Disclaimer

The City of Portland Bureau of Planning and Sustainability (BPS) with support from the Portland Development Commission (PDC) commissioned this study to help inform future decision-making regarding the feasibility of future urban renewal activity on the west side of central Portland.

BPS asked ECONorthwest (ECO) to evaluate four subdistricts in the west side of the central city for their viability in forming one or more new urban renewal areas. By gathering information about possible future private development that might generate tax increment revenue, preliminarily identifying public infrastructure projects that could catalyze redevelopment in the area, and a preliminary, general discussion of blighting characteristics in the study area, ECO has been able to render conditioned findings and conclusions.

Throughout the report we have identified sources of information and assumptions used in the analysis. Within the limitations imposed by uncertainty and the project budget, ECO, BPS, and PDC have made every effort to check the reasonableness of the data and assumptions and to test the sensitivity of the results of our analysis to changes in key assumptions. ECO, BPS, and PDC acknowledge that any forecast of the future is uncertain. The fact that we evaluate assumptions as reasonable does not guarantee that those assumptions will prevail.

We have also described our analytic techniques and their limitations. BPS, PDC, and the Office of Management and Finance have reviewed our analysis for reasonableness. As time passes the results in this report should not be used without correcting for changes in urban renewal policies and procedures, changes in capacity for redevelopment, and market conditions and assessed values.

The contents of this document do not necessarily reflect views or policies of the City of Portland, Bureau of Planning and Sustainability, or the Portland Development Commission. The inclusion of a property in this evaluation does not directly imply that the site either will or will not be included in any future URA or further feasibility studies.
Executive Summary

BACKGROUND

STUDY PURPOSE

This study was produced in response to a recommendation from the Urban Renewal Advisory Group (URAG) to evaluate the possibility of creating a new urban renewal area (URA) in Portland’s Central City as two older URAs (South Park Blocks and Downtown Waterfront) near retirement. It is a technical study that is intended to inform a coming decision-making process that will determine: (1) whether or not a new URA (or URAs) will be formed in the Central City; (2) where the boundaries might be located; and (3) what projects or programs the new URA would fund if it is formed.

This report is an important first step in the process of planning for a new URA: it provides an analysis of the financial feasibility of a potential new URA in the vicinity of Portland’s Westside Central City, and assesses the ability of such a URA to contribute to implementation of current and future City goals, policies, plans and processes.

The City of Portland’s Bureau of Planning and Sustainability (BPS) and the Portland Development Commission (PDC) funded this study to determine the redevelopment potential of portions of the Central City and its surroundings, and to evaluate the likelihood that property tax revenue (tax increment) generated by that redevelopment could support debt repayment for needed public investments in the area. More specifically, the report measures the amount of tax increment (or urban renewal revenues) that might be generated in the study area. It also identifies projects that might require public-sector support in the urban renewal area(s) in the coming years.

The study results also inform the City’s update of its Comprehensive Plan, and, specifically, the Central Portland Plan. The Central Portland Plan will identify critical infrastructure updates that are necessary to support a vibrant, efficient, sustainable, and economically-viable downtown. Its goals may include increasing the portion of affordable and work-force housing in

1 The Portland Development Commission formed the Urban Renewal Advisory Group (URAG) in May of 2007 to make recommendations regarding the future of three downtown URAs. URAG members included PDC Commissioners, a citizen representative, and City and County elected officials. This study builds on the results of the URAG’s recommendations, which are summarized in The Future of Downtown Urban Renewal: River District, Downtown Waterfront, and South Park Blocks, published March 4, 2008, and available at www.pdc.us/four
the Central City, supporting continued job-growth, and supporting continued investment in Portland’s public transportation system, all of which are projects that might be supported with urban renewal funds. In other words, a new URA, if formed, will be an important implementing tool for the updated Central Portland Plan.

This study provides important groundwork for public decisions about the use of urban renewal and tax increment financing in the Central City. However, this document is not an urban renewal area plan. The City is in an early, exploratory phase, and would need additional legal and financial analysis; consideration of the costs of public projects and revenue generation; and additional outreach to land and business owners, taxing districts, neighborhood organizations, and others before making decisions about creating an urban renewal area(s).

