

Central City TIF District Exploration Steering Committee Meeting #2

Prosper Portland, 220 NW Second Avenue, 1st Floor Conference Room
Tuesday, November 7th, 3:00 – 5:00 pm

Meeting Summary

(see also meeting presentation)

Welcome & Introductions

Camille Trummer opened the meeting, and reviewed meeting goals and agenda with the committee. The purpose of the second steering committee meeting was to create a shared understanding of TIF and solicit input on the subcommittee level.

Committee Agreements

Camille outlined the operating agreements for the Committee, and guidelines for public participation in Steering Committee meetings.

Public Comment

None

Considerations for TIF Revenue Modeling

Kimberly Branam explained the TIF revenue model, which establishes a frozen base determined by assessed value at the time a district is informed. Growth in assessed value over time generates TIF proceeds for investment within the district.

Jeff Renfro (Multnomah County) discussed property tax structure and the TIF assessment model. Assessed Value is the lesser of the Maximum Assessed Value and the Real Market Value of properties. Historically, Real Market Values have been well above the Assessed Values (or Maximum Assessed Values). However, in today's current commercial real estate market, there is the potential for Real Market Values to decline enough to reduce the Assessed Value. The property value model used to assess property tax is driven by market transactions. Distressed sales are not considered market transactions, and the model is currently slow to decline due to a lack of market transactions. Declines are likely a multi-year process. The newest tax roll has a 30% decline in the Real Market Value of downtown commercial property. Distressed sales could become model inputs if there are few market transactions, and they are therefore reflective of the market.

At a 50% decline in Real Market Value of downtown commercial office properties, the Assessed Value is not materially impacted. At 70% decline, the impact could be significant. The biggest impacts are likely to occur in October 2025, around the time of the proposed TIF district establishment. If declines occur after district establishment, then there could be a prolonged period when TIF resources are not generated. Prior to the pandemic, this was not a consideration.

Kimberly provided high level takeaways and the steps Prosper Portland is taking to monitor this potential risk. This issue with real market value and assessed value is most concerning in districts with a high percentage of office spaces such as downtown. Additionally, any near-term development that will take place is likely to be residential, which will receive tax abatements in alignment with the inclusionary housing policy. This will need to be a consideration in establishing the central city TIF districts. Risks most impactful in the next 5 - 10 years.

Questions and comments discussed with the committee regarding TIF Revenue modeling include:

- *How do measure 5 and 50 impact property tax assessments?* Measure 5 set limits on the amount of property taxes collected for education and general government use, based on the Real Market Value of a property. Measure 50 reduced the taxable value of each property (known as Maximum Assessed Value) and limited future growth to 3% annually, unless it exceeds the real market value. Taxes are based on the lower of real market value (RMV) or maximum assessed value (MAV), which is known as assessed value (AV). Adjustments to MAV are made for items such as new construction.
- *There will be a range of options to be considered for TIF boundaries? Have you already done that mockup for the central city?* Part of this TIF exploration will be looking at potential scenarios with different boundaries, and analysis for this risk within certain boundaries has not yet been completed. One example of strategically drawing boundaries is with the Neighborhood Prosperity Network, where boundaries were drawn to include some residential properties around the business districts to help bolster the TIF district.
- *Historic office buildings are currently the most impacted in regard to value – and also require the most investment both directly as well as within the locations where they are situated (i.e. Old Town, Yamhill).*
- *How much ability does the assessor have to look at the assessment and formula?* In the case that a property sells for less than the assessed value, the owner of the property can demonstrate that there is some sort of work that is tangible and can be worked into the value, but ultimately it is put into a bigger model so that a specific property is not automatically changing the assessed value.
- *What are the dangers for a TIF district in this scenario? Would the TIF district then be frozen?* A district would basically be non-performing at that time, as there is no revenue until there is meaningful growth in assessed value above the frozen tax base. One example of this was in South Waterfront during the recession, and the TIF districts basically had to re-budget. The worst-case scenario with creating a new TIF district is that it would be stagnant until the value grows and creates value.
- *Who backstops the bonds if there is insufficient funding? Will those who purchase the bonds take the risk?* The City backs the bonds, but the bonds are not issued until after 5 years when the district has established resources and sufficient demonstrated growth. The city is conservative with that they are projecting and when to issue the debt.
- *If a significant drop in the assessed value is forecasted in 2025, why not wait to establish the district until after that? What is the risk of not establishing the TIF districts now?* It is a risk, but it is not certain. There are tradeoffs and that option is not off the table. This is part of the discovery process and part of Prosper Portland doing due diligence. It is not anticipated or certain that the Real Market Value will go below 50% but there are signs that contingency planning is necessary in the event of the worst-case scenario. TIF districts are generally drawn in a way to encompass areas that are going to see growth. Prosper Portland will continue to be transparent about what is forecasted and the risks of proceeding vs delaying and/or not creating new districts. The current City Council has been supportive and up to speed so there are also risks in delaying.
- *Will there be any opportunity to explore the split of TIF dollars and prioritize affordable housing funding?* There is an established split of 45% of resources flowing to PHB for affordable housing. Additional funds can be distributed through district Action Plans on a five-year basis, including addressing a broader range of affordability. Those action plans do not have to be decided in the TIF exploration process.

