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Opportunity Gateway

Urban Renewal Feasibility Study

October 2000

Prepared for the

Opportunity Gateway Program Advisory Committee

By the Portland Development Commission

Opportunity Gateway

Program Advisory Committee

October 2000

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SECTION 1: INTRODUCTION

Purpose of the Study

The purpose of this study is to inform Opportunity Gateway participants about the feasibility and desirability of making the Gateway Regional Center an urban renewal district. The study was requested in May 2000 by the Opportunity Gateway Program Advisory Committee (PAC), a collaboration of city and community stakeholders charged with advising the city on redevelopment activities in the Regional Center.

The study is intended to help the PAC recommend to the Portland Development Commission (PDC) and City Council an appropriate implementation strategy for the *Opportunity Gateway Concept Plan* (accepted by City Council in February 2000). Because urban renewal has been raised in discussions on Plan implementation, the committee has requested that PDC study and report back on the regulations, alternatives, impacts and prospects for urban renewal in Gateway.

The Portland Development Commission prepared this study. It stops short of making recommendations on urban renewal. That task is left to the PAC. The intent of this study is to educate PAC members as they consider urban renewal on behalf of the constituencies they represent.

Report Organization

1.1 Report Sections.

This report is organized in five sections:

- Introduction
- Land Use Feasibility
- Financial Feasibility
- Analysis
- Summary Findings

The **Land Use Feasibility** section examines the physical, social and economic conditions in the area. The **Financial Feasibility** section considers projected growth for the district and how this growth might finance an urban renewal program. The **Analysis** section draws comparisons between Gateway and urban renewal districts in Portland, and between urban renewal and other methods of plan implementation. The **Summary Findings** section summarizes the findings of the report in terms of statutory, financial and concept plan feasibility.

1.2. Study Area.

This report defines the study area as the Opportunity Gateway boundary, defined generally by NE Weidler Street on the north, approximately 106th Avenue to the east, SE Market Street to the south, and I-205 to the west (see map on the following page). Should urban renewal be pursued in Gateway, the characteristics of this study area will help inform a final decision about an actual urban renewal boundary, which would be defined through a public process.

1.3. Cost of the Study

The PAC requested that PDC include the cost of preparing this study. Those costs are summarized in Table 1.3.

Table 1.3: Study Expenses

PDC/City of Portland Staff Time	$27,692
Economic Consulting	$25,000
Business Survey Consulting	$16,000
Materials and Printing Costs	$3,753
Total	**$72,445**

The study was completed over the six-month period from May-October 2000. The associated costs reflect the breadth of the analysis, which is far more detailed than any prior PDC study of its kind.

ORS 457 Definition of "Blight"

1.4. Overview.

The finding of "blight" is the fundamental feasibility test for new urban renewal districts in Oregon, and forms the basis of Oregon's urban renewal legislation – Oregon Revised Statutes 457 (ORS 457).

The idea behind urban renewal is that it is in the public interest to facilitate the proper development of land. Where conditions prevent such development, or where development is occurring in undesirable ways, the acquisition, conservation, rehabilitation, redevelopment, clearance, replanning and preparation for rebuilding these areas are public uses for which public money may be spent.

Blight refers not only to a physical condition, but to economic circumstances as well. Depressed property values, limited tax revenues, declining population and underutilized property are identified in ORS 457 as indicators of blight, and must be considered also.

While some findings of this study clearly indicate urban renewal "feasibility" or "infeasibility," many simply describe existing or projected conditions in the district. It will be important, therefore, to keep the following definition of " blight" in mind:

> *Blighted areas mean areas that, by reason of deterioration, faulty planning, inadequate or improper facilities, deleterious land use or the existence of unsafe structures, or any combination of these factors, are detrimental to the safety, health or welfare of the community. [ORS457.010(1)]*

1.5. Characteristics of Blight.

As far as the state is concerned, Oregon does contain blighted areas that impair economic values and tax revenues. A blighted area, according to the statute, is characterized by one or more of the following conditions:

?? Buildings that are unfit to occupy due to either defective design, overcrowding, obsolescence, deterioration, or lack of ventilation, sanitation, recreation or open spaces;
?? An economic dislocation, deterioration or disuse of property resulting from faulty planning;
?? Building lots that are irregular of shape or inadequate of size, or negligent of site contours and other surrounding conditions;
?? The existence of inadequate streets and other rights of way, open spaces and utilities;
?? A prevalence of depreciated values, impaired investments and social and economic maladjustment to such an extent that the area's capacity to pay taxes is reduced;
?? A growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare;
?? A loss of population and reduction of proper utilization of the area, resulting in its further deterioration and added costs to the taxpayer for the creation of new public services and facilities elsewhere.

SECTION 2: LAND USE FEASIBILITY

Introduction

Urban renewal plans are established by municipalities in areas where land is determined to be underutilized or improperly utilized. There are several factors to consider before making this determination, such as the physical characteristics of the land as developed and economic conditions such as the total value of property in the district, employment trends and so on.

Current governmental rules and regulations like zoning, approved community plans, and development incentives must also be considered since these all contribute to the potential value and productivity of the land.

Regulatory Conditions

2.1. Overview.

Assessing the "fitness" or "value" of development requires determining not only what has been built in an area, but also what *could be built* under local and state planning rules and regulations. Land uses that are appropriate in one area may be inappropriate in another.

2.2. Zoning and Development Regulations.

In Gateway, land development is mainly directed by Metro's Region 2040 Plan, the City of Portland's Comprehensive Plan (which includes the Outer Southeast Community Plan and the Hazelwood and Mill Park Neighborhood Plans), the Zoning Code (which includes the Gateway Plan District), development incentives like the Transit-Oriented Development (TOD) Tax Abatement program, and in some part by the Opportunity Gateway Concept Plan.

Each of these layers of regulation reinforce the idea that Gateway should become a center for compact and high-density commercial and residential development. The Outer Southeast Community Plan calls for the development of a Regional Center, the Zoning Code makes this kind of development possible, and the Opportunity Gateway Concept Plan describes how the city and community would like that development to occur. The TOD Tax Abatement program helps implement housing development that is consistent with these plans and policies.

Gateway's zoning was established through three processes: Multnomah County's zoning process prior to annexation, station area planning associated with the construction of eastside MAX light rail, and the writing of the *Outer Southeast Community Plan*. Under the last two processes, zoning designations were applied with an eye toward supporting the city and region's policy of focusing growth around transit stations and around regional and town centers. With the exception of Floyd Light Middle School, the district is zoned exclusively for commercial, employment and multifamily residential uses.

Table 2.2: Zoning

Local Zone	Acres	
Commercial Zones (CG, CM, CN2, CO1, CO2, CS,CX)	223.5	45.2%
Multi-Dwelling Zones (IR, R1, R2, R3, RH)	209.9	42.7%
Employment Zones (EG2)	32.1	6.5%
Single Dwelling Zones* (R5)	19.2	4.0%
Open Space (OS)	8.1	1.6%
Total**	**492.8**	**100.0%**

* The Floyd Light Middle School property (19.2 acres) is zoned R5, which is a single-dwelling residential zone.
** Zoning acreage does not include rights-of-way
Source: 2000 RLIS Data, Metro

The study area contains the highest-density zoning designations in the city – CX, EX, and RH.[1] The CX designation is the most urban and intense commercial zone in the city. A broad range of uses is allowed to facilitate Portland's role as a commercial, cultural and governmental center. Development is intended to be very intense with large buildings built close together, covering much of each parcel. Development is intended to be pedestrian-oriented with a strong emphasis on safe and attractive streets. The EX designation allows industrial and commercial uses as well as a mix of residential and commercial uses. The character of development on land zoned EX tends to be more vertical than development on land zoned otherwise.

The RH designation invites high-density, multi-dwelling development. Projects that include up to 125 units per acre are allowed. (The minimum density in Gateway is 29 units per acre). RH housing is characterized by buildings that cover most of the parcel and are of medium-to-high height – low and mid-rise apartments and condominiums are typical. High-rise development is also allowed in this zone.

[1] These refer to comprehensive plan designations, which differ slightly from current zoning designations. The EX area of the Comprehensive Plan is currently zoned EG2 (General Employment – a less dense zone).

The district currently enjoys a strong employment base and growing population, and the zoning will help support the revitalization of the adopted plans for the district. The Outer Southeast Plan Economic Development Policy envisions development of several thousand new jobs and Metro looks to Gateway to absorb some 2,000 new households. Yet while the balance of commercial/employment/residential zoning is generally consistent with policy, the actual zoning map may need to be adjusted in order to achieve the most desirable and cohesive pattern of development.

The zoning in Gateway sufficiently supports the district's adopted plans and policies, but it is not at all consistent with the low-density land use condition than exists today. A question to consider then is whether this situation constitutes a *"growing or total lack of proper utilization of {an} area, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare."* [ORS 457.010 (1)(E)(h)].

A complete zoning table is included in this report as Appendix 1.

Physical Conditions

2.3. Overview.

"Blight," in the most obvious sense, is a physical condition. A deteriorating state of buildings, roads, sewer systems, lighting, parking facilities and other infrastructure can be a significant impediment to maximizing the productivity of an area. More than just a collection of dilapidated buildings, areas that are poorly planned, stagnant, underutilized or inefficiently laid out are also considered "blighted" and are therefore candidates for urban renewal.

2.4. Land Use.

In every instance, ORS 457 speaks to how land is used. The Opportunity Gateway district is 592 acres, of which approximately 99 acres (17 percent) are streets or public rights-of-way. The rest is used primarily for commercial or employment activities (32.9 percent) and multi-family housing (18.5 percent). Approximately 20 percent of the land is used for purposes that are exempt from property taxes (non-profit hospitals, etc.), and 4.4 percent of the land is used for industrial purposes.

Table 2.4.1: Land Use

Land Use Category	Acres	
Commercial/Employment	194.8	32.9%
Tax Exempt*	109.0	18.4%
Multi-Family Residential	108.9	18.4%
Rights-of-Way	99.2	16.8%
Industrial	26.3	4.4%
Vacant	23.0	3.9%
Single Family Residential	22.5	3.8%
Open Space*	8.1	1.4%
Total	**592.0**	**100.0%**

*Open space uses are also tax exempt uses, but are called out separately in this table for illustrative purposes.
Source: 2000 RLIS Data, Metro

Noteworthy from Table 2.4.1 are the relatively small number of industrial uses (less than 5 percent) and high percentage of tax-exempt properties. Section 3.8 more fully describes Gateway's tax exempt land uses.

Based on its current spectrum of uses, Gateway already serves as an activity and transportation center. It exhibits a concentration of employment, institutional, and multifamily uses, and has minimal single family and industrial property which tend to require a lot of land and space per capita. It also has an employment anchor in the Portland Adventist Medical Center, the largest employer in the study area (also the holder of the most multi-family zoning and most tax exempt property). However town and regional centers are also characterized by a proportionate availability of parks and outdoor public space. A deficiency of parks and public space is detrimental to the social and economic well-being of dense population and employment centers.

Lot Partitions. The organization of tax lots also contributes to the functionality and productivity of an area. Consider how the value of the properties A-F differ in the following diagrams:

Because in Diagram 2 lots B-E lack access to the street and to basic services such as water, sewer, etc., their location alone restricts their development potential. These lots have less value in Diagram 2 than the same lots in diagram one; therefore the lots in Diagram 2 generate less property tax, placing additional strain on other properties for the funding of total services. The inefficient land use in Diagram 2 would be considered a symptom of blight.

Gateway's platting is not quite as unsuitable Diagram 2, but it does exhibit areas of irregularity and inefficiency. Although parcel disorganization exists throughout the district, it is most apparent in the "Prunedale" area, generally defined as south of NE Glisan, west of 102nd Avenue, north of SE Stark Street, and east of I-205. The study area map on page 4 of this report illustrates the irregularity of Gateway's tax lots.

In addition to their inefficient layout, the size of the district's parcels, presented in Table 2.4.2, raises several issues.

Table 2.4.2: Parcel Size

Land Use	Average Acreage	Average SF
Tax Exempt	3.86	168,307
Commercial	0.82	35,793
Multi-Family	0.52	22,499
Industrial	0.29	12,733
Vacant	0.25	10,860
Single Family	0.22	9,584

Source: 2000 RLIS Data, Metro

First, the small size of industrial parcels puts the long-term viability of such uses in the district at risk. Expansion onto nearby sites may prove difficult if there are multiple ownerships. Rising land values might make these small-scale businesses increasingly attractive for acquisition and redevelopment. A similar situation could occur for non-conforming single-family residential uses, because their zoning encourages replacement with multi-family development.

Secondly, the average size of Gateway's parcels is relatively small, indicating an extensive fragmentation of property ownership. This may hinder the development potential of these parcels because owners looking to expand their businesses or developers looking for suitably sized redevelopment sites in Gateway must: 1) convince different owners with different motivations to sell their properties at a fair price, and 2) pay additional costs for increased demolition and/or improvement requirements. This condition is frequently addressed through urban renewal programs. The urban renewal agency's strategic acquisition of multiple adjacent sites or buildings is sometimes referred to as "site assembly." It would be an appropriate urban renewal activity in Gateway given the district's existing fragmentation of property ownership.

2.5. Building Conditions.

Most buildings in Gateway were built between 1950 and 1980, with some notable exceptions like the Gateway Shopping Center (built in the 1980s). When the oldest structures in the district are included, the median age for all buildings in the district is 52 years. While the age of the building stock does not necessarily correlate with its overall condition, it does indicate that Gateway has not yet experienced significant reinvestment district-wide.

This study determined the quality of buildings in the area using three measures:

1. Physical inspection, since buildings are easily viewed and often exhibit their general worth.
2. Comparison of real market values as determined by the county tax assessor. This is done with the "Improvement to Land Value Ratio" - a fast and relatively standard way for valuing improvements.
3. Development/Redevelopment Threshold Model, which identifies a dollar amount threshold at or below which a property could be acquired and redeveloped to produce a market-supported product.

Physical Inspection Survey. In the summer of 2000, PDC hired volunteers from three Gateway-area organizations (Gateway Elks, Loaves and Fishes Seniors, and Gateway Area Business Association) to do a "windshield" survey of buildings in the study area. Volunteers were instructed to rate every building according to the following three-grade system:

?? *Condition A*: Buildings that are new or well maintained, needing only cosmetic improvements such as new paint;
?? *Condition B*: Buildings that need improvement over and above "cosmetics" (e.g. sagging porch, broken windows or worn-out roof). These are buildings for which rehabilitation appears economically feasible;
?? *Condition C*: Buildings that are dilapidated and probably beyond improvement or repair. These are buildings for which rehabilitation appears to be economically unfeasible.

To maximize consistency, the volunteers were given small areas, specific instructions and standardized forms to fill out. These are included as Appendix 2 at the end of this report. Table 2.5.1 summarizes the results of the survey.

Table 2.5.1: Building Conditions

Total	A	B	C
692	623	56	13
100%	90%	8%	2%

Source: Building Conditions Survey – Gateway Elks, Gateway Business Association, Gateway Loaves and Fishes

Ten of the 13 Condition C buildings were in the Prunedale area between NE Glisan, SE Stark, I-205 and 102nd.

The results of this survey indicate that Gateway's buildings are in fair to good condition and are generally not a blighting influence on the area. Most of the area's single-family homes are well maintained and its commercial buildings are made of fairly durable materials that weather well. While it is true that one out of every ten buildings is in need of repair, (contributing to a visual type of blight), most of the buildings in Gateway contribute positively to the public health, welfare and safety of the community. Moreover, the lowest quality buildings seem to be clustered in a fairly confined area.

<u>Improvement to Land Ratio.</u> Another test for the building stock is whether it exhibits "*depreciated values, impaired investments, and maladjustments to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered*" [ORS 457.010 (1)(E)(h)]. Such a test cannot be graded by judging building appearance. Instead, the value of the buildings and the property tax revenue generated by that value needs consideration. The Improvement to Land Ratio Analysis is a method for evaluating this dimension. The ratio shows the value of what's on the land to the value of the land itself.

In this methodology, land value in the ratio is expressed as one (1) and the value of the improvement – the buildings or other additions to the land – is expressed as a greater or lesser number, depending on whether that value is more or less than the value of the land. Different land uses yield very different I:L ratios; for instance, large lots that contain industrial uses with outdoor storage, and commercial uses with extensive at-grade parking, yield relatively low I:L ratios. High density residential uses and intensive residential/retail mixed-use development with structured parking yield high I:L ratios. As a rule, the denser the development, the higher the I:L ratio, assuming all other things are equal.

The average I:L ratio in Gateway for the tax year 1999 - 2000 is 2.08:1, which may be acceptable for a light to moderately developed suburban area, but would be inappropriately low for a regional center in close proximity to regional transportation facilities like I-205, I-84 and MAX.

In looking at the district's subareas, the 102nd/Burnside Station subarea has the lowest I:L ratio in the district at 1.76:1. This is most likely attributable to the relatively high number of vacant parcels in the subarea, as well as a high percentage of buildings in "B" and "C" conditions. The same can be said for the Gateway Station subarea, although its ratio of 1.96:1 is also partially attributed to the large amount of land currently used as surface parking.

Table 2.5.2: Subarea I:L Ratios

Subarea	I:L Ratio
Halsey Weidler	2.40:1
Employment (South)	2.24:1
Gateway Average	***2.08:1***
Gateway Station (North)	1.96:1
102nd/Burnside Station (Central)	1.76:1

Source: 2000 RLIS Data, Metro

The relevance of the district's I:L ratio becomes more clear when compared to the I:L ratios of other city of Portland urban renewal districts (done in full in Section 4). One example is illustrative: the properties within the recently formed Interstate Corridor Urban Renewal district had an average I:L ratio of 2.45:1 in the 1998-99 tax year. The Interstate Urban Renewal Report states that "the low ratio of improvements to land values in the area reflects the static or declining improvement value of older properties in the project area."

<u>Development/Redevelopment Threshold Model.</u> The last method used to evaluate Gateway's building conditions established a maximum cost that a willing buyer could afford and still develop a market-supportable product. For this study area, the economic services firm ED Hovee and Company settled on a threshold value of $10.00 per square foot. In other words, if the total market value of a property was found to be this amount or less, the property was designated "redevelopable." Thirty-five percent of the parcels in the district fell into this category (29 percent of its acreage and 8.5 percent of its total market value).

Why $10.00 per square foot, and what does this say about the overall condition of property in Gateway? The $10.00 figure is based strictly on the market conditions for the district. In calculating development costs, it was found that typical new commercial or multi-family development would be cost-effective/profitable only on sites that cost $10.00 per square foot or less to purchase. At 29 percent of district's total acreage, these properties are significant to Gateway's overall built environment, and their redevelopment would unquestionably impact the area's look and functionality over time. Although market conditions may change and not all of these properties will be redeveloped, this threshold provides a sense of how many of Gateway's buildings are candidates for removal or renovation.

2.6. Public Infrastructure.

Public infrastructure is an area of particular concern in discussions of urban renewal, because blight is often attributable to the inadequacy of various public systems. The following section summarizes Gateway's existing conditions and where applicable, calls out planned improvements and areas of special concern.

<u>Streets, Curbs, and Sidewalks.</u> The Gateway area contains three types of streets designated in the *City of Portland Comprehensive Plan*: major city traffic streets, neighborhood collector streets and local service streets. The district is immediately adjacent to I-205 and I-84 – a proximity that results in high volume usage of Halsey, Glisan, and Stark (the east-west major city traffic streets). While there is an established network of local service streets in the study area, there is also congestion caused by regional through-traffic and a lack of connectivity in the local street network.

Although the majority of the area's roadways are in satisfactory physical condition, Portland Office of Transportation (PDOT) analysis shows that they fail to meet the intersection spacing requirements of Metro's Functional Plan. Approximately 30 percent of the area's blocks are longer than the Metro designated maximum of 530 feet. Many of the parcels contained in these blocks are greater than one acre in size, providing opportunities for connecting streets when redevelopment occurs. Additionally, there are several unimproved roads located within the D1 boundary, most of which lie west of 99th between SE Stark and NE Glisan. These roads lack any right-of-way improvements, including paving, curbs, and sidewalks. They are:

?? SE Ash and SE Pine between 97th and 99th;
?? NE Davis and NE Couch between 97th and I-205;
?? SE 102nd between SE Morrison and SE Yamhill; and
?? SE Yamhill between SE 102nd and SE Cherry Blossom.

Approximately 80 percent of the streets in the Gateway area have complete sidewalks and curbs that are generally compliant with Americans with Disabilities and applicable citywide standards. While missing sidewalk segements are generally scattered throughout the district, they are most notably absent in the southern portion of the Prunedale area. In this area, nearly the entire length (0.5 miles) of 97th Avenue is without sidewalks. In addition, most of the north-south avenues that intersect Halsey-Weidler are deficient.