**WHAT IS TIF / URBAN RENEWAL?**

Urban renewal is a state-sanctioned program used by over 50 cities and counties in Oregon to help them, through partnerships with the private-sector, implement adopted plans to revitalize specified areas within their jurisdiction. The purpose of an urban renewal area is to strategically invest in an under-developed area to catalyze private investment that will generate tax revenue that would not otherwise be available to taxing jurisdictions. Urban renewal, through the provision of tax increment financing, can provide for capital improvements such as parks, streets, parking garages, and transit systems that stimulate private investment and attract new businesses, jobs, and residents. It can also be used to assist with private development activities that are approved in an Urban Renewal Plan such as financing for affordable housing or mixed-use transit-oriented development.

Tax increment financing (TIF) is the primary funding vehicle used within URAs. Tax increment revenue is generated within a URA when a designated area is established and the property taxes within that area are ‘frozen’ (called the frozen base). In future years, any taxes generated within the area in excess of the frozen base becomes the increment. Growth in property tax collection can result from appreciation or new taxable investments. Taxing jurisdictions continue to collect tax revenue from the frozen base, but release tax revenue generated by the increment assessed value to the URA. Figure ES-1 shows how this process works. The URA then can issue long-term bonds and other forms of debt (such as lines of credit) to pay for identified public improvements and/or investments in private projects that serve the public interest and are identified in the URA plan. The tax increment revenue is used to repay these bonds.

In Oregon, planning and analysis associated with the creation of new
URAs is guided by state statute (Oregon Revised Statutes [ORS] Chapter 457, included in Appendix E of this report). State statutes stipulate that URA plans must find that the proposed URA is eligible for urban renewal because of existing *blight*, typified by conditions such as deteriorated buildings, low improvement to land value ratios, and/or lack of adequate infrastructure. The plan must also contain goals and objectives, authorized urban renewal projects, a limit on the expenditures, specific provisions regarding acquisition and disposition of land, and provisions regarding how the plan may be amended in the future. This study’s intention is to lay the groundwork for future, more detailed planning as required by these statutes.

The full report contains an appendix (Appendix F) that provides definitions of key urban renewal terms.

**BOUNDARIES**

Exhibit ES-2 shows the study area boundaries. ECO used boundaries suggested by BPS and PDC. The initial study area boundaries were consistent with the Central City Plan District boundaries, but were expanded to include some additional areas that are expected to see significant change and redevelopment in the future. These additional areas include known redevelopment projects capable of generating tax increment and/or potential public projects that could be partially funded with tax increment revenue.

The boundary generally excludes areas zoned exclusively for lower-density residential uses, which typically do not generate large amounts of increment or require major public infrastructure improvements. While the boundary does include land that is currently in the South Park Blocks and Downtown Waterfront URAs, it does not include land that is in the River District URA (including land amended into the River District in 2008) or in the North Macadam URA. The boundary also excludes areas in the Downtown Waterfront URA North of Burnside Street, because that area was thoroughly studied as part of the URAG process and River District annexation in 2007 and 2008.

*It is important to note that the inclusion of a property in this evaluation does not directly imply that the site either will or will not be included in any future URA or further feasibility studies.* The study area boundary is almost certainly different from any boundary (or boundaries) for potential future URAs.
Exhibit ES-2: Preliminary Westside Central City Urban Renewal Study boundaries, Portland, Oregon, 2009

Source: ECONorthwest, 2009
KEY ISSUES ADDRESSED

The full report provides detailed results about the study area that will help decision-makers better understand the implications of forming a new URA (or URAs) in terms of:

- **Project uses.** The study preliminarily identifies the projects that might benefit from inclusion in an urban renewal area and public-sector investment. These projects are likely to spur redevelopment and create additional tax increment: (1) catalytic private-sector redevelopment projects, and (2) public-sector infrastructure and other projects (such as affordable housing) needed to support redevelopment.

- **Blight.** Oregon statutes (Oregon Revised Statutes (ORS) 457, exhibit “r”) require that new urban renewal areas meet requirements for blight. State statutes stipulate that URA plans must find that the proposed URA is eligible for urban renewal because of existing blight, typified by conditions such as deteriorated buildings, low improvement to land value ratios, and/or lack of adequate infrastructure. This study includes a preliminary, general discussion of blighting characteristics in the study area. It does not provide the full legal review that would be required in a detailed urban renewal area plan and report.

