocation of public resources and investments that meet shared citywide goals for economic development, redevelopment, social and basic services provision, education, and affordable housing. In addition, if approved, the amendments would provide significant financial resources to other taxing jurisdictions over the next 30 years (see the Budget and Financial Information section below).

PUBLIC PARTICIPATION AND FEEDBACK

Staff conducted robust public participation to inform the URA amendments; the primary means was through the URA Amendment Advisory Committee (Committee). The approximately 20-member Committee was chaired by Jillian Detweiler from the Mayor's Office and represented a broad group of stakeholders, including taxing jurisdictions, neighborhood and business associations, and institutions. The Committee reviewed proposed boundaries, planned projects, and financial implications and submitted a memo with its recommendations to City Council (see the Committee memo and roster in Attachment F). The Committee presented its recommendations in person at a December 3, 2014, City Council meeting.

In addition to staffing the Committee meetings, PDC hosted a public open house on September 11, 2014, providing an opportunity for the general public to learn about and comment on the proposed amendments. To advertise the event, staff published an ad in *The Oregonian*, invited attendees through social media channels such as Facebook and Twitter, and sent an email announcement to approximately 3,000 individuals. Approximately 20 individuals attended the open house.

Staff met with the following neighborhood and business associations, informing them of the proposed amendments and soliciting feedback:

- Brooklyn Action Corps Neighborhood Association
- Buckman Community Association
- Hosford Abernathy Neighborhood District Association
- Kerns Neighborhood Association
- East Portland Action Plan Economic Development Sub-Committee
- Old Town/Chinatown Community Association
- Portland Downtown Neighborhood Association
- South Portland Neighborhood Association
- SE Uplift
- SW Neighborhood, Inc.
- Portland Business Alliance
- Central Eastside Industrial Council

As required by Oregon state law, on November 25, 2014, staff distributed a notice of the two substantial URA amendments (North Macadam and Central Eastside) in the mail to all property owners with a city of Portland address (approximately 150,000 mailings). Finally, staff attended two public meetings hosted by the Portland Planning and Sustainability Commission on September 9, 2014, and December 9, 2014.

BUDGET AND FINANCIAL INFORMATION

TOTAL IMPACT

If approved, these amendments will have significant financial impacts to PDC and the taxing jurisdictions. The following table summarizes the 30-year impacts for the four major taxing jurisdictions, including resources already administratively returned in FY 2014-15 through the UR-50 submittal process.

City of Portland				
Amendment	 Permanent Rate Taxes Returned/(Foregone) due to Plan Amendment 	B. Net Cumulative Fiscal Impact through Date of Defeasance	C. Net Cumulative Fiscal Impact through 30 Years.	
Willamette Industrial	\$3,966,571	\$3,966,571	\$1,861,021	
River District	\$14,046,491	\$14,293,416	\$14,293,416	
Education	\$62,408,100	\$56,751,427	\$56,751,427	
North Macadam	(\$36,763,829)	(\$28,325,094)	\$19,417,936	
Central Eastside	(\$7,648,158)	(\$6,255,514)	\$15,665,124	
TOTAL IMPACT	\$36,009,175	\$40,430,806	\$107,988,924	
Multnomah County				
Amendment	 A. Permanent Rate Taxes Returned/(Foregone) due to Plan Amendment 	 B. Net Cumulative Fiscal Impact through Date of Defeasance 	C. Net Cumulative Fiscal Impact through 30 Years.	
Willamette Industrial	\$3,764,126	\$3,764,126	\$1,766,038	
River District	\$13,329,589	\$13,563,911	\$13,563,911	
Education	\$59,222,928		\$53,854,959	
North Macadam	(\$34,887,484)		\$18,426,888	
Central Eastside	(\$7,257,813)		\$14,865,611	
TOTAL IMPACT	\$34,171,346	\$38,367,306	\$102,477,407	
Portland Public Schools	i			
Amendment	A. Permanent Rate Taxes	B. Net Cumulative Fiscal	C. Net Cumulative Fiscal	
	Returned/(Foregone) due to Plan Amendment	Impact through Date of Defeasance	Impact through 30 Years.	
Willamette Industrial	\$4,137,557	\$4,137,557	\$1,941,243	
River District	\$16,198,117	\$16,482,866	\$16,482,866	
Education	\$65,098,316	\$59,197,802	\$59,197,802	
North Macadam	(\$42,395,273)	(\$32,663,902)	\$22,392,355	
Central Eastside	(\$7,977,846)	(\$6,525,170)	\$16,340,398	
TOTAL IMPACT	\$35,060,872	\$40,629,153	\$116,354,664	
Library District				
Amendment	A. Permanent Rate Taxes Returned/(Foregone) due to Plan Amendment	 B. Net Cumulative Fiscal Impact through Date of Defeasance 	C. Net Cumulative Fiscal Impact through 30 Years.	
Willamette Industrial	\$1,022,625	\$1,022,625	\$479,791	
River District	\$3,621,337	\$3,684,997	\$3,684,997	
Education	\$16,089,482		\$14,631,130	
North Macadam	(\$9,478,112)			
Central Eastside	(\$1,971,778)	(\$1,612,739)	\$4,038,638	