Levels of Service. "Level of Service" is a qualitative measurement of roadway or intersection operation based on average-vehicle-delay or volume-to-capacity ratio measurements during peak travel times. Level of service (LOS) is presented in a letter grade scale from LOS A (free-flow conditions) to LOS F (congestion, excessive delay and vehicle queuing). Based on average daily volumes, most of the roadway segments in the Gateway area operate at level of service D or better which meets acceptable regional standards. Roadway segments nearing or exceeding planned capacity in the district are shown in table 2.6.1:

Table 2.6.1: Roadway Segment Levels of Service

Roadway Segment	LOS
NE Halsey west of NE 114th	E
NE Glisan west of NE 99th	F
SE Stark west of SE 113th	E

Source: Fehr & Peers Associates, Inc.

Ten of thirteen study intersections in the Gateway area operate at LOS D or better in both the AM and PM peak commuting hours. Three intersections, represented in the following table, operate at LOS F during the PM peak hour of the day.

Table 2.6.2: Intersection Levels of Service

Intersection	LOS
NE Glisan/NE 102nd	F
NE Glisan/I-205 SB Ramps*	F
SE Washington/I-205 SB Ramps*	F

*Under the jurisdiction of the Oregon Department of Transportation
Source: Fehr & Peers Associates, Inc.

These segments and intersections will require close examination and possible operational or capacity improvements as redevelopment occurs in and around Gateway.

Parking. In 1998, the transportation consultant working on the *Opportunity Gateway Concept Plan* identified four subareas in the district and prepared a report on Gateway's parking inventory based on these subareas. The four subareas, Halsey-Weidler, North, Central, and South include a total of 12,602 on and off-street parking spaces. PDOT reports that three of the four subareas show peak hour occupancy rates of 74 percent or below, which is well within the accepted standards for the provision of parking in urban areas. The Central subarea, containing the blocks south of Glisan and north of Stark, experienced the greatest demand for parking. During the subarea's peak hour of 11 a.m., there was a demand for 2,662 parking spaces from the area's existing supply of

2,517, resulting in a occupancy rate of 100 percent. Table 2.6.3 presents the peak hours and occupancy rates for all four subareas.

Table 2.6.3: On and Off-Street Parking Supply and Demand

Subarea	Peak Hour	Peak Hour Demand	Existing Supply*	Peak Occupancy Rate
Central	11:00 AM	2,662 spaces	2,571 spaces	100%
Halsey-Weidler	8:00 PM	940 spaces	1,272 spaces	74%
North	2:00 PM	1,784 spaces	4,441 spaces	40%
South	11:00 AM	1,554 spaces	4,402 spaces	35%

*Includes both public and private parking spaces
Source: Fehr & Peers Associates, Inc.

The North subarea, containing the blocks south of Halsey-Weidler and north of Glisan, contains the Gateway Transit Center Park and Ride lot and the Gateway Shopping Center lots. The Park and Ride is known to overflow with light rail and bus commuters on a daily basis, but the peak hour occupancy rate for the subarea remains low because of the large supply of unoccupied spaces in the Gateway Shopping Center lots.

<u>Public Transportation.</u> The district is well served by public transportation. In addition to the MAX light rail line, Tri-Met operates 13 bus lines within or adjacent to the area. The Gateway Transit Center is a transfer point for 12 of those lines, as well MAX and one C-Tran bus line. The north-south corridors of 99th, 102nd and the east-west Main Street corridor are completely within a ¼ mile a bus line that runs every 10 minutes during peak hours. The Halsey-Weidler, Stark-Washington and Market street corridors are within a ¼ mile of 20-minute bus service. Only the Cherry Blossom corridor (including Mall 205) and the Glisan corridor lack 10 or 20 minute transit service, although Glisan does have hourly service.

<u>Sewers.</u> Most of the existing sanitary sewer system was constructed and upgraded in the 1990s as a Local Improvement District in association with the Mid-County Sewer Project. The Bureau of Environmental Services (BES) reports that the system has an anticipated lifespan of 50 to 100 years and should be adequate to accommodate anticipated development. The district was found to have notable deficiencies in its storm sewer system, however, which are discussed in the Flooding/Drainage section (2.7).

<u>Water.</u> Public water is currently supplied via a network of six-inch (or greater) lines throughout the Gateway area, with a major 12-inch line beneath 102nd

Avenue. The lines were installed prior to World War Two and are constructed of both cast iron and galvanized steel. The Water Bureau believes this system should be adequate to provide the necessary domestic and fire protection usage for anticipated development. Individual buildings/developments however, may need to upgrade the lines serving their specific parcel in order to meet fireflow requirements.

<u>Parks and Community Facilities.</u> The district is home to approximately 5.5 acres of neighborhood parks and urban plaza open spaces (Floyd Light Park and Park 51 at the east end of the Stark-Washington couplet are the two parks located within the district). Additionally, the area is in close proximity to several community parks of nine acres or more, and an additional 20 acres of neighborhood parks. According to a 1999 Open Space Analysis conducted by Kurahashi & Associates Inc., Gateway currently needs a minimum of 17.5 acres of parkland for existing residents and workers if it is to meet current Portland-based open space-to-resident ratios (approximately 18.72 acres/1000 residents). This figure was obtained by comparing existing conditions in the Gateway district with citywide averages and open space studies in other city growth centers. To meet the demands created by population increases projected over the next 20 years, the district is reported to need an additional 11 acres, for a total of 29 acres.

The district is also home to the East Portland Community Center, one of 14 community centers within the City of Portland and the only community center east of I-205. One school under the jurisdiction of the David Douglas School District is located in the Gateway Area: Floyd Light Middle School.

<u>Electronics and Communication</u>. Several inquiries were made to assess the suitability of the Gateway area telecommunications infrastructure. Information was solicited from the city's corporate GIS office, the city's office of cable communications, US West/Qwest and a private sector consultant. Additional research is in order, but based on preliminary conversations, Gateway is reported to enjoy telecommunications infrastructure on par with any other location in the city.

Telecommunications provider Qwest reports that the district is one of the best-equipped areas in the region to support future telecommunications services and growth. The Qwest facility on NE 102nd avenue houses Lucent Technologies' most technologically advanced switch.

The study area is also reported to have fiber-optic lines and a surplus of spare conduit that will serve future fiber-optic demand in the area, according to a telecommunications consultant to the City of Portland. Because of this infrastructure, future business and residential customers in the study area should enjoy access to high-speed Internet service, provided developers design new projects to take advantage of this resource.

2.7. Environmental.

Primarily because of its location and historical uses, the district is faced with few of the environmental concerns that confront other redevelopment areas in the city like habitat protection and restoration and widespread soil and groundwater degradation. Nevertheless, there are two areas of environmental concern for the district: its stormwater drainage and treatment infrastructure and the possible presence of contaminated land.

Flooding/Drainage. Stormwater drains are present at each intersection. But some include sumps that do not meet the current city operating standards. Current standards require one sump for each acre of impervious surface in the public right-of-way. The district currently has 100 acres of impervious surface in use as public right of way and only 80 sumps. Furthermore, these sumps are outdated and inefficient at removing floating pollutants and settleable solids. As a result, areas with these sumps (as well as some of those without) often experience flooding during periods of heavy or prolonged precipitation. Stormwater drainage in the Prunedale area is especially poor (south of Glisan Street, north of Stark Street, west of 102nd Avenue and east of I-205). Several segments of 97th, 99th and 102nd avenues are completely lacking sumps, which often results in flooding at their intersections with Glisan, Burnside and Stark/Washington Streets. Any significant increase in impervious surfaces in the Gateway area would need to be accompanied by an immediate upgrade of the adjacent stormwater drainage system to reduce the possibility of flooding.

The study area is not likely to be impacted by a major flood. According to 2000 Metro RLIS data, no portion of the Gateway area exists within the 100-year floodplain. But the presence of an inefficient sump system, coupled with the likelihood of intensified development in the district, will ultimately require a district-wide update of the stormwater drainage and treatment infrastructure.

Brownfields. Brownfields are sites with known or suspected soil or groundwater contamination. They are typically the result of prolonged exposure to toxic materials or equipment associated with industrial and commercial land uses. Patterns of land use in the Gateway area have historically centered on agricultural and other relatively low-density uses, although the Prunedale area has housed light industrial uses, automotive service businesses and the outdoor storage of automotive machinery. In addition, underground oil tanks used to heat residential and commercial structures may have contaminated some sites.

Bureau of Environmental Services (BES) records confirm that sites with known or suspected contamination are of minimal concern in the Gateway area. However, the city continues to identify brownfield sites as part of an ongoing effort, and it is possible that contamination associated with the above uses may be present in the study area.

Social and Economic Conditions

2.8. Overview.

A district is in great part defined by the ease and comfort with which people live, spend time, or do business there. The health of an area can be partially assessed by evaluating its "social and economic infrastructure" – the network of relationships between residents, consumers, businesspeople, service providers, visitors, commuters, workers and everyone else who uses the place on a daily basis. Is the environment safe? Is the population stable or growing? Are goods and services easy to come by? Do people hope to stay in their homes or places of business? Is it a healthy place to raise a family? Retire? Expand a business?

The following section considers Gateways' demographics, employment environment, the local business profile and police and fire activity as a way to better understand its social and economic conditions.

2.9. Demographics and Economics.

During the 1980s, a decade of little or no economic expansion for the entire state of Oregon, the Gateway area (defined as larger than the Regional Center) experienced a population decline. This trend was reversed in the 1990s, with significant new housing construction and the in-migration of large families to the area. Today, households in the Gateway area tend to be larger than the City of Portland average, with "twentysomething" (20-34) and senior (65 and older) populations represented in proportions greater than the citywide average. The area has an average density of 6.4 persons/acre (Metro's target for regional centers is 60 persons/acre). The study area had 1,570 households as of 1994, accounting for only .03 percent of the 1.6 million residents in the Portland metropolitan area.

These residents are less likely to use public transit and carpool than the average resident in the Portland metro area, but are more likely to take transit to work than are others in east Multnomah County. The median household income in 1996 was just under $32,000, $1,200 less than the citywide median of $33,200. The median sales price of homes in the study area was just under $99,000, 43 percent below a regionwide median of $174,900. According to representatives from the David Douglas School District, the area's affordable housing partially explains its population gains of recent years.

E.D. Hovee and Company estimates continued Gateway-area population growth, an increase in population diversity and a smaller average household size, especially in the regional center. Demand for housing in the regional center will likely come from the maturing local senior market currently housed in single-family Gateway-area neighborhoods. Employees working along the northern portion of the airport light rail line may also create new demand for regional center housing.

Yet E.D. Hovee and Company projects that even with this expected growth, Gateway's commercial base will continue to rely on the larger mid/east county trade area. The expected population increase by itself, given area income levels, will not be enough to achieve Metro's target densities or support even the existing commercial base. Commercial and office expansion prospects will be somewhat constrained with the likely emergence of the airport-based CascadeStation development as a commercial/office location of choice for the next several years. CascadeStation and airport-based job growth is expected to stimulate housing development in Gateway, but even that market sector will be limited by a scarcity of land and infeasible costs for high-density projects. As a result, the residential spin-off from airport-area job creation will likely disperse along the I-205 and I-84 corridors, according to E.D. Hovee.

E.D. Hovee and Company makes note that expected trends and forecast expectations are subject to public policy decisions related to the implementation of the *Opportunity Gateway Concept Plan.* In other words, public efforts to support high-density housing and commercial redevelopment could actually *change the market*, creating some retail and service activities that would not be expected in a less dense or populated environment. Implementing existing policies and plans could position the district to capitalize on a second wave of large-scale hotel and office development after CascadeStation is built out. These activities could in turn drive additional housing development.

This scenario suggests that Gateway needs the injection of public capital to improve its development prospects. These "improved prospects" could be defined in an urban renewal plan, but might include more housing options for existing populations, a more diverse population base, a higher quality of building construction, transportation and park improvements, more commercial and educational opportunities for consumers and business people, and so on. Gateway's two futures – with and without urban renewal are discussed in more detail in Section 4.

2.10. Business Community Profile.

Information about the business community in the Greater Gateway area was gathered from three sources:

1. Market data obtained by a private marketing source.
2. Gateway Jobs Report completed by consultant E.D. Hovee & Company.
3. Phone survey of all businesses in the study area conducted by Portland State University on behalf of PDC.

The first two sources provide general information about the business climate and community in Gateway. The survey of existing businesses provides more detailed qualitative information. The complete set of survey questions can be found at the end of this report as Appendix 3.

Survey. Of the 575 businesses identified in the study boundary, 52 percent completed phone surveys. The remaining 48 percent were not surveyed for various reasons: 24 percent refused to answer the questions, 15 percent were wrong telephone numbers, eight percent were due to miscellaneous reasons (e.g. business no longer in existence), and one percent because of a language barrier. A high percentage of businesses that refused to be surveyed cited "lack of time" as the reason.

Business Characteristics. Gateway is characterized by small businesses. The number of full-time employees at Gateway businesses range from 0 to 853. As indicated in Table 2.10.1, roughly half the district's businesses have fewer than five employees. Nearly 90 percent of the businesses have fewer than 20 full-time employees. The median number of full-time employees is four.

Table 2.10.1: Number of Employees

Number of Employees	% of Total
1 to 2	34%
3 to 4	26%
5 to 9	14%
10 to 19	12%
20 to 49	9%
50 to 99	5%
100-249+	1%

Source: PSU Phone Survey

Independent businesses and branches constitute the majority of the businesses in the study area. A small number of businesses are headquartered in Gateway or are franchises. The percentages of business by type are shown in Table 2.10.2.

Table 2.10.2: Type of Businesses

Business	% of Total
Single Location	60%
Branch	31%
Headquarters	6%
Franchise	3%

Source: Inside Prospects Northwest 2000

The Gateway business community contains a wide variety of businesses; the survey identified businesses classified in 50 Standard Industry Code (SIC) categories. Sixteen of those categories contain 10 or more establishments. As indicated in Table 2.10.3 below, the most prominent business category in Gateway is Health Services. Eating and Drinking Establishments, Personal Services, and Real Estate Businesses round out the top five. Table 2.12.3, shows all business categories with 10 or more establishments in the study boundary, from greatest to smallest.

Table 2.10.3: Business Categories with 10 or more Establishments

SIC	Percentage of Subset*
Health Services	25%
Miscellaneous Retail	13%
Eating and Drinking Places	9%
Personal Services	7%
Real Estate	7%
Business Services	5%
Wholesale Trade - Durable Goods	5%
Insurance Agents, Brokers, and Service	5%
Non-Depository Institutions	4%
Automotive Dealers and Service	4%
Membership Organizations	4%
Apparel and Accessory Stores	3%
Furniture and Home Furnishings	3%
Auto Repair, Services, and Garage	3%
Depository Institutions	3%
Special Trade Contractor	2%

Source: Inside Prospects Northwest 2000
* Doesn’t add to 100% due to rounding.

The Gateway area jobs study undertaken by E.D. Hovee reveals that there is a greater diversity of job categories in the portion of the study area north of Burnside. Employment south of Burnside is concentrated in just a handful of job sectors, primarily in health services, eating and drinking establishments and miscellaneous retail. Light industrial uses, though few in number, were found both north and south of Burnside.

Tenure in Gateway. Of those businesses surveyed, 31 percent own their building/facility and 69 percent rent. Most businesses in Gateway have been at their location for a considerable time; 63 percent have been in the Gateway area for 10 years or more; one business answered that it had been at its present location for 70 years. The number of businesses by tenure is displayed in Tables 2.10.4 and 2.10.5.

Table 2.10.4: Median Years by Location

Location	Median Years
Gateway Area	10
Present Location	8.5

Source: PSU Phone survey

Table 2.10.5: Total Number Years by Location

Location	0-5	6-10	11-15	16-20	20+
Gateway Area	37%	15%	12%	12%	24%
Present Location	36%	22%	12%	11%	19%

Source: PSU Phone survey

Employee Profile. Gateway businesses draw most of their employees from the East Portland and East Multnomah area. This indicates a good jobs/housing balance; households in Mid-and East-County are able to find jobs relatively close to home.

Table 2.10.6: Where Employees Reside

Location	Percentage
Eastside Portland	63%
East Multnomah County	12%
Clackamas County	9%
Clark County	7%
Westside Portland	5%
Washington County	5%
Other	4%

Source: PSU Phone survey

Despite Gateway's transit service and the fact that employees are commuting from relatively short distances, 84 percent of employees drive alone to work. Ten percent take public transportation, walk, or bike.

Table 2.10.7: How Employees Commute to Work

Primary Mode	Percentage
Automobile	84%
Mass transit	6%
Walk, bike	4%

Don't know	4%
Carpool	2%

Source: PSU Phone survey

Gateway as a Business Location. In general, the business community was neutral to positive about the economic outlook for Gateway as a business area over the next ten years; 65 percent considered the area "Good" or "Very Good." Businesses were more positive about their own specific business location than about Gateway as a business district.

Table 2.10.8: Outlook for Gateway; Individual Business

Outlook	Location Desirability	
	Gateway District	Individual Business
Very good/Strong	28%	47%
Good/Somewhat strong	37%	30%
Neutral/Adequate	28%	19%
Poor/Somewhat Weak	5%	3%
Very Poor/Weak	2%	1%

Source: PSU Phone survey

When asked why they perceived the Gateway location to be advantageous, the most often cited answers include convenience to employees and reasonable rent/lease/purchase prices.

Table 2.10.9: Advantages of Gateway Business Location

Advantages	Percentage of Responses
None	40%
Convenience to employees	36%
Reasonably priced rent/lease/purchase price	10%
Other	7%
Convenience to suppliers/service providers	3%
Convenience to customers	2%
Adequate Workforce	2%
Long history in the area	0%

Source: PDC phone survey

Other advantages mentioned were traffic/high visibility, proximity to MAX, freeway access, proximity to airport and the presence of Opportunity Gateway.

When businesses were asked to cite the disadvantages of their present location, 70 percent could not specify. For those that could, the most common answer was

"Inconvenience for suppliers/service providers." Table 2.10.10 lists all responses by percentage.

Table 2.10.10: Disadvantages of Gateway Business Location*

Disadvantages	Percentage of Responses
None/Don't know	70%
Inconvenient for suppliers/service providers	21%
Traffic Congestion	3%
Inadequate workforce	3%
Inconvenient for customers	1%
Inconvenient for employees	0%

Source: PSU phone survey
*Doesn't equal 100% due to rounding.

Of those who identified other disadvantages, crime was cited most often. Other disadvantages mentioned included lack of parking, high rent, high taxes, lower income residents, too much competition (for particular businesses), and one-way streets.

Twenty percent of the businesses indicated they are planning an expansion in the near future. Of these, 37 businesses (86 percent) indicated that the expansion would likely increase employment, and 24 (69 percent) indicated they could expand at their current location. The types of businesses that are expecting to expand in Gateway is provided in Table 2.10.11.

Table 2.10.11: Businesses Planning Employment Expansion, by Category

SIC	Number of Businesses
Business Services	5
Insurance Agents, Brokers, and Service	5
Health Services	4
Miscellaneous Retail	4
Eating and Drinking Places	3
Special Trade Contractor	2
Manufacturing	1
Real Estate	1
Wholesale Trade - Durable Goods	1
Depository Institutions	1

Source: PSU Phone Survey

"Government Restrictions" was the most frequently named barrier to expansion. Table 2.10.12 indicates the full list of perceived barriers to expansion, and the percentage of respondents who identified the barrier as somewhat or extremely significant.

Table 2.10.12: Significant Barriers to Expansion

Barrier	Percentage of Responses as Somewhat or Extremely Significant*
Government Restrictions	40%
Lack of Workers	28%
Lack of Capital/Financing	25%
Lack of Adequate On-Site Parking	25%
Lack of Space for Operations	20%
Other	15%
Transportation Congestion	8%

Source: PSU phone survey
* Doesn't equal 100% because respondents were not limited to one answer.

Awareness of Opportunity Gateway. Of those surveyed, 38 percent expressed familiarity with Opportunity Gateway. Table 2.10.13 below illustrates how these businesses became aware of Opportunity Gateway.

Table 2.10.13: Awareness of Opportunity Gateway

Primary Method of Information	Percentage of Respondents
Don't Know	62%
Mail	18%
Attended Meeting	6%
Media	5%
Other	5%
Word of Mouth	4%

Source: PDC phone survey

Attitudes toward Urban Renewal. Seventy-four percent of businesses surveyed said they were familiar with urban renewal as a tool for helping strengthen neighborhoods and business districts. Sixty-two percent of those who had identified barriers to expansion said they would support urban renewal if its programs could reduce or eliminate these barriers.

Table 2.10.14: Familiarity with Urban Renewal

Are You Familiar with Urban Renewal as a Tool for Helping…Business Districts?	Percentage of Respondents
Yes	74%
No	22%
Don't Know	4%

Source: PDC phone survey

Table 2.10.15: Support Urban Renewal if Addressed Barriers

Would You Support Urban Renewal if its Programs Could Reduce…Barriers?	Percentage of Respondents
Yes	62%
No	19%
Don't Know	19%

Source: PDC phone survey

Businesses were asked whether they had any comments about urban renewal. Seventy-seven percent did not. Of those that did, comments ranged from enthusiastic support to outright disdain. Generally, positive comments outweighed negative comments two-to-one. Comments included concerns about perceived cost increases, gentrification, interest in getting something in return for city taxes, suspicion about the benefits to large corporations and dissatisfaction with density, traffic and zoning regulations. The complete list of comments about urban renewal is included at the end of Appendix 3.