- **Tax increment production.** The study identifies how much tax increment might be generated in the study area over the life of the URA. If a URA is formed, the City would borrow against that revenue stream to pay for urban renewal projects.

- **Acreage / assessed value limitations.** Oregon statutes place legal limitations on the percentage of a jurisdiction’s acreage and assessed value that can be in an urban renewal area at any given time. The study area considered in this report is nearly too large to be included without exceeding those limits (the study area has about 603 net new acres and $1.3 billion of assessed value not already in an urban renewal area; PDC has estimated that the City of Portland can only add 665.5 acres and approximately $1.9 billion of assessed value). This study provides details about portions of the study area that would generate the largest amount of TIF (referred to in this study as tax increment nodes).

- **Effect on existing URAs.** The study area includes properties that are already in the South Park Blocks or the Downtown Waterfront.

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2 Additionally, concurrent studies are considering possible changes to other urban renewal areas in the City (such as reducing Airport Way or expanding Interstate), which potentially also could affect the total acreage and AV available.
URAs. These properties are contributing to the ability of these URAs to meet their debt obligations. The City has estimated that about $400 M in AV could be removed from the South Park Blocks URA and about $200 M from Downtown Waterfront URA and still allow these URAs to make their debt obligations.

**METHODS**

**OVERVIEW**

Answering questions about how a new URA might perform financially required a multi-stepped methodology:

- **STEP 1: Determine increment generation and identify potential projects that would require TIF funds (uses)**

  First, ECO projected TIF revenue (including the identification of specific redevelopment projects) and uses (projects that might require TIF funding) and how these might be phased throughout the study area. Details of this methodology are included in the full report and in Appendix A.

- **STEP 2: Tax increment node evaluations**

  Since this study’s focus is on the financial implications of creating a new URA and the overall study area boundary is too large both in terms of acreage and assessed value to become a new URA due to ORS 457 constraints on total acreage and assessed value that may be approved for urban renewal within a city at any one time (see Limitations, below), ECO identified the portions of the study area that have the potential to generate the most revenue for a new URA. ECO mapped the Step 1 results to identify “tax increment nodes”, or areas with concentrations of properties with the potential to create tax increment revenue. For each of these tax increment nodes, we describe sources and uses and considered the Step 3 issues below.

- **STEP 3: Qualitative analysis and blight**

  The analysis also considers the extent to which including the nodes in a new URA could help to meet other City goals (e.g., provision of affordable housing, job creation and economic development goals, open space goals, and goals around support for the retail core). Additionally, ECO considered the extent to which the tax increment nodes and surrounding areas exhibit characteristics that suggest blight. The discussion of blight is preliminary; it is intended to assess whether or not future, more detailed blight studies might find sufficient blight to meet state standards, so that decision-makers can make reasonably informed decisions about the formation of a new
URA. It does not provide the necessary legal review to meet state requirements, and future reviews may provide different results.

ASSUMPTIONS

This analysis required assumptions about future development mix, rate of development, future market values of properties, development code and policy about property tax assessment and collection, market cycles, and many other variables that are difficult, if not impossible, to accurately predict for a 20-year time period. Because this report was produced as the starting point for a decision-making process that will require additional and ongoing analysis, ECO created a model with assumptions that can be updated to reflect changing market conditions or to test hypotheses about the likely effects of various redevelopment scenarios.

Key assumptions are summarized here; more detail is included in the report and associated appendices.

- For TIF revenue calculations, ECO assumed that the assessed value of the area will be frozen in fiscal year (FY) 2008-09.
- While it is expected that the last date to issue debt for a new URA would be 20 years from its formation date and that the URA would remain in existence after this date until bonds are fully repaid, this study has only estimated TIF revenues for the first 20 years.
- ECO modeled four scenarios, which reflect four possible futures ranging from no development (base case) to a high estimate of what might be developed over 20 years. The scenarios can be adjusted. All scenarios modeled for this report are informed by studies of previous development rates in Portland’s downtown and surrounding area, and advice from local appraisers and developers. Exhibit ES-3 below shows the assumptions that underlie those scenarios.
- All scenarios use conservative growth estimates for the early years of a potential new URA, to account for challenges in the current market for new development.