\$9,283,554

\$10,423,498

\$27,840,710

RISK ASSESSMENT

There is little to no risk in approving the amendments, but there is a risk in not approving them, as staff would not be able to deliver on City Council's directive.

ALTERNATIVE ACTIONS

The PDC Board could elect to not approve the package of amendments or only approve some of them. Should this occur, staff would not present the package to City Council, as it would not meet the original directive to amend six URAs.

ATTACHMENTS

- A. City Council Resolution No. 37072
- B. Map of Proposed Expansion of Central Eastside URA
- C. Map of Proposed Expansion of North Macadam URA
- D. Map of Proposed Reduction of Airport Way URA
- E. Map of Proposed Reduction of River District URA
- F. URA Amendment Advisory Committee Memo to City Council (December 1, 2014)

City Council Resolution No. 37072

RESOLUTION No. 37072 As Amended

Take action towards amending six Urban Renewal Areas to advance redevelopment and economic development objectives while reducing the impact of urban renewal on taxing jurisdictions (Resolution)

WHEREAS, the City of Portland uses urban renewal as a tool to meet redevelopment and economic development goals; and

WHEREAS, the Portland Development Commission (PDC) manages seventeen Urban Renewal Areas (URAs), including the six Neighborhood Prosperity Initiative districts; and

WHEREAS, a targeted package of changes to URAs will preserve affordable housing investments and help the city better meet its redevelopment and economic development objectives in alignment with the Portland Plan, Central City 2035, and Economic Development Strategy; and

WHEREAS, the package of URA changes will collectively reduce the impact of urban renewal on taxing jurisdictions by returning acreage to the tax rolls and providing additional resources to the City of Portland, Multnomah County, Oregon State School Fund and Library Districts; and

WHEREAS, City Council intends to amend the Willamette Industrial URA plan by terminating collections of property tax revenues, releasing these revenues to taxing jurisdictions, releasing acreage from the URA limitation calculation, and promoting economic development by providing assistance to manufacturing companies with remaining bond proceeds; and

WHEREAS, City Council intends to add approximately 35 acres of the Education URA to the North Macadam URA to support Portland State University (PSU) priorities, execute a development agreement with PSU, release remaining acreage of the Education URA and close that district, and release tax revenues to taxing jurisdictions; and

WHEREAS, City Council intends to reduce the Airport Way URA in acreage to the equivalent of approximately 40 percent of the URA's assessed value; and

WHEREAS, City Council intends to reduce the River District URA to the equivalent of approximately 30 percent of the URA's amended plan value and release tax revenues to taxing jurisdictions; and

WHEREAS, City Council intends to expand the North Macadam URA to include approximately 35 acres from the Education URA to support PSU priorities and extend the last date to issue debt by five years to seize opportunities through a Development Agreement with ZRZ Realty and Oregon Health and Science University's \$500 million challenge grant, with no impact to maximum indebtedness; and

WHEREAS, City Council intends to expand the Central Eastside URA to include additional Portland Milwaukie Light Rail station areas, extending the last date to issue debt by five years, and increasing maximum indebtedness by approximately 20 percent; and

37072

WHEREAS, the changes detailed above are anticipated to return a net present value of approximately \$67 million before compression over thirty years to the City of Portland, Multnomah County, Oregon State School Fund and Library Districts.