- *There are other actions underway to bolster to downtown economy and rebuilt Portland's reputation including the recent business income tax credit, the e-zone program, and business retention and recruitment team efforts.*

Required Elements of TIF Plans

Lisa Abuaf provided an overview of the essential elements required for a TIF plan and the areas where Steering Committee input will be critical. Governance is a component of a TIF plan, and Lisa provided an overview of different types of governance models that have been used across existing TIF districts.

In all cases, the TIF plan governs the geography and eligible projects, and the Prosper Portland board and City Council are the approval authorities. What has changed over time is the way TIF districts engage with the community. The older TIF districts were more consultative with large projects and investments. Approximately 10 years ago, the use of Action Plans within TIF districts was introduced and this model provides more engagement with communities. Most recently, the Cully governance model exemplifies how TIF can be used as a tool that centers and prioritizes communities with the establishment of a Community Leadership Committee to guide the action plans and investment of TIF resources.

Lisa provided an example of how TIF resources were invested in a public/private partnership for the Asian Health & Service Center. Prosper Portland contributed ~ 1/3 of the funding via a loan for this project in collaboration with public and private partners. It is typical that TIF is invested as a loan and is only one component of the capital stack. Loan amounts may be higher in the Central City, but generally represent a larger percentage of the capital stack in smaller scale projects outside of the Central City.

Questions and comments discussed with the committee regarding TIF Plans and investment:

- *The Cully Community Leadership Committee doesn't have any explicit decision-making power; what is special about the Cully district? Does the city have approval to proceed without approval from the committee?* Public money being spent so it must be governed by and legally accountable to a public agency. However, the governance charter outlines roles and expectations for co-creation, including the reporting of any dissenting opinions to decision makers, accountability measures, and requirements for annual reporting to City Council, at which time committee members may express to the council their disapproval if they have an objection to the work being done.
- *Is it typical that the money goes out in loans and grants? What is the largest TIF financed loan that has been awarded?* Yes, most of the TIF money goes out in loans, some are grants, but the majority is through a loan with favorable rates. \$15-20 million for a single loan for a larger scale project. More recently the big-ticket items are property acquisitions. There can also be a balance between a few large-scale projects or many small-scale projects.
- *What types of projects are TIF funded, can it include infrastructure?* Often TIF projects include working with clients and community members that have a financing gap or don't have access to capital. Infrastructure can be a component of TIF investment and is usually part of a larger public/private partnership investment.