Exhibit ES-3: Redevelopment assumptions for total study area for three development scenarios, and base case, 2009-2028

<table>
<thead>
<tr>
<th>Percent of potential redevelopment sites that redevelop over 20 years</th>
<th>High</th>
<th>Medium</th>
<th>Low</th>
<th>Base Case</th>
</tr>
</thead>
<tbody>
<tr>
<td>Average sq. ft. of new development each year</td>
<td>1,184,792</td>
<td>965,270</td>
<td>729,766</td>
<td>0</td>
</tr>
</tbody>
</table>

Source: ECONorthwest, 2009
LIMITATIONS

The City will set a *maximum indebtedness* limit for the URA, per ORS 457, that caps the amount of debt that a URA can issue. It is possible that the maximum indebtedness figure would reduce the actual spending power of the URA. This study does not estimate the maximum indebtedness limit.

Additionally, ECO estimated TIF revenue generation, but did not estimate the bonding capacity of potential URA(s). Estimates of TIF revenue do not directly correlate to URA spending power, because some of the revenue must be used to finance interest and other borrowing costs. Also, TIF revenue generated beyond the 20-year timeline modeled in this analysis can be used to repay debt incurred by the potential URA, which could increase the borrowing capacity of the URA.

Though the tax increment node analysis provides useful data about acreage and assessed value that can support future decisions, because this study does not identify specific boundaries, it cannot definitively answer questions about acreage and AV limitations for the URA.

At the time of writing and publication of this report, the U.S. economy is experiencing severe economic fluctuations; financial and real estate markets are particularly volatile. Readers of this report should keep the unusual market climate in mind when assessing the applicability of ECO’s conclusions in the future.
RESULTS

If the total study area shown in Exhibit ES-2 were included in a new URA, it would generate increment in the following range of TIF revenue over a 20-year period:

- Base case: $198.8 M
- Low: $432.5 M
- Medium: $496.8 M
- High: $575.1 M

However, the City may elect not to include the entire study area in a new URA. The study area covers about 897 acres, 294 acres of which are within existing urban renewal areas for about 603 net new acres. The study area also includes about $3.1 billion of assessed value in the frozen base (about $1.9 billion\(^3\) in net new assessed value that is *not* already in an existing URA). State statutes limit the total amount of land and assessed value that can be included in urban renewal areas to 15% of the total acreage and 15% of the assessed value (excluding urban renewal incremental assessed value) of the jurisdiction. In the City of Portland, PDC estimates that only 665.5 acres of land and approximately $1.9 billion of AV can be added to new URAs, unless portions of existing URAs are released. If the entire study area were included in one or more new URAs, it would seriously limit the City’s ability to create or expand other urban renewal areas in the future. This is among the reasons that the study area boundaries should not be viewed as proposed boundaries for a new URA.

Given the fact that the study area is too large (both in terms of acreage and assessed value) to include in its entirety in a new URA, ECO evaluated the study area to determine which portions provide a maximum financial benefit if they are included. Those “tax increment nodes” are shown in Exhibit ES-4. The tax increment node boundaries are not intended to suggest the best portions of the study area to include in a new URA, but rather to identify the areas that have the greatest potential to generate increment. There are many other factors that should be considered when drawing the boundary for a URA, including need for public assistance, impact on other taxing jurisdictions, the mix of uses within the boundary, and others.

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\(^3\) This number includes an adjustment for the difference between the original frozen base of the existing URA and the new frozen base of the potential new URA.
Together, the tax increment nodes comprise 242.4 acres (about 153.8 of which are not already in an existing urban renewal area), and generate (in the low scenario) $178 M in TIF revenue. In other words, these nodes comprise about 27% of the total acreage in the study area, but generate about 41% of the total increment revenue in the study area. From a financial perspective, these are the areas that are the most strategic additions to a new URA boundary (or boundaries). Exhibit ES-5, below, provides details.

Findings related to Exhibit ES-5:

- More revenue is generated by development that occurs in the early years of an urban renewal area. Known projects (mapped in yellow throughout the study) are typically expected to develop earlier in the life of the URA; the potential redevelopment sites (mapped in blue) are assumed to develop later in the life of the URA. Nodes with large yellow sites that are expected to develop as taxable uses (such as node A in the northwest portion of the study area) therefore generate more increment than those with many blue sites (such as node G).