NOW, THEREFORE BE IT RESOLVED, that City Council directs PDC and OMF to prepare proposed amendments to the Willamette Industrial, Education, Airport Way, River District, North Macadam, and Central Eastside URAs as outlined above, or with modifications that are equal to or better in meeting the goals articulated in the first, third and fourth whereas clauses of this resolution; and

NOW, THEREFORE BE IT RESOLVED, that City Council directs PDC and OMF to work with the Bureau of Planning and Sustainability and the Portland Housing Bureau, coordinate with partner taxing jurisdictions, and engage community stakeholders to consider, discuss, and finalize the proposed amendments; and

NOW, THEREFORE BE IT RESOLVED, that City Council directs PDC and OMF to submit a UR-50 form that will cease collecting revenue in the Willamette Industrial URA and return revenue approximately equal to the reduction of the River District URA for fiscal year 2014/15; and

BE IT FURTHER RESOLVED that PDC and City of Portland staff will present all six amendments to the PDC Board and/or City Council for formal approval as required by statute through resolution/ordinance this fall.

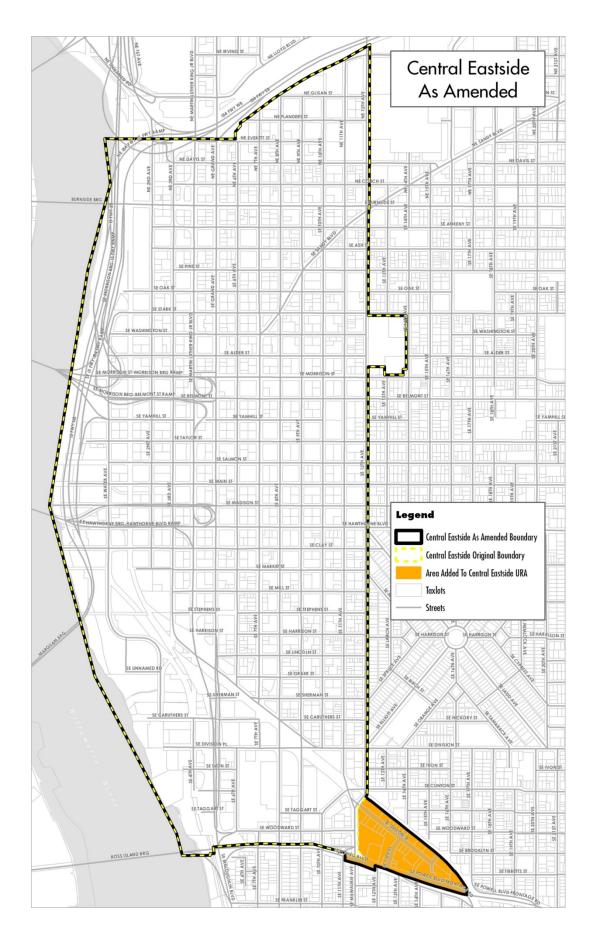
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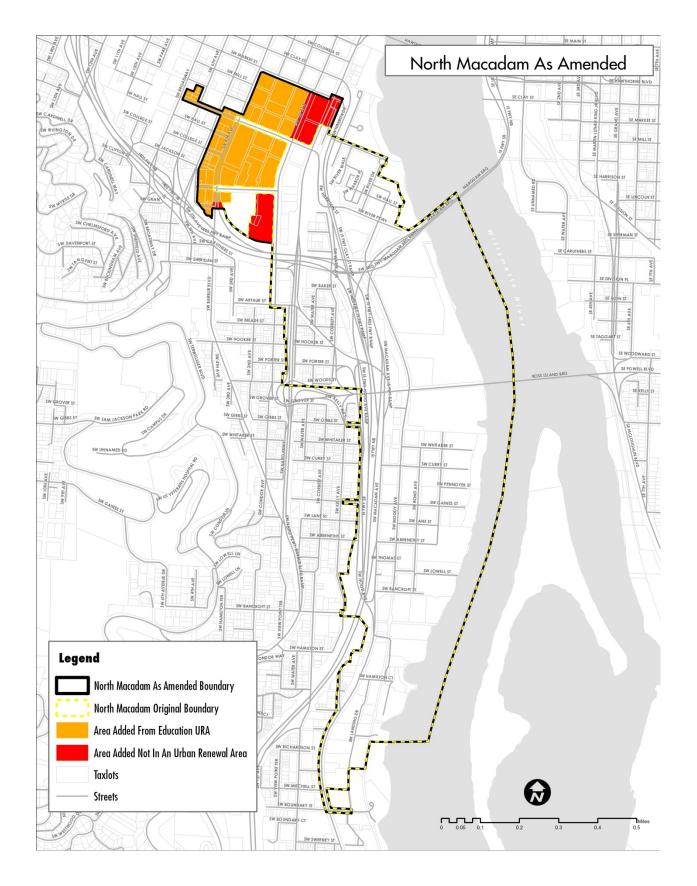
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Mayor Charlie Hales Prepared by: Justin Douglas Date Prepared: May 1, 2014

