



The League of Women Voters of Portland

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MEMORANDUM

DATE: April 30, 2012

TO: Mayor Sam Adams
Commissioner Nick Fish
Commissioner Amanda Fritz
Commissioner Randy Leonard
Commissioner Dan Saltzman

FROM: League of Women Voters of Portland

CC: Keith Witcosky, Portland Development Commission

PROPOSED EDUCATION URBAN RENEWAL AREA

Introduction

These are challenging economic times. Teacher layoffs, school closures, cuts to public safety, parks and infrastructure maintenance are in the news on a regular basis. When considering using urban renewal as a financing tool, it is important to:

- Appreciate the impact urban renewal has on basic city, county and school services; and
- Evaluate whether the proposed urban renewal projects truly are a higher priority than the city, county and school services that will be adversely affected by the diversion of property tax dollars over the life of the district.

Statewide approximately \$180 million in property taxes were diverted from city, county and school services in 2011 alone. Instead of being spent on city, county and school services, those taxes were spent on urban renewal projects at the expense of:

Portland City Services: \$34.4 million

Multnomah County Services: \$24 million

Schools: \$70 million statewide (Portland Public Schools - \$28.9 million)

Due to its impact on basic services and its perceived misuse, there has been a recent groundswell of concern and opposition to urban renewal:

- The Portland City Auditor cautioned the city that increasing urban renewal liabilities and debt levels are weakening the ability to provide basic services.
- Extension and expansion of the River District Urban Renewal Area was challenged at the Land Use Board of Appeals and delayed the return of over \$1 billion in new assessed value to the normal taxing jurisdictions.
- Clackamas County voters passed an initiative requiring voter approval of future urban renewal districts.
- The large lobster shaped urban renewal district proposed in the downtown area was challenged and withdrawn.
- Tualatin defeated expansion of an existing urban renewal area.
- States from California to Vermont are significantly modifying or eliminating the use of urban renewal.
- ORS 457 was amended recently to require among other things
 - Successful districts to share revenue earlier;
 - Taxing jurisdictions that account for 75 percent of taxes diverted to an urban renewal district approve increased debt and other substantial amendments.

In light of the impact creation of the proposed urban renewal district will have on the other taxing bodies in Multnomah County and increasing public concern about its use, we ask City Council to carefully consider whether urban renewal is the appropriate financing tool for the proposed projects. Council also should ask whether the proposed urban renewal projects are a higher priority than the city, county and school services that the property taxes otherwise would have funded.

Where is the blight as defined by ORS 457?

The Urban Renewal Law (ORS 457) provides a mechanism for local governments to address areas within their boundaries that are in serious decline. Under ORS 457, each proposed urban renewal area must meet a “blight test” to determine whether the area in question merits the “excessive and disproportionate expenditures of public funds.” It is this blight and the “growing or total lack” of economic prosperity that justifies taking tax dollars from other taxing districts and their programs and dedicating such funds to an urban renewal area.

Urban renewal is not intended to be used to improve areas that are attracting substantial private investment, whose property values are increasing and simply need thoughtful public investment to achieve desired ends. It is difficult to understand how an area with a relatively new light rail line and an extension in the works, the street car, picturesque Park Blocks, and buildings under construction or recently completed could be considered blighted. The purported blighting conditions described in the urban renewal report do not

exhibit a “growing or total lack” of economic prosperity that warrants an urban renewal designation.

Recycling urban renewal areas

At the time an urban renewal district is created, affected taxing jurisdictions and the communities they serve are told that, although property taxes will be diverted to expenditures in the urban renewal area over its life, in the end they will reap the rewards of tax increment financing through substantially increased property values and tax revenues. About half the acres included within the boundaries of the proposed urban renewal area come from two other urban renewal areas, South Park Blocks and the South Auditorium District. South Park Blocks has outstanding debt so the taxing jurisdictions have yet to realize the full benefit. South Auditorium, which was established in 1958 and retired its debt in 1988, should be providing a consistent and growing source of revenue at this time.

Council should question why it is necessary to include areas that already have benefited from urban renewal investments into a new urban renewal area. It appears that the properties that previously benefited from urban renewal are being tapped to pay for public improvements on public property.

More specifics required by ORS 457

PSU projects: ORS 457 requires that urban renewal plans include a “description of each urban renewal project to be undertaken,” “the estimated total cost of each project and the sources of moneys to pay such costs” and the “anticipated completion date for each project.” The draft plan lacks these elements. At the PDC- and PSU-sponsored open house, a spreadsheet with more detail was distributed. The draft Plan must be revised to include the specific projects, their costs and timing.

The public also needs more concrete information on the track record for research and technology commercialization, entrepreneurship and cluster development efforts and what realistic return on investment we can expect. Moreover, if you remove the urban renewal resources devoted to Lincoln High School, the county health building, affordable housing and overhead costs and arrive at the core purpose of this proposal, assistance for PSU, the rationale for using urban renewal financing is vague, does not generate TIF or eliminate blight.

Lincoln High School: According to the Plan, \$10 million will be spent on Lincoln High School redevelopment. There is no explanation of what is envisioned for the redeveloped site. We understand there are proposals for reconfiguring the school facilities to allow for possible condominium and commercial development. As noted above, ORS 457 requires that the Plan include descriptions of the projects, timing, costs and source of moneys.

Council should insist that Portland Public Schools provides that information for inclusion in the Plan before adoption.

Assuming condominium development is part of the Lincoln High School plan, we urge City Council to consider whether subsidizing market rate housing is appropriate at this time given the state of the real estate market. Furthermore, an analysis should be done evaluating what effect eliminating the \$10 million dedicated to Lincoln High School (and the \$19 million for the county building) would have on the district's debt retirement date and overall impact on the taxing jurisdictions. Reducing the maximum indebtedness and retiring the debt at an earlier date may better serve the schools and county in the long run.

Affordable housing set aside: Should the Plan be adopted, the League strongly supports the 30 percent set aside for affordable housing and the current guidelines that call for set aside money to be spent on rental housing affordable to households earning 0 – 60 percent of median family income and homeownership units affordable to households earning 0 – 100 percent of median family income. The Portland Housing Bureau under Commissioner Fish's leadership has placed a priority on development of units for those at the lowest end of the income spectrum where there is the greatest need, a strategy the League supports wholeheartedly.

If adopted, this Plan will not be complete until 2044; over the life of the district different elected officials and bureau staff will be implementing the projects and expenditures outlined in it. Currently the Plan includes no specifics on affordable housing expenditures. The League urges that the Plan adoption be delayed so that income guidelines governing the expenditure of set aside dollars, unit production projections and affordability be included in the Plan. This will give the public some assurance that the Plan will be executed as envisioned in the decades to come. If Council is unwilling to delay the approval process, we recommend that it direct the Housing Bureau to use the amendment process outlined in the Plan and return to the Portland Development Commission Board in the near future with the specific information needed to comply with ORS 457.

Conclusion

Much of the civic debate from the Occupy Wall Street movement to the urban renewal arena is about how resources should be allocated among us and who should be making those decisions. The League understands the benefits of a successful public university in Downtown Portland, but thinks urban renewal is the wrong financing tool and that the proposal does not meet the prerequisites or plan requirements of ORS 457. Even if the plan met the requirements of ORS 457, the proposed projects, while laudable, do not warrant diverting money in this economy from city, county and school services. In light of growing public concern, it is imperative that Council use urban renewal appropriately. To do otherwise will place at risk this powerful financing tool.