- Because of the limited size of these nodes (in terms of acreage and assessed value), all seven nodes could be included in one or more new urban renewal areas without exceeding the statutory limitations on the amount of land and assessed value within URAs in the City of Portland.

- Several of these nodes (D, E, and F) contain properties that are already within existing urban renewal areas. Based on estimates from the Office of Management and Finance (OMF), it would be possible for the Downtown Waterfront and South Park Blocks urban renewal areas to meet their financial obligations even if these tax increment nodes were removed from the existing URAs and included in a new URA.

- Tax Increment Node A in the Northwest subdistrict has the greatest TIF revenue potential for the 20-year period of our analysis, ranging from $72 M in the low scenario to $106 M in the high scenario. The proposed redevelopment of the Con-way site is responsible for the large TIF revenue potential in this area. This is especially true in the high scenario, which assumes that the Con-way redevelopment receives an increase in allowable floor area ratio (FAR). This assumption adds to uncertainty about achieving the high scenario in Node A.

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4 The percentage of total TIF revenue attributable to the tax increment nodes varies for each development scenario. The full range for each scenario is: High: 47%, Medium: 45%, Low: 41%, and Base Case: 18%.

5 Note, however, that these nodes would all have to be connected to one another to be included in one URA, as recent court decisions have support the need for contiguous boundaries.

6 This is especially true in the high scenario, which assumes that the Con-way redevelopment receives an increase in allowable floor area ratio (FAR). This assumption adds to uncertainty about achieving the high scenario in Node A.
user of urban renewal dollars if included in a URA. Further analysis of the net contribution of the Con-way site to other urban renewal area objectives is required.

- Tax increment node D contains $142 M of real property assessed value in the Downtown Waterfront URA. This represents 70% of the real property value that OMF estimates could be removed from Downtown Waterfront without compromising the ability to meet outstanding financial obligations. Any removal of property from Downtown Waterfront must be carefully considered in future phases of this study.
### Exhibit ES-5. Quantitative results by tax increment node

<table>
<thead>
<tr>
<th>Tax Increment Node</th>
<th>Increment Generation Potential (over 20-years):</th>
<th>% of total study area increment generated in node (low scenario)</th>
<th>AV removed from existing URAs</th>
<th>Acreage / % total study area acreage</th>
</tr>
</thead>
<tbody>
<tr>
<td>A: Northwest</td>
<td>Base case: $7.0 M Low: $72.2 M Medium: 102.4 M High: $105.9</td>
<td>16.7%</td>
<td>None</td>
<td>64.6 acres / 7.2%</td>
</tr>
<tr>
<td>B: Northwest</td>
<td>Base case: $1.6 M Low: $7.7 M Medium: $9.2 M High: $12.9 M</td>
<td>1.8%</td>
<td>None</td>
<td>18.3 acres / 2.0%</td>
</tr>
<tr>
<td>C: Goose Hollow</td>
<td>Base case: $4.7 M Low: $25.5 M Medium: $30.0 M High: $43.1 M</td>
<td>5.9%</td>
<td>None</td>
<td>33.8 acres / 3.8%</td>
</tr>
<tr>
<td>D: Downtown North of Market</td>
<td>Base case: $6.6 M Low: $14.6 M Medium: $18.2 M High: $26.8</td>
<td>3.4%</td>
<td>$92.9 M from South Park Blocks (about 23% of the total property that can be removed)</td>
<td>40.0 acres / 4.5%</td>
</tr>
<tr>
<td>E: Downtown North of Market</td>
<td>Base case: $10.1 M Low: $23.0 M Medium: $26.0 M High: $32.8 M</td>
<td>5.3%</td>
<td>$141.9 M from Downtown Waterfront (about 70% of the total property that can be removed)</td>
<td>34.1 acres / 3.8%</td>
</tr>
<tr>
<td>F: Downtown South of Market</td>
<td>Base case: $5.7 M Low: $32.1 M Medium: $35.3 M High: $43.1 M</td>
<td>7.4%</td>
<td>$24.3 M from South Park Blocks (about 6% of the total property that can be removed)</td>
<td>36.5 acres / 4.1%</td>
</tr>
<tr>
<td>G: Downtown South of Market</td>
<td>Base case: $0.9 M Low: $3.2 M Medium: $4.1 M High: $6.3 M</td>
<td>0.7%</td>
<td>None</td>
<td>15.1 acres 1.7%</td>
</tr>
<tr>
<td>TOTALS for nodes</td>
<td>Base case: $36.6 M Low: $178.3 M Medium: $225.3 M High: $270.8 M</td>
<td>41.2%</td>
<td>$259.2 M</td>
<td>242.4 acres / 27%</td>
</tr>
</tbody>
</table>