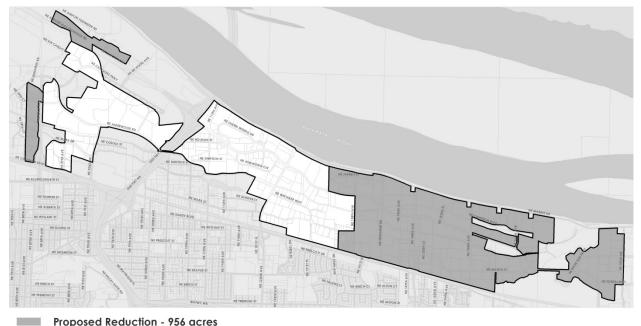
LaVonne Griffin-Valade Auditor of the City of Portland By Jugan Deputy

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Prepared by: Justin Douglas Date Prepared: May 1, 2014							
Financial Impact & Public Involvement Statement				•			
Completed 🛛 Amends Budget					· · · ·		
Portland Policy Document If "Yes" requires City Policy paragraph stated In document. Yes	· · · ·						
City Auditor Office Approval: required for Code Ordinances							
City Attorney Approval: required for contract, code. easement, franchise, charter, Comp Plan							
Council Meeting Date 5/7/14							
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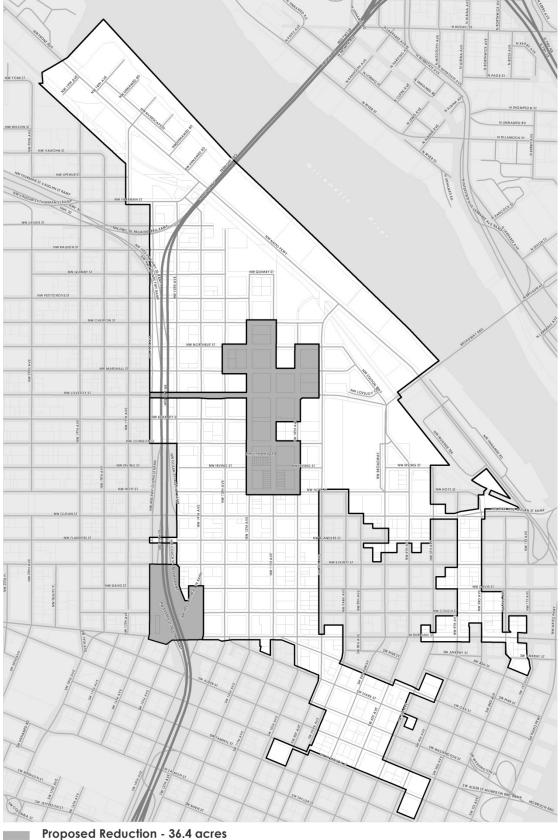


