



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



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 of 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

Prosper Portland
Attn: Kimberly Branam
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 Interstate Corridor Urban Renewal Area (ICURA).

Dear Kimberly,

I am writing to you today on behalf of the N/NE Community Development Initiative (CDI) Oversight Committee to present a formal recommendation on the following two items:

1. Maximizing Indebtedness (MI) of the Interstate Tax Increment Financing District (TIF) and
2. The inclusion of the Williams and Russell (W&R) property, formerly known as the Hill Block property, into the ICURA TIF district.

1. Maximizing Indebtedness - Our committee participated in multiple joint meetings with members of Prosper Portland and the N/NE Housing Oversight Committee in order to consider an approximately \$67M increase in MI. During our February 2020 N/NE CDI meeting, we voted to approve the N/NE Housing OS Committee's recommendation to pursue MI contingent upon the following understanding:

- a. Based on a 70/30 percent formula, 70% or 47M of the 67M will go to the N/NE Housing Initiative to support 3-4 housing projects to be allocated in accordance with PHB's program guidelines. Oversight and accountability of the 47M will be the responsibility of the N/NE Housing Oversight Committee.
- b. The remaining 30%, or 20M in TIF will be directed to the goals of the N/NE Action Plan. Based on many discussions over the past 2 (two) years, oversight and accountability of these funds will be the responsibility of the N/NE CDI Oversight Committee. On the eve of our vote, we were informed that allocation of the 20M is now "undetermined," and may be "set-aside." It is our position that any MI funding not assigned to the N/NE Housing Initiative be allocated to the goals of the N/NE Action Plan, and oversight of these funds remain the responsibility of the N/NE CDI Oversight Committee. In 2017 the N/NE Action Plan was established to guide Prosper Portland's investment of TIF resources for economic development in the Interstate Corridor. Creation of the N/NE CDI Oversight Committee was established to provide oversight and accountability for the implementation of the Action Plan. Any departure from this established framework needs to be clearly explained to the N/NE CDI so that its members may articulate this to the N/NE residents and greater Portland community. With the understanding that the items described above are reasonable, and unchallenged, our committee voted as follows:

During the February N/NE CDI meeting five members voted "Yes", two members "Abstained", and two members voted "No" on the increase of maximum indebtedness.

Yes: 5

No: 2

Abstained: 2

2. Our committee considered the expansion of the ICURA boundary to include the Williams & Russell site currently owned by Legacy. We participated in many discussions related to

the inclusion of the W&R property into the ICURA over the past 2 (two) years and voted in favor of the recommendation, based upon the following:

a. We understand that the N/NE Action Plan directs ICURA resources towards long-term and former members of the community who have not benefited from the impact of public and private investments to date. It is our understanding that Legacy and the PWG intend to follow this directive. Our support depends on the successful transfer of the Legacy owned property to an African American community organization or significant progress towards this goal. With this understanding, the position of our committee is that TIF funds should not be allocated to the PWG, a developer, or other entity on their behalf, until Legacy has completed (or is close to completing) the successful transfer of the W&R property to the African American community, or an African American organization that aligns with the intent of the N/NE Action Plan.

b. We are concerned that the joint efforts of including property owned by Legacy into the ICURA, followed by setting-aside TIF dollars to develop it, sends the wrong message to the already embattled community we represent. Allocation of TIF funding that excludes N/NE CDI committee oversight benefiting Legacy (or prior to the transfer of the property to the African American community) implies favoritism and may present a conflict of interest. We strongly recommend, when working with a large corporation with a history of predatory development in the N/NE community, that you exercise caution and provide appropriate consideration to the message this sends to the impacted and displaced community. We look forward to reviewing how PWG and Legacy will address community benefits and make amends for the displacement of the N/NE African American community. With the understanding that the items described above are reasonable, and unchallenged, our committee voted as follows:

During the February N/NE CDI meeting four members voted "Yes", two members "Abstained", and three members voted "No" to include the Williams and Russell project into the district.

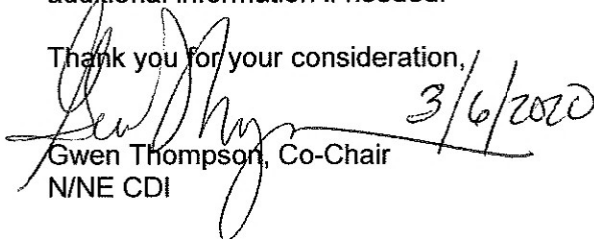
Yes: 4


No: 3

Abstained: 2

If you have any questions, please contact Gwen Thompson at 503-310-5283, or Maurice Rahming at (503-493-6045) and we will ensure that the committee is informed and provide additional information if needed.

Thank you for your consideration,


Gwen Thompson, Co-Chair
N/NE CDI


Maurice Rahming, Co-Chair
N/NE CDI