2.11. Jobs and Job Prospects.

The study area had an employment count in 1994 of approximately 12,450 jobs.[2] Metro forecasts an additional 1,330 jobs by 2017 in the study boundary; Based on a more focused study, however, E.D. Hovee and Company projects the creation of 2,800 jobs in Gateway over the next 20 years. In the short term, growth in retail and office employment in Mid-Multnomah County is expected to be absorbed by the CascadeStation development, located near the Portland International Airport, the anticipated home to between 6,000-10,000 jobs in the next decade.

Existing Jobs. As indicated in Table 2.10.3, health-related services, retail, eating and drinking establishments and personal services are the four most common types of businesses in the study area. Employment in the southern half of the boundary is largely concentrated in just a handful of job sectors, primarily health services, eating and drinking establishments and miscellaneous retail, while job sectors in the northern half include a wider variety of services. Business and professional service jobs are underrepresented in the East Portland area and throughout East Multnomah County.

Wages. As illustrated in Table 2.11.1 below, wages in Gateway lag those of Multnomah County. The average wage in Multnomah County for 1999 was approximately $33,040 a year, or about $16.00/hour. According to the phone survey of businesses in the study boundary, the average hourly wage for full-time employees is approximately $25,000 a year, or $13.00/hour. Wages reported ranged from $5.00 to $50.00 an hour.

Table 2.11.1: Annual Wages

Location	Average Annual Wages
Multnomah County Average	$33,040
Gateway Study Boundary Average	$25,000

Source: PSU phone survey, Oregon Employment Department

[2] Based on 1994 Metro estimates for five Transportation Analysis Zone (TAZ) which approximate the study area. TAZs included are 725, 726, 727, 728, and 729.

According to research by ED Hovee and Company, overall wages in the greater Gateway area are 86 percent of the countywide average. The phone survey reveals that wages in the study boundary are 76 percent of the countywide average.

Gateway Jobs Prospects. According to E.D. Hovee and Company, Gateway offers the following strategic advantages, which, when combined with employment trends, could result in job creation and growth:

* Designated by Metro as a regional center for jobs and commerce;
* Major interstate freeway access, both east-west (I-84) and north-south (I-205);
* Light rail access connecting east county, downtown and the airport/Columbia Corridor;
* Access to a labor force that includes most of the Portland metro area on the Willamette River’s east side. Among employed residents who live in the Gateway area, 87 percent worked within 30 minutes of home – slightly above Multnomah County levels;
* Proximity to high-wage industrial and related jobs in the Columbia Corridor just north of Gateway;
* Proximity to office jobs planned for CascadeStation and technical and service jobs at the Portland International Airport;
* Abundance of service sector jobs in the southern part of the district, providing a good commercial support base and skilled labor force.

E.D. Hovee and Company estimates that Gateway can expect to cultivate 2,811 new jobs in the district in the next 20 years. As indicated in Table 2.11.2, the greatest increase in jobs are expected be in the office, showroom sales and services, and light industrial uses that typically utilize office flex construction.

Table 2.11.2: Projected Job Growth in Gateway

Type of Construction	Number of Jobs
Office/Flex	1,000
Office	860
Commercial	678
Civic	180
Lodging	113
Multi-family Residence-related	67
Industrial	(loss) -87
Total Jobs	**2,811**

Source: E.D. Hovee & Company

Gateway's comparative advantages and anticipated population growth will contribute to its projected job growth. However, there are some factors that may challenge business expansion beyond what is projected. Existing wages in Gateway are below the County average. The senior population in Gateway is expected to rise. Both factors can dampen retail growth. Moreover, without an aggressive approach to development or other assistance to Gateway, new retail, office and lodging jobs are likely to locate in the nearby CascadeStation development, at least in the next 10-15 years

2.12. Police Activity.

Below are tables that show the incidences of the eight "Part I" crimes – crimes the federal government requires each locality to track – for three jurisdictions: the City of Portland, the area patrolled by the East Portland Police Precinct, and the study area. The data includes the number of reported crimes in 1996, the number of crimes per 1,000 people, the number of crimes per square mile (both based on 1996 data) and the percentage change in each category of crime from 1996 to 1999.

Table 2.12.1: Crimes in City of Portland

146.6 square miles, 1996 population est.=503,000

Crime	Incidents	Per 1,000 Residents	Per sq. mile	Pct. Change 1996-1999
Murder	46	0.09	0.31	-27.78%
Rape	402	0.80	2.74	-18.24%
Robbery	2,070	4.12	14.12	-44.96%
Aggravated Assault	5,325	10.59	36.32	-18.31%
Burglary	7,214	14.34	49.21	-17.30%
Larceny	28,966	57.59	197.59	-18.67%
Motor Vehicle Theft	6,667	13.25	45.48	-40.68%
Arson	499	0.99	3.40	-6.62%
Totals	**51,189**	**101.77**	**349.17**	**-21.67%**

Source: Portland Police Bureau

Table 2.12.2: Crimes in East Portland

38.1 square miles, 1996 population est.=145,492

Crime	Incidents	Per 1,000 Residents	Per sq. mile	Pct. Change 1996-1999
Murder	6	0.04	0.16	45.45%
Rape	98	0.67	2.57	-10.11%
Robbery	481	3.31	12.62	-58.75%
Aggravated Assault	1,434	9.86	37.64	-9.72%
Burglary	1,682	11.56	44.15	9.47%
Larceny	6,705	46.09	175.98	-5.91%
Motor Vehicle Theft	1,968	13.53	51.65	-25.11%
Arson	100	0.69	2.62	-3.09%
Totals	**12,474**	**85.74**	**327.40**	**-7.82%**

Source: Portland Police Bureau

Table 2.12.3: Crimes in Gateway (Study Area)
0.93 square miles, 1996 population est.=4,092

Crime	Incidents	Per 1,000 Residents	Per sq. mile	Pct. Change 1996-1999
Murder	0	0.00	0.00	100.00%
Rape	5	1.22	5.38	0.00%
Robbery	67	16.37	72.04	-91.43%
Aggravated Assault	72	17.60	77.42	-18.03%
Burglary	83	20.28	89.25	14.43%
Larceny	860	210.17	924.73	3.37%
Motor Vehicle Theft	248	60.61	266.67	-60.00%
Arson	7	1.71	7.53	12.50%
Totals	**1,342**	**327.96**	**1443.01**	**-7.10%**

Source: Portland Police Bureau

Crime rates per capita and per square mile are significantly higher in the study area than in East Portland and the City. Also notable is that while the incidence of burglary and larceny in the City declined by more than 15 percent from 1996 to 1999, reports of both burglary and larceny in Gateway rose during that same time period. The number of robberies and motor vehicle thefts during that time span, however, declined by a higher percentage in Gateway than in the City.

Rosanne Lee, crime prevention coordinator for the East Portland Neighborhood Office, provided a more qualitative analysis of crime in Gateway. Lee says the most frequent types of crimes in the study area boundary are:

?? Car break-ins, especially in and around large surface parking lots at Mall 205, Gateway Transit Center and Adventist Hospital.
?? Property thefts from lawns, sheds, and apartment-complex mailboxes.
?? Drug activity along NE 102nd and along E. Burnside.
?? Fights, drunk-and-disorderly conduct, and drug-related problems resulting in police calls emanating mostly from several poorly maintained apartment complexes along 102nd and other housing near the freeway.

Lee says what undergirds Gateway's crime problems is its jumble of uses – especially west of NE 102nd – which hinders a sense of community and connectivity among residents. Apartment complexes are cut off from other residential areas, and single-family homes are interspersed among light-industrial uses that are incompatible with neighborhood uses and are inactive at night. The low level of on-street activity (e.g. people walking or spending time outside), especially during the evening hours, welcomes criminal activity. The area's poor planning exacerbates criminal and disorderly activity.

Lee reports that crime along the Halsey-Weidler and Stark-Washington commercial couplets are mainly characterized by "crimes of opportunity" such as car break-ins. The types and incidents of crime is comparable to other commercial areas in East Portland such as 122nd and Sandy Boulevard. Crime within the study area boundary is more prevalent than in other areas of Hazelwood.

2.13 Fire and Emergency Services Activity

There is no fire station located within the Gateway Regional Center. Three stations, presented in Table 2.13.1, respond to calls in Gateway.

Table 2.13.1: Fire and Emergency Stations Serving Gateway

Station	Address	Year Built	Units	Square Footage
No. 19	7301 E. Burnside	1953	Engine	5,676
No. 41	1500 SE 122nd	1975	Ladder Truck, Engine, Rescue, HazMat	10,090
No. 43	13313 NE San Rafael	1956	Engine	4,627

Source: Seismic Rehabilitation Plan – Phase III Report, Bureau of Fire, Rescue & Emergency Services, 1998

A "Fire Station Location and Resource Deployment Study" conducted in December 1997 by TriData Corporation concluded that Portland "is well served by its current fire stations and resource deployment." It did not recommend any service changes for the three stations that serve Gateway.

Initial response times – the time it takes for the first unit to respond to a call – is a basic performance indicator for fire departments. Most large cities, according to the TriData Corporation study, aim for an initial response time of between three and five minutes. Judging from available data, initial response times for the three stations that serve Gateway are in line with citywide averages. In FY 94-95, response times for the three stations serving Gateway were between five and six minutes. Response times for the three stations during several stretches during 1996, 1997 and 1998 ranged between four-and-a-half and five minutes. During the same time period, citywide average response time ranged between four and five minutes.

In terms of physical infrastructure, the three Gateway stations were among 22 identified in 1998 as in need of seismic and functionality upgrades. All three were listed as "possibly failing" or "likely failing" seismic requirements in the 1997 TriData study. A separate 1998 engineering survey found structural, mechanical and electrical modifications required at all three stations. Station 41, whose fire management area includes the study area south of Glisan, is currently closed for renovations and expected to be reoccupied in early December. Stations

19 and 43 are scheduled to close for renovations for six-month periods in 2004 and 2005, respectively.

Stations No. 19 and No. 41 are traditionally among the busiest ten of Portland's 27 stations. Data from the Portland Bureau of Fire, Rescue and Emergency Services indicate a total of 987 responses to calls in the study area between July 1, 1999 and June 30, 2000, the city's fiscal year. As shown in Table 2.13.2, more than half of the responses were to emergency medical calls, followed in prevalence by "good intent calls" – mistaken alarms originating from citizens with good intentions – which were not otherwise classified.

Table 2.13.2: Fire, Rescue, and Emergency Responses*

Situation Found	No. of Responses	% of All Responses
Emergency Medical Call	558	56.5%
Good Intent Call	101	10.2%
Fire**	41	4.2%
Total	**987**	**100.0%**

*Select categories shown
**Fire includes responses to structure, brush, refuse and other fires.
Source: Portland Bureau of Fire, Rescue & Emergency Services

SECTION 3: FINANCIAL FEASIBILITY

Introduction

Unlike land use, which generally describes past and current conditions in the district, financial feasibility refers to the area's ability to achieve sufficient expansion of the tax base. In preparing an urban renewal plan, the urban renewal agency is required to estimate the total cost of the projects or programs described in the plan, the maximum amount of debt required to complete the projects, and the length of time necessary to repay the debt. The plan must be *feasible*; anticipated costs must not exceed projected revenue.

This study cannot make an absolute finding on financial feasibility because Gateway has no urban renewal plan or associated costs. The Opportunity Gateway Concept Plan does not prioritize projects, nor does it estimate costs.[3] The Opportunity Gateway Concept Plan is not an urban renewal plan. Should the PAC and the city choose to go forward with urban renewal, PDC, the PAC, and others in the Gateway community would collaborate on drafting the urban renewal plan.

The revenue side of the equation, on the other hand, can be projected. This section provides an outline of Gateway's estimated potential to generate tax increment and bond financing that would be used to implement an urban renewal plan.

Growth Allocations

3.1. Overview.

Urban renewal bonds are repaid with money from what's called the "tax increment," defined by ORS 457.010(9) as "*that part of the assessed value of a taxing district attributable to any increase in the assessed value of the property located in an urban renewal area . . . over the assessed value specified in the certified statement.*" The certified statement, or total assessed value of the district at the time of adoption of the urban renewal plan, is called the "frozen base."

The district's ability to pay off urban renewal bonds is dependent on the expected increase of property value in the district. In an economy or location

[3] A capital improvements plan was done as part of the Opportunity Gateway Concept Plan process, estimating the total cost of new infrastructure, traffic studies and parks at approximately $90,000,000. Although helpful in estimating Gateway's needs, the methodology did not include several factors that would be considered in drafting a list of urban renewal expenditures (e.g. contributions from private sector development, final street standards, activities not covered in the Opportunity Gateway Concept Plan, etc.)

where property values are on the decline and little new development is expected, an urban renewal plan would be infeasible because there would be little or no increment to pay off the bonds. In Portland generally and in Gateway specifically, however, ED Hovee and Company projects that property value appreciation and new construction will continue into the future.

In determining financial feasibility, estimating *how much* growth becomes fundamentally important. ED Hovee and Company and PDC have collaborated on a development forecast, creating a model that incorporates several assumptions about how Gateway will grow.

3.2. Development Projections.

For the purpose of this analysis, development is projected by building a mathematical model with input derived from a series of rational assumptions. The first was discussed in Section 2.5: only sites with real market values of less than $10 per square foot are expected to redevelop in the next 20 years.[4] These sites are catalogued and sorted by acreage per zoning designation.[5] A market factor is then applied to account for the fact that not every site will redevelop within the 20-year time frame. What's left is the total amount of land expected to redevelop.

The next step is to translate this land area into total development, expressed as the square footage of new buildings. This step was completed for two different Gateway futures – Gateway with urban renewal (the Urban Renewal model) and Gateway without urban renewal (the Market Baseline model). Table 3.2.1 shows some of the key assumptions used in making this conversion from redevelopment sites to new square footage. Different assumptions are used in the market baseline and urban renewal scenarios because development depends on factors that are influenced by urban renewal like public policy, parking availability, presence or absence of subsidy and public improvement costs.

Urban renewal development in Gateway is generally assumed be more widespread, denser, more transit-oriented (i.e. provide less parking), and more sizeable than development without urban renewal.

[4] There are exceptions. Properties that are known to have redevelopment plans are included, even if over the $10 threshold.
[5] Mixed-Use zones are assumed to be 50% residential and 50% commercial.

Table 3.2.1: Development Projection Assumptions

	Market Baseline (No urban renewal)	With Urban Renewal
Market Factor	Of the inventory of redevelopment sites, 50% will actually get redeveloped	Of the inventory of redevelopment sites, 90% will actually get redeveloped
Residential Development	Developed at average density of 31 units/acre[6]	Developed at an average densities of 80 units/acre near transit stations and 60 units/acre elsewhere
Commercial & Office Development	Less dense with more parking	More dense with less parking and increased transit service
Civic Development	Minimum Floor-Area-Ratios[7]	Slightly higher Floor-Area-Ratios for projects near light rail due to provision of structured parking
Industrial Development*	No development projected	No development projected

*Assumes change of EG2 zone to EX.
Source: E.D. Hovee & Company

Applying these "building-based" assumptions to the land totals yields development scenarios expressed in square feet shown in table 3.2.2.

Table 3.2.2 Development Projections (20-Year Time Frame)

	Market Baseline (No urban Renewal)	With Urban Renewal	Urban Renewal Net Effect
Commercial SF	339,000 sf	916,000 sf	577,000 sf (+170%)
Office SF	215,000 sf	1,379,000 sf	1,378,785 sf (+541%)
Office/Flex SF	400,000 sf	800,000 sf	400,000 sf (+100%)
Civic SF	120,000 sf	141,000 sf	21,000 sf (+17.5%)
Industrial SF	(87,000) sf	(87,000) sf	0 sf (0%)
Residential DU	1,140 du	3,790 du	2,650 du (+232%)
Lodging RM	150 rm	300 rm	150 rms (+100 %)

Source: E.D. Hovee & Company

This table indicates the significant differences in development activity attributable to the implementation of an urban renewal program. These gains can be traced again to the assumptions used in the model: under the urban renewal scenario, more of the land is redeveloped, the buildings are larger (more square footage) and less of Gateway's land is devoted to surface parking. These assumptions are warranted because urban renewal activities often include site

[6] The minimum density in the RH zone is 29 units/acre.

[7] Floor-Area-Ratio or FAR is the relationship between the total square feet of the building and the total square feet of the site. It is calculated by dividing the total building area by the land area.

assembly, low-interest loans, and other financial incentives to encourage structured parking, business development, etc.

The 541 percent increase in office development is a case in point. Without urban renewal, Gateway is " not expected to become a competitive factor for new office for at least the immediate future."[8] With public sector assistance like urban renewal and development supported by transit, however, ED Hovee proposes that Gateway could experience significant new office development – potentially of the desirable Class A variety – by about 2010. This would result in a much larger inventory of office space, including an allocation of office space in mixed-use projects that otherwise would not occur.

A detailed set of development assumptions is included as Appendix 4.

3.3. Employment Projections.

With or without urban renewal, the number of jobs in Gateway will increase. The district's unique location provides excellent access to freeways and light rail as well as a large labor force that includes nearly all of Portland's east side. Proximate to the Columbia Corridor employment base to the north, and inclusive of an abundance of service sector jobs in the south part of the district, Gateway businesses are well positioned to draw from a well-paid and skilled workforce. Moreover, 65 percent of existing businesses in Gateway consider the economic outlook for the area to be good or very good. These businesses identified no significant disadvantages to being located in Gateway.

Once development projections are established, future employment can be estimated by dividing total square footage by square footage per job. Although the provision of space does not necessarily generate economic growth or job creation, the development of commercial and civic space will result in job growth. Ultimately, new buildings are partially or completely filled with workers in jobs that are new, or at least new to the district. Projected job totals are shown in table 3.2.3.

Table 3.2.3 Comparisons in Number of Jobs Created

Sector	Jobs Created by 2020	
	Market	Urban Renewal Scenario
Commercial (1/500 sf)	678	1,832 (+170%)
Industrial (1/1000 sf)	(87)	(87) (0%)
Office (1/250 sf)	860	5,516 (+541%)
Office/Flex (1/400 sf)	1,000	2,000 (+100%)
Civic (1.5/1000 sf)	180	212 (+18%)
Multi-family (1/17 du)	67	223 (+232%)
Lodging (.75 rm)	113	113 (0%)

[8] ED Hovee Opportunity Gateway Market Study Update

Total Added Employment	**2,811**	**9,808 (+249%)**

Source: E.D. Hovee & Company

As is the case with new development, urban renewal is expected to have a catalytic effect on Gateway's job supply. Urban renewal investments in buildings, streets and parks tend to stimulate economic growth; this relationship between capital improvement and economic growth is a tenet of ORS 457. Moreover, the use of urban renewal funds can be targeted for economic development. Small business assistance, business recruitment and retention, workforce training, and district-wide marketing are all urban renewal eligible expenditures.

The types of jobs created under the two scenarios are expected to differ as well. Without urban renewal, the majority of the jobs in the area are within the " office-flex" category, which includes jobs in light manufacturing, shipping and warehouse showroom uses.[9] While Gateway's zoning and land use policies will inhibit some of this type of development, the market demand will remain and perhaps steer job creation elsewhere (perhaps to the Airport Way urban renewal area, which encourages and supports this kind of development).

With urban renewal, office-flex employment projections double. Commercial employment increases 170 percent. But most significantly, the number of office employees increase by more than 4,500, many who will secure higher-wage jobs like those in the finance, insurance and real estate industries. To date, Gateway has not successfully attracted higher wage jobs. Recall from Section 2.11 that the average wage in the district is $16 an hour.

Gateway's strategic location, high jobs-to-housing ratio and relatively low median wage points to the need for an Economic Development Strategy. Such a strategy would be an eligible urban renewal expenditure, and has for example, been programmed into the North Interstate Urban Renewal Plan. An Economic Development Strategy does not require urban renewal, however; one could be undertaken with an alternative source of funding should one be identified.

Tax Increment Projections & Bonding Capacity

3.4. Overview.

Growth can bring an array of benefits to a district. Growth can mean new jobs, new wealth for local businesses or property owners, a broader employment pool, improved housing options and so on. In an urban renewal district, however,

[10] This finding is skewed somewhat by the data source utilized for this portion of the study. The best-updated source of employment data by place of work is found at the zip code level of geographic aggregation. Gateway's two zip codes, 97220 and 97216, encompass a much larger area than the study area.

there is an additional benefit associated with growth – tax revenue for community-based projects and programs for improving the livability of the area. In an urban renewal district, this revenue is essentially reserved for that district's use, usually for 20-30 years.

Urban renewal could generate tax revenue that would be used for helping to manage Gateway's growth. In the last section, Gateway's anticipated growth was translated into jobs. In the following section, it is converted into assessed value (AV). It is the growth in AV over time, or "increment," that allows the urban renewal agency to finance urban renewal projects. Not only does the tax increment become a dedicated source of funding for the district, it also allows the agency to raise money for the district through the sale of bonds. These two sources of revenue, annual tax increment revenues and bond proceeds, are a powerful financial lever for improving the district. This special financial capacity is what makes urban renewal areas unique.