Timeline & Engagement:

Camille reviewed the timeline and process for Steering Committee engagement and opportunities for additional engagement at key milestones in the plan development and analysis. This meeting is the kick-off for the sub-committee work phase which means between now and March 2024, subcommittee meetings will focus on existing conditions, goals, priority projects and geographies. In March 2024 the steering committee will reconvene so subcommittees can synthesize their work and recommendations to

the larger group. In April 2024, staff will analyze the information put forth by the steering committee synthesis and conduct district modeling. In May 2024, the steering committee will review the proposed scenarios put together by Prosper Portland staff. Review of any proposed draft plans will occur in August 2024. Any finalized plans will go to the city council for approval in November 2024.

Camille noted there are opportunities to bring in other voices during this phase of community engagement as the committees formulate recommendations, and there is another opportunity once any draft plans are ready for review. Committee members should contact Sarah Harpole with any additional organizations or recommendations for who should be included in the community engagement process.

Subcommittee Break-Out Discussions – Vision & Values:

See attached pages for summary of subcommittee discussions.

The Steering Committee broke out in to assigned subcommittees to discuss vision and values for utilization of TIF resources in the Central City. Each group was provided excerpts from Central City 2035 to review and discuss the use of TIF to further inclusive growth, including:

- What resonates?
- What needs to change, or is missing?
- Are there any geographic specific considerations that should be added?

Next Steps

Camille closed the meeting with a summary of the upcoming meeting timeline and discussion topics.

Central City 2035 excepts:

Vision: what the TIF District areas will look like upon plan completion

- Successful dense mixed-use center composed of livable neighborhoods with housing, services and amenities that support the needs of people of all ages, incomes and abilities.
- Affordable housing supply maintains and supports the area's growing racial, ethnic and economic diversity.
- Vulnerable populations concentrated within the Central City are supported with access to needed human and health services.

Values: core values that will guide implementation of the plan

- Maintain the economic and cultural diversity of established communities. Utilize investments, incentives and other policy tools to minimize or mitigate involuntary displacement resulting from new development.
- Create attractive, dense, high-quality affordable housing that accommodates a broad range of needs, preferences, and financial capability in terms of different types, tenures, sizes, costs and locations. Support new housing opportunities for students, families and older adults.
- Encourage the preservation and production of affordable housing to take advantage of the Central City's unique concentration of active transportation access, jobs, open spaces, and supportive services and amenities.
- For public affordable housing resources, prioritize funding for housing programs and investment to meet the unmet needs of extremely low and very low-income households (0-50 percent MFI).
- Encourage the development of housing projects and units that are compatible with the needs of families with children.

Discussion themes:

- Affordable Housing
 - Invest early in affordable housing in markets that may be experiencing displacement pressure
 - Don't overconcentrate regulated affordable housing in any one district (avoid repeat of Old Town)
- Complete neighborhoods
 - Focus on and be mindful of what is lacking in neighborhoods; housing investments should be in complete neighborhood with schools, parks, amenities
 - Hesitant to invest in family housing in the Central City given that there aren't many schools in the area
- Flexibility in TIF resource allocation:
 - Investments should be tailored to dynamics/demographic and neighborhood conditions of districts/sub-districts
 - Need for spectrum of housing types (by income, tenure, family size, seniors)
- Investment opportunities and feasibility
 - Interest in repurposing/converting office space to residential
 - Mixed-use development works for market rate housing, but be cautious when pairing with regulated affordable housing (examples of vacant ground floor commercial space)
 - Portland is not a place where a lot of people live downtown – can be difficult to change that dynamic
 - Question whether today's Central City zoning is a good fit for the housing investments of tomorrow
 - Hesitancy about investing in housing at Lloyd Mall given massive demo/infrastructure needs

Central City 2035 excerpts:

Vision: what the TIF District areas will look like upon plan completion

- Dense, compact, connected network of unique neighborhoods that are inclusive, vibrant, accessible, healthy and safe, with access to essential public services, parks, open space and recreation.
- Efficient and safe transportation network is maximized, emphasizing walking, bicycling and transit use. Efficient transportation of freight supports local and regional business growth. Parking is managed to optimize use of the limited supply and balance the need with other uses of rights of way.
- The Willamette River is the defining feature, framed by a well-designed built environment that celebrates views to the larger surrounding landscape, encourages east-west access and orientation and supports a range of river uses.
- Composed of diverse, high-density districts that feature high-quality spaces and a character that facilitates social interaction and expands activities unique to the Central City.
- Public realm is characterized by human-scaled accessible streets, connections, parks, open space, and recreation opportunities that offer a range of different experiences for public interaction.

