



DATE: March 11, 2020
TO: Board of Commissioners
FROM: Kimberly Branam, Executive Director
SUBJECT: Report Number 20-12
Directing Staff to Explore Increasing Maximum Indebtedness for the Interstate Corridor Urban Renewal Plan

BOARD ACTION REQUESTED AND BRIEF DESCRIPTION

Adopt Resolution No. 7362

This action by the Prosper Portland Board of Commissioners (Board) will direct staff to explore increasing maximum indebtedness for the Interstate Corridor Urban Renewal Plan (Interstate Plan). The term maximum indebtedness is formally defined in Oregon Revised Statutes Chapter 457, which governs how tax increment finance (TIF) is used in the state of Oregon. Put simply, maximum indebtedness is the amount of debt that the City of Portland can borrow to invest in a tax increment finance district. If approved, this action will initiate a process to engage community partners; conduct financial analyses; and ultimately propose a formal amendment to the Interstate Plan that would increase maximum indebtedness. Staff would bring an Interstate Plan amendment to the Prosper Portland Board and City Council for consideration later in 2020.

STRATEGIC PLAN ALIGNMENT AND OUTCOMES

This action will deliver on Prosper Portland's Strategic Plan goals to create healthy, complete neighborhoods; foster wealth creation within communities of color; and form 21st century civic networks, institutions, and partnerships.

BACKGROUND AND CONTEXT

The Interstate Plan was adopted by Portland City Council on August 23, 2000, by Ordinance No. 174829 to provide resources to fund and foster the economic development and redevelopment of north and northeast Portland. The originally approved Interstate Plan maximum indebtedness was \$335,000,000. To date, the City of Portland (City) has issued \$265,200,000 in debt, financing job creation, business support, affordable housing, infrastructure, and other community priorities. The original plan has subsequently been amended eleven times to more effectively and equitably distribute TIF resources into initiatives that met community goals.

In 2018, Portland Housing Bureau (PHB) staff identified several affordable housing projects that could benefit from an investment of tax increment finance (TIF) resources. However, in order to access these TIF resources, the Prosper Portland Board and City Council would need to increase the Interstate Plan maximum indebtedness through a formal amendment to the Interstate Plan. The N/NE Housing Oversight Committee, which informs implementation of PHB's N/NE Neighborhood Housing Strategy, on

September 19, 2019 voted unanimously to support increasing maximum indebtedness (see the N/NE Housing Strategy Oversight Committee letter in Attachment A) in order to allocate funding for the identified PHB projects.

Prosper Portland staff have engaged the N/NE Community Development Initiative (CDI) Oversight Committee (whose role is to oversee implementation of Prosper Portland's N/NE CDI Action Plan, which allocates approximately \$32,000,000 into economic development in the Interstate Plan area) on the merits of increasing maximum indebtedness. On February 12, 2020, the N/NE CDI Oversight Committee voted in favor (five yes, two no, two abstentions) to explore increasing maximum indebtedness in the Interstate Plan (see the N/NE CDI Oversight Committee letter in Attachment B).

The potential amount for maximum indebtedness increase is currently estimated at \$67,000,000, of which approximately \$45,000,000 would be reserved for PHB investments, and the remaining will be under the management of Prosper Portland to be invested in community informed projects. If this action is approved by the Prosper Portland Board, staff will spend the next six months working with community partners to identify investment priorities and community roles.

EQUITY IMPACT

An increase of the Interstate Plan's maximum indebtedness has the potential to create resources for PHB to invest in approximately 400 new affordable housing units within the Interstate Plan boundary and provide an additional \$22,000,000 to be invested in projects that are in line with community economic development goals.

COMMUNITY PARTICIPATION AND FEEDBACK

Prosper Portland and PHB staff have conducted significant community engagement through the N/NE CDI Oversight Committee and the N/NE Housing Strategy Oversight Committee, respectively. As noted, letters of support from those committees are attached to this report.

Community engagement will continue and be expanded to include additional stakeholders and organizations, and to clarify questions and concerns about a potential increase to maximum indebtedness.

BUDGET AND FINANCIAL INFORMATION

There are no budgetary impacts to this action. Should the Prosper Portland Board and City Council ultimately approve an increase in Interstate Plan maximum indebtedness, there could be a significant increase to the Prosper Portland and PHB budgets, as described above.

RISK ASSESSMENT

There are few to no risks to this action, as it directs staff to undertake an exploratory process with City and community partners.

ATTACHMENTS

- A. N/NE Housing Strategy Oversight Committee Letter
- B. N/NE CDI Oversight Committee Letter

YOUR NEIGHBORHOOD, YOUR VOICE

PORTLAND HOUSING BUREAU
NORTH / NORTHEAST NEIGHBORHOOD
HOUSING STRATEGY

Prosper Portland Board of Commissioners
Attn: Gustavo J. Cruz, Commission Chair
222 NW 5th Avenue
Portland, Oregon 97209

RE: Interstate Tax Increment Financing District Maximizing Indebtedness and Inclusion of the Williams and Russell Property into the District

Chair Cruz,

I am writing to you today on behalf of the N/NE Neighborhood Housing Strategy Oversight Committee to make formal recommendations on two topics: Maximizing Indebtedness of the Interstate Tax Increment Financing District and the Inclusion of the “Williams and Russell” property into the District.

1. Maximizing Indebtedness – Our committee has discussed the issue of maximizing indebtedness in several meetings beginning in June 2018. We participated in a joint meeting with the NE CDI in July 2018 and then most recently in September 2019 at our meeting. The Portland Housing Bureau presented plans to our committee highlighting four potential projects to be developed utilizing the additional funds that would come from the increase.
 - a. Home ownership opportunity 40-50 households on the Carey Blvd. property purchased from the water bureau and included in the Interstate District last year by your board.
 - b. Strong property development of either home ownership or multifamily rental. This property was purchased by PHB in late summer of 2019, it has the potential of 100-150 units of rental housing.
 - c. Funds set aside for the Williams & Russell project in the event that the decision is made by the PWG to include housing on that site.
 - d. Rental project to be determined at a later date.

As you can see the potential for an additional 350-400 units that would utilize the preference policy is critically important to the committee, as we continue to operate in a housing crisis, specifically a situation where African American households in Portland are most greatly impacted. We are convinced that the additional funds are necessary for continued reduction of housing disparity in NE Portland for low income families, and more specifically, African American families.

To that end, the N/NE Neighborhood Housing Oversight Committee unanimously voted to support maximizing indebtedness of the Interstate TIF District on September 19, 2019. (See attached meeting summary)

2. Inclusion of the Legacy owned Williams & Russell site into the Interstate TIF District – Our committee has been kept informed through the participation of one our members, Jilian Saurage Felton, as a member of the Project Working Group. The OC is aware and understands the historic value of this property to the African American community, they support the efforts of the PWG in their planning for the development of the project. We understand that housing has been identified as a top priority through surveys and community engagement. We believe that in order for the project to be successful, funds must be identified and prioritized to support the development, that being said, the NE Oversight Committee, supports the recommendation of inclusion of the property into the TIF District and an allocation of TIF dollars to support affordable housing development on the property.

If you have any questions, please contact, Leslie Goodlow, Equity and Business Operations Manager, Portland Housing Bureau, at leslie.goodlow@portlandoregon.gov or 503-823-4160, she will ensure that the committee is kept apprised of the process and provide additional information if needed.

Thank you for your consideration,



Dr. Steven Holt, Chair
N/NE Neighborhood Housing Strategy Oversight Committee