3.5. Tax Increment Revenue.

Calculating tax increment revenue is a four-step process:

1. Determine the current assessed value (AV) in the district (the "certified statement" of value that would be "frozen" when the district would be formed).
2. Determine the growth in AV over the life of the plan and additional years required to repay urban renewal debt, based on projected appreciation of existing property value and new development.[10]
3. Calculate the annual AV increment (total AV minus the frozen base).
4. Calculate the annual tax increment revenue available (AV increment multiplied by the consolidated tax rate per $1,000 AV).

<u>Current Assessed Value</u>. Gateway's current assessed value for fiscal year 1999-2000 is $251,685,680.[11] This number represents the value on which property is taxed by Multnomah County. Assessed value is not synonymous with real market value. Real market value is the value at which property would be expected to be bought and sold on the open market. Assessed value, used to calculate property taxes based on the Measure 5/50 tax system, is set equal to a percentage of real market value. On any given property, assessed value will almost always be less than real market value.

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[10] A distinction must be made between the life of the urban renewal plan and the period of time required to repay the debt incurred during the life of the plan. In this model, the urban renewal plan is 20 years, after which time debt can no longer be issued. However the urban renewal agency continues to receive tax increment revenue until that debt is repaid, in this case for an additional five years. When discussing urban renewal projects and programs, it makes more sense to discuss the 20-year timeframe. When discussing urban renewal impacts to other jurisdictions, the 25-year timeframe is more relevant.

[11] This is not the number used in this study's financial model, which assumes that the urban renewal district would be created in 2001 and that the frozen base would be established by the total AV in FY 2001-02.

Table 3.5.1: Assessed Value and Real Market Value in Gateway

1999-2000 Real Market Value in Gateway	$463,559,100
1999-2000 Assessed Value in Gateway	$251,685,680

Sources: Multnomah County Tax Assessor and 2000 RLIS Data, Metro

The ratio of AV to RMV in Gateway is approximately 54 percent – far lower than prevailing countywide ratios for AV to RMV. This is believed to be due to the fact that the RMV includes the value of all tax-exempt properties in the district ($97,491,000 or 21 percent of total RMV) whereas the AV figure does not. Excluding these properties, the AV to RMV ratio climbs to 69 percent.

The study area's AV was calculated by creating a Geographic Information System data file for all the properties in the district, and attaching property-by-property assessed value information from the county tax assessor. For a comparison of Gateway's estimated 2000-2001 AV with those of other urban renewal areas, see Section 4.3.

Growth in Assessed Value. AV grows as a result of two separate functions. The simpler of the two, property value appreciation, is straightforward to calculate. It is done by multiplying the frozen base by a compound three percent over the life of the urban renewal plan (and additional years required to repay the bond debt).[12] AV growth is limited to three percent for unchanged properties under the Measure 5/50 system, meaning that assessed value increases are limited to three percent per year, provided there is no change to the property, regardless of real market value appreciation or urban renewal.[13]

The second source of AV growth is new construction or improvements to existing properties. All new development, expressed as square footage in Section 3.2 can also be expressed in terms of monetary value. This is done by assigning per square foot or per unit values to the new construction, as is done in table 3.5.2.

Table 3.5.2: Valuation Assumptions[14]

Development Type	Market Baseline (No Urban Renewal)	Urban Renewal
Multifamily Residential (Rental)	$70/sf	$90/sf
Condominiums	$100,000/unit	$150,000/unit
Retail Services	$90/sf	$140/sf

[12] 3% annual growth is a reasonable, but not assured, outcome. An extended period of flat or negative growth in real market value could reduce the growth rate of assessed value to less than 3%.
[13] Changes to property that result in reassessment include new construction requiring a building permit, change of use or change of zoning designation.
[14] See Appendix 4 for a summary table of all assumptions.

Office	$110/sf	$150/sf
Office Flex	$110/sf	$100/sf
Industrial	$105/sf	$105/sf

Source: E.D. Hovee & Company

As the table shows, urban renewal's effect on the value of what gets built is similar to the catalytic effect on the *scale* of development. First, there is the likelihood that new buildings themselves will be more expensive (valuable), due to additional structured parking, costlier construction systems, higher quality materials, etc. Second, there is the aggregate increase in building value attributable to the supply side of the equation; some of the new construction simply would not be possible without the participation of urban renewal funds.

Reducing these values by countywide AV to RMV ratios and multiplying by the amount of projected development discussed in Section 3.2 yields the 25-year total dollar value of new development of $758,491,321[15]. The 3% compound increase to the frozen base totals $321,811,056. Gateway's total assessed value based on these assumptions increases to $1,566,547,513 by fiscal year 2026-27. Details are included in table 3.5.5 on the following page.

Table 3.5.3: 25-Year AV Projections under Urban Renewal

Frozen base (FY 2001-02)*	3% Appreciation (25-year increase)	New Development (25-year total)	Cumulative AV (25-year total)
$266,791,866	$321,811,056	$758,491,321	$1,566,547,513

*Projected
Source: Portland Development Commission

Annual AV Increment. The annual AV increment is simply the difference between the total assessed value in the district in any given year, and the frozen base. It is an important number because it is this number, multiplied by the consolidated tax rate that yields tax increment revenue for an urban renewal district.

Annual Tax Increment Revenue. It is important not to confuse tax increment revenue with the annual AV increment. Tax increment revenue is calculated by multiplying the annual AV increment by the consolidated tax rate in the urban renewal area. That rate is currently $19.36 or $20.23 per $1,000 of assessed value depending on where property is located in the study area.[16] In Gateway's case, this amounts to net revenue totaling $232,428,784 over 25 years. (Refer to table 3.5.5 for details).

[15] All dollar values expressed in future years include an inflation factor of 3.2%.

[16] The portion of the district south of NE Halsey is in the David Douglas school district and has a consolidated rate of $19.36 per $1,000 AV. DDSD has a bond measure scheduled for a vote on November 7, 2000. Passage of this bond would increase the consolidated tax rate by $1.30 per $1,000 AV. The portion of the district north of NE Halsey is in the Parkrose school district where the consolidated tax rate is $20.23 per $1,000 AV.

Table 3.5.4: 25-Year Tax Increment Projections

Consolidated Tax Rate	Tax Increment from 3% Frozen Base Appreciation	Tax Increment from New Development	Net Tax Increment Total * (25-year total)
$19.36/$1,000 AV (DDSD) $20.23/$1,000 AV (PSD)	$65,229,421	$180,764,808	$237,266,358

* Potential tax increment revenue net of delinquency, discount, and compression.
Source: Portland Development Commission

The net present value of the net tax increment revenue total is estimated to be approximately $84 million.

3.6. Bonding Capacity.

The income stream produced by tax increment revenue has considerable face value, but it is that revenue's ability to leverage debt that makes implementation of an urban renewal plan possible. The reason is because of the synergy between urban renewal expenditures and tax increment growth.

In concept, urban renewal projects are intended to stimulate investment in the district that raises the tax base, which in turn provides a source of funding necessary to pay for the urban renewal projects. This relationship explains why urban renewal expenditures are limited to projects and programs that can be directly tied to capital investments in real property .

Yet this is potentially problematic: urban renewal funds come from an expanding tax base, but the tax base will not expand without the urban renewal projects. In fact, it is precisely *because* of the district's inadequate tax base and stagnant growth potential that an urban renewal plan is adopted in the first place. If the district could be counted on to generate escalating tax receipts without the public improvements made possible by urban renewal, there would be no reason for urban renewal.

By issuing bonds, this "chicken and egg" syndrome can be resolved. Instead of using the actual tax increment revenue, future tax increment revenues are pledged as debt service for advance funding. Typically the city will issue "tax increment" bonds every three to four years for a district on behalf of the urban renewal agency. There are several advantages to this approach:

- Access to a line of credit early in the life of the plan, when tax increment revenues are typically the smallest

* Additional early investment in the district and associated expansion of the tax increment.
* Predictability with regard to budgeting, project planning and implementation
* Flexibility on project implementation due to greater financial capacity

FY	Total Growth Off Frozen Base	Total Annual New Development	Total Cumulative Development	Total URA AV	Total Annual Growth	Total AV Increment	TI Revenue from Frozen Base Growth	TI Revenue from New Development	Total TI Gross Revenue	Total TI Net Revenue
2001-02	$266,791,866	$0	$0	$266,791,866		$0				
2002-03	$274,795,622	$6,632,724	$6,632,724	$281,428,346	5.49%	$14,636,480	$156,056	$128,859	$284,915	$267,821
2003-04	$283,039,491	$6,791,081	$13,622,787	$296,662,278	5.41%	$29,870,412	$316,794	$264,661	$581,455	$550,842
2004-05	$291,530,676	$6,952,782	$20,984,252	$312,514,928	5.34%	$45,723,062	$482,355	$407,678	$890,033	$847,489
2005-06	$300,276,596	$14,875,247	$36,489,027	$336,765,623	7.76%	$69,973,756	$652,882	$708,036	$1,360,917	$1,298,042
2006-07	$309,284,894	$15,223,883	$52,807,581	$362,092,475	7.52%	$95,300,608	$828,525	$1,024,157	$1,852,682	$1,771,325
2007-08	$318,563,441	$15,579,601	$69,971,409	$388,534,850	7.30%	$121,742,983	$1,009,437	$1,356,653	$2,366,089	$2,266,816
2008-09	$328,120,344	$15,942,495	$88,013,046	$416,133,390	7.10%	$149,341,524	$1,195,776	$1,706,152	$2,901,928	$2,784,650
2009-10	$337,963,954	$16,312,661	$106,966,098	$444,930,052	6.92%	$178,138,186	$1,387,706	$2,073,306	$3,461,012	$3,325,299
2010-11	$348,102,873	$16,690,192	$126,865,273	$474,968,146	6.75%	$208,176,279	$1,585,394	$2,458,788	$4,044,181	$3,889,419
2011-12	$358,545,959	$17,075,181	$147,746,412	$506,292,371	6.60%	$239,500,504	$1,789,012	$2,863,291	$4,652,303	$4,477,772
2012-13	$369,302,338	$41,803,087	$193,981,891	$563,284,229	11.26%	$296,492,363	$1,998,739	$3,760,836	$5,759,575	$5,536,088
2013-14	$380,381,408	$42,757,866	$242,559,214	$622,940,622	10.59%	$356,148,755	$2,214,757	$4,703,847	$6,918,604	$6,650,926
2014-15	$391,792,850	$43,730,944	$293,566,935	$685,359,785	10.02%	$418,567,919	$2,437,256	$5,694,044	$8,131,300	$7,820,920
2015-16	$403,546,636	$40,089,677	$342,463,620	$746,010,256	8.85%	$479,218,389	$2,666,430	$6,641,415	$9,307,845	$8,960,093
2016-17	$415,653,035	$40,991,646	$393,729,175	$809,382,210	8.49%	$542,590,343	$2,902,480	$7,634,679	$10,537,159	$10,149,906
2017-18	$428,122,626	$41,910,289	$447,451,339	$875,573,965	8.18%	$608,782,099	$3,145,610	$8,675,536	$11,821,146	$11,392,423
2018-19	$440,966,305	$42,845,750	$503,720,630	$944,686,934	7.89%	$677,895,068	$3,396,035	$9,765,739	$13,161,774	$12,689,657
2019-20	$454,195,294	$43,798,164	$562,630,413	$1,016,825,707	7.64%	$750,033,840	$3,653,973	$10,907,096	$14,561,069	$14,043,627
2020-21	$467,821,153	$44,767,659	$624,276,984	$1,092,098,136	7.40%	$825,306,270	$3,919,648	$12,101,475	$16,021,123	$15,456,383
2021-22	$481,855,787	$45,754,352	$688,759,645	$1,170,615,432	7.19%	$903,823,566	$4,193,294	$13,350,798	$17,544,092	$16,930,026
2022-23	$496,311,461	$35,118,463	$744,540,897	$1,240,852,358	6.00%	$974,060,492	$4,475,149	$14,433,701	$18,908,850	$18,256,771
2023-24	$511,200,805	$37,225,571	$804,102,695	$1,315,303,499	6.00%	$1,048,511,633	$4,765,460	$15,590,034	$20,355,494	$19,659,023
2024-25	$526,536,829	$39,459,105	$867,684,881	$1,394,221,709	6.00%	$1,127,429,843	$5,064,480	$16,824,456	$21,888,936	$21,143,362
2025-26	$542,332,934	$41,826,651	$935,542,078	$1,477,875,012	6.00%	$1,211,083,146	$5,372,471	$18,141,914	$23,514,385	$22,715,737
2026-27	$558,602,922	$44,336,250	$1,007,944,591	$1,566,547,513	6.00%	$1,299,755,646	$5,689,702	$19,547,660	$25,237,361	$24,381,943
Totals		**$758,491,321**			**7.35%**		**$65,299,421**	**$180,764,808**	**$246,064,229**	**$237,266,358**

There are costs associated with selling bonds. The city must pay an interest rate on the money it borrows, and there are administrative and financing costs incurred for issuing the bonds. There are also risks associated with incurring substantial debt. Bonding commitments become regular only after the district establishes a history of value and revenue growth. In the early years of the plan before a track record of growth and tax increment can be shown, the district's access to the bond market will be limited.

Modeling bonding capacity begins with the tax increment revenue available over the life of the plan (20 years). There needs to be enough tax increment revenue available annually to safely service outstanding debt during the life of the plan, and enough increment available after the plan expires to retire the remaining debt. In this model, five years are required after the plan expires to pay off the entire debt.

Based on these factors and the earlier projections for tax increment, total bonding capacity for the district is $83,061,257. The tax increment revenue that is available for projects (after servicing the bond debt) is $54,987,358. Combined, the district could be capable of financing $138,048,615[17] worth of projects, as summarized in Table 3.6 below.

Table 3.6: Project Financing Capacity

Source of Financing	20-Year Total
Short-Term Debt from Tax Increment Proceeds	$54,987,358
Long-Term Debt from Bond Proceeds	$83,061,257
Total	**$138,048,615**

Source: Portland Development Commission

Based on this model, approximately $138 million could be made available to Gateway for urban renewal programs and projects during the 20-year plan period. Does this mean that the district will receive $138 million in tax increment and bond revenue under urban renewal? Not necessarily.

The amount of money that can be raised for urban renewal plan implementation is called "maximum indebtedness." Maximum indebtedness is *not* established by a district's projected financial capacity. It is determined by the district's needs. The amount of funding Gateway would receive under urban renewal would be determined by the total cost of the projects and programs included in the urban renewal plan (the formally adopted strategy for rectifying the blighting conditions in the district.) The urban renewal plan, drafted by a collaboration of city, community and other stakeholders, establishes maximum indebtedness,

[17] All financial projections in this section are preliminary estimates and are subject to change as underlying assumptions are revised.

which may not exceed the financial capacity of the district ($138 million in this case). If the necessary urban renewal projects and programs exceed the district's financial capacity, a reconciliation needs to occur. Either the district's financial capacity must be increased, or the plan area or program budget must be trimmed.

Tax Exempt and Tax Abated Property

3.7. Overview.

As discussed in Section 2.4, almost 20 percent of all properties in Gateway are exempt from paying property tax. The State makes this exemption for the more than 100 types of property that purportedly contribute to economic growth, social welfare, natural resource preservation, or other public policy objectives. Property used exclusively for religious, fraternal or governmental purposes is also exempt from property taxation. Examples of tax exempt land uses include:

* Churches, hospitals, schools, and day care centers (social welfare)
* Enterprise Zone properties, properties under construction (economic development)
* Local, state or federal properties (public sector)
* Historical or war veteran housing
* Farm/forest land, open spaces

In addition, taxing jurisdictions may offer temporary property tax exemptions (tax abatement) to property owners for developing their land to achieve specified public policy objectives. The Transit Oriented Development Tax Abatement program, which is applicable to the entire study area, is an example of one such program. The combined effect of current and anticipated tax-exempt or tax-abated development in the district has a considerable impact on the financial capacity of a would-be urban renewal district.

3.8. Tax Exempt Properties.

A list of significant tax exempt properties in the study area includes:

* The Tri-Met Transit Center properties
* The Gateway Elks properties (NE 99th and Pacific)
* The Pacific Power and Light property (SE 100th and Ankeny)
* The US West/Qwest properties (NE 102nd and Wasco)
* The Glisan Street Baptist Church (NE 104th and Glisan)
* The Northwest Adventist Headquarters (future Receiving Center site, NE 102nd and Burnside)
* The Oregon College of Oriental Medicine (SE 105th and Cherry Blossom)
* The Portland Adventist Academy (SE 97th south of Main)

- The Portland Adventist Medical Center (SE 100th and Main)
- The Human Solutions housing development (SE 109th and Stark)
- Floyd Light Middle School (10800 SE Washington)
- The East Portland Community Center and Police Precinct (SE 106th near Cherry Blossom)

Gateway currently hosts two properties with tax-abated status: Russellville Commons and the Gateway Condominiums at 104th and Clackamas.

On this list are the district's largest property holdings in the district and some of its most valuable building inventory. When combined with various smaller properties (owned by the city of Portland, Multnomah County and the Oregon Department of Transportation), the total acreage of current non-tax paying properties is 117.1. This represents almost $98 million in real market value (1999), as summarized in Table 3.8.

Table 3.8: Tax Exempt and Tax Abated Properties

Status	Acres	% of Total Acreage	1999 RMV	% of Total RMV
Exempt	117.1	19.8%	$89,079,600	19.2%
Abated	11.7	1.9%	$8,640,000	1.9%
Total	128.8	21.7%	$97,719,600	21.1%

Sources: Multnomah County Tax Assessor and 2000 RLIS Data, Metro

It is difficult to project the net effect of the high number of tax-exempt properties in Gateway. The Opportunity Gateway Concept Plan calls for some of the property that is currently tax exempt to be redeveloped into taxable uses (e.g. Tri-Met Transit Center, portion of the NE 102nd and Burnside site). The Concept Plan also envisions property potentially being taken off the tax rolls for tax-exempt purposes (e.g. Education Center). Regardless, as long as these properties retain their current exempted status, they will not augment the district's urban renewal financial capacity.

3.9. Transit Oriented Development Tax Abatement Program.

Compounding the effect of the tax exempt properties is the Transit-Oriented Development (TOD) Tax Abatement Program, which will likely exempt a significant amount of new housing development in Gateway from paying property tax for fixed ten-year terms. The fiscal effect of tax abatement in an urban renewal district is the delay or outright loss of potential tax increment revenue. Properties that receive abatement early in the life of the urban renewal district will only contribute to the increment after the ten-year period expires. Some properties that qualify for the program will have abatement periods that outlast the tax increment district altogether.

The urban renewal agency (PDC) processes applications and manages the tax exemption approval process, but there is no direct link between the program and urban renewal. The TOD Tax Abatement Program will continue in Gateway with or without urban renewal. But because the program would bear a fiscal impact on the financial capacity on the would-be urban renewal district, it is described here in some detail.

The TOD Tax Abatement Program seeks to enhance the effectiveness of the light rail transit system by encouraging transit-oriented, mixed-use development and affordable high-density housing development near light rail stations. City Council has identified Gateway as a natural fit for the program, and made the entire Plan District (which includes the study area) eligible for the program in 1996. The program is also in effect in other transit-oriented areas in Portland, including Hollywood, Goose Hollow and Lents.

To be eligible, projects must meet density, affordability and transit orientation criteria described in Table 3.9. City Council makes the ultimate decision to grant the abatement on a case-by-case basis.

Table 3.9: Eligibility Considerations for TOD Tax Abatement

Criteria (all must be met)	Public Benefits (must include at least 1)	Design Criteria (must include at least 1)
* 8+ Dwelling Units * Permanent Housing * 1 or more Public Benefits * Pedestrian connectivity to light rail system * Affordable to broad range of public OR provide alternative public benefits or design features * 20-35 units/acre density * Income level and sales price restrictions for owner-occupied units (condos) * Financial benefit to buyer/user	* For 15+ unit rental projects, 20% of the units must be affordable to households earning 60% MFI or less * For 8-15 unit rental projects, 10% of the units must be affordable to households earning 30% MFI or less * For ownership projects, all units must be sold to owners earning 100% MFI or less * 20% units for people with special needs * 20% units at 3 or more bedrooms * On-site child care * 80% maximum density	* Ground floor service or commercial use space * Office or meeting space for community organizations * Publicly accessible open space * Recreational facilities for children of project residents * Transit or pedestrian design amenities

Upon City Council's approval, the completed project becomes exempt from property taxation for ten consecutive years, beginning January 1 of the year immediately following the calendar year in which construction is completed. The land on which the project is built continues to be taxed during this time, but taxes on all improvements (the project itself) are abated. At the end of ten years, both the land and improvements are taxed at their current assessed value.

The financial model used for this study assumes 80 percent of all new housing in Gateway will receive tax abatement. The application and approval processes are relatively straightforward and eligible projects are highly likely to be approved.