Values: core values that will guide implementation of the plan

- Design neighborhoods to support physically and socially active healthy lifestyles for all people through the inclusion of plazas, parks, open spaces, and recreation opportunities, a safe and inviting public realm, access to healthy food and active transportation, and the density of development needed to support these economically.
- Promote design solutions and construction techniques to ensure new development is compatible with existing uses.
- Develop and implement strategies to lessen the impact of freeways and transportation systems on neighborhood continuity including capping, burying or other innovative approaches.
- Improve street design and function to increase efficiency and safety for all transportation modes and the ability to meet the needs of businesses, shoppers, residents and visitors. Establish a system and standards that emphasize walking, bicycling, transit use and freight access while continuing to provide automobile access.
- Encourage redevelopment of large sites that includes new compatible uses, green buildings and infrastructure, equity considerations, scenic resource preservation, new pedestrian connections, strong street presence, and new open space amenities.
- Enhance the existing character and diversity of the Central City districts, strengthening existing places and fostering the creation of new urban places and experiences.

Discussion themes:

- Governance
 - Community led and community owned / community decision making; Tools need to mirror the vision – community led vs advised requires policy-based discussion re ORS 457
- Inclusive Growth
 - Creating ways and opportunities that unlock greater participation in a full economy (i.e. contracting)
 - Access to public and cultural services
 - Connections to culture – blue collar ethos, connections to tribal lands
 - Connect the disconnected planning efforts for the river – multicultural waterfront on the eastside
 - Housing of people of different income levels
 - Unique neighborhoods are what makes the richness of the Central City
- Resiliency & Innovation
 - Innovation and preparation for the economy of 50 years from now focusing on workforce of tomorrow – human and institutional level – core services

- Environmental sustainability
 - Walkability
 - Cradle to grave opportunities
- Commitment to climate action and resilience
- Specific considerations for Large Scale Development:
 - Lloyd: Open space component – Master Plan (5 city blocks); opportunity to do something special
 - Lower Albina: Improvements to facilitate interaction particularly at Rose Quarter
 - OMSI/Center for Tribal Nations: Access to the river – for interaction and learning; reintroduced to the river in a way that is accessible

Central City 2035 excepts:

Vision: what the TIF District areas will look like upon plan completion

- Economically competitive with robust and expanding business and development activity.
- National leader for innovation in business, higher education and urban development with physical and social qualities that foster and attract diverse creativity, innovation, entrepreneurship and civic engagement.
- Urban character and livability make it the leading location in the region for business and commercial activity and an attractive location for new development.

Values: core values that will guide implementation of the plan

- Enhance business development efforts and assistance for targeted industry clusters and high growth sectors.
- Strengthen the Central City as a location for job creation by addressing development issues that affect businesses and by supporting economic development strategies and programs that facilitate economic growth.
- Capitalize upon the physical connections created by the Tilikum Crossing to connect Central Eastside industries with westside institutional assets such as OHSU and PSU.
- Support access to and expansion of economic opportunities for all groups facing longstanding disparities, including education, housing and employment so that they can achieve equitable benefits of development and economic prosperity.
- Foster long-term success and continuation of Central City industrial districts as prime locations for investment and new industrial businesses.
- Expand activities that support tourism and complement economic success, vibrancy, and livability, with a focus on retail, cultural events and institutions, public spaces, arts and entertainment, urban design, and transportation.
- Support efforts to make the Central City a competitive location for development and business location.