AIRPORT WAY URBAN RENEWAL AREA



Proposed Reduction - 956 acres

RIVER DISTRICT URBAN RENEWAL AREA



Proposed Reduction - 36.4 acres

URA Amendment Advisory Committee Memo to City Council

PDC PORTLAND DEVELOPMENT COMMISSION www.pdc.us

Tom Kelly Chair

Aneshka Dickson Commissioner

Mark Edlen Commissioner

John C. Mohlis Commissioner

Charles A. Wilhoite Commissioner

Charlie Hales Mayor

Patrick Quinton Executive Director From: Jillian Detweiler, Policy Director, Office of Mayor Charlie Hales

Subject: Recommendations of the Urban Renewal Area Amendments Advisory Committee

On May 7, 2014, Portland City Council adopted Resolution No. 37072. The Resolution directed the Portland Development Commission (PDC) and City of Portland staff to take action towards amending six urban renewal areas (URAs) and to engage community stakeholders in considering and finalizing proposed amendments. If approved, the amendments should collectively:

- Reduce the impact of urban renewal on taxing jurisdictions;
- Provide resources to meet economic development, redevelopment, and affordable housing goals; and
- Support Portland State University.

The purpose of this memorandum is to summarize the results of PDC's outreach to stakeholders and the recommendations of the URA Amendments Advisory Committee.

Public Involvement

December 1, 2014

Portland City Council

To:

PDC convened an Urban Renewal Area Amendment Advisory Committee as part of its community engagement efforts. Committee members are listed in Appendix A. The Committee met five times over the past several months. PDC established a page on its website providing information about the URA amendments, the Committee meetings and other opportunities to participate.

PDC also held an open house to provide information on the proposed amendments and attended 15 neighborhood and business association meetings to share proposals that would affect that specific neighborhood. PDC shared associations' feedback or alternative proposals with the Committee.

Committee Recommendations

The Committee considered amendments to six URAs that City Council proposed in May as outlined in Resolution 37072. While the Committee unanimously agreed on a number of the amendments proposed, the Committee was not unanimous on its full recommendation. The Committee's discussion and voting on proposed amendments to each of the six URAs was as follows:

- <u>Airport Way</u> The Committee considered the proposal to reduce the acreage in this URA equal to 40 percent assessed value. Since the last date to issue debt has passed, there is no impact to maximum indebtedness.
 - The Committee unanimously supported this proposed amendment, including the boundary changes as prepared by PDC staff and attached as Appendix B.
- <u>River District</u> The Committee considered the proposal to reduce acreage up to 30 percent of the amended assessed value. The resultant tax revenues would be released to taxing jurisdictions. The amendments to River District URA would have no impact to maximum indebtedness or the last date to issue debt.
 - The Committee supported this proposed amendment, with the majority of the Committee also supporting the map of properties to be removed from the River District URA as prepared by PDC staff and discussed with the public, including the Pearl District Neighborhood Association, and Attached as Appendix C.
 - The League of Women Voters supports removal of additional acreage from the River District should the district have the capacity to do so without affecting current district obligations.
- <u>Downtown Waterfront</u>. The Committee had extensive discussions regarding moving certain Old Town/Chinatown (OTCT) properties from the Downtown Waterfront URA to the River District URA in response to a proposal submitted by the Portland Business Alliance (PBA). PBA proposed adding between 3 and 11 blocks to the River District URA.
 - The Committee recommended extending the River District URA boundary to include Block 33 in OTCT, a property currently in the Downtown Waterfront URA, as redevelopment of this full-block site between Couch and Davis streets, 4th and 5th avenues, was considered critical to the success of OTCT. Adding Block 33 to the River District URA would require reducing the boundaries of Downtown Waterfront URA by that block. This action would have no significant impact on taxing jurisdictions. This proposal is shown in Appendix D.
 - The representatives of the League of Women Voters and Multnomah County opposed expanding the River District URA to include Block 33.