SECTION 4: ANALYSIS

Introduction

Based strictly on the existence of blight and financial capacity, urban renewal in Gateway appears feasible. But what kind of an urban renewal area would it be? What kinds of impacts would it have on taxpayers, property owners, school districts, Multnomah County, and others? And is it necessary? It may be permissible under law, economically viable and consistent with adopted policy, but perhaps there are alternative implementation tools that could accomplish the same objectives.

This section slices the urban renewal question three different ways:

1. How similar or dissimilar is Gateway to other districts that have become urban renewal areas?
2. How important is urban renewal to the implementation of the Opportunity Gateway Concept Plan?
3. What are the various impacts, especially fiscal impacts, associated with the creation of the urban renewal district?

A separate report could be prepared to address each of these questions. This study provides preliminary findings that can be augmented should an urban renewal plan be prepared. The entire urban renewal planning process is in fact set up to evaluate these very issues.

Urban Renewal District Comparisons

4.1. Overview.

Portland's nine urban renewal districts have distinct needs, characteristics and goals, all of which limit the value of a comparative analysis. North Macadam and Lents are both urban renewal districts, yet they share few attributes. The goals and objectives for the Downtown Waterfront district cannot be applied to the newly formed Interstate Corridor urban renewal area, or vice versa.

Yet all nine districts share one distinction: at one point in time, each was found to have blighting conditions that City Council believed would be best served by the unique authority granted under urban renewal. Some of these districts had more blighting conditions than Gateway at the time they were formed. Others seemed to need less intervention. But taken together, they comprise the areas of Portland that have received the ongoing attention and resources of the urban renewal agency and other city bureaus.

How does Gateway compare? The results from a few simple comparisons follow.

4.2. Geographic Size.

There are generally no limits restricting the size of an individual urban renewal district. The combined acreage of all urban renewal areas may not exceed 15 percent of the city's total land area (see section 5.2). Because of the large area encompassed by the newly formed Interstate Corridor Urban Renewal District, the Gateway area falls well below the average urban renewal district size. It can be considered of moderate size but large enough to generate significant tax increment dollars for a redevelopment program. Table 4.2 presents the sizes of all nine existing urban renewal districts in comparison with the Gateway area.

Table 4.2: Urban Renewal District Sizes

District/Area	Acres
Interstate Corridor	3,710
Airport Way	2,780
Lents	2,472
Central Eastside	681
Convention Center	600
Gateway	***592***
North Macadam	409
River District	400
Downtown Waterfront	283
South Park Blocks	161

4.3. Taxable Assessed Value.

Table 4.3 reveals that the geographic size of an area is not the only indicator of its cumulative property value. As the table indicates, the age of the district also affects the frozen base. Older and smaller districts have lower frozen bases. Compared to the frozen base assessed values of the nine existing urban renewal districts, the value of property in Gateway is below average but higher than five of the districts.

Table 4.3: Urban Renewal District Assessed Values*

District/Area	Assessed Value
Interstate Corridor (est. 2000-2001)	$857,210,220
Lents	$620,720,135
South Park Blocks	$378,055,680
River District	$358,684,364
Gateway (est. 2000-2001)	***$266,791,866***
Convention Center	$247,502,688
Central Eastside	$224,605,349
North Macadam	$180,450,967
Airport Way	$129,701,177
Downtown Waterfront	$70,866,644

*Dollar amounts represent current frozen base assessed values and have not been adjusted for inflation.

4.4. Maximum Indebtedness.

In the formation of an urban renewal district, maximum indebtedness is established by considering the estimated cost of the district's proposed projects and its ability to generate tax increment revenue. Of the ten districts (including Gateway) the Gateway district is estimated to have more financial capacity than three urban renewal areas, and less than six. Table 4.4 compares the maximum indebtedness of all the districts.

Table 4.4: Urban Renewal District Maximum Indebtedness

District/Area	Maximum Indebtedness
Interstate Corridor	$335,000,000
North Macadam	$288,562,000
River District	$224,927,249
Convention Center	$167,511,000
Downtown Waterfront*	$165,000,000
South Park Blocks*	$143,619,000
Gateway (estimate)	***$138,048,615***
Lents	$75,000,000
Airport Way*	$72,638,000
Central Eastside*	$66,274,000

*Districts that had maximum indebtedness levels fixed after Measure 50.

4.5. Improvement to Land Ratio.

In all urban renewal areas, a key measure of real estate value in the district is the ratio of its improvement values to its land values. Healthy, blight-free areas of American cities are found to have an average I:L ratio of 5:1 to 12:1 and higher.[18] Compared to the nine existing districts, the current I:L ratio of the Gateway area is far below the national standard and just above the average of the other districts in Portland. All of the districts, however, exhibit ratios that are inappropriately low. Table 4.5 presents the average I:L ratios of Portland's nine existing urban renewal areas at the time of their adoption.

Table 4.5: Urban Renewal District I:L Ratios

District/Area	Average I:L Ratio
Convention Center	2.48:1
Interstate Corridor	2.45:1
Gateway	***2.08:1***
River District	1.93:1
North Macadam	1.66:1
Lents	1.60:1
Airport Way	1.48:1
South Park Blocks	1.43:1

[18] *Oregon Convention Center Urban Renewal Report*, pg. 6.

Downtown Waterfront	N/A
Central Eastside	N/A

Implementation Scenarios

4.6. Overview.

The possibility of urban renewal in Gateway emerged from the Opportunity Gateway planning process and the desire to implement the *Opportunity Gateway Concept Plan*. Urban renewal is a means to an end – a tool for realizing the new streets, parks, private investment and other public amenities described in the Concept Plan. Yet there are other tools that can and must be brought to bear on this objective; no one measure, including urban renewal, can by itself make the Concept Plan a reality.

The following sections describe other implementation tools that should be utilized in redeveloping the district. But more than that, these sections attempt to describe the *effect* of urban renewal and tax increment financing. It has been shown that urban renewal offers the potential for more than a threefold increase of residential units and jobs in the district. But the *Opportunity Gateway Concept Plan* is about more than jobs and housing growth. How important is urban renewal to the other aspirations in the plan, like the small shops, public spaces and safe streets that are described in the 20-year vision?

4.7. With Tax-Increment Financing.

Section 3 of this report estimates Gateway's potential to raise $138 million of tax-increment financing (TIF) for urban renewal projects. But equally important as the amount of money is the *certainty of the supply* of money; assuming that tax increment is generated in the district, urban renewal ensures that that money will be reinvested in the district. Indeed the key difference between TIF districts and other areas in the city is the consistency and reliability with which urban renewal plans and projects can be accomplished. Projecting future development absent TIF can be imprecise, simply because of the uncertainty and other constraints associated with alternate sources of funding.

<u>Tax-Increment Financing: Standard Menu.</u> While an urban renewal plan would describe the general types of eligible activities for TIF expenditures, the list of what TIF typically "buys" in an urban renewal district includes:

* Urban Amenities – to support the development of open space, plazas, public art, and civic buildings.
* Job Creation – stimulating employment growth, targeting industries that pay a livable wage.

* Housing – to achieve a full range of housing types with affordability levels representative of the entire city of Portland.
* Transportation – with balanced investments for regional access, internal circulation, transit and pedestrian/bike access.
* Parking Improvements – often shared parking arrangements or structured parking that enhances urban design quality.
* Infrastructure – to support a high quality of intensified levels of development, either for water, sanitary sewer, storm sewer or utilities.

More specific to Gateway is the assistance that TIF would provide in transitioning the district from low-density, auto-oriented and suburban land uses to mid/high-density, pedestrian-oriented and urban land uses. E.D. Hovee and Company, having worked on plans and projects in several urban renewal districts, notes that TIF resources are instrumental in "bridging the gap" between development costs supported by current market conditions and the higher cost of urban development – particularly in the early part of a district's life. The application of TIF has been proven to be highly effective in enabling new development to:

* Shift from 1-3 story low-rise to 4-10 story mid-rise structures.
* Increase building site coverage and FAR.
* Broaden the range of housing affordability.
* Create mixed-use rather than single use projects
* Reduce parking ratios to support transit-oriented development.
* Provide structured rather than surface parking.
* Incorporate significant urban amenities like open space areas or enhanced sidewalk or streetscape improvements.
* Upgrade infrastructure as needed to accommodate higher densities of housing and employment.

Each of these development factors, while consistent with the regional center vision and integral to the urban design concept for Gateway, represents a cost penalty that renders them infeasible in the current market. TIF attacks this problem both directly and indirectly by publicly investing in these improvements and, over the long-term, altering the market to make it more supportive of this kind of development.

<u>Tax Increment Financing: Opportunity Gateway Concept Plan Menu.</u> Working without an identified list of projects, E.D. Hovee and Company used the community-based recommendations from the Concept Plan to assess the effect that TIF would have on the implementation of the plan.[19] These

[19] These are included in their entirety as Appendix 8 of the *Opportunity Gateway Concept Plan*.

recommendations were categorized according to their funding needs. E.D. Hovee's principal finding was that the set of recommendations that involve private development, and which would require public investment to achieve project feasibility, would be unlikely candidates for non-TIF resources. As stated by the consultant, "if Gateway is not designated an urban renewal area, these are the activities whose funding and resulting implementation feasibility could be most at risk."[20] They include recommendations to:

?? Encourage active, mixed-use development in and around the transit center.
?? Support the near-term development of all four corners at the intersection of 99th and Pacific.
?? Reintroduce small ground floor shops around the Gateway Transit Center and elsewhere in the district.
?? Locate an education center in the district, to potentially include a Civic Center or other large public meeting place.
?? Stimulate transit-oriented, mixed-use housing with strong pedestrian connections from NE Halsey to Mall 205.

Even with TIF, achieving these objectives will be difficult. A strategic approach and assortment of tools will be required, especially in the early years when the market is untested and the urban renewal funding is limited. E.D. Hovee and Company recommends aiming early resources at highly visible sites (especially near light rail) for the development of employment-generating activities. This kind of development (office, flex, retail, lodging) will add taxable property value that will expand the increment, unlike most of the new housing development which will likely qualify for the tax abatement program.

The costs of not forming Gateway into an urban renewal district amount to a reduction in the quantity (and quality) of housing units and jobs, and a reduced capacity for the innovative projects and quality design that define urban centers. The role of the Portland Development Commission would be diminished without the urban renewal designation, along with some of PDC's traditional activities like site assembly, site-specific redevelopment and redevelopment planning. The district would also forego some of the staff support it has received in recent years, making it potentially difficult to pursue non-TIF funding options.

The alternate funding sources described in the following section are not truly alternatives to TIF; even with TIF they would be needed to complement the overall implementation of the plan. The availability of TIF, however, can serve as a matching component to help secure non-TIF dollars, and the very presence

[20] "Implementation Scenarios for Gateway Urban Renewal Area," page 4.

of TIF often elevates the regional priority for projects in the district that have to compete for non-TIF resources.

4.8. Without Tax-Increment Financing.

If urban renewal is essential for influencing private sector development, the absence of urban renewal leads to a different set of activities for affecting change. Funding for infrastructure improvements, planning, policy and code revisions, and marketing and technical assistance could be made available to the district via other means, like transportation enhancement funding, special district funding, tax incentives, grants, development fees and private contributions.

<u>Non-TIF Financing: Standard Menu.</u> Gateway's transportation, economic development, open space and housing needs could be addressed through an ongoing implementation strategy that matched projects to funding sources. Although there is no way to predict how Gateway would fare with each funding application, there are likely sources of financing for various projects. The summary table of non-TIF funding sources in Table 4.8 is accompanied by Appendix 5 which details the availability, advantages and disadvantages of each source.

Many of these resources can be used for very targeted programs, and in many of these instances the costs are borne by those who most directly benefit from the improvements. Loans from the loan-based funding sources are often offered at favorable terms that could include below-market interest rates or extended repayment periods.

On the downside, however, is the difficulty of securing these funds on an ongoing basis. Voter disinterest or rejection, excessive demand and limited supply, lack of consensus between political, financial and community organizations, and mismatches between project goals, timing and funding criteria can add to the elusiveness of these resources.

<u>Non-TIF Financing: Opportunity Gateway Concept Plan Menu.</u> Several of the priorities identified by the community could compete for non-TIF funding. These would be either capital facility improvement projects that would likely be paid for with public monies, or technical studies and planning initiatives. High priority projects of these types named in the Concept Plan include:

Capital Facility Improvement Projects

* Improve traffic flow around the transit center.
* Consolidate park & ride into a parking structure.
* Improve circulation with a district shuttle or circulator.

* Improve north/south and east/west connectivity by improving the street grid.

Technical Studies and Planning Initiatives

* Establish a Tri-Met/C-Tran program to identify parking alternatives for park & ride commuters.
* Support an open space strategy that relies on non-contiguous parks and open space throughout the district.
* Study traffic patterns beyond the Opportunity Gateway Study area.
* Create a transportation/parking management plan for the district.
* Improve transportation/parking data.
* Determine Gateway transportation impacts and mitigation from the Airport Max connection.

Table 4.8: Non-TIF Funding Sources

Source	Purpose
City of Portland General Fund	City of Portland operating expenses and targeted projects and programs to implement citywide policy.
System Development Charges (SDCs)	Charges associated with new development designed to pay for impacts of that development. Transportation and Parks are existing SDC programs.
TEA-21 Grants (MTIP/STIP)*	Administered by ODOT for projects that enhance the aesthetic, cultural and environmental value of the state's transportation system.
Economic Improvement District (EID)	Voluntary special assessment district which can be used for a variety of economic improvements including capital improvements, that specifically benefit properties within the EID boundary.
Business Improvement District (BID)	Voluntary special assessment district formed by and for the benefit of businesses. Assessment is made against the business and not the property.
Local Improvement District (LID)	Partially voluntary special assessment district for funding capital improvements that benefit property owners within the district. Sewer, street and lighting improvements are typical.
Community Development Block Grant (CDBG)	Up to $300,000 per project in grants shown to benefit low and moderate income groups. Housing is typical, but transportation improvements are allowed.
Revenue Bonds	Available to fund debt service for projects that generate a revenue.
General Obligation Bonds (GO Bonds)	Voter-approved debt with recourse to the full faith and credit of the issuing agency. Typical for parks.
Transient Room Tax (TRT)	Assessment on area's hotel and motel room revenues, often leveraged using revenue bonds.
Foundations/Private Donations	Endowment funds and ongoing or one-time contributions can be used to fund programs or projects. Non-profit facilities and economic development initiatives are typical.
Capital Improvement Plan (CIP)	Limited funding for projects with sufficient impact on Metro's traffic relief, general transportation or parks and greenspaces

	goals.
Joint Development	Often a public/private partnership to fund projects with multiple purposes. Particularly useful where public entity has an asset other than cash (e.g. land).

*Metropolitan Transportation Improvement Program/Statewide Transportation Improvement Program
Source: E.D. Hovee and Company

Clearly Gateway's future without urban renewal is difficult to predict. Left to compete for funds with comparable projects in the Portland metro area and statewide, it is impossible to predict which improvements would be made. But it is a certainty that there would be fewer improvements overall. Nevertheless, public investment in Gateway can and should continue even without urban renewal. The "regional center" designation and expectation is, after all, not subject to the urban renewal decision.

Impact Estimates

4.9. Overview.

Urban renewal plans are investments in the city's future. By focusing financial resources in the urban renewal district for an extended period of time, the value of that investment grows well beyond what would be expected absent those resources. However like any investment, the greatest gains are not realized for some time, and there is an opportunity cost associated with temporarily directing a limited resource like property tax revenue to such a specific cause.

During the investment period (the urban renewal plan period plus the years required to retire the debt), increases in property tax revenue in Gateway would not be available to the city's general fund, the county, Gateway area education districts or other local governments. Although it may be to the benefit of all these taxing jurisdictions in the long-term, urban renewal would impact the budgets of these jurisdictions because tax revenue would be foregone by the jurisdictions until all urban renewal debt was retired. ORS 457 requires that these impacts be evaluated prior to adoption of any urban renewal plan. In addition, the PAC has expressed an interest in understanding how the impacts of urban renewal might filter down to individual property owners and taxpayers. The following sections examine these impact issues.

4.10. Taxpayer Impacts.

As described in Section 3, tax increment financing is not a new tax. It is a redistribution of property tax revenue. Without urban renewal, new tax revenue from study area properties would continue to be shared by the study area taxing jurisdictions as described in Table 4.10 on the following page.

How would taxpayers be affected by the creation of a Gateway urban renewal district?

Taxpayers will pay the same rate for services that they currently pay. Taxing jurisdictions will receive the same amount of tax revenue they currently receive. Permanent levies are capped by Measure 5/50; $10 per $1,000 assessed value for general government, and $5 per $1,000 assessed value for schools. These caps ensure that limitations on total assessed value, whether caused by urban renewal districts or any other factor, do not lead to tax rates that exceed these levels.

Table 4.10: Study Area Taxing Jurisdictions (2000-2001)

Jurisdiction	Tax Rate for Operations
METRO	$0.33 per $1,000
Tri-Met	$0.14 per $1,000
Port of Portland	$0.07 per $1,000
Multnomah County (with library levy)	$4.94 per $1,000
Multnomah County Education Services District	$0.46 per $1,000
City of Portland	$4.58 per $1,000
David Douglas School District	$4.64 per $1,000
Parkrose School District	$4.89 per $1,000
Mount Hood Community College	$0.44 per $1,000
Total*	$19.38 - $20.23**

*Does not sum because total includes rates for debt service and additional levies.
**Depending on school district
Source: ED Hovee and Company

Where taxpayers might feel a slight impact is not in permanent rate levies, which fund governmental and school operating expenses, but in voter-approved or local option levies. When jurisdictions seek to gain voter approval for additional tax revenue, the tax rate to collect that dollar amount will be slightly higher due to the fact that some assessed value is held out for the urban renewal district. The David Douglas School District, for example, will continue to seek voter approved bond levies to fund its capital facility requirements over the next twenty years. The rates that will be assessed to properties in the school district will be slightly higher to account for the fact that the assessed values in the regional center are frozen at 2001-2001 levels.

A case may be made that assessed values of properties in and around the district will rise even if tax rates do not, due to the increased value of the property from improved amenities and a shifting of market forces. Yet even if real market values rise, Measure 5/50 limits assessed value increases to up to 3 percent a year on unchanged properties. Continued AV increases of up to three percent (or less) a year on unchanged properties would be expected to continue under urban renewal due to property value appreciation. But higher real market values would also be expected to profit property owners who sell their property at a heightened market value.

Effects of urban renewal on taxpayers living well beyond the study area are minimal as well. The only impact would be the slight elevation in tax rates for general obligation bond levies, due to the frozen AV inside the urban renewal district. Because the spread of this impact is so wide, its effect on any one individual taxpayer is very small.

On the positive side, quality-of-life improvements both to neighboring and nearby properties tend to have a positive effect on property values. ORS 457 is based on the premise that urban renewal can breath new economic life into real estate that has fallen into a state of stagnation or depreciation.

4.11. City of Portland.

The establishment of a Gateway Regional Center urban renewal area would impact the City of Portland in three areas:

* General fund revenue
* Service delivery
* Special tax rates and levy collections

<u>General Fund Revenue Impacts.</u> Property taxes provide a principal means for the city to fund its operations, although the city also collects user fees; intergovernmental revenue like liquor, cigarette, 911, and gas tax apportionment; business licenses; franchise fees and other fees.

The city's individual rate for operations is $4.58 per $1,000 of assessed value. Urban renewal would freeze the amount of assessed value on which the city could collect taxes in Gateway. Over time, as assessed values increase in the district, the program would have the effect of reducing the city's general fund tax revenues below what they otherwise would have been absent urban renewal.

These reductions are at least partially offset by non-property tax revenue growth directly attributable to the urban renewal district. For instance, if the district stimulates hotel construction, then general fund transient lodging tax revenues would increase. Increases in other types of business activity would likely generate additional business license tax revenues. Utility license and franchise fee revenues would also grow through the increased energy, phone, sewer and water usage.

Table 4.11.1 on the following page shows the maximum potential annual revenue impacts to the city would begin at $43,858 in the first year, rising to an estimated $2.4 million in the final fiscal year (2026-27). This revenue stream is equivalent to the receipt of a present value lumpsum payment of approximately $9.5 million today. This calculation assumes that Gateway's assessed value would grow at 4.5% per annum without urban renewal (i.e. the revenue growth that the city would have received if the urban renewal district had not been formed).

Table 4.11.1: City of Portland Foregone Tax Revenue*

Year Number	Fiscal Year	Cumulative Assessed Value Increase (no urban renewal)	Estimated Foregone Revenue
1	2002-03	$10,193,865	$43,858
5	2006-07	$58,871,267	$257,920
10	2011-12	$135,860,851	$598,801
15	2016-17	$260,011,185	$1,147,786
20	2021-22	$394,294,528	$1,742,888
25	2026-27	$537,520,814	$2,378,216
Total (25 years)		**$537,520,814**	**$25,725,401**
Net Present Value			**$9,524,952**

* Select years shown

Restating this information in terms of the city's next two budget cycles, the city would experience an average annual loss of approximately $145,564 for the next five years, rising to $201,020 when fiscal year 2006-07 is included. This is summarized in table 4.11.2.