Discussion Themes:

- Role and Activation of Central City
 - Create an ecosystem that encourages people to live, work, and play in the downtown core, with mix of land uses and incomes
 - Central City shouldn't be another neighborhood, it should be a mix of mixed-use housing, hospitality and big and small business (e.g. Slabtown)
 - Invest in main street business districts; create valued mixed-use and heavily trafficked shopping areas (e.g. Pearl District)
 - Provide services and enhance our community to compete with suburban amenities
 - Jobs and shopping are important to remain economically competitive; Lloyd Center will transition into mixed-use, and Pioneer Place will be last remaining shopping mall in Multnomah County
 - Activation of parks, entertainment, live music venues, more opportunities to play in the central city and support the economy
 - Flexible built product - adaptive use buildings; new and adaptable commercial use
 - Vibrant ecosystem and metrics for our "Smart City" that we hold ourselves accountable to
- Business Vitality
 - Leader in both the economy and our small-to-large business community
 - Without major business, central city will not thrive; More flexibility in targeting and resourcing industry clusters
 - What is the incentive for big businesses to be here?; Identify elements that help the downtown core rise to the occasion for business recruitment and retention
 - Need preconditions (community safety) that will attract businesses
 - Be thoughtful about what small businesses want and need; provide it in a smart and compassionate way; although tools are well-intended they are not meeting current needs

- Need to foster available tools strategically and fast (small grants for small businesses in ground-floor retail)
- Government agencies need to be more creative with small business lending to incentivize more entrepreneurs, investors, and small businesses who want to buy or revitalize property in the downtown core and in Old Town
- Housing Innovation & Affordability
 - Help entrepreneurs live in the same place they work or create products for the economy; more innovative life-work housing (i.e. life-work zoning, permits, TIF investment in change of use)
 - Need more housing in the downtown core; Glean insights from other cities regarding current/modern formula for adequate housing in a dense urban city? 10% per neighborhood?
 - Make different land use priorities and decisions to mitigate the concentration of poverty or social services in the downtown core, especially Old Town

Steering Committee Attendance

Name	Affiliation	Present
Andrew Fitzpatrick	Office of Mayor Wheeler	
Angela Rico	Office of Commissioner Rubio	y
Brad Cloepfil	Allied Works	y
Brian Ferriso	Portland Art Museum / Travel Portland Board	
Carolyn Holcomb	Central Eastside Industrial Council	y
Andrea Pastor	Metro	y
Christina Ghan	Office of Commissioner Rubio	y
Connie Hotovec	Gensler	
Damien Hall	Home Forward	y
Dr. Carlos Richard	Warner Pacific	
Eric Paine	Community Development Partners	y
Erin Graham	OMSI	y
James Parker	Oregon Native American Chamber	y
Jason Franklin	Portland State University	y
Jeff Renfro	Multnomah County	y
Jessica Curtis	Brookfield Properties / Pioneer Place	y
Jessie Burke	Old Town Community Association	y
Jill Sherman	Edlen & Co	y
Jonathan Garcia	Portland Public Schools	
Justin Hobson	Miller Nash	y
Kimberly Branam	Prosper Portland	y
Kurt Huffman	ChefStable / Travel Portland Board	
Lauren Peng	CBRE	y
Mary-Rain O'Meara	Central City Concern	y
Matt Goodman	Downtown Development Group	
Michael Buonocore	Portland Housing Bureau	Y
Millicent Williams	Portland Bureau of Transportation	Y
Monique Claiborne	Greater Portland Inc	Y
Natalie King	Trail Blazers	Y
Nicole Davison Leon	Hispanic Chamber	
Peter Andrews	Melvin Mark	y
Sam Rodriguez	Mill Creek Residential	
Sarah Stevenson	Innovative Housing	y
Stef Kondor	Related Northwest	Y
Sydney Mead	Portland Metro Chamber	y
Tom Kilbane	Urban Renaissance Group / Lloyd Mall	y
JT Flowers	Albina Vision Trust	y