- <u>Willamette Industrial</u> The Committee considered the proposal to amend the plan to terminate the collection of tax increment revenues and release all acreage.
 - The Committee voted unanimously to support this proposed amendment and use the remaining bond proceeds to assist manufacturing companies and industryrelated needs.
- 5. North Macadam and Education The Committee considered the proposal to expand the North Macadam URA by approximately 45 acres as shown in the map prepared by PDC staff (Appendix E), 35 acres of which are currently within in Education URA and another ten acres from areas not currently in a URA. The Committee considered a related proposal to eliminate the Education URA releasing 109 acres.
 - The Committee voted unanimously to support these two actions. The North Macadam amendment would not change maximum indebtedness, but it would extend the last date to issue debt from FY 2019/20 to FY 2024/25 and will provide resources to deliver on the key development-enabling public infrastructure and other elements of the Development Agreements with ZRZ and PSU.

Portland Housing Bureau (PHB) staff met with a housing sub-committee and briefed the full Committee on revising affordable housing goals in the URA. While the Committee did not take formal action on these discussions, the League of Women Voters stated its position that the City and PHB should maintain the affordable housing goals articulated in the Report on the North Macadam Urban Renewal Plan (1999), the Council-adopted South Waterfront Plan (2002), and the North Macadam Development Strategy (2003).

- 6. <u>Central Eastside</u> The Committee considered proposals to expand the Central Eastside URA by up to 20% through a variety of scenarios. The Committee also considered increasing the URA's maximum indebtedness by 20% (from approximately \$105M to \$126M) and extending the last date to issue debt from FY 2017/18 to FY 2022/23 in order to fund priorities of the current and expanded CES URA.
 - The Committee voted to expand the Central Eastside URA boundaries by approximately 16 acres as shown in Appendix F to include the 'Clinton Triangle', an underdeveloped area adjacent to the new Clinton Station along the Portland Milwaukie Light Rail alignment. The committee also voted to increase the maximum indebtedness and to extend the last date to issue debt.
 - The League of Women Voters questions the appropriateness of extending the life of the district and diverting more money from the county and schools in order to

install transportation infrastructure in the Clinton Triangle, which should be the city's responsibility, and recommended the city use its own resources. In light of the already extended life of the district (32 years), the League stated that financing newly emerging projects within the existing boundaries by increasing maximum indebtedness would not keep faith with the other taxing jurisdictions and the people they serve.

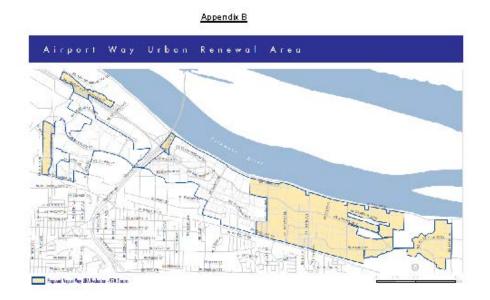
 PDC also asked the Committee to consider a proposal from the Brooklyn Action Corps to extend the Central Eastside URA south along SE Milwaukie, SE 17thAvenue, to SE Holgate. (Appendix G). The Committee did not support this proposal. Members noted that such an expansion was too aggressive given the scale of available resources and need for strategic application of those resources towards core Central Eastside priorities.

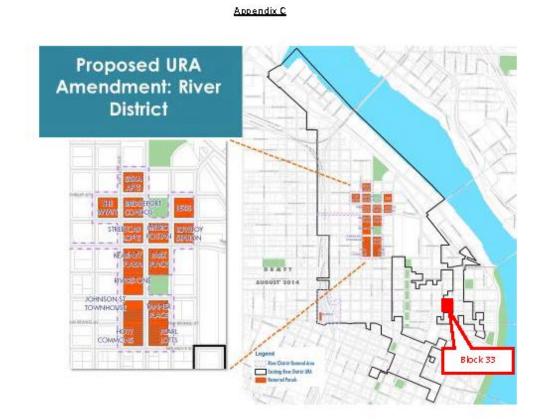
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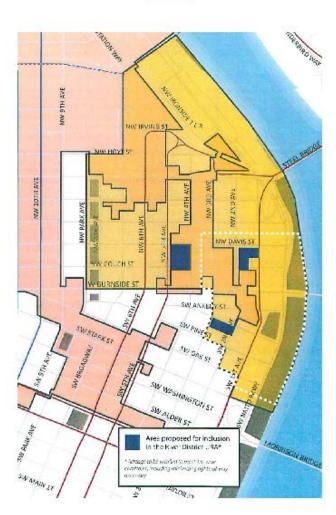
On December 9, 2014, the Planning and Sustainability Commission (PSC) hold a hearing specific to the two substantial amendments, whether the revised North Macadam and Central Eastside urban renewal plans are in conformance with the City's Comprehensive plan and other adopted plans. The PSC will be asked to write a letter in support of plan conformance to City Council. Shortly thereafter, the PDC Board will hold a public hearing on December 11, 2014 on the six proposed URA amendments and the associated development agreements. Finally, as mentioned City Council will hold a public hearing December 17, 2014

