The study is the first step to determine the financial feasibility of a new urban renewal area (URA) in Portland’s westside central city. It is a technical assessment of the ability of certain geographic areas to contribute to implementation of ongoing city plans if a URA were to be created. The study was produced in response to a recommendation from the Urban Renewal Advisory group, a group of elected and appointed public officials formed in 2007 to evaluate the future of urban renewal in Portland. The study provides important groundwork for public decisions about the use of urban renewal and tax increment financing in the central city, which can be a powerful engine for jobs creation. The study is not an urban renewal area plan. Additional legal and financial analysis is necessary before making decisions about creating an urban renewal area(s), including consideration of the costs of projects and tax increment generation, and additional outreach to land and business owners, taxing jurisdictions, neighborhood organizations, and others. This study evaluated the likelihood that tax increment generated by redevelopment could support the financing that would fund needed urban renewal investments in the area. Financing and administrative costs reduce funding amounts available for projects. Study results indicated that including at least portions of the study area in one or more new URAs could provide sufficient debt proceeds to help meet multiple city goals, including job creation, affordable housing, connectivity, and a vibrant downtown.

The study required 20-year assumptions about future development mix, rate of development, future market values of properties, zoning code and policy about property tax assessment and collection, market cycles, and many other variables that are very difficult, if not impossible, to predict accurately.

Four scenarios were modeled, ranging from no development (base case) to a high estimate of what might be developed over 20 years. The scenarios can be adjusted, and are based on studies of previous development rates in Portland’s downtown and surrounding area, and advice from local appraisers and developers.

All scenarios are conservative in the early years of the life of the potential new URA(s), to account for challenges in the current market for new development.

The results of this technical analysis show that:

- Strategic investment that results in tax increment producing development could move the increment projections closer to the study’s “high” scenario. Future analysis should provide details about what types of investments are most advantageous. The tax increment nodes were selected because they have substantial potential to generate new increment, yet they have development challenges and/or major infrastructure needs that would require public investment to catalyze the redevelopment.

- Future study should more carefully consider the balance between the costs of public projects and the bond proceeds available to the URA(s). The nodes present varying degrees of need for public investment. The study indicated that Node D, for example, offers redevelopment opportunity that may not require major infrastructure investments to support it. It also presents the best opportunity to increase job creation downtown through city 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 infrastructure, provide public transit access, etc.

- Additional research is necessary to better understand these projects and their associated costs. This study does provide, when available, very preliminary cost estimates associated with public infrastructure projects needed to support development.

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 acres to be included in a new URA.

- Keep existing URAs whole. One of the areas that is most likely to generate increment in the downtown core (Node E) also contains 70 percent of the assessed value that can be removed from the Downtown Waterfront URA. The city would need to carefully consider the boundary to ensure that sufficient assessed value remains in the Downtown Waterfront URA, as only some 30 percent of assessed value would be available for transfer to a new URA.

- Assure a balance of uses (residential, office, retail) and limit the city’s risk to meet financing requirements in both a new URA and property needed for a URA.

Next steps

Mayor Adams has established an evaluation committee to continue this analysis and develop recommendations to the City Council and the PDC Board on a new URA within the study area. The group will recommend 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, as well as future phases in the creation of an Urban Renewal Area Plan.

What is TIF and Urban Renewal?

Urban renewal is a state-sanctioned bond financing program to help communities partner with the private sector to implement adopted revitalization plans. An area of land within the city can be designated as a URA. Property tax collections within the URA are divided between the taxing jurisdictions and the Portland Development Commission (PDC), Portland’s urban renewal agency. The process of directing tax revenue to the PDC to repay public financing used for urban renewal is called Tax Increment Financing (TIF). Urban renewal funding can provide capital improvements that remain attractive to new businesses, increase jobs, and serve residents. It can be used for public infrastructure, affordable housing, and private development projects that provide public benefits. Urban renewal projects must be consistent with an approved Urban Renewal Plan.

- Over the past seven years, the assessed value of real property per acre in urban renewal areas increased by 50 percent, while the rest of the city’s acreage increased only 35 percent.

- PDC has invested almost $250 million in public infrastructure over the past seven years.

- Over the past seven years, PDC has provided business financing assistance to more than 260 businesses in Portland. Viewed by job creation and retention, this represents assistance to about 10,500 current and future jobs.

- Overall, PDC leverages about $8 for every $1 it contributes through its loan and grant programs.

- PDC has contributed to more than 30 percent of the LEED certified buildings in Portland.

- Over the past seven years, PDC has spent $553 million on construction spending – with 27 percent of this funding directed to Women, Minority and Emerging Small Businesses.

Example: Museum Place; PDC purchased site in 1999

<table>
<thead>
<tr>
<th>Year</th>
<th>1999</th>
<th>2008</th>
<th>% change</th>
</tr>
</thead>
<tbody>
<tr>
<td>Appraised Value</td>
<td>$367,090</td>
<td>$2,088,310</td>
<td>469%</td>
</tr>
<tr>
<td>Real Market Value</td>
<td>$637,800</td>
<td>$3,482,950</td>
<td>4307%</td>
</tr>
<tr>
<td>Taxes</td>
<td>$7,467</td>
<td>$44,239</td>
<td>492%</td>
</tr>
</tbody>
</table>

For more information go to the PDC website, www.pdc.us/four/ccstudy. Also contact Bob Alexander at 503.823.3248, AlexanderR@pdc.us; or Peter Englander at 503.823.3347, EnglanderP@pdc.us.
SUMMARY: ECONorthwest used boundaries suggested by Portland Bureau of Planning and Sustainability and the Portland Development Commission (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 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. 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 2008 Amended River District URA 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.

Study Area Totals and Fast Facts

- Sample public projects: Stronger connections over I-405 to reconnect neighborhoods; streetcar system improvements; public private partnerships to provide improved parking availability; affordable housing contributions; etc.
- Sample public-private partnerships: Mixed-use transit oriented development, commercial development to support business expansion and job creation.
- Total acres in study area: About 897 acres (about 603 net new acres, not already in another URA)
- Total assessed value in study area: $3.1 billion in 2009
- Estimated square footage of new development per year: 730,000 (low) to 1,185,000 (high) square feet on average between 2009 and 2028.

*This figure includes $1.6 billion in real, personal, and utility property already within existing URAs.

1. Redevelopment Sites: Sites that have a preliminary or known development program.
2. Potential Redevelopment Sites: Sites that have been identified as likely to redevelop in the next 20 years, based on value, utilization of maximum height/FAR, and interviews with local developers/property owners.
3. Sites Not Anticipated to Redevelop: Sites that are located within the study area, but that do not meet the requirements in 1 or 2. These sites are not color-coded on the map.
4. Tax Increment Node: Areas with the greatest potential to generate tax increment.