Table 4.11.2: City of Portland Foregone Tax Revenue – 5- Year Budget Cycles

Five-Year Budget Cycle	Five-Year Impact	Average Annual Impact
FY 2001-02 to FY 2005-06	$727,821	$145,564
FY 2002-03 to FY 2006-07	$1,005,100	$201,020

Finally, the city must consider the value of the tax increment revenue that, while made temporarily unavailable for citywide services, does remain within the city in the form of urban renewal expenditures for City Council-adopted priorities. Quantifying this value is speculative because it depends on how successful the urban renewal program is at increasing the district's total assessed value. Based on the model used in this study, the value of Gateway's 25 years of tax increment equates to $84 million in today's dollars, as indicated in Table 4.11.3.

Table 4.11.3: Projected 25-Year Net Tax Increment Revenue

Revenue Item	25-Year Total
Estimated Net 25-Year Revenues	$237,266,358
Net Present Value*	$84,388,658

*Assumes 6% time value of money and an estimate of delinquency, discount and compression.

Much or most of this revenue represents new property taxes unlikely to have been generated without urban renewal. After urban renewal bonds are repaid and the district's assessed value is "unfrozen," the benefits of this added revenue would accrue to the city's general fund, as well as to the other affected taxing jurisdictions.

<u>Service Delivery Impacts.</u> The city's general fund pays for basic services like police, fire and parks. The implementation of an urban renewal plan and attendant public improvements (e.g. parks, public facilities) could result in increased service delivery costs for these providers. New parks come with operating costs for the Parks Bureau. New populations raise service level requirements for the police and fire departments. New public facilities require operations and maintenance budgets from various city bureaus. As explained in section 3.6, operating costs are not tax increment eligible expenditures so the urban renewal district, while responsible for creating new development, is limited in its ability to defray costs associated with increased basic services.

Lacking an urban renewal plan, it is impossible to precisely analyze the urban renewal-induced service requirements and consequent financial or operational effects on city bureaus. This study has projected housing growth however, and from that, population increases and some associated costs can be estimated.

Without urban renewal, Gateway is anticipated to add 2,166 new residents over the next twenty years. With urban renewal, the total climbs to almost 5,900. The methodology for calculating these totals is shown in table 4.11.4.

Table 4.11.4: Population Increase Attributed to Urban Renewal

	Base Case (No Urban Renewal)	Additional due to Urban Renewal	Total
Housing Units*	1,140	2,650	3,790
Household Size**	1.9 persons/unit	1.4 persons/unit	--
Population	2,166	3,710	5,876

*Assumes all multifamily units
** Existing rate of persons per household (PPH) is 2.39. Smaller households are assumed in both the base case and urban renewal scenarios, but urban renewal is expected to produce significantly more one-bedroom housing units, thereby reducing the average PPH.

This additional population is more than double Gateway's current population, but is not expected to generate additional costs to most city bureaus in the next several years. The district is in a developed part of Portland and city bureaus are already servicing the area.

The Bureau of Fire, Rescue and Emergency Services for example, reports that this growth is not likely to immediately affect its operations.[21] As a point of comparison, Fire Bureau staff found nothing in the recently completed Interstate Corridor Urban Renewal Plan that would immediately impact its operations. The Interstate district is more than six times the size of the Gateway study area, and population gains due to urban renewal are expected to be 77% greater in North Interstate than in Gateway.

Population growth will ultimately impact the Police Bureau's staffing levels, but not within the first five years. As a result of 20 years of urban renewal growth, eight new officers are likely to be required, compared to four new officers without urban renewal.[22]

Annual increases in Gateway's population and service needs may be offset by population decreases elsewhere in the city, or may reflect migration within the city. In these cases, the Police Bureau and other service providers would be able to reallocate existing resources in response to a changing geographic distribution of the population.

The Parks Bureau cannot easily estimate increased operating costs without a better understanding of the new facilities likely to be included in the urban renewal plan. Again using the Interstate Corridor urban renewal district as a benchmark, approximately $10 million of parks/recreation facilities improvements were expected to generate between $100,000 and $700,000 in annual ongoing operating and maintenance costs, depending on what form the improvements take. The low end of the range reflected simple renovation of existing facilities and limited new facilities. The high end was indicative of costs associated with the maintenance of new facilities.

Assuming that Gateway's urban renewal development represents *net new population and valuation* to the city (with no redistribution effect), E.D. Hovee and Company estimates additional operating expenses for police, fire and parks maintenance of $4.3 million annually (in 2022). Added costs in earlier years of the plan would be correspondingly less depending on the pace and type of development actually experienced. These projections are derived by applying a few standard assumptions noted in table 4.11.5.

[21] Fiscal Impacts Analysis, ED Hovee and Company, page 10.
[22] Assuming conformance with City Council's goal of two officers per 1,000 population.

Table 4.11.5: Projected Additional Operating Expenses in 2022

City Expenditure Category	Assumptions/Standards	2022 Build-Out Cost Estimate
Police Service	2 officers per 1000 residents at $105,400 each*	$843,200
Fire Protection	$1.12 per $1,000 of induced value	$3,336,121
Parks Maintenance	$12,140 per acre**	$131,112
Total		**$4,310,433**

*Assumes population growth attributable to urban renewal is 3,710
**Assumes 10.8 new acres of parkland. Cost per acre derived from North Macadam studies.

Not included in this projection are potential capital costs for accommodating new police officers and support staff. Nor do these projections net out additional operating expenses that would be incurred by growth in Gateway absent urban renewal.

Regional center facilities that are used by large congregations of people could also raise police and fire service demand in Gateway, regardless of population gains. Higher levels of traffic in the district could require additional police traffic resources, and higher concentrations of density and foot traffic may result in a shift from motorized patrols to a horse or bike-mounted police presence. Each of these circumstances, as well as the roll-out of new parks and recreational facilities, could have operating budget impacts on the police, fire and parks bureaus.

Impact on Special Tax Rates and Levy Collections. The city has two levies that are not fixed by Measure 5/50 restrictions. These are the Fire & Police, Disability & Retirement System Levy, and the General Obligation (G.O.) Bond Levy. Because growth in the urban renewal district would be unavailable to support these two levies, their tax rates would be slightly higher than otherwise would have been the case in the absence of the district. The bulk of this increased burden would fall upon residential assessed values, which comprise somewhere near 65% of citywide assessed value.

Results from the Interstate Corridor Fiscal Impact Analysis indicate the net effect of this impact would be small. In Interstate, a district with nearly three times Gateway's frozen assessed value, the City's Office of Management and Finance found the increase to occur in the "third decimal" place.[23] The report found that the cost to a typical homeowner would be about $20 over the first six years of the plan.

[23] North Interstate Urban Renewal District Fiscal Impact Analysis, pg. 14.

4.12. Overlapping School Districts.

Additional information about the school districts that assess taxes in the study area is included in table 4.12.1.

Table 4.12.1: Study Area Education Districts

Study Area Education District	Estimated Population Served	Weighted Enrollment (1999-00)	Total Property Tax Rate* (1999-00)	Property Taxes as a Percentage of Operating Revenues (1999-00)
David Douglas School District	45,850	9,444	$5.49/$1,000	17%
Parkrose School District	27,000	4,125	$6.36/$1,000	44%
Multnomah County Education Services District	Serves the 8 Mult. Co. School Districts	87,200 (average daily membership)	$0.46/$1,000	28%
Mount Hood Community College	250,000	31,300	$2.03/$1,000	10%

*Includes property tax rate for debt service
Source: Tax Supervising and Conservation Commission 1999-2000 Annual Report

The relative importance of the urban renewal study area to these districts' ability to fund operations varies somewhat. Although approximately 90 percent of the study area lies within the David Douglas School District (DDSD), the Parkrose School District (PSD) is actually more reliant on study area property taxes. This is because of its greater overall reliance on property tax revenue, its smaller overall size, and the preponderance of commercial property in the overlapping portion of the PSD. For both PSD and DDSD, however, property values within the study area represent a small percentage of district revenues: 5.9 percent for the PSD and 2.2 percent for DDSD. Both Multnomah County Education Services District (MESD) and Mount Hood Community College (MHCC) receive less than one percent of their revenue from study area property taxes.

The school funding mechanism that is currently in place in mitigates the impacts of urban renewal on school district funding. Property tax revenues essentially represent a credit against total funding for a district that is defined by an amount allowed per student enrolled in the district. Local property tax collections are combined with state support to ensure that each district receives a set amount per student as determined by the state.

Thus urban renewal's impact on the education districts' operating budgets is unlikely to be appreciable. Regardless, the urban renewal agency is required to measure the property tax revenue loss for education districts that levy on values inside the proposed district. Those "foregone taxes" are described in table 4.12.2.

Table 4.12.2: Education Districts' Foregone Tax Revenue*

Year Number	Fiscal Year	Cumulative Gateway AV Increase (no urban renewal)	Estimated Foregone Revenue**			
			DDSD	PSD	MESD	MHCC
1	2002-03	$10,193,865	$38,923	$5,832	$4,385	$4,232
5	2006-07	$58,871,267	$229,760	$33,391	$25,786	$24,885
10	2011-12	$135,860,851	$536,975	$73,779	$59,867	$57,774
15	2016-17	$260,011,185	$1,043,266	$126,675	$114,754	$110,741
20	2021-22	$394,294,528	$1,590,367	$185,827	$174,251	$168,158
25	2026-27	$537,520,814	$2,155,082	$269,394	$237,770	$229,456
Total (25 years)		**$537,520,814**	**$23,336,240**	**$2,888,240**	**$2,571,978**	**$2,482,049**
Net Present Value			**$8,624,567**	**$1,086,025**	**$952,287**	**$918,990**

*Select years shown
**Based on current total tax rates

While urban renewal does reduce permanent rate school property tax revenues by the amounts shown above, the enrollment and facilities impacts from urban renewal-based development may be more significant. Capital funding is not part of the state formula for financing public education.

<u>David Douglas School District.</u> DDSD has been experiencing tremendous enrollment increases in recent years, especially in the elementary schools and English as a Second Language (ESL) offerings. Despite a relatively flat birth rate in the community, student numbers have been growing at two to three percent over the past eight years. The district has received annual increases in state formula funding revenue recently, with a 10 percent increase from 1998-99 to 1999-2000.

In order to cope with increasing enrollment, the district will place a $39.9 million bond before district voters in November 2000. If passed, the bond will permit district-wide facility renovations and the construction of a new school in the southern part of the district. Approximately 70 percent of the bond is earmarked to address the effects of enrollment growth.

One impact of urban renewal on the Gateway education districts has to do with the districts' future ability to pass bond measures like this one. Because urban renewal freezes the tax base in the Gateway portion of the education district, the education district has less property value to levy bonds against. To raise an equivalent amount of money, the district will need to levy a higher rate than would otherwise be the case in the absence of the urban renewal district. While the distribution of such a burden would be wide and its effect relatively small, it would nonetheless be directly attributable to urban renewal and could represent a nominal risk to the passage of future voter-approved bonds.

E.D. Hovee and Company assessed the additional enrollment increase projected under the urban renewal scenario in Gateway. According to the demographic analysis, the Gateway Regional Center is expected to attract high numbers of young professionals and "empty nesters" – two populations that have fewer children per household than the general population. DDSD officials have found that recent publicly assisted multifamily projects generate more school age children per dwelling than private developments.

Recalling that 2,650 housing units are attributable to urban renewal development in Gateway and assuming that new units average one and a half bedrooms, then the DDSD planning ratio of .25 students per bedroom results in an estimated increase of 950 students when the plan is complete in 2027. 950 students are enough to fill two new elementary schools. However E.D. Hovee and Company note this number might be high due to the fact that the regional center housing demand will be from "twentysomethings" and seniors. It is important to note that the mix of housing types and affordability of new units in the district will directly bear upon school district enrollment pressures.

Capital facilities needs attributable to urban renewal-induced growth are of most concern to the district because of the current capacity issues in the school system. Capital facilities funding is challenging to DDSD because of the typically low assessed value per student due to limited commercial property in the district, a low rate of assessed value growth, and the lack of a financing mechanism to tie increases in capital funding to expanding enrollment.

DDSD officials have expressed conditional support for urban renewal in Gateway for several reasons. Because most of the study area is within the DDSD, there may be opportunities for joint development projects that utilize a portion of the urban renewal funds to meet the needs of both the school district and the immediate Gateway community. The district has expressed an interest in exploring the possibility of an education center for K-3 grade and day care near a transit facility; the regional center would seem an ideal location, and such a project could be eligible for tax increment funds. Floyd Light Middle School is within the study area and could also benefit from the application of urban renewal improvements. Finally, inasmuch as urban renewal will have a significant upward effect on assessed values in the Gateway district, long term financial impacts for the school district are positive; the school district will reap the added value from increased property tax receipts in Gateway after the urban renewal plan is complete and bonds are repaid.

<u>Other Education Districts.</u> Impacts on the PSD, MESD and MHCC are likely to be minimal. Less than five percent of projected urban renewal housing development and one percent of the commercial development is anticipated for the PSD portion of the district (north of NE Halsey). Tax rates for MESD and

MHCC are less than $0.50 per $1,000 and these are spread across much larger districts than are the rates for the local school systems. In a reversal from the negative impacts on K-12 enrollment pressure, enrollment increases at MHCC due to urban renewal activities would actually benefit the school and its ability to expand its resource base. The community college is currently studying the possibility of establishing new programs in the regional center.

4.13. Other Taxing Jurisdictions.

The creation of a Gateway urban renewal district affects the other local governments in much the same way as the city general fund. Multnomah County, the Port, and METRO will experience foregone property tax revenues. Table 4.13 on the following page describes the maximum potential revenue lost by the three agencies during the 25 years that a Gateway urban renewal plan would be in effect.

These jurisdictions and the education districts collect property taxes in support of voter authorized general obligation bonds. Creation of an a Gateway urban renewal district would increase the tax rates slightly for these levies, although the exact impact would not be projected by the city's Office of Management and Finance until an urban renewal plan was drafted.

Table 4.13: Local Governments' Foregone Tax Revenue*

Year Number	Fiscal Year	Cumulative Gateway AV Increase (no urban renewal)	Estimated Foregone Revenue**		
			Multnomah County	METRO	Port of Portland
1	2002-03	$10,193,865	$47,318	$926	$672
5	2006-07	$58,871,267	$278,268	$5,444	$3,950
10	2011-12	$135,860,851	$646,043	$12,638	$9,171
15	2016-17	$260,011,185	$1,238,340	$24,225	$17,579
20	2021-22	$394,294,528	$1,880,392	$36,785	$26,694
25	2026-27	$537,520,814	$2,566,844	$50,194	$36,424
Total (25 years)		**$537,520,814**	**$27,754,993**	**$542,948**	**$394,003**
Net Present Value			**$10,276,418**	**$201,029**	**$145,881**

*Select years shown
**Based on current total tax rates

4.14. Relocation Impacts.

Because this Feasibility Study has been developed at the request of the PAC to assess the impacts of an urban renewal area should it be designated, actual urban renewal goals and activities have not been developed. However, the PAC has expressed interest in including PDC's relocation policies in this study to assist in evaluating the impacts of urban renewal designation in Gateway.

Every Urban Renewal Plan includes a list of goals and objectives to be accomplished during the life of the urban renewal area. Each plan also includes a list of general activities that can be undertaken by PDC to reach these goals. Such activities include the ability to acquire property, although it is unusual that specific property is identified for acquisition in a plan. PDC will only acquire property within the urban renewal area; properties adjacent to and outside of the area's boundary are ineligible for acquisition.

Whenever an urban renewal agency undertakes a project or program that will result in the acquisition of real property, the occupants of any residence or business on that property must be relocated, whether owner or renter/tenant. State law requires that all urban renewal plans include a description of the methods that will be used to relocate those displaced by acquisition by the urban renewal agency (ORS 457.085).

<u>Acquisition Activity</u>. PDC has exercised its acquisition authority for projects such as Waterfront Park, Airport Way industrial park and, most recently, to complete Lents Park. When PDC acquires property, it pays fair market value based on an appraisal. Market value is described as the price agreed upon by a willing, unforced seller and a willing, unforced buyer. PDC transactions do differ from those in the private sector in several ways:

* PDC doesn't always use brokers; sellers don't usually pay a commission;
* PDC pays closing costs;
* PDC is a cash buyer;
* PDC pays relocation benefits, as described below; and
* PDC may offer beneficial terms, such as deferred closing.

<u>Relocation Policy</u>. In the event any residences or businesses were required to relocate, the Portland Development Commission would provide assistance to persons or businesses displaced in finding replacement facilities. All relocation is conducted in accordance with federal, state and local policies, specifically:

* The Federal Uniform Relocation Act;
* Oregon Revised Statutes 457 and ORS 218; and
* Portland Development Commission Policy.

<u>Residential Relocation.</u> Individuals and families who are displaced and move from their residence shall be eligible for relocation payments and assistance from the Commission. Residential occupants will be provided at least 90 days written notice prior to the date by which the move is required. However, they will not be displaced until appropriate residential units are available within their neighborhood or area and within their financial means. Payments to occupants

will be made in assurance for decent, safe and sanitary dwellings at costs or rents within their financial reach. They will also be given assistance in moving.

Business Relocation. The owner of a business that qualifies as a displaced person is eligible for relocation benefits from the Commission, including finding replacement facilities, assistance in moving and payment for moving expenses. A business will receive at least 90 days written notice prior to the date by which the move is required.

Relocation payment for actual reasonable moving of personal property and related expenses may include the cost of (partial list):

* Transporting personal property to a replacement site;
* Packing and unpacking personal property;
* Disconnecting, dismantling, removing, reassembling and reinstalling equipment and other personal property;
* Storing personal property for up to 12 months;
* Costs of licenses, permits or certifications necessitated by the move;
* Replacing signage, stationery and other printed matter made obsolete by the move;
* Expenses incurred in searching for a replacement location, not to exceed $1,000;
* Purchase of substitute personal property; and
* A reestablishment expense payment subject to a maximum of $10,000 for certain expanses not covered by the actual moving expanse payment mentioned above. The reestablishment expanse payment may include such costs as increased rent, increased taxes, feasibility studies, advertising, etc.

As an alternative to a payment for moving and reestablishment expenses, a fixed payment may be made to a business for such expanses as outlined above. The payment will equal the average annual net earnings of the business, but not less than $1,000 or more than $20,000.

SECTION 5: SUMMARY FINDINGS

As stated at the outset of this report, the decision to create an urban renewal district in the Gateway Regional Center rests in the hands of PAC members, the Portland Development Commission and City Council. City Council has supported the PAC's efforts and has indicated its willingness to champion urban renewal to achieve Opportunity Gateway goals if the Gateway community were to support this approach. The findings of this study, as summarized in this section, are intended to help inform PAC members and city policy-makers about the feasibility and desirability of pursuing an urban renewal plan for the Gateway Regional Center.

The study has considered several "tests" for urban renewal feasibility, some of which are purely objective, and others which are more informative than conclusive. The study area clearly passes the statutory tests described in ORS 457. The study has also confirmed Gateway's potential to generate enough tax increment to enable an extensive redevelopment program.

Statutory Feasibility

5.1. Geographic Area.

ORS 457.420(2)(a)(B) limits the sum of land in the city's urban renewal districts to 15 percent of the city's total land area. The study area, when added to the nine existing urban renewal areas, does not put the city over the 15 percent threshold.

Table 5.1: Total Acreage in Portland Urban Renewal Areas

		% of Total
Total Acreage in the City of Portland	92,614 Acres	100%
Acreage in 9 Existing Urban Renewal Districts	11,496 Acres	12.41%
Including Gateway Study Area (592 acres)	12,088 Acres	13.05%

5.2. Assessed Value.

ORS 457.420(2)(a)(A) limits the amount of assessed value in the city's urban renewal districts to 15 percent of the city's total assessed value. The study area's assessed value, when added that of the nine existing urban renewal areas, does not put the city over the 15 percent threshold.