Note: Assessed Value figures are for real property only and do not include utility or personal property.
ECO also evaluated how including these tax increment nodes in a new urban renewal area might be beneficial from perspectives other than financial ones. We considered the ways in which development in the nodes could help to achieve other City goals, what types of public- and private-sector projects are likely to occur in the nodes, and whether the area is likely to meet statutory findings for blight when a more detailed review is completed if the City decides to initiate the process to create a new URA. Following are key findings from that qualitative analysis (see full report for details in each of the nodes):

- Strategic investments in the development of each node could help to support other City goals:
  - Progress could be made toward the City’s goals for increasing employment opportunities in the Central City and for creating a more advantageous jobs / housing balance. Other economic development goals, including increasing the vitality and strength of the retail core, could be achieved through development in these nodes.
  - Node development could support progress toward implementing 20-minute neighborhoods, in which shopping, entertainment, housing, and employment are located within a 20-minute walk.
  - Development in the nodes could help to meet affordable housing provision goals.
  - Goals around sustainable development and potential Eco-Districts could be achieved in the nodes.
  - The City could help to improve educational infrastructure. A strong university and public education system supports growth not just in the study area, but in the City and the region.
  - The City could help to improve public transit infrastructure, as well as access for pedestrians, bicyclists, and automobiles to major employment and retail centers in downtown Portland.

While a more detailed analysis of the node will be needed to confirm the presence of blight, a preliminary review of the existing conditions in the node suggests the following blighting characteristics:

- All of the nodes have at least some surface-level parking lots and a low average improvement-to-land value ratio. The concentration of such surface parking lots is suggestive of a growing or total lack of proper utilization of the area, and resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to public health, safety, and welfare consistent with ORS 457.010(1)(h).
• Most of the nodes have buildings that show signs of obsolescence, deterioration, or dilapidation. Many, especially historic ones, may be unfit or unsafe to occupy for their intended purposes because they do not meet current seismic safety codes and/or are constructed of unreinforced masonry, which may be suggestive of defective design and quality of physical construction consistent with ORS 457.010(1)(a)(A).

• Connectivity is an issue in most of the nodes. Node A lacks an appropriate street grid and accompanying infrastructure to support urban development. Nodes A and B lack adequate access to regional highway facilities, which is constrained by congestion on neighborhood collectors. Access across I-405 is an issue for pedestrian, bicycle traffic, and automobile traffic in Nodes C, F, and G. Such inadequacies in the streets, rights-of-way, open spaces and utilities also potentially limits the ability of the node to grow and be properly utilized, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to public health, safety, and welfare consistent with ORS 457.010(1)(h).

CONCLUSIONS

The results of this technical analysis shows that including at least portions of the study area in one or more new URAs could provide sufficient tax increment revenues that, when converted to bonding capacity, would provide substantial financial resources to further City and public benefits. From a financial perspective, the area has the ability to generate revenue even if no new development happens. Development in the study area could be strategically implemented to help meet multiple City goals (economic development and jobs, affordable housing, connectivity, regional retail center strength, and others). The preliminary blight discussion suggests that blighting characteristics exist in the study area and, specifically, in the tax increment nodes that this study evaluated.

However, the study’s scope is limited to technical aspects of creating a new urban renewal area, and many other considerations have not yet been analyzed (many of these are described below as recommendations for additional analysis). Further, this study does not consider the ongoing work that the City is undertaking to consider the possibility of expanding or otherwise changing other existing urban renewal areas. The results of these studies and future analysis in this study area will almost certainly affect decisions about the creation of a new URA downtown.
Future studies should more carefully consider the balance between the costs of public projects and the revenue available to the URA(s).