Appendix A

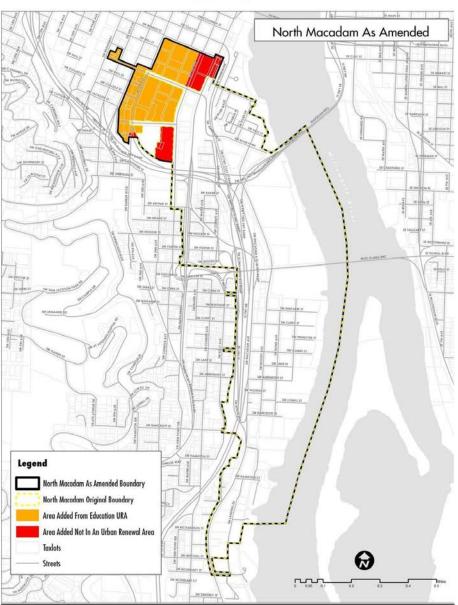
Members of the Urban Renewal Area Amendment Advisory Committee: Debbie Aiona, League of Women Voters Scott Andrews, President, Melvin Mark Properties Jillian Detweiler, Committee Chair, Policy Director, Office of the Mayor Peter Finley Fry, Central Eastside Industrial District Greg Goodman, Co-President, Downtown Development Group Marion Haynes, Vice President, Portland Business Alliance Brent Hieggelke, Chief Marketing Officer, Urban Airship Damien Hall, Attorney, Ball Janik Sean Hubert, Senior Director, Housing & Employment, Central City Concern Pat LaCrosse, OMSI Board Member Emeritus, Former PDC Executive Director Wade Lange, Vice President, Regional Manager, Portland, American Assets Trust Nolan Lienhart, Director of Planning & Urban Design, ZGF Architects Jonathan Malsin, Real Estate Principal, Beam Development Brian Newman, Director, Campus Planning & Development, OHSU Rick Saito, Insite Development Kat Schultz, Principal, GBD Architects and CC 2035 West Quadrant Stakeholder Advisory Committee Co-Chair John Tydlaska, Economic Development Director, Multnomah County David Wynde, Deputy Chief Financial Officer, Portland Public Schools Helen Ying, Consultant, Chinese American Citizens Alliance Portland Lodge Dan Zalkow, Executive Director for Planning, Construction, and Real Estate, Portland State University



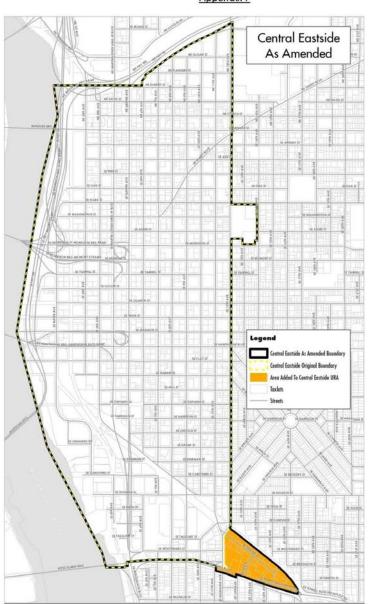




<u>Appendix D</u>



Appendix E



Appendix F



Appendix G