Table 5.2: Total Assessed Value in Portland Urban Renewal Areas[24]

		% of Total
Total Assessed Value in the City of Portland	$30,195,948,586	
Assessed Value in 9 Existing Urban Renewal Districts	$3,067,797,224	10.2%
Including Gateway Study Area ($266,791,866)	$3,334,589,090	11.0%

5.3. Existence of Blight.

Evidence of blight, which can be manifest in either physical or economic conditions, is present throughout the district. ORS 457.010(1)(a) characterizes blighted areas by the existence of one or a combination of specific conditions. From this list and based on this feasibility study, it has been determined that Gateway exhibits the following symptoms of blight:

(a)(A) Defective design and quality of physical construction. *This condition is concentrated in the Prunedale area south of Burnside and north of SE Stark.*

(a)(B) Faulty interior arrangement and exterior spacing. *This condition exists throughout the study area and is due to the inefficient layout of tax lots, incomplete local street network, and abundance of large parcels that are difficult to access from the streets.*

(a)(D) Inadequate provision for ventilation, light, sanitation, open spaces and recreation facilities. *Open space and recreation deficiencies apply to the entire district.*

(a)(E) Obsolescence, deterioration, dilapidation, mixed character or a shifting of uses. *Certain structures are in a state of disrepair, but almost all land between 102nd and I-205, south of NE Pacific and north of SE Stark exhibits a disorderly mix of uses.*

(b) An economic dislocation, deterioration or disuse of property resulting from faulty planning. *The district has seen limited commercial reinvestment over 30 years, due in part to inadequate land use planning. The former bowling alley at 104th and Wasco is a high-profile example of a property that is deteriorating for the lack of planning of its immediate environment.*

(c) The division or subdivision and sale of property or lots of irregular form or shape and inadequate size or dimensions for property usefulness

[24] Based on 1999-2000 assessed values. Compliance with this provision would be based on 2000-2001 assessed values.

and development. *This condition is especially prevalent in the Prunedale area and for properties west of 97th.*

(e) The existence of inadequate streets and other rights of way, open spaces and utilities. *This condition is applicable to the entire district, especially in consideration of its zoning and adopted plans and policies.*

(g) A prevalence of depreciated values, impaired investments and social and economic maladjustments to such an extent that the capacity to pay taxes is reduced and tax receipts are inadequate for the cost of public services rendered. *Existing property values and associated tax receipts are depreciated due to scarcity of "highest and best" land uses based on zoning and plans for the district.*

(h) A growing or total lack of proper utilization of areas, resulting in a stagnant and unproductive condition of land potentially useful and valuable for contributing to the public health, safety and welfare. *Widespread disparity throughout the district between existing land uses and land use potential, based on zoning and other plans and policies for the district.*

Financial Feasibility

5.4. Maximum Indebtedness.

Gateway will continue to see new development. Based on current market conditions, the completion of Airport MAX, job growth at CascadeStation, the airport and Columbia Corridor, and the now proven housing market in the district, the regional center can expect to gain several thousand new jobs and housing units in the next 20 years. As a result, property values will likely rise, along with Gateway's tax base. Potentially suppressing the full potential of this growth in assessed value, however, will be the effect of tax-abated housing development, lower density projects due to marginal rents, the scarcity of good building sites, and a private sector unwillingness to take risks on new development products.

Urban renewal is expected to stimulate a threefold increase in housing unit and job creation in the district over twenty years. Depending on its application, tax increment financing can be used to help bridge the gap between the suburban style development that is supportable in the Gateway market, and urban style development that would fulfill the regional center vision.

Having considered both factors – Gateway's natural market dynamics and the potential role of urban renewal – PDC and the economic firm of E.D. Hovee and Associates project that up to $138 million could be available through tax increment financing for an urban renewal district in the study area. Should an urban renewal plan indicate the need for this level of financing, Gateway would have the seventh highest debt capacity of the city's ten (including Gateway) urban renewal districts.

An absolute finding on financial feasibility cannot be made without a projection of expenditures. However the findings of this study indicate that the study area would be capable of supporting a substantial redevelopment program.

5.5. Summary of Impacts.

Implementation of an urban renewal plan in Gateway will have a nominal impact on taxpayers inside and outside the urban renewal boundary. Because urban renewal is not a new tax or a tax rate hike, its effect inside the district would be felt through the likely appreciation of property value. While this would generate property tax increases of up to three percent annually for unchanged properties, the out-of-pocket loss to property owners would be recouped upon sale of a more valuable property in the market. Property taxpayers citywide could expect to see very slight increases in voter-approved tax rates over time due to the temporary freeze on revenue attributable to Gateway's total assessed value. Permanent rate levies would be unaffected by the new urban renewal district.

Foregoing this tax revenue (25 years in this model) has the net effect of a $10 million impact to the City of Portland in today's dollars. But the city can expect to raise $84 million in tax increment revenue due to urban renewal, and this money can be used for City Council-adopted priorities in the Gateway district. Until the urban renewal bonds are repaid, these monies cannot be used outside of the district, nor can they be used to fund operating costs associated with the new development. This does generate some costs that the city's general fund would not otherwise incur. Police, Fire and Parks operating expenses can be expected to increase, albeit gradually as the district grows over time. Upon closure of the district, the city's general fund would enjoy the additional tax receipts stimulated by the urban renewal program.

Among the education districts that would be affected by freezing Gateway's tax base, the local school districts would be more impacted than the regional organizations (Mount Hood Community College and Multnomah Education Services District), but again, the fiscal impacts would be limited. DDSD can expect to forego approximately local property tax revenue of approximately $9 million in present value, and Parkrose approximately $1.1 million. However, property tax losses from urban renewal are spread statewide via the state's education funding formula. The local school districts, therefore, would not actually lose this much funding.

More significant than operational funding impacts are the potential new capital needs attributable to urban renewal-supported growth. The David Douglas School District, for example, is already at capacity in many of its facilities and urban renewal-supported growth will add additional children to the school system during the life of the plan.

School officials at DDSD have expressed conditional support for Gateway urban renewal, even with the potential of additional enrollment and capital needs. The urban renewal plan could include projects that help offset the costs to infrastructure systems like the schools. The school district perceives a potential upside to partnering with the city and urban renewal agency on joint ventures in Gateway that could meet needs of both the system and the local community.

Impacts to Multnomah County, the Port of Portland, Metro, and Tri-Met are also relatively small. The county, with the largest tax rate of the group, can expect to forego the most revenue. Like the city, Multnomah County can expect approximately $10 million of foregone revenue in today's dollars over the 25 years that a Gateway urban renewal district would be in effect. Unlike the schools, the county does not have a backstop to mitigate these losses. The county would benefit from the value of additional investment after the district expires, but would need to ensure that public health and other services are not too severely crimped by this reduction to its budget (which was $877 million in 1999-2000).

Concept Plan Feasibility

5.6. With Urban Renewal.

The impetus for considering urban renewal in Gateway is the desire to implement the *Opportunity Gateway Concept Plan.* The Concept Plan describes a 20-year vision for the district and is intended to be a framework for policy decisions, a guide for private plans and development, and a measure of certainty for adjacent residents that employment and housing growth will not encroach on their neighborhoods.[25]

This study indicates that urban renewal would assist in achieving all of those goals. Through the creation of the urban renewal plan, the stakeholders could prioritize the projects and programs suggested in the Plan. The urban renewal agency could partner with the community to implement those projects. And by providing the district with the ongoing support and attention of the city, both policy-makers and developers will be afforded a measure of certainty about Gateway's future.

Perhaps the most significant finding, however, is that urban renewal is the most realistic tool of those considered for influencing private development in the district.

---

[25] Opportunity Gateway Concept Plan and Redevelopment Strategy, pg. 18.

Tax increment financing is the only tool capable of steering development toward specific sites, stimulating plan-based projects or untested products, and meeting the myriad goals of the Opportunity Gateway program. Moreover, the strategic application of tax increment financing may in time make the market more conducive to the kind of development envisioned in the Concept Plan.

5.7. Without Urban Renewal.

Elements of the Concept Plan can be implemented without tax increment financing – but private development in the district will be considerably more difficult to stimulate and guide. The ability to put together funding for public or public/private projects will be more onerous and may not always be possible. Public improvement projects like a boulevard on 102nd, a parking structure at the Transit Center, or a neighborhood park would be eligible for other funding sources; however the chances of securing adequate financing for any one project, to say nothing of the entire list of projects referred to in the Concept Plan, are difficult to gauge. The district would need to compete with other Portland metro area and statewide priorities, and would not be well endowed with matching or seed monies that might increase its rate of success.

Planning initiatives and additional studies could continue without urban renewal, and several of these projects are listed as part of the Concept Plan. The implementation of these initiatives, especially those related to the Gateway Plan District and other zoning code amendments, would positively impact the redevelopment of the regional center.

Although Gateway is expected to add almost 1,200 housing units and 3,000 jobs in the market baseline scenario, these numbers triple under the effect of urban renewal. This additional density, if incorporated in accordance with *Opportunity Gateway Concept Plan* principles, could begin to shift development in Gateway toward a more urban development pattern which would be consistent with the regional center plans and policies already in place for the district. The vision for the regional center in year 2018, as described on page 6 of the *Opportunity Gateway Concept Plan,* states:

> "Not quite urban, certainly not suburban, and filled with interesting quirks and surprises, the district has become a regional center – a place not just to be used, but to be enjoyed by all."

Urban renewal will move Gateway toward the urban side of that urban-suburban continuum. It will help create new amenities for the benefit of current and future users. Without the unique attributes of the urban renewal package, new development in Gateway will likely remain on the suburban side of the spectrum.

Section 5: Summary Findings

The results of this study strongly suggest that without urban renewal, Gateway stands little chance of becoming the regional center envisioned in the Concept Plan. With urban renewal, policymakers and community stakeholders will possess the tools to encourage development that is more urban in character: development that is designed with transit riders and pedestrians in mind, mixed-use projects that combine retail and housing, and projects that facilitate plazas, civic centers and other public amenities that rely on higher population densities.

The study projects development in Gateway to increase regardless of urban renewal. But without the aid of tax increment financing, the study predicts a different type of development: development that is more likely to occur in haphazard fashion, consist primarily of low-density, auto-oriented projects, and limited by the documented existence of blight (inefficient tax lots, inadequate street connections, etc.). The type of development that is projected to materialize in the absence of urban renewal will not help realize Gateway's potential as a regional center.

Gateway’s two futures -- one with urban renewal, one without – represent a choice for the Gateway community and the many stakeholders associated with the Opportunity Gateway process. On the surface it is a choice about urban renewal. But the findings of this study suggest that it is in fact, a choice about the very notion of the regional center itself.

APPENDICES

APPENDIX 1: COMPLETE DISTRICT ZONING

The purpose of the Comprehensive Plan designations is to provide a coordinated set of guidelines for decision-making to guide the future growth and development of the city. Generally speaking, Comprehensive Plan designations prescribe the general use and intensity that should be zoned for and developed in a specific area.

Comprehensive Plan Designations				
Zone	**Acreage**	**Parcels**	**Acreage %**	**Parcels %**
CX	160.39	164	32.6%	18.1%
IR	105.23	183	21.4%	20.2%
RH	59.1	165	12.0%	18.2%
R2	53.05	104	10.8%	11.5%
R1	22.84	66	4.6%	7.3%
R5	19.16	1	3.9%	0.1%
EX	17.29	62	3.5%	6.8%
UC	16.48	46	3.3%	5.1%
OC	13.75	29	2.8%	3.2%
NC	8.74	42	1.8%	4.6%
OS	8.08	16	1.6%	1.8%
CG	5.52	24	1.1%	2.6%
R3	3.06	4	0.6%	0.4%
Totals	**492.69**	**906**	**100.0%**	**100.0%**

Source: 2000 RLIS Data, Metro

Local Zoning is the tool used by the city to implement the Comprehensive Plan designations. It is also the regulation set with which property owners and developers must comply.

Local Zoning				
Zone	**Acreage**	**Parcels**	**Acreage %**	**Parcels %**
CX	159.0	160	32.3%	17.7%
IR	71.7	81	14.6%	8.9%
RH	59.9	164	12.2%	18.1%
R2	52.9	103	10.7%	11.4%
EG2	32.1	126	6.5%	13.9%
R1	22.8	66	4.6%	7.3%
CO1	21.3	44	4.3%	4.9%
R5	19.2	1	3.9%	0.1%
CS	14.9	33	3.0%	3.6%
CO2	10.9	24	2.2%	2.6%
CN2	8.8	43	1.8%	4.7%
OS	8.1	16	1.6%	1.8%
CG	5.5	24	1.1%	2.6%
R3	3.1	4	0.6%	0.4%
CM	2.6	17	0.5%	1.9%
Totals	**492.7**	**906**	**100.0%**	**100.0%**

Source: 2000 RLIS Data, Metro

APPENDIX 2: MATERIALS FOR BUILDING CONDITIONS SURVEY

Building Survey Instructions
July, 2000

Thank you for your assistance with this survey! You will be helping us to survey all the buildings within the Opportunity Gateway Feasibility Study boundary. Please review the Opportunity Gateway project letter so that you are familiar with the purpose of the Feasibility Study. It will help you to understand the importance of this survey.

1. Volunteers are to survey the condition of the main building at each address. Disregard yard or general upkeep of property. Don't include accessory buildings or structures unless significant in size, and note condition of such structures in the "comment" section. In situations where there are several buildings on a site (i.e. school or medical center), focus on the main structures and rate the structures on the property overall.

2. Volunteers may survey on foot or by automobile, whatever mode is most comfortable and feels safest. Busy streets are more easily surveyed by walking as it may be hard to find parking spaces at regular intervals and in some cases, there may not be any on-street parking allowed. Some residential streets may be more easily surveyed by car, particularly if the street is busy and has no sidewalks.

3. Two survey forms are provided: a survey sheet and a checklist of addresses.

   Survey list: The street names in each precinct are provided on this list. Please pencil in the address of each property you survey. Then check which category best describes the condition of the building on the property, per the descriptions below. There will probably be some extra lines left over under each street name.

   Condition category:
   Condition A means that the new or older building is well maintained. Buildings that need only cosmetic improvements such as new paint should fall into this category.

   Condition B means that the building needs improvement over and above cosmetic needs. For example, a building with a sagging porch or broken window or in need or a new roof should fall into this category.

Condition C means that the building is dilapidated and probably beyond improvement or repair.
Street Checklist. Once you are done surveying all buildings in the precinct, please check off all the addresses located, as indicated on the street checklist. You may survey some addresses that do not show up on the checklist. Write down these addresses on the blank lines of the checklist. Conversely, there may be some addresses on the checklist that you did not find during your survey. That is OK, just leave these addresses blank.

4. If someone asks you what you are doing, tell him/her that you are a volunteer doing a survey of building condition for the Portland Development Commission and give them a copy of the Opportunity Gateway project letter. Refer them to the PDC staff listed at the bottom of that letter for questions. Be polite and decline to answer questions, as it will slow down your inventory work and it is not your obligation to answer questions about the Opportunity Gateway project. That is the job of the staff listed below and the citizens involved in the Program Advisory Committee.

5. If you have any questions or comments while you are surveying, please do not hesitate to contact any of the following PDC staff:

Sara King	**823-3468**
Sloan Schang	**823-3305**
Kenny Asher	**823-3227**

6. Please try to complete your survey work by Monday, July 17th, if possible. When you are finished with your precinct(s), please return all forms and materials to your organization's coordinator.

ENJOY YOUR SURVEY WORK. THE PROGRAM ADIVSORY COMMITTEE AND THE PORTLAND DEVELOPMENT COMMISSION THANK YOU FOR YOUR ASSISTANCE!

"Talking Points" for Volunteers

1. I am a volunteer gathering some information for the Opportunity Gateway Program Advisory Committee and the Portland Development Commission (PDC).

2. We are undertaking a survey of the buildings in and around the Gateway district to help the Committee and PDC understand real estate conditions in this area.

3. No plans are being made for your property, or for any other property in the survey area. The results of the survey will not lead to plans for your property or any other property in the survey area.

4. "Opportunity Gateway" is a collaboration between mid-county citizens and the City of Portland to manage growth in the Gateway Regional Center.

Explanatory Letter

July, 2000

Thank you for your interest in this Opportunity Gateway survey.

"Opportunity Gateway" is a collaboration between mid-county citizens and the City of Portland to manage growth in the Gateway Regional Center. The Regional Center is generally the area between Halsey and Market Streets, from the freeway to 103rd (see map on reverse).

The *Opportunity Gateway Concept Plan* is the blueprint for Gateway's future. It describes a vision for the Gateway district that includes new parks, streets, housing, cultural facilities and job opportunities. The *Plan* was written over two years with the input of hundreds of citizens and other stakeholders.

As part of Opportunity Gateway, we are undertaking a survey of the buildings in and around the Gateway district. Over 5,000 buildings are included in this survey, which is being done to help the Committee and PDC understand real estate conditions in this area.

No plans are being made for any of these properties, and the results of the survey will not lead to plans for any of these properties. The survey will be included in a larger study – a feasibility analysis for urban renewal. If Gateway were to become an urban renewal area, it would not change any property owners' rights to own, occupy, or sell their property. In addition, many of the properties being surveyed would not be included within an urban renewal district, should one be formed. This survey is an information gathering exercise only.

The Opportunity Gateway program is an ongoing effort. If you are interested in participating, or would like more information about the program, urban renewal, or this study, please contact the Portland Development Commission at 823-3200. Your involvement is truly welcome.

Thank you very much,

Opportunity Gateway Volunteer.

Survey Street Checklist
(example)

SUBAREA 1					
Located	**Street Address**	**Located**	**Street Address**	**Located**	**Street Address**
	1635 NE 101ST AVE		10116 NE WEIDLER ST		1813 NE BELL DR
	1636 NE 101ST AVE		10124 NE WEIDLER ST		1814 NE BELL DR
	1703 NE 101ST AVE		10134 NE WEIDLER ST		1823 NE BELL DR
	1704 NE 101ST AVE		10015 NE WEIDLER ST		1832 NE BELL DR
	1713 NE 101ST AVE		10016 NE WEIDLER ST		1833 NE BELL DR
	1714 NE 101ST AVE		10031 NE WEIDLER ST		1843 NE BELL DR
	1725 NE 101ST AVE		10032 NE WEIDLER ST		1905 NE BELL DR
	1726 NE 101ST AVE		10037 NE WEIDLER ST		1906 NE BELL DR
	1737 NE 101ST AVE		10040 NE WEIDLER ST		1915 NE BELL DR
	1738 NE 101ST AVE		10041 NE WEIDLER ST		1924 NE BELL DR
	1805 NE 101ST AVE		10054 NE WEIDLER ST		1925 NE BELL DR
	1806 NE 101ST AVE		10055 NE WEIDLER ST		1933 NE BELL DR
	1813 NE 101ST AVE		10064 NE WEIDLER ST		1945 NE BELL DR
	1814 NE 101ST AVE		10105 NE WEIDLER ST		1949 NE BELL DR
	1826 NE 101ST AVE		10108 NE WEIDLER ST		1953 NE BELL DR
	1827 NE 101ST AVE		10121 NE WEIDLER ST		2009 NE BELL DR
	1838 NE 101ST AVE		9909 NE WEIDLER ST		
	1904 NE 101ST AVE		9952 NE WEIDLER ST		
	1916 NE 101ST AVE		9957 NE WEIDLER ST		
	1930 NE 101ST AVE		9965 NE WEIDLER ST		
	1937 NE 101ST AVE		1605 NE BELL DR		
	2021 NE 102ND AVE		1615 NE BELL DR		
	2035 NE 102ND AVE		1616 NE BELL DR		
	2107 NE 102ND AVE		1625 NE BELL DR		
	2119 NE 102ND AVE		1630 NE BELL DR		
	2141 NE 102ND AVE		1642 NE BELL DR		
	2191 NE 102ND AVE		1647 NE BELL DR		
	1939 NE 102ND AVE		1656 NE BELL DR		
	1927 NE 102ND AVE		1659 NE BELL DR		
	1915 NE 102ND AVE		1705 NE BELL DR		
	1903 NE 102ND AVE		1708 NE BELL DR		
	1839 NE 102ND AVE		1717 NE BELL DR		

Survey Input Form
(example)

SUBAREA 1					
A: Newer or Well-Maintained Older Buildings *B: Buildings Needing Improvement.* *C: Dilapidated Buildings.*					
Address No.	**Address Street**	**Condition A**	**Condition B**	**Condition C**	**Comments**
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
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	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 101st AVE				
	NE 102nd AVE				
	NE 102nd AVE				
	NE 102nd AVE				

***Name:*____**

***Date:*____________________**

APPENDIX 3: BUSINESS PROFILE SURVEY

Phone Survey

Introduction

Good Morning/Afternoon. My name is ..., and I am calling from the Survey Research Lab at Portland State University. As you probably know from the letter sent to you by the Portland Development Commission, we are conducting a study of all businesses in the greater Gateway area. The purpose is to identify the needs of this business community.

Your participation is completely voluntary. All your answers will be kept confidential, and if there are questions that you would prefer not to answer, that's fine.

Would you be willing to spend about 15 minutes now or at a time that is more convenient?

1 No
2 Yes, now
3 Yes, but later
4 No, not in Greater Gateway area
5 No, we are closing
6 Refused
7 Don't Know

Q1. May I verify the name of your business:

Q2 What products or services do you provide?

Q3 How is your business structured?

Are you or someone else the sole proprietor of this business, or is it a partnership, private corporation, or public corporation?

1 Sole proprietor
2 Partnership
3 Private Corporation (PC)
4 Public Corporation (Inc.)
5 Franchise

6 Other
7 Refused
8 Don't Know

Q4 How long have you been at your present location?

Q5 How many years have you been in business in the Gateway area?

Q6 Does the business rent or own your building or property?

1 Rent
2 Own
3 Refused
4 Don't Know

Q7 How many full-time employees do you have now?

Q8 How many part-time/temporary employees?

Now I would like to ask you some questions about your employees.

Q9 What would you say is the average hourly wage of your full-time employees?

Q10 What is the average hourly wage of your part-time/temporary employees?

Q11 What percentage of your employees would you say live in:

Eastside Portland
Westside Portland
East Multnomah County
Washington County
Clackamas County
Clark County
Other

Q12 With respect to how your employees get to work, what percentage of your employees would you say drive alone to work? ... carpool? ... take mass transit? ... walk or bike?

