

# City weighs affordable housing funds in urban renewal

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It's been six years since Portland voted to dedicate 30 percent of the city's urban renewal funds toward affordable housing. It was a controversial decision at a time when the city's housing concerns were divided between City Council and the Portland Development Commission, with business, neighborhood and affordable housing interests each weighing in on how the money should be divvied up.

Since its creation in 2006, the policy has generated more than \$152 million for housing affordable to low-income and workforce residents, accounting for one-third of tax increment financing expenditures in the city's nine neighborhood urban renewal areas, or URAs. The money has helped fund the Bud Clark Commons, veterans housing in the South Waterfront district, the Blanchet House reconstruction, and preservation efforts in existing low-income housing buildings.

On Wednesday, the City Council held a hearing on an updated policy implementation plan for the city's 30 percent set aside with a few modifications. It sets a course for another five years of affordable housing funding through tax increment financing within URAs and establishes, for the first time in writing, that the 30 percent figure is a minimum, not a maximum.

"I think any fair appraisal of the first five years under the set aside is that it has been a big success," says City Commissioner Nick Fish, who oversees the Portland Housing Bureau. "Over \$150 million has been invested in housing for people that the market doesn't serve."

Tax increment financing, or TIF, is a mechanism for raising money for development within designated areas called urban renewal districts. In a nutshell, it is a formula for using tomorrow's tax revenue on development or improvements to finance today's development. The increased value of the district increases tax revenue, and that "increment" is collected and used to pay off the debt of the original investment in the district.

In 2006, the Portland Development Commission and the City Council agreed, for the most part, to dedicate 30 percent of the URA revenue for affordable housing. Language between the two bodies was eventually reconciled to state that the 30 percent was a citywide goal, with individual district goals.

"It was never a one size fits all," Fish says. "The goal was overall. So we've kept the targets, but reaffirmed the notion that you've got to get to 30 percent in the

aggregate."

Of the nine applicable URAs, Central Eastside, Downtown Waterfront and the Oregon Convention Center areas are set at less than a 30 percent goal for affordable housing. Two areas, North Macadam and the South Park Blocks, actually exceed the 30 percent goal. (There are 11 urban renewal areas, however, the Airport Way and Willamette Industrial urban renewal areas are not suitable residential districts and have no requirement for affordable housing.)

In addition to affirming 30 percent as a minimum, the new recommendations change the formula for determining the percentage. The revised policy will budget the 30 percent figure based on a district's TIF revenue, rather than expenditures as it has been in the past. It also redirects any income from the housing programs back to the Portland Housing Bureau, as opposed to going to the overall TIF pool of funds.

Jesse Beason is the executive director of Proud Ground, a Portland-based nonprofit that helps families buy affordable first homes. Beason was also a member of the housing subcommittee that made recommendations on the policy. Beason says the change to direct housing program income back to the bureau — rather than the TIF pool — is a positive improvement.

"It makes it so there's no disincentive between a loan and a grant," Beason says. "In the end it gives the housing bureau much more autonomy to focus on its goals."

Beason was also satisfied with the 30 percent minimum being applied citywide, which by the numbers really means a fairly equitable goal in each of the city's nine neighborhood URAs, he says.

"For us, what it really ensures is that in the push to revitalize areas, it is not forgotten that there are winners and losers in that process, and that we need to invest in ensuring that as property values rise and we make more attractive neighborhoods that we don't price anyone out, whether they are renters or homeowners," says Beason.

Low-income housing advocates say preserving the set aside is critical for ensuring affordable housing options in the future.

"It's made a big difference in that now we actually have a somewhat reliable source of funding that we can count on," says John Miller, executive director for the Oregon Opportunity Network, a coalition of affordable housing providers across the state. "We know at least we have a resource. That's made a lot of our members think more creatively. That's been a good thing because it gives our folks a tool so they can actually look ahead a little bit."

By the nature of tax increment financing,

## 10-year summary of URA income for the 30 percent set aside

Urban Renewal Area	Amount Available over 10 Years (2006-2015)	% of Total URA TIF Budget
Central Eastside	\$8,370,877	18%
Downtown Waterfront	\$20,364,829	21%
Gateway	\$9,621,360	30%
Interstate	\$33,057,009	30%
Lents Town Center	\$32,331,491	30%
North Macadam	\$31,872,273	36%
Oregon Convention Center	\$18,210,435	26%
River district	\$90,586,515	30%
South Park Blocks	\$32,956,202	52%
<b>Total</b>	<b>\$277,370,990</b>	<b>30%</b>

Source: Portland Housing Bureau

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PROUD GROUND

the income generated in the URAs will decline as an area's development is completed. Looking ahead to the next five years, the amount generated for the set aside is expected to decline as well, with a total of \$277 million anticipated through 2015, including the \$150 million already raised since 2006.

Beyond 2015, the so-called TIF cliff looms, as do more immediate federal budget cuts to nationwide housing programs that are on the chopping block now.

"Sometimes we focus a lot on local policies and local issues, and what's going on in Washington right now is frankly pretty scary," says Miller. "We need to be looking way up stream at where the funding is coming from. We really should be focusing a lot of our attention right now on Congress because that's where some really significant things are happening."

Fish suggested that discussions around long-term funding options will begin soon at the local level.

"What you're going to see soon is us pulling together a group to see what those options are going forward," says Fish. "There's a TIF cliff, there are draconian cuts at the federal level, which will trigger a number of domino effects at the state and local level. And we're going to have to come up with a dedicated source of housing in the future."

Mayor Sam Adams has proposed creating more URAs, most recently "mini" districts that would generate about \$1 million in revenue for improvements but that would probably be exempt from the set aside because the revenue is so small.

Any creation of an urban renewal district means a shift in revenues from Multnomah County to the city because the revenue captured in TIF is tax dollars diverted from the county. David Austin, communications director for Multnomah County, said the county supports the set aside plan for the housing assistance to the county's most vulnerable citizens. The county also had a representative on the housing subcommittee that reviewed the plan.

"The county's position is, when it comes to urban renewal, all those decisions are best made when all the partners are around the table, making sure to take into consideration what might help and what might hurt different locales — school districts, county districts, city government, et cetera," Austin says.

Beason agrees that the city has to plan for the near future when the set aside begins to dry up.

"There's a larger discussion to come over the next couple of years," Beason says.



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