- Strategic investment could move the increment projections closer to the “high” scenario, and future analysis should provide details about what types of investments are most advantageous. The tax increment nodes were selected because they have the potential to generate new increment yet they have development challenges that will require public investment: they have characteristics that suggest opportunity (proximity to or location in downtown, vacant lots, etc.) that has not yet been met. In most cases, there is some reason that these nodes have not yet met their potential. For example, the analysis found that several of the nodes have major infrastructure needs and would require public sector investment to catalyze the redevelopment that this study suggests is possible in the “high” scenario. The purpose of an urban renewal area is to strategically invest in an underdeveloped area to catalyze private investment that will generate tax revenue that would not otherwise be available to taxing jurisdictions. To put it plainly: the urban renewal area will have to spend money to make money.

- Some of the tax increment nodes considered in this study would require less public investment to catalyze redevelopment. Node D, for example, presents opportunities for redevelopment, but doesn’t require major infrastructure investments to support it. Because these areas have a solid base of development already, these nodes generate substantial increment even in the base case scenario, which assumes no new development. It also presents the best ability to strengthen the City’s ability to increase employment downtown through partnerships with businesses and support for the downtown retail core.

- In contrast, Node A in Northwest is the strongest generator of revenue, but may also have among the highest public costs to improve the street grid, provide public transit access, etc. This study preliminarily identified uses of URA funds (such as improvements to rights-of-way to increase access, investments in open space and transit infrastructure, etc.), but did not quantify these costs.

- Because urban renewal areas must have a contiguous boundary, each tax increment node that is included in a new URA will need to be connected to other nodes geographically.

The boundary should be carefully chosen to:

- Limit the size of the study area considered in this analysis. The total study area is too large (in terms of assessed value), and nearly too large (in acres) to be included in a new URA.
• **Keep existing URAs whole.** We found that one of the areas that is most likely to generate increment in the Downtown core (node E) also contains 70% of the assessed value that can be removed from the Downtown Waterfront URA. If the City were interested in including this node in a new URA, it would need to carefully consider the boundary to ensure that the limit is not exceeded. The other nodes that this study considered did not have as large an impact on the existing URAs.

• **Assure a balance of uses (residential, office, retail, etc.) and limit the City’s risk to meet bonding requirements.** If the City moves forward with a new URA or URAs, it should carefully consider the mix of uses in the boundary. A single, bigger urban renewal area (as opposed to multiple smaller URAs) would probably generate a more reliable revenue stream and contain a more diverse mix of uses, and would therefore be looked upon more favorably for bonding purposes. Similarly, the existing URAs (Downtown Waterfront and South Park Blocks) which may lose property to the new URA, should be left with a balance of uses so as not to affect their ability to continue to meet bonding requirements.

• **Possibly include the expansion of existing URAs.** For example, expansion of the North Macadam URA (which can still add approximately 19% of its base area or about 48 acres) may be an option for including property at the southern end of the study area, to help to address acreage limitation issues.

Some additional financial and technical analysis will be required, especially once the boundaries are known:

• This analysis describes how much revenue could be generated in the study area, but it doesn’t describe how much the URA could spend if the City forms one. Generally, URA’s pay for public improvements through bonds backed by the promise of future TIF revenue. This study forecasts potential TIF revenue for a 20-year period, which is not equal to the value of bonds the City will be able to issue based on this revenue stream. Additional work should be done to determine the bonding capacity of the new URA or URAs, if the City decides to move forward.

• The next phases of the analysis should calculate the amount of taxable value that would be returned to the taxing districts because of removing property from existing URAs. If property is removed from an existing URA and included in a new URA, the difference between its original frozen base (when the URA was created) and the new frozen base (the assessed value in the year that a new URA is
created) would be released back to the taxing jurisdictions and would not accrue to the new URA.

- This study does provide, when available, preliminary costs associated with public infrastructure projects needed to support development. Additional research would be needed to better understand these projects and their associated costs.

- As mentioned elsewhere in this summary, a full legal review is required as part of a detailed urban renewal area plan and report before a new URA (or URAs) could be formed.

**NEXT STEPS**

An Advisory Group will be established which will begin a process to develop recommendations to the City Council on whether a new URA should be established within the study area. If the group ultimately recommends establishing a new URA, they would define the priorities, key goals, boundaries and maximum indebtedness of such an urban renewal area. There will be substantial opportunities for stakeholders and neighborhood members to weigh in on this next phase of the project.