Automobile by self
Carpool (drive with others)
Mass transit
Walk, bike

Don't Know

Q13 Think now about the economic outlook for Gateway as a business area over the next 10 years. On a scale from 1 to 5, with 1 being very poor and 5 being very good, what do you think is the economic outlook for Gateway as a business area over the next 10 years ?

1 Very Poor
2 Poor
3 Neutral
4 Good
5 Very good
6 Refused
7 Don't Know

Q14 What is the outlook for your business in the next ten years?

1 Weak
2 Somewhat weak
3 Adequate
4 Somewhat strong
5 Strong
6 Refused
7 Don't Know

Q15 Next, I would like you to tell me which of the following you consider advantages to being located where you are:

1 None
2 Convenience to employees
3 Convenience to customers
4 Convenience to suppliers/service providers
5 Reasonably priced rent/lease/purchase price
6 Long history at this location
7 Adequate workforce
8 Any other advantages to your current location?
9 Refused
0 Don't Know

IF: (Q15 is Any other advantage) What other advantages to your current location?

Q16 Which of the following do you consider disadvantages to being located where you are?

1 None
2 Traffic congestion
3 Inadequate workforce
4 Inconvenient for customers
5 Inconvenient for employees
6 Inconvenient for suppliers/service providers
7 Any other disadvantages to your current location?
8 Refused
9 Don't know

IF: (Q16 is Any other disadvantage) What other disadvantages to your current location?

Q17 Are you planning a business expansion?

1 No
2 Yes
3 Refused
4 Don't Know

Q18 IF: (Q17 is Yes) Will this expansion increase employment?

1 No
2 Yes
3 Refused
4 Don't Know

Q19 IF: (Q17 is Yes) Can you expand at your current location?

1 No
2 Yes
3 Refused
4 Don't Know

Q20 IF: (Q19 is No) Where are you looking to expand?

Q21 IF: (Q17 is Yes) Now I 'm going to ask you about 7 things that may be barriers to expansion of your business. I'd like you to tell me how significant a barrier to expansion each one is, from your standpoint, using a scale from 1 not at all, to 5, extremely significant.

How significant a barrier to expansion is:

Lack of capital/financing
Lack of workers
Government restrictions
Lack of space for operations
Transportation congestion for employees, suppliers or customers
Lack of adequate on-site parking
Other

IF: (Q21G is Yes) What is the other barrier to expansion?

How significant is the other barrier to expansion?

1 Not at all significant
2 Somewhat insignificant
3 Neutral/no opinion
4 Somewhat significant
5 Extremely significant
6 Refused
7 Don't know

Q22 Do you have plans to relocate or close your business in the next five years?

1 No
2 Yes, Relocate
3 Yes, Close
4 Refused
5 Don't know

Q22A IF: (Q22 is Yes) Could I ask you why you are closing?

Are you closing because ...

1 you are retiring
2 of unsatisfactory lease terms
3 of a merger/consolidation
4 of the unavailability of workers
5 of government restrictions
6 of a lack of available space
7 of transportation i.e. congestion for employees, suppliers or customers
8 Any other reasons?
9 Refused

IF: (Q22A is Any other reasons?) What is the other reason you are planning to close?

Q23 IF: (Q22 is Yes, Relocate) Where do you plan to relocate?

Q24 IF: (Q22 is Yes, Relocate) I am going to ask you several possible reasons why you are relocating.

Are you relocating ...

1 to be closer to market/customers
2 because of unsatisfactory lease terms
3 because of a merger/consolidation
4 because of the unavailability of workers
5 because of government restrictions
6 because of a lack of available space
7 because of transportation i.e. congestion for employees, suppliers or customers
8 None of these
9 Refused
10 Don't Know

Q24A IF: (Q22 is Yes, Relocate) Are there other reasons why you might relocate?

IF: (Q24A is Yes) What is the other reason?

Q25 Have you heard of the Opportunity Gateway program?

1 No
2 Yes
3 Refused
4 Don't know

Q26 IF: (Q25 is Yes) How did you hear about it? Did you hear about it through ...

1 Word of mouth
2 Information in the mail
3 A meeting you attended
4 Through the media
5 Other
6 Refused
7 Don't know

IF: (Q26 is Other) How did you hear about it?

Q28 Are you familiar with urban renewal as a tool for helping to strengthen neighborhoods and business districts?

1 No
2 Yes
3 Refused
4 Don't know

Q29 IF: (Q17 is Yes) Thinking back to the barriers to expansion which you identified earlier,
would you support urban renewal if its programs could reduce or eliminate these barriers?

1 No
2 Yes
3 Refused
4 Don't know

Q30 Would you like more information about the Opportunity Gateway program or urban renewal?

1 No
2 Yes
3 Refused
4 Don't know

Q32 Do you have any comments about urban renewal?

Thank you for participating in our survey. We will mail you a copy of the aggregate responses when we have completed our survey of the Gateway business community.

Goodbye.

Responses to Question 32

Of the 295 businesses interviewed, 69 had substantive responses to Question 32. The 226 respondents answering "no" or declining to answer at all have been removed. The remaining comments follow.

Question 32: Do you have any comments about urban renewal?

* Sometimes its a waste of money, sometimes it's good depending on the project.
* I'm pleased with the effort to enhance my business community.
* Well I know certain members of the minority community, in times past, were dissatisfied with urban renewal. It's a complex issue. There's a lot of political thought in it, as far as Enterprise Zones and other different areas that complicate the situation.
* Make sure that what you are saying is true and actually taken care of. For example: clean the area, have more residents move into the location and take care of the erosion in roadways.
* Please give a fair price for our property.
* Keep up with it.
* Expand the urban growth boundary-- it needs to be expanded. We have too many people squeezing into too small an area. We don't have the traffic arterials to keep up with it. I know I'm in the minority on this issue.
* Right where I am you could throw a rock and hit somebody that is dealing drugs, but the police do know about it.
* Business improvements.
* Doesn't do a damn bit of good.
* It is a valuable tool for upgrading neighborhoods.
* As long as doesn't impede upon land that I own, I will be fine with the urban renewal. It is hard to get to our business already, and changing zoning will affect my business and me.
* If it costs extra, I want no renewal.
* I don't think it applies to our type of business.
* Favorable, support it.
* Do not put trees down the middle of the road, I enjoy the ease of movement.
* They need to knock off apartment complexes.
* Access to freeways is imperative.
* I think it is a good idea. Is there a human being to talk about the zoning restrictions?
* Do not mess with roads.
* Not necessary.

* The area needs it, a very comprehensive plan rather than a shotgun approach. Transportation is probably the most important item.
* No, seems to be doing good already.
* Since I pay so many taxes as a business owner, the city should give me more back, for example, in advertising and business recognition.
* They should expand the boundaries.
* In the area I am at they are building a lot of condominiums, with no parking. This isn't a feasible plan either.
* Sounds like a good program.
* No I don't, my only experience is that the poor get pushed out and the rich get pushed in.
* I question packing too many people too close.
* It is desperately needed in the Gateway area.
* I don't like the density of the area.
* They did not let me expand my business due to the apartments that they are building on my land. I will never be able to understand why they are doing this to my land. It is not right to build all these houses and apartments when people have businesses here already. Also, the lightrail causes people to park on my land, and my street. They should stick to their own side of the street. We are wasting too much money on mass transit, and I think it is useless to my business and me. If people can't afford the bus, they cannot afford my business. Doesn't affect me at all.
* I would like more questions about urban renewal and I would like more specifics about urban renewal in the area. I would like to know what it is really trying to do.
* I would like to know what's going on.
* Looks pretty good.
* It's mostly a waste of time, the government usually interferes and causes more problems than solutions. The government should leave urban renewal problems up to the private sector.
* Urban renewal will not help the people. Politicians have blocked the public involvement with the max line. Voted down and gone against the will of the voters. Also, there's too much city involvement and they are trying to micromanage our lives. They tell people how they should live and where they should live. I believe it is to bad that the people do not really involved with the private sector. Politicians are mixed up and now they are a way of life because they do not see what the people are really experiencing. They believe they have the right ideas, and they are not trying to improve traffic control.
* It's a very positive thing, it's been helpful to homeowners to afford nicer homes.
* It's a slow and tedious process. It is questionable on how far it will go.

APPENDIX 4: DEVELOPMENT ASSUMPTIONS

General Assumptions

Land Inventory: Redevelopment parcels are those with an assessed value of $10 or less per square foot. At this level, there is sufficient margin to allow some demolition and site preparation expense while maintaining financial feasibility for a wide range of commercial and residential development.

Market Factor: Market factors are 10 percent under urban renewal, and 50 percent under the base case. The base case is considered to typify conditions in an area experiencing normal levels of market activity. The market factor accounts for the portion of land inventory that will not redevelop during the term of the plan. Several factors may effectively keep a parcel from redeveloping: legal challenges, conditions of ownership – such as multiple uncooperative owners – or physical conditions such as lack of appropriate infrastructure, contaminated soils or other environmental issues, etc.

Density: Densities differ according to proximity to light rail stations, resulting in different assumptions for development in Light Rail Station Areas (LRSAs) and Non Station Areas (NSAs). North and Central subareas are LRSAs, and Halsey-Weidler and South subareas area NSAs

Floor Area Ratios: FAR varies according to building type, size, location and zoning designation. The maximum FAR used was 2.00 or twice as much building area as square feet of parcel. The minimum allowed FAR for commercial and employment zones is 0.5. A 0.35 FAR was used for Retail Services type redevelopment in the Non Station Areas to approximate existing market conditions.

The following chart lists all assumptions for base case market versus urban renewal conditions, and for LRSA versus NSA located properties.

Detailed Development Assumptions by Scenario (Base Case vs. Urban Renewal)

Assumption	Base Case	Urban Renewal	Comments
Development/Redevelopment Thresholds:			
Maximum Value/sf for Redevelopment	$10.00	$10.00	Maintains Opportunity Gateway inventory assumpti
Market Factor	50%	10%	Based on current conditions for the Base Case and A(
Residential Zones:			
RH Density (land area per unit for Light Rail Station Areas (LRSA).*	31/acre	80/acre	RH zone minimum is 29/acre. The urban renewal ass development proposals and market activity. Urban r required to achieve assumed UR density.
RH Density (land area per unit for Non-Station Areas (NSA).**	31/acre	60/acre	
Civic Zones:	***FAR***	***FAR***	
For Light Rail Station Areas (LRSAs)	0.50	0.75	Minimum FAR for CM, CS, CX, EG, & EX zones is 0. less surface parking in LRSAs.
For Non Station Areas (NSAs)	0.50	0.50	
Commercial Zones:			
Retail Services LRSAs	0.50	0.75	Base at minimum FAR assumes parking ratio of 2.5 s
Retail Services NSAs	0.35	0.50	Base is below minimum zoning and assumes parking
Office Light Rail Station Areas (LRSAs)	0.50	2.00	Base assumes low-rise suburban pattern. UR assumes some above-grade structured parking at 2 spaces/ 1,
Office Non Station Areas (NSAs)	0.50	1.00	UR assumes 75% mode split and some tuck-under pa
Office Flex LRSAs	0.50	1.00	Base typical 1-story business park space with 2 space /1,000 sf
Office Flex NSAs	0.50	0.75	
Mixed Use Light Rail Station Areas (LRSAs)	**0.50**	**2.00**	UR assumes housing and/or office over retail/parkin reduced parking ratios.
Residential	0.25	0.75	Parking ratios of 1.25 and 0.75 spaces per unit, respec
Retail	0.25	0.50	Parking ratios of 4.0 and 2.5 per 1,000 sf of building a
Office		0.75	Parking ratio of 2.0 spaces per 1,000 sf of building are
Mixed Use Non Station Areas (NSAs)	**0.50**	**1.00**	Base assumes housing next to retail with surface park and/or structured parking.
Housing Density (land area per unit)	1,400 sf	545 sf	Where residential/commercial, the 31 and 80 dwellir
Residential	0.25	0.67	Parking ratios of 1.5 and 1.0 spaces per unit, respectiv
Retail	0.25	0.33	Parking ratios of 4.0 and 3.0 per 1,000 sf of building a
Office			Parking ratios - None Specified, Gateway District Pla Districts - "no minimum"
Building Square Feet Per Employee:			
Office	250 sf	250 sf	Based on prior Metro data & EDH work.
Office Flex	400 sf	400 sf	

Assumption	Base Case	Urban Renewal	Comments
Civic	667 sf	667 sf	
Retail Services	500 sf	500 sf	
Industrial	1,000 sf	1,000 sf	
Valuations:			
Multifamily Residential	$70/sf	$90/sf	Based on average new construction sales price for 19 Report Spring/Summer 2000. UR higher density $65, parking
Condominiums	$100,000 / du	$150,000 / du	Base assumes mid-market pricing. UR assumes imp
Retail Services	$90 / sf	$140 / sf	Based on RSMeans construction costs at $55 per sf pl
Office Space	$110/ sf	$150 / sf	Base at $75/sf construction +30% soft cost + parking. Central City density product.
Office Flex	$110/sf	$100/sf	Base at $75 construction + 30% soft costs, + parking,
Industrial	$105	$105	$60 sf construction, plus 30% plus surface parking.

Source: E.D. Hovee & Company.

APPENDIX 5: DETAILED SUMMARY OF NON-TIF FUNDING SOU

Funding Source	Description	Availability	Advantages	Dis
Revenue Bonds	Bonds issued and backed only by revenues from operations of the facility funded or by dedicated tax sources, without recourse to the full faith and credit of the issuing agency.	Potential dedicated sources could include all or some portion of business tax, or other revenues viewed as related to an events center. For example, a special business license fee has been dedicated to pay a portion of the debt for the Seaside's Civic and Convention Center.	Does not impact debt limits of issuing agency, unless backed by GO bonding or utility LID for credit enhancement.	Lim area pro plan Diff sou faci reve imn
General Obligation (GO) Bonds (Voter Approved & Non-Voted)	Bond levy approved by voters of the levying jurisdiction requires minimum 60% favorable vote (with participation of at least 40% of voters from the preceding general election). Issuance is subject to bonded indebtedness limitations for voted and non-voted (councilmanic) bonds.	Voter-approved GO bonds have been a significant source of funding, (e.g., Oregon Convention Center).	Minimizes burden on any one segment of taxpayer, as entire community shares the cost for public facility of widespread benefit.	Lim favo is p wid to b ben Pub relu deb fun (oth Pro ove
State & Federal Grants	Award of capital construction funds from a state or federal grant program. Lottery funds dedicated for economic development have been awarded to a variety of projects throughout the metro area and state.	Grant availability varies with type and timing of the proposed projects. The Metropolitan and State Transportation Improvement Projects (MTIP & STIP) utilize TEA-21 funds. Projects have been selected for the 2000-2003 period already.	Competitiveness for federal/state grant funding often is tied to a national/state-recognized benefit. The TEA-21 funding allocations for 2001-2003 are already completed, so any (MTIP or STIP) applications would have to be for the next funding cycle	Req stat wid loca Stat for bee

Funding Source	**Description**	**Availability**	**Advantages**	**Dis**
Economic Improvement District (EID)	By forming an EID, commercial or industrial districts are able to fund a variety of programs through a self-imposed assessment after review by the city. EIDs can be used to fund capital improvements and also related intangible requirements such as planning, management, maintenance and recruitment.	Used for Downtown Portland Clean & Safe Program.	The assessments for an EID can be attached to business license fees.	Req to b diff owr prog acti
Transient Room Tax (TRT)	Additional funding could also potentially come from reallocating a percentage of the transient room tax (TRT) for debt service on revenue bonds. Additional funds could also be made available from the transient room tax by increasing the tax rate.	This is a currently employed funding mechanism. The TRT in Portland is presently 11.5%. Access to TRT funds would require a reallocation from existing uses, or an increase in the rate with the marginal collections dedicated to the Gateway projects.	Program currently in use in Portland.	Pote fun natu incr a ta
Community Development Block Grant (CDBG) including Section 108	Funds are allocated to city governments to be used as grants or loans for public improvements or private investments. Section 108 of CDBG allows lending, secured by future entitlement funds for major projects.	Intended to benefit low and moderate income people using federal funds for public or private improvements. Funds may be used for infrastructure and other economic development projects.	Section 108 loans can include long repayment terms (e.g. 30 years) and flexible interest rates (as negotiated).	Feas be c low prev Sect of r
General Fund Revenues	The city has discretionary use of general fund revenues to provide for needed city expenditures.	Budget cycles occur biannually in which necessary funding can be specified.	No additional fees or taxes are necessary.	Urb hav fun

Funding Source	Description	Availability	Advantages	Dis
System Development Charges	Charges appurtenant to development, which are designed to pay for impacts of development normally absorbed by the general public.	Limited to development activities.	Normally some of the costs attendant to development are paid by affected jurisdictions like schools, roads, & utilities. With SDCs the developer pays more of the total costs of development.	Incr dev mak fina cost dev
Low Interest Loan Pool	A group of lenders agrees to set aside a pool of loan funds at below market interest rates.	Depends on interest of local area financial community. Approach has been used in a variety of Oregon and Washington communities for downtown building facade renovation and housing loan pools.	Can be custom designed to address targeted local needs. Shares risk of non-performance between multiple lenders. May generate collateral business for lender.	Typ for use Nee com issu
Private Donations	Voluntary or contractual donation of funds, goods/services or property from individuals or businesses for construction of all or portions of public facility. Funds donated could be a deduction against corporate or personal income for federal tax purposes.	Historically, major lodging facilities in some communities were funded through public subscription. Other applications in Portland include the Chinese Garden and Simon Benson House.	Avoids total reliance on public sector funding support, with strong evidence of private commitment. Could also be used to avoid a more formal assessment process. Opportunities can be provided to recognize donors (e.g. naming, plaques, purchase of usage rights).	Diff proj of c perc indi Typ inve of le
Foundations	A variety of private foundations could be approached for a portion of project funding provided that the project idea fits the eligibility requirements of a particular foundation.	Many foundations make donations only to tax-exempt non-profit organizations. Typically, foundation grants are conditioned on receipt of matching funds from other sources.	Increasingly important funding tool for non-profits in an era of shrinking public sector funding. Foundations typically prefer capital funding rather than ongoing program support.	Con fund Like prog edu

Funding Source	Description	Availability	Advantages	Dis
Transportation Management Association (TMA)	The TMA is an association of businesses and public agencies working to improve access and mobility for those who work, reside, shop, and commute in and to the District. (e.g. The Lloyd District TMA's focus includes programs for improved public transit, ride sharing, alternative work hour programs, and programs promoting parking management, bicycle and pedestrian measures.)	There are TMAs in the Portland area: Lloyd, Tualatin and West Side Districts, Columbia Corridor Assn., Swan Island Carpool Rewards, Broadway Weidler Mini Plan.	Local support for local programs. Creative support of operational efficiencies for transportation systems. Can provide suggestions and support to get capital improvement projects included in larger program funding, like Metros Capital Improvement Plan (CIP).	Prir sche cap typi larg
Local Improvement District (LID) and Other Voluntary Special Assessment Districts	An assessment of benefiting property owners that can be used to fund capital improvements such as roads, site preparation, sidewalks, lighting, and related public works. Can be initiated by resolution of City Council or petition of owners representing a majority of the proposed area.	Subject to protest by property owners with 60% of the cost of the proposed improvement. LID funding has been used to pay for portions of projects ranging from the Oregon Convention Center to Central City Streetcar.	Widely used for funding local improvements that benefit property and business owners. Payments can be structured to coincide with benefits received. Payments can be amortized with bonds.	Req ben asse

Funding Source	Description	Availability	Advantages	Dis
Joint Development	A portion of development cost could be offset through any of a number of potential joint development arrangements such as sale of surplus property for future supportive development, sale of air rights, shared parking arrangements, etc. This is also known as a public/private partnership.	Has been applied in the Seattle area. For example, a portion of Washington State Convention & Trade Center capital funding involved sale of development rights. PDC uses this approach extensively. TriMet is involved with Joint Development on projects where they have land ownership, or have been included in the design and construction phases of projects.	Most successful if the public use (i.e. events center and/or public parking) creates value for potential adjoining private development. Joint development could also involve other public agencies, (e.g. county, port, Metro).	Incr mal the of a fun reve out-
Lease-Revenue Bonds & Certificates of Participation (COPS)	Bonds issued and backed only by project revenues, without recourse to the full faith and credit of the issuing agency. *Note:* A corollary tool is Certificates of Participation which are financial instruments backed by physical assets (such as equipment or facility) providing opportunities to structure private/public partnerships.	Can be backed by GO bonding authority or utility LID (for water/sewer).	May be suitable for use with public-private partnership, e.g. lease of public facility to private operator.	Diff faci typi dire
Water/Sewer	Utility funding could be applied to upgrading of in-street infrastructure. Could involve waiver or reduction of systems development charges (SDCs)	Water/sewer funding has been applied to upgrading of infrastructure for major urban area development projects in communities such as Vancouver, WA.	Reduces cost of infrastructure to project. Utility funding for property also offers potential for increased flexibility in repayment. Payments may be tied to usage over a given area (as through a LID).	Util infr like spe req revi

Source: E.D